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THE WHITE HOUSE  
WASHINGTON

THE PRESIDENT HAS SEEN  
9-24-97

September 19, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Elena Kagan

SUBJECT: DPC Weekly Report

1. **Education -- Labor-HHS-Ed Appropriations:** The Labor-HHS-Ed appropriations conferees are expected to meet next week. In addition to securing adequate funding for your priorities, we are working to make sure that the final bill rejects block granting and provides the funds and authority to proceed with national testing. We believe it will be relatively easy to remove the block grant provision from the Senate bill, given the failure of a similar amendment in the House to generate support. To win on our testing initiative, we must cast the House vote on the Goodling Amendment as yet another indication of the Republican Party's indifference to improving public education. Your radio address and charter schools event on Saturday were key steps in that strategy; we are now developing additional events involving the Vice President, Secretary Riley, and others. We are also urging business leaders and opinion leaders (e.g., Checker Finn and Diane Ravitch) to help make the case for the national tests as authorized by the Senate (i.e., with NAGB as overseer). Finally, we are continuing to look for ways to reduce the opposition of the Black and Hispanic Caucuses, either through adjustments to the testing proposal or agreements on other issues, such as school construction.

2. **Education -- Vouchers:** The District of Columbia Appropriations bill, as passed by a House subcommittee last week, includes a provision authorizing funds for private school tuition vouchers. (The bill would provide vouchers worth \$3,500 to about 2,000 parents.) We sent a SAP to Congress last week saying that senior advisors would recommend a veto if the bill comes to you with this provision. Republican supporters of the voucher proposal may make use of a new Harvard University study of Cleveland's voucher program. The study, which received significant press attention last week, found high levels of student achievement and parental satisfaction among those receiving vouchers. The Education Department argued, in response to press inquiries, that (1) the study examined students in only two of the forty-one schools participating in Cleveland's voucher program, and (2) the Administration's basic case against voucher programs rests on the harm they do to children who do not use vouchers and remain in public schools. Later in the year, the Ohio Department of Education will release the results of a state-commissioned evaluation of the Cleveland voucher program, which will cover all participating schools. We do not know what this study will show.

3. **Education -- Proposition 209 and Hopwood:** A University of California Task Force charged with examining declines in minority enrollment in the wake of Proposition 209 has

recommended dropping the SAT as an admission requirement. The group based its recommendation on projections that continued use of the test would cause Hispanic enrollment to decline by as much as 70% at the system's flagship campuses, and lead to similar declines in African-American enrollment. Governor Wilson denounced the Task Force's recommendation, which probably will not be voted on until the spring. Earlier this year, Texas responded to the Hopwood decision by taking action similar to the UC Task Force's recommendation. A new law, signed by Governor Bush, requires automatic admission of students in the top 10% of their high school classes to the state university of their choice; these students need not provide any standardized test scores.

Our efforts to develop policy responding to Proposition 209 and Hopwood have focused not on changing university admissions standards (we do not think the federal government usefully can do much in this area), but on getting universities to partner with high schools and middle schools in economically deprived areas to provide mentoring and academic support. (The University of California Task Force also has recommended establishing such mentoring programs.) Our efforts in this direction seemed to us to dovetail with NEC's work on the Chaka Fattah proposal, and we are now encouraging NEC to make this partnering initiative a significant part of the revised Fattah proposal.

**4. Health – Children's Health Implementation:** The DPC is pushing HHS to move quickly to disseminate information and guidance to states regarding implementation of the new children's health initiative. In the past two weeks, the Department has published state funding allotments and has issued a document showing what information states will have to supply in their applications for funding. In addition, HHS has given detailed briefings on the program to the NGA, members of Congress, and interest groups. But much more needs to be done. We are working to distribute additional materials to the states, providers, consumers, and other interested parties in October -- the first month the program goes into full effect. In addition, we are developing events for you and/or the First Lady to highlight the program and provide information about it.

**5. Health – FDA Reform:** After months of delay, the Senate is scheduled to pass an FDA reform bill next week. At the same time, the House version of the bill will come before the full Commerce Committee. There is great interest in enacting an FDA reform bill this year because failure to do so will result in the expiration of the Prescription Drug User Fee Act (PDUFA), which has significantly expedited the FDA's review of new drugs. The Administration has two principal concerns about the Senate version of the bill. First, the bill would prevent user fees from going into effect unless the FDA receives "full funding" -- a triggering mechanism that may interfere with the Administration's future budget decisions. Second, the bill would preclude the FDA from reviewing new medical devices for uses other than the manufacturer's intended use. We believe these issues can be resolved prior to the bill coming to you for signature.

**6. Health -- AZT Trials:** An editorial in *The New England Journal of Medicine* this week criticized U.S.-funded clinical trials designed to discover ways to reduce maternal-infant transmission of HIV in developing countries. The article, which received significant press coverage, compared the trials to the Tuskegee syphilis test because some participants in the trials receive placebos, while others receive a drug with proven benefits (AZT). HHS officials (including Drs. Varmas and Satcher) believe that the criticism is misguided, as does Dr. Harold Shapiro, the Chair of the National Bioethics Advisory Commission, and many other well-respected ethicists and scientists. In addition, international experts convened by the World Health Organization -- and ethical review boards in each of the countries in which the studies are occurring -- have determined that the studies are scientifically well-founded, ethical, and essential to the fight against AIDS. The studies are designed to find effective AZT treatments that are simple and affordable enough to use in developing countries, given poor economies and low standards of public health care. Giving placebos to some participants -- which is equivalent to the local standard of care -- is necessary to obtain reliable and timely information about these experimental AZT regimens.

**7. Health -- Dr. Satcher:** Your nomination of Dr. Satcher to be Surgeon General has been well received. Dr. Satcher made many successful courtesy visits on the Hill last week. Many members, including Senators Frist and Jeffords, issued supportive statements. Most important, Senator Lott said that he saw no reason why Dr. Satcher should not be confirmed. We will continue to seek endorsements from members and advocacy organizations. We are hopeful that the confirmation hearings will begin in the next couple of weeks.

**8. Welfare -- Fair Labor Standards Act:** In the wake of Speaker Gingrich's pledge to fix what he called the Administration's effort "to undermine and destroy welfare reform" by applying the minimum wage and other labor protections to workfare participants, Rep. Clay Shaw is trying to garner bipartisan support for a bill to address state concerns about the cost of work programs. Shaw's latest version (1) provides an exemption from FICA and FUTA that seems to cover not only workfare participants, but other working welfare recipients, including those in subsidized private sector jobs; (2) contains a set of definitions that could be read to suggest that working welfare recipients are not regular employees for purposes of other labor laws (although Shaw insists that this is not his intent); and (3) limits required work hours -- again, apparently for all working welfare recipients, not just workfare participants -- to the sum of the welfare grant and food stamps, less any child support collected by the state, divided by the minimum wage.

Although this draft legislation appeals to a bipartisan group of governors (Governors Carper and Chiles like it), it is not attracting much support in the House. Blue Dog Democrats are criticizing the draft on the ground that it significantly weakens work requirements; in low-benefit states, the bill would result in welfare recipients working less than 20 hours each week, with the remaining hours spent in activities such as job search. Liberal democrats (and unions) are criticizing the draft on the ground that it weakens labor protections for welfare recipients. And the Republican leadership is criticizing the draft on the ground that it does not sufficiently

weaken labor protections for welfare recipients. Given this criticism, Shaw may well go back to the drawing board.

**9. Welfare -- Privatization of Food Stamps and Medicaid:** The Department of Agriculture has received a waiver request from Arizona to privatize food stamp and Medicaid operations in Eastern Maricopa County (representing 13% of the state's caseload). Under the welfare law, USDA must act on a request to privatize food stamp operations -- either by approving it, denying it, or seeking additional information -- within 60 days. This 60-day clock will run on October 3. Even apart from broader concerns about privatization, Arizona's demonstration proposal suffers from a serious defect: because the state wants to test many aspects of the social service system in Maricopa county (essentially creating a mini-replica of Wisconsin Works), it will be very difficult to isolate the effects of privatization on social service delivery. At a meeting last week, USDA, DPC, and OMB agreed that USDA should meet the October 3 deadline by asking Arizona for further information addressing this issue. Congressional Republicans have not resurrected the privatization issue this fall, and we should not do anything to provoke them before November.

**10. Welfare -- Child Support Computer Systems:** As you know, as many as eight states (California, Michigan, Illinois, Pennsylvania, Ohio, Maryland, D.C., Nevada, and Hawaii) will not meet the October 1 deadline -- established in the 1988 Family Support Act and already extended from 1995 to 1997 -- for putting in place a statewide child support computer system. California is probably two to three years away from meeting this goal. Under current law, any state failing to meet this deadline loses both federal child support funds and TANF funds.

You recently asked whether the Administration should endorse Senator Feinstein's proposed approach to this problem: a six-month moratorium on imposing penalties on states that are not in compliance with the computer systems requirement. We and Secretary Shalala agree that supporting this proposal would signal to states that we are not serious about enforcing child support rules and might slow state progress toward completing computer systems. In addition, the Feinstein proposal does not actually accomplish anything because even under current law, states have until December 31 to inform HHS that they have failed to meet the October 1 deadline and the ensuing process for imposing penalties will take several additional months.

We do think, however, that some change in current law is necessary. Rep. Shaw has asked us to work with him on a bipartisan basis to develop legislation providing HHS with additional penalty options -- e.g., the loss of 5-15% of federal funds -- so that HHS can sanction states for noncompliance while not depriving them of all TANF and child support funds. We believe a proposal of this kind can be enacted before HHS has to withhold TANF and child support funds from any state under the current law.

**11. Welfare -- Children's SSI Terminations:** Rep. Shaw and other House Republicans held a press conference last Wednesday to rebut claims by advocates that the children's SSI cuts are too severe. They released a new GAO report that validates SSA's new childhood disability

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get this  
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done*

standard, judging it to be consistent with the welfare reform law, not overly strict, and fairly administered. They also praised a recent random sample study by SSA of 40 children whose benefits were terminated, arguing that it showed the new standard is fair. Advocates have attacked the SSA study. SSA continues to tell the press that the disability standard it adopted is consistent with congressional intent and that it is working hard to make sure the standard is administered fairly. At his confirmation hearing, Ken Apfel committed to a "top-to-bottom" review of the SSA's administration of the new standard within 30 days of his confirmation; this promise echoed the one you recently made to disability advocates. Some press stories have reported erroneously that Apfel committed to reviewing the standard itself, and not just SSA's administration of it.

12. **Crime – Brady Law:** The Center to Prevent Handgun Violence released a study on Friday showing that the Brady Law has helped to disrupt illegal gun trafficking patterns. According to the study, states that did not require background checks for handgun purchases prior to the Brady Law became less important as source states for gun traffickers after enactment of the law. The study suggests that the few jurisdictions that have stopped doing background checks in the wake of the Supreme Court's decision may be inviting gun traffickers to locate in their communities. We issued a statement from you highlighting the study and its findings.

THE PRESIDENT WAS SEEN  
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THE WHITE HOUSE  
WASHINGTON

November 25, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING  
ELENA KAGAN

SUBJECT: State of the Union Ideas

lots of good ideas  
also we should pay for  
on (as) we have paid by  
for health - passed  
Classroom  
School  
etc

As you requested, this memorandum provides a brief description of new ideas we are seriously considering for the State of the Union. Most of these ideas involve increased spending and you will have to make choices among them as you consider the FY 99 budget. Options relating to social security and tax reform are not included in this memo.

Education

90% of class  
with  
classroom  
schools  
This  
was  
proposed  
and cost  
management

1. **Class size / 100,000 teachers:** We are working with the Vice President's office and others on an ambitious initiative to reduce class sizes in the early grades by providing money to hire up to 100,000 new teachers, perhaps paid for by reducing the federal work force by another 100,000 positions. We estimate that 100,000 new teachers in grades 1-3 would reduce average class size from roughly 21 to roughly 18. The initiative would have three main elements: 1) grants to help states or communities hire new teachers (as in the COPS program, these grants would be time-limited (3-4 years) and the federal share would be 50-75%); 2) funds for teacher training, with a special emphasis on reading; and 3) provisions to ensure accountability, such as requiring testing of new teachers and/or ensuring the removal of bad teachers from the classroom. A serious proposal along these lines would cost \$5-10 billion over five years, depending on the size of the federal match and the target date for reaching 100,000. We also would need to accompany the proposal with a school construction initiative (see below).

2. **Education Opportunity Zones:** As we outlined in an earlier memo on policy proposals for the race initiative, we are working with the Education Department on a plan that would reward 10-15 poor inner city and rural school districts for agreeing to adopt a school reform agenda that includes: ending social promotions, removing bad teachers, reconstituting failing schools, and adopting district-wide choice and/or public school vouchers. Our goal is to give school districts incentives to hold students, teachers, and schools accountable, in essentially the way Chicago has done. In our working proposal, each urban grant would be worth \$10-25 million and each rural grant would be worth up to \$2 million, for a total request in FY99 of \$320 million.

3. **National Public School Choice Law:** We are exploring the possibility of proposing

legislation to require that states and communities allow public school choice as a condition of receiving federal education funding. Together with a strong endorsement of bipartisan charter school legislation (bound to pass next year), this measure will show that we firmly support choice and competition. We are also looking into the concept of a parents' right-to-know law that would require states and communities to make key information on school performance available, so that parents can make informed choices.

**4. University-School Partnerships:** As we also outlined in our earlier memo on the race initiative, we are working on a grant program to promote strong partnerships between colleges and high-poverty middle and high schools, with the goal of enabling more youth to go on to college. This initiative would encourage colleges to adopt the Eugene Lang model for helping disadvantaged youngsters. Colleges would encourage students to take demanding courses, while providing academic enrichment and intensive mentoring, tutoring, and other support services. The students would receive special certificates for participating in the program, somewhat along the lines of Chaka Fatah's proposal. The Department of Education has requested \$200 million for FY 99 for this initiative.

**5. Campaign on Access to Higher Education:** We are preparing to conduct an intensive publicity campaign on the affordability of higher education. The goal of the campaign would be to make every family aware that higher education is now universally accessible, as well as to reiterate that higher education is the key to higher earnings.

**6. School Construction:** We will need to re-propose a school construction initiative this year. We are currently considering the appropriate size and duration of this initiative, as well as the possibility of structuring this initiative as a tax credit.

**7. Teacher Training for Technology:** We are currently weighing several options on training teachers to use educational technology. These include (1) expanding various innovation grants to ensure that within four years, all new teachers will be ready to use educational technology, or (2) using the Technology Literacy Challenge Fund to train and certify at least one "master teacher" in every school, who can then train other teachers in the use of educational technology.

**8. Hispanic Education Dropout Plan:** We have developed a plan to improve educational opportunities for Hispanic Americans (or limited English proficient students generally), with the goal of decreasing the current disparity in dropout rates. The draft plan includes a number of administrative actions, as well as targeted investments of roughly \$100 million to programs for migrant, adult, and bilingual education.

**9. "Learning on Demand":** We are developing an initiative, related to some of Governor Romer's ideas, to encourage the use of technology (e.g., the internet, CD-ROM, interactive TV) for lifelong learning. The initiative will begin the process of giving all Americans "anytime, anywhere" access to affordable and high-quality learning opportunities. The initiative is still in the developmental stage, and at this time we recommend only a small investment.

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Work  
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Child Care

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**1. Affordability:** We are developing a proposal that will help working families afford child care by (1) increasing funding for federal child care subsidies through the Child Care and Development Block Grant, and (2) changing the Child and Dependent Care Tax Credit by raising the percentage of child care expenses for which taxpayers of certain income levels may take a credit. On the subsidy side, every additional \$100 million in the block grant will pay child care costs for at least 35,000 more children with incomes below 200 percent of poverty. On the tax side, we are considering raising the maximum credit rate to 50 percent for taxpayers with adjusted gross income (AGI) of less than \$30,000 (from a current high of 30 percent for taxpayers with AGI of less than \$10,000), and adjusting the income slide accordingly.

**2. Safety and Quality:** We are also considering targeted investments to improve the safety and quality of care. Our current proposal adds funding to the scholarship program for child care providers that you announced at the child care conference (which was very well received); provides resources for states to improve their enforcement of health and safety standards; and funds efforts to educate parents on quality child care.

**3. Early Childhood Learning and Afterschool Programs:** Our current proposal also expands early learning opportunities by increasing investment in Early Head Start and creating a new 0-5 Early Education Fund. The new fund will provide grants for innovative early learning programs for both working and stay-at-home parents. We are also considering ways of expanding and streamlining afterschool programs.

**4. Helping Parents Stay Home:** To support parents who wish to stay at home with their children, we are working on ways to expand the FMLA -- to six months instead of 12 weeks and to smaller-sized employers. We are also looking at a variety of ways to provide financial assistance, whether through a modified version of the Child and Dependent Care Tax Credit or through paid family leave administered under the unemployment insurance system. The cost of these financial proposals, however, may be prohibitive.

Health

YCS

**1. Consumer Protection Legislation:** We should reiterate our support for three pieces of health care consumer protection legislation: (1) the Quality Commission's Consumer Bill of Rights, which has strong public and elite support and arguably is more moderate than a bill in the House that already has attracted over 85 Republicans; (2) our genetic anti-discrimination legislation, which has attracted bipartisan support on both sides of the Hill as a way to protect Americans

from the misuse of new advances in genetics; and (3) privacy protection legislation, which would establish strong federal standards to ensure the confidentiality of medical records. Although these consumer protections would benefit the entire population, women's health advocates are especially supportive of them, because the Consumer Bill of Rights would ensure direct access to OB/GYNs and our genetic anti-discrimination legislation would protect women who undergo new tests for the breast cancer gene.

**2. Medicare Reform and Program Improvements:** To build on the Medicare reforms in the balanced budget agreement, we are considering two reform initiatives: additional anti-fraud initiatives (perhaps providing \$2-3 billion in savings over five years) and an income related premium (providing another \$7-8 billion in savings assuming it kicks in at an income around \$50,000). We are also considering a number of Medicare improvements to which we could apply the above savings: (1) a Medicare (or COBRA) buy-in for pre-65 year olds (or some targeted subset of this age group), the cost of which would depend on whether we decide to subsidize this benefit; (2) Medicare coverage of cancer clinical trials, which could substantially increase investment in the treatment and cure of cancer, including prostate cancer; and (3) a new mechanism to provide Medicare beneficiaries with information about private long-term care insurance that meets appropriate standards.

Costs  
Assess  
Program

Use  
Work  
Effect

**3. Doubling the NIH Research Budget with Proceeds from Tobacco Legislation:** We (along with the Republicans) are considering a proposal to double the NIH budget, which would cost about \$20 billion over five years. Such an investment could lead to breakthroughs in research that would greatly improve our ability to prevent and treat diseases like diabetes and cancer — and substantially lessen the costs associated with these diseases. Because the discretionary caps are so tight, the only realistic way to pay for such an initiative is through dedicated savings from the tobacco agreement. This link between tobacco legislation and health research should resonate strongly with the public.

Use  
Revenue  
Program

**4. Other Coverage Options -- Children's Health, Workers In-Between Jobs, Voluntary Purchasing Cooperatives:** We are working on a public/private outreach effort to ensure that every child eligible for health insurance under Medicaid or our new program actually gets covered. The public side of this effort could include proposals to: give bonuses for enrolling more children in Medicaid; expand the kinds of places where children can enroll; and simplify eligibility processes. In addition, we are considering whether to propose a demonstration of our old policy to provide coverage to workers who are in-between jobs. Finally, we are continuing to pursue proposals relating to voluntary purchasing cooperatives, as a way to help small business gain access to and afford health insurance coverage.

Consider  
Program  
a Medicaid  
or other  
buy-in  
program  
at too

**5. Racial Disparities in Health Care:** We are working on a proposal to address racial disparities in six carefully selected areas of health care: infant mortality, breast and cervical cancer, heart disease and stroke, diabetes, AIDS, and immunization. This proposal will include nationwide actions to reduce these disparities, as well as focused pilot projects in thirty communities (say, a project on diabetes on an Indian reservation or a project on AIDS in an inner

at

city). The stated aim of the proposal will be to eliminate racial disparities in these six areas by 2010.

Crime

1. **Community Prosecutors:** We are working on a proposal, costing up to \$100 million, to provide grants to prosecutors for innovative, community-based prosecution efforts. A number of jurisdictions already have embraced such efforts; for example, community prosecution is an essential component of Boston's juvenile crime strategy. These jurisdictions have found that a "problem-oriented" (rather than incident-based) approach to prosecuting, using a wide variety of enforcement methods and attending to the concerns of victims and witnesses, can pay real dividends. A grant program could spread these innovative programs across the country.

*Added  
Community  
Prosecutors  
too  
help  
address  
our  
city's  
problem*

2. **Juvenile Crime Initiative:** Although we got funds for much of our youth violence strategy in last year's appropriations bills, we should continue to press for the passage of juvenile crime legislation - especially for a juvenile Brady provision, which will stop violent juveniles from owning guns as adults. We also should challenge the four cities leading the nation in juvenile crime (New York, Los Angeles, Chicago, and Detroit) to replicate Boston's successful strategy and target resources to these cities to help them meet this challenge.

Welfare/Housing

1. **Welfare-to-Work Housing Vouchers:** We are working with OMB and HUD on a proposal for 50,000 new housing vouchers to help welfare recipients in public housing who need to move in order to find employment. We would distribute these vouchers on a competitive basis to public housing authorities working with local TANF agencies and/or grantees of the new \$3 billion welfare-to-work program. We are working on a number of proposals to increase housing mobility (see below), and linking this issue to welfare reform may increase the chance of attracting congressional support. At the same time, we should reiterate our support for welfare-to-work transportation funds as part of NEXTEA.

*Good*

Housing

1. **Housing Portability/Choice:** In addition to the new welfare-to-work housing vouchers discussed above, a package on housing portability and choice could include: increasing the number of Regional Opportunity Counseling (ROC) sites; encouraging the use of exception rents (rents up to 120 percent of the "fair market rent") as a tool for opening up more expensive suburban housing markets; and eliminating obstacles to portability of Section 8 vouchers.

2. **Fair Lending/Fair Housing:** This proposal could include: an examination of the impact of credit scoring and risk-based pricing on the availability of credit/capital to lower-income and minority individuals; issuance of guidance by banking regulators on certain key credit scoring issues and, possibly, on risk-based pricing; a Presidential call to the FDIC and the Federal

Reserve to obtain more data on reasons for home mortgage loan denials (OCC and OTS already collect such information); and collection of race and income data as part of the Equal Credit Opportunity Act/CRA small business and small farm lending reporting requirement.

3. **Downpayment Reduction:** We are working on a proposal to increase homeownership by reducing the barriers to buying a new home. Many low- and moderate-income families find a downpayment the largest hurdle to buying a new home; this initiative would lower this cost and help more families become homeowners. In 1992, Congress authorized the National Homeownership Trust, but never appropriated any money. We are investigating whether we should request money for this program or whether it is better policy to expand the existing HOME program (which serves a similar purpose).

### Labor/Workforce

1. **Child Labor:** We are working on a comprehensive Child Labor Action Plan, anchored by a \$100 million commitment to the International Program on the Elimination of Child Labor (IPEC) — a voluntary program of the International Labour Organization which is dedicated to the elimination of child labor. The funds, which would be managed by the Department of Labor in accordance with criteria we would develop, would go to programs attacking the most intolerable forms of child labor. The initiative also might include a stepped up Customs program to enforce U.S. law banning the import of goods made with forced or bonded child labor; increased support for the Migrant Education Program to support elementary and secondary education to the hardest-to-serve migrant children; and a call for prominent organizations, such as the Boy Scouts and Girls Scouts, to adopt a "No Sweat" code for uniforms and an accompanying label.

2. **Pensions:** We have developed an expanded pension coverage initiative that focuses on a simplified defined benefit plan for small businesses, based on the SAFE plan proposed by the American Society of Pension Actuaries (ASPA). We are also looking at a payroll deduction IRA proposal, a three-year vesting requirement for employer matching contributions in 401(k) plans, a women's pension initiative, and a pension right-to-know proposal.

3. **Community Adjustment:** As part of the Fast Track debate, we proposed the creation of the Office of Community and Economic Adjustment (OCEA). As you know, this office will be modeled after the Defense Department's Office of Economic Adjustment (OEA) — the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. The OCEA would coordinate the Administration's response to regions impacted by a major plant closing or trade, by working with Labor, Commerce, SBA, HUD, Treasury, and other government entities. This group would provide planning grants and expertise to help communities develop comprehensive economic adjustment strategies. Since this program will be part of the Economic Development Administration (EDA), we are investigating whether we could initiate this proposal by executive memorandum, while awaiting Congressional appropriations.

→ you - v. important can do before bringing up fast track

### Climate Change

1. **Tax Incentive and R&D Package:** You already have committed to a \$5 billion package over five years for tax incentives and R&D to promote low-carbon technologies. The Treasury Department is working on a possible package of tax incentives to be included in the FY 1999 budget, and DOE has a proposal on the expenditure side. We are working to develop final options.

### Race

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

1. **Civil Rights Enforcement Initiative:** We are working on a coordinated package of reforms for the EEOC and the civil rights offices at DOJ, HUD, HHS, Education, and DOL. Among other things, this proposal would expand dramatically the EEOC's mediation program, substantially increasing the average speed of resolving complaints and reducing the EEOC's current backlog. Similarly, the proposal would promote the increased use of non-adversarial techniques by the agencies' civil rights offices. The proposal also would provide a mechanism for better coordination among the various civil rights offices.

Yes - worth being  
something big to push  
to pass

THE WHITE HOUSE  
WASHINGTON

December 6, 1997

**MEMORANDUM FOR THE PRESIDENT**

**FROM: GENE SPERLING AND BRUCE REED**

**RE: Policy Initiatives for the FY 1999 Budget**

At the end of next week, we will be having a budget meeting with you in which you will begin making an assessment on how to spend limited resources on both existing programs and new initiatives. Our staffs have been working hard to complete their inter-agency processes on these new initiatives so that you could have a better understanding of them when we enter the budget process. It is important to note because of tight constraints, we are not asking you to make budgetary choices at this time, but rather to understand each of the initiatives so that you are in the best position possible to make such choices when Frank Raines presents you with the overall budget presentation.

Attached are many of these initiatives, including all of the education proposals. Over the next few days we will forward you several others and Katie McGinty will also be sending you a memo on new environmental policies.

cc: The Vice President  
Erskine Bowles  
Frank Raines

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THE WHITE HOUSE  
WASHINGTON

December 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
MIKE COHEN

SUBJECT: Class-Size Reduction Initiative

We are proposing for consideration in the FY 1999 Budget a \$9.2 billion, 5-year initiative to improve early reading by reducing class size in grades 1 and 2 to a maximum of 18 (the current *average* is 22.5), and by taking the steps necessary to ensure that all teachers in those grades have the knowledge and skills necessary to teach reading effectively in small classes.

Reducing class size has long been an important goal for parents and teachers throughout the country. Although research on the impact of lower class size has produced some conflicting findings, two major well-controlled experiments undertaken in the 1980s in Tennessee and Indiana showed that reducing class size in the early grades to between 15 and 18 students has a significant effect on student achievement. All students benefit from smaller classes, but the effects are largest for the most disadvantaged – low-income and minority students in inner cities.

A number of states are now launching their own class-size reduction initiatives. (Class size is also a lynchpin of Tony Blair's education agenda.) The proposed class-size initiative, structured as a partnership between the federal government and state and local governments, would help spread this effort across the nation. It also would provide a concrete way to demonstrate your commitment to help all students meet challenging national standards.

Class-size initiatives raise significant issues, especially involving teacher quality. For example, California's new initiative to reduce class size to 20 in the primary grades has exacerbated the shortage of fully qualified teachers and resulted in increased hiring of noncertified teachers, especially in urban areas. It also has increased the need for professional development for existing teachers, so that they can take full advantage of small classes. Finally, the initiative has placed added pressure on already overcrowded facilities.

The significant reductions in class size occurring in California, however, have had clear benefits. In the first year of implementation, most teachers report that smaller classes enable them to pay greater attention to individual students, to assign and help students with more challenging work, to communicate more often with parents, and to have less disruptive classes. Many parents echo these reports, and support for public schools appears to be on the rise throughout the state. And many schools and districts are finding ways of meeting the challenges of teacher quality and facilities. They have implemented effective training programs for both

new and experienced teachers. And they have purchased portable classrooms or changed their use of existing facilities to make room for smaller classes.

The proposal described below is designed to help states and districts take advantage of the opportunities afforded by reductions in class size and to respond effectively to the challenges. We assume it will be coupled with a robust school construction proposal.

### **Purpose**

The purpose of this initiative is to reduce class size and provide quality teachers in the early grades, so that all students learn to read independently and well by the end of the 3rd grade. Specifically, this initiative will help states and local communities hire an additional 89,000 teachers over 5 years in order to reduce class size in grades 1 and 2 to a maximum of 18. (The nationwide *average* is now 22.5.) At the same time, it will help states and school districts recruit and prepare new teachers and upgrade the skills of existing teachers in the early grades so that they have the skills necessary to teach reading effectively in small classes.

### **Funding Stream**

The initiative would provide states and local communities with \$9.2 billion over 5 years. Funding in the first year (\$615 million in FY99) would cover the costs of hiring an additional 17,800 teachers, and funding in succeeding years would cover a similar number. The Department of Education would distribute funds to states on a formula basis, taking into account the number of additional teachers each state would need to reach the class size target, as well as poverty and teacher salaries within the state. We are also exploring ways to provide funds directly to the largest urban areas, as we did in last year's school construction initiative. In addition to paying for additional teachers, funds from this program would go towards measures to improve teacher quality, such as improved training for people entering the teaching profession, enhanced professional development opportunities for existing teachers, and new incentives for qualified teachers to teach in underserved areas. The federal government would cover 80% of the costs, with state and local communities providing matching funds for the rest.

### **State and Local Plans**

The Department would require states to work with local school districts to develop a statewide plan for class size reduction. The plan would include a timetable for phasing in class size reduction, strategies for ensuring that every classroom has a qualified teacher and that every school has appropriate facilities, and a plan for financing the state and local share of the costs. The Department would encourage states and school districts to consider first how to make better use of *existing* staff and resources to reduce class size, such as by reassigning certified but non-teaching staff to classroom positions.

States and districts would have considerable flexibility in designing these plans. They

could carry over federal funds from one year to the next, enabling jurisdictions to invest in preparing and training teachers at the front end of the process and scale up class-size reductions in later years. In cases where the lack of facilities or qualified teachers make it counter-productive to meet the class-size reduction target, jurisdictions could propose alternative approaches -- e.g., Reading Recovery or Success for All -- to provide intensive high-quality reading instruction in the early grades.

### **Quality Teachers**

State and local plans would be required to address teacher quality in a number of ways. States and local districts would have to show that (1) they will work with institutions of higher education and others to recruit and adequately prepare teachers; (2) they will hire new teachers without increasing the percentage of uncertified teachers already in the classroom; (3) they will use tests and other certification requirements to ensure that new teachers have the appropriate knowledge and skills; and (4) they will ensure that new teachers get high-quality, sustained professional development. We are also considering a requirement that states and districts demonstrate that they have effective ways of identifying low-performing teachers, giving them help and, if necessary, quickly and fairly removing them from the classroom.

States and school districts would use funds from this initiative, as well as state and local funds and funds from other federal programs, including Title I, America Reads, the Eisenhower Professional Development program, and Chapter 2, to fund the teacher quality component of the initiative. To assist state and local efforts, the Department of Education would launch a major effort to disseminate information about best practices and proven approaches to improving teacher quality and reading achievement.

### **Facilities**

This initiative will place added burdens on existing facilities, and some school districts will have difficulty finding adequate space for smaller classes. It is therefore important for the Administration to propose a school construction initiative along with this proposal and press the Congress to enact it. In addition, as indicated above, this initiative will allow schools that cannot reduce class size to use federal funds for other proven approaches to teaching young children to read.

### **Accountability for Results**

Under this initiative, local school districts will have to evaluate the impact of their class-size reductions on reading achievement and make midcourse corrections as needed. If a district cannot show significant gains in reading achievement after 3-4 years, it would not receive continued funding under this initiative. This provision will ensure that school districts have a strong incentive to make the most effective use of all of their resources and to use proven practices to improve the quality of teaching. In addition, the Education Department will conduct

a national evaluation of this initiative to identify implementation problems and to learn about the most effective practices.

### Budget Options

If the cost of this proposal needs to be scaled back, we can reduce the overall cost by aiming to reduce class size to an *average* of 18 with a ceiling of 20, or by reducing the federal share of the initiative to 70%. Alternatively, we could phase in the program over a longer period, such as 7 years. The chart below shows the total 5-year cost of these options.

	80% Federal Share	70% Federal Share
Class size ceiling of 18	\$9.2 Billion	\$8.0 Billion
Class size average of 18, ceiling of 20	\$7.7 Billion	\$6.7 Billion
Class size average of 18, ceiling of 20; 7 year ramp-up	\$5.5 Billion (for first 5 years)	\$4.75 Billion (for first 5 years)

THE WHITE HOUSE  
WASHINGTON

December 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING  
BOB SHIREMAN

SUBJECT: College-School Early Intervention Initiative

In preparation for the budget decisions that will need to be made in the next few weeks, this memorandum is intended to provide you with a status report on the development of a possible college-school early intervention initiative, and an opportunity for you to provide direction to our continuing efforts. In order to move forward on the budget, there are three issues that need to be settled: (1) the basic parameters of the early intervention programs, (2) the issue of early notification (the "guarantee" of aid), and, of course, (3) funding.

With the approach described in this memo, you would be able to announce a new program that would, with an initial investment of up to \$300 million --subject to the budget process:

- Provide families at high-poverty middle schools (and possibly others as well) with an official notification of the \$20,000 or more that is already available for their children to go to college; and,
- Through colleges and other partners, provide intensive, long-term early intervention and support services to 200,000 to 400,000 new children each year (at 1500-3500 high-poverty schools), depending on funding.

Background

As you remember, this initiative began with your interest in the "21st Century Scholars Act" by Rep. Chaka Fattah. This legislation, which continues to garner significant support, including some Republicans, would guarantee sixth graders at high-poverty schools a maximum Pell Grant when they got to college; send a notice to them annually from the Secretary of Education reminding them of the availability of aid; and make them automatically eligible for the counseling, academic support, and other services provided by TRIO programs (such as Upward Bound) in high school and college.

Working with OMB and Education, we analyzed the specifics of the Fattah approach and found a number of problems: higher-than-expected costs and inefficiencies; inequities and perverse incentives; and the difficult issue of a new entitlement. Most important, the research on early intervention programs indicated that in order for them to be successful, it is *critical* that mentoring, counseling and tutoring be provided to students. Simply making them eligible for TRIO is not enough. As you know, Rep. Fattah is aware of these concerns and is flexible on the design of a program.

We felt strongly that the Administration needed a strong early intervention initiative that goes well beyond a notification about financial aid. Research demonstrates that programs that start early and are sustained for a number of years are effective. For example, in the rigorously-evaluated Quantum Opportunities Program, 42 percent of the participants attended college, compared to 16 percent in the control group. To have a significant impact on college enrollment of disadvantaged youth, it is clear that we need a full-fledged early intervention program.

Our idea is to center this effort on colleges reaching out to children at high poverty schools. College involvement is critical for a number of reasons. First, this approach creates an ethic of responsibility: it reminds colleges that they are responsible for helping to build a pool of disadvantaged youth -- disproportionately minorities -- who are well-prepared for college. Second, if college is to be the goal that sixth graders see, they need to have some connection to the institution. Third, colleges can ease student fears about college costs, and perhaps even offer guarantees or financial aid and admittance if students meet certain milestones. Fourth, colleges are best able to tell students -- and the schools they attend -- what types of courses and skills they need to succeed. Indeed, an ancillary benefit of this approach should be higher standards.<sup>1</sup> And finally, a stable, long-term institution needs to be there to ensure the quality and staying power of a program like this one.

In October, principals discussed options (DPC, OMB, Education, PIR, COS, and OLA were represented). At that meeting, there was strong support for the concept of Federal aid to partnerships between colleges and needy schools, to provide sixth graders with mentoring and other support that would be sustained through high school graduation. There was also strong support for getting early information to families about the availability of Federal financial aid for college.

Since the principals meeting, we have accelerated our consultations and research. I have spoken with more than 200 college presidents, both individually and in groups, and the response has been quite positive. Many of them have provided examples of their own efforts to tap into K-12 schools to recruit and offer help early. Education is reviewing all of the research literature,

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<sup>1</sup>In fact, in response to our consultations on this issue, we already have a proposal from colleges in the California State University system for an early intervention program that would focus on math as the gateway to college.

and with my staff has carried out an effort to identify model programs with the characteristics that we discussed at the principals meeting. Both Mike Smith and I have spoken with Eugene Lang, founder of the "I Have a Dream" program, and he agrees that we are on the right track. Lang is coming in to meet with me in mid-December. Even though he is best known for his promise of aid to Harlem sixth graders, he feels strongly that the early and sustained *support services* are the most important determinant of a successful program (and he agrees with the need for college involvement).

It is important that while pursuing this effort, we do not give the impression that we are denigrating two types of young people: those who do not go to college, but who prepare well for productive jobs without college; or those who only need one or two more years of post-secondary education or skill training to be successful in the workplace. Your School-to-Work initiative values equally a variety of pathways to success. We will ensure that the program design helps all children know they can go to college if they work hard and succeed through high school, without implying that they may be failures if they choose postsecondary education other than college.

#### Basic Parameters of the College-School Partnerships

Some of the colleges with whom we have consulted want the program to be very flexible, to incorporate a wide variety of program models. But we have pressed that while we support flexibility, there needs to be a vision — some common elements that give the proposal an identity that will propel it to success both legislatively and, ultimately, programmatically. We recommend the following core components:

**Start Early and Stay with Kids through High School.** Students should begin in the program *not later than* the seventh grade. The program must continue to provide services through high school graduation (or at least for six years). (There will be some attrition due to dropping out of school or of the program, moving out, or participating in another program.) Programs should not pre-judge some kids as not having college "potential." Instead, we should encourage programs that involve whole classes or cohorts of students.

**College as a Goal.** The programs must make sure that every child in the class/cohort comes to believe that college is within grasp if he or she works hard, and that it is affordable with Federal aid. The message will also make it clear that the same kind of rigorous academic preparation is needed for careers that do not require college. Special consideration would be given to partnerships that guarantee enrollment in a college for participating students who reach particular milestones, and/or for programs that guarantee additional financial aid to cover the full costs of the college.

**An Intensive Element.** Programs must provide intensive assistance to students at least during some part of the program. For example, this may be a residential summer component at a college.

**Community Involvement.** Community organizations and businesses should be tapped to offer mentors, guarantees of additional financial aid in exchange for student performance, exposure to careers, and other support.

**Full-Time Coordinator.** To make the program a success requires the full commitment of the school district and the middle and high schools into which the college mentors will reach. It is critical that full-time coordinators serve as the "glue" between the colleges and the schools, ensuring that colleges come through on their commitments, and schools link their own counseling and guidance program and other services -- including Title I and systemic reform efforts -- to the college program on an on-going basis.

**Family Involvement.** It is also critical that families learn both about the college financial aid that is available, the courses that the child needs to increase the likelihood of success in college and career, and the resources that are available to help (tutoring, mentoring, etc.).

*Note on relationship to TRIO programs.* Some colleges already have Federal TRIO grants with some of the above characteristics, and/or they have other similar programs. The largest Federal investment, Upward Bound, provides counseling and intensive academic support to *selected* disadvantaged *high school* students who show aptitude for college. The Talent Search program provides a one-shot program of early information about college to middle school students. Those programs do not come close to addressing all of the need, so there would not normally be a problem with them duplicating some part of this new program. Applicants for the college-school partnership funds would have to describe how their existing early intervention programs would be coordinated with the new program. It is expected that some partnerships would apply for the new grants to extend and expand their programs, so that Upward Bound, for example, could essentially create a grade 4-10 feeder program, and Talent Search could add a more intensive component with follow-up during the high school years. Others might simply focus on high-poverty schools where the students are not being served by any current program.

Maintaining the separate TRIO programs with similar purposes could be an ineffective use of funds, if the new design turns out to work better for poor children. However, the politics of attempting to reform or integrate TRIO into the new design legislatively (as noted, we hope it will happen locally), argue against making the effort. We will design the evaluation of the new program to address comparisons to TRIO (and other models).

#### Early Notification/Guarantee

At the October principals meeting, there was concern that Fattah's idea of early notification guarantees not translate into any new entitlement to aid: first, it creates budget complications, both politically and practically; second, it creates the impression that the current programs are not secure -- contrary to the "universal access" message that we are sending in the wake of victories on HOPE and Pell.

Our feeling is that we do not need to go so far that we create a new entitlement. We can achieve Fattah's goal by providing children and their families with *early, official notification* of their eligibility for college financial aid. Because of the combination of student loans, Pell Grants, and HOPE Scholarships, virtually everyone is already eligible for at least \$20,000 of aid for four years of college. We can make a firm statement about eligibility without creating the budget complications. (As with Federal pensions and some military benefits, the actual amounts would depend on the continuation of the programs.)

This would be part of the larger information campaign on access to higher education, which I will get you a memo on in the coming week. While the focus would be on getting the notifications to families at the highest-poverty schools, we would not need to be that restrictive and could reach a larger number than the Fattah legislation proposes. Our expectation is that we can provide a minimum level of information to every family on a regular recurring basis, and that we will find ways to make special efforts to tailor the message for poor families with children of all ages.

As already noted, we would encourage partnerships to supplement Federal aid with additional financial assistance and/or guaranteed admission to a particular college if the student takes the right classes and works hard.

### Funding

The costs of successful programs range significantly, from a few hundred dollars per participant to several thousand. The ability of a college and other partners to put up some of its own resources also varies. It was clear from my discussions with the presidents of Yale and Columbia that they mainly wanted to be associated with a national effort and would put a lot of their own (substantial) resources to the effort. On the other hand, in some parts of the country it would be important to be able to have a significant Federal contribution, at least at the start. Our work continues on these design questions.

For the purposes of estimating potential impacts, we have assumed an average \$1,000 per participant cost in the first three years, and \$800 for the remaining three. New cohorts of children are added each year, but there is a declining (national average) Federal match, with the local programs expected to take over after the sixth year (again, our work continues on these design questions). With those assumptions, a \$300 million Federal investment in FY 1999 would allow us to serve 375,000 seventh graders (at about 3300 high-poverty schools). That is more than seven times as many as are now served by Upward Bound. The amount would need to ramp up somewhat as new cohorts of students are added. The initial, FY 1999 funding amount could be reduced either by reducing the size of the proposal, and/or by phasing in the number of partnerships funded.

*Add at least \$30 million.* The TRIO programs have a strong, organized constituency. We are working with the association on this proposal, and so far they are supportive. But they are concerned that our interest in this new proposal may weaken our resolve as far as increases for the TRIO programs. Therefore, it is critical that an increase of at least \$30 million be included in the Budget for TRIO if we move forward with the school-college mentoring partnerships. Doing so will help get the proposal through Congress. *An increase of \$53 million for TRIO is suggested in my memo to you on Hispanic education.*

*Legislative strategy.* We are currently assuming that this would be a new, competitive direct grant program from the Department of Education, probably part of our proposal for reauthorization of the Higher Education Act. If funded on the discretionary side, it would benefit us in the appropriations process to use an existing authority, and there are a couple we could choose from. We are also exploring the possibility of funding the program on the mandatory side, which could have some strategic advantages.

Some of the Committee leadership on the Hill are expected to pursue a state-based model, making use of a program authorized in 1992 called the National Early Intervention and State Scholarship Program. It is funded at \$3.2 million now and funds some useful models. Education opposes using this authority, however, because it would be more difficult to maintain a high-quality, highly targeted effort within a state formula grant program.

### Next Steps

If you are comfortable with the general approach, then we will continue to draft the descriptions that will need to be included in the Budget, if funding is to be included. We will then continue to vet the idea, and will begin to develop a roll-out strategy.

### Views and Recommendations

Secretary Riley strongly supports this initiative as a logical next step in our efforts to assure access to higher education for all Americans.

Sperling considers this to be as important as any education initiative this year, because (1) given the strong interest of colleges in the effort, we can have a considerable national mobilization, (2) it targets the age group that is most neglected in Federal education policy, and (3) it helps with the long-term needs relating to affirmative action. Reed and Kagan support the proposal for similar reasons.

Judy Winston considers this proposal to be fully consistent with the President's Initiative on Race, which includes a focus on *action* designed to bridge racial divides. She is exploring the possibility of including a representative of an effective early intervention program in the program for the December 17 Advisory Board meeting.

THE WHITE HOUSE  
WASHINGTON

December 6, 1997

**MEMORANDUM FOR THE PRESIDENT**

**FROM:** GENE SPERLING  
BOB SHIREMAN

**SUBJECT:** Hispanic Education Investments and Actions

This memorandum provides you with background on our efforts to improve educational opportunities for Hispanic Americans, and a possible further investment strategy for the FY 1999 Budget. Once budget decisions are made, we will have a comprehensive package of research-based recommendations, new investments, and administrative actions ready for an announcement. The announcement would include:

- a report on the Hispanic dropout problem by researchers named by Secretary Riley two years ago (in response to a request by Sen. Bingaman). The report includes research-based advice for schools, families, and all levels of government;
- new investments (proposed in this memo) in programs that address the needs of Hispanic and LEP children;
- a list of administrative and other actions -- including a Conference on Staying in School -- that Education, Labor and HHS are taking to improve Federal programs so that they better serve the Hispanic (and LEP) community; and,
- the Secretary of Education's plan to ensure that the major education programs and our agenda of research, standards and testing, teacher training, and outreach address the needs of Hispanic and LEP children.

Section I of this memo describes the consultations that have taken place and the legislative and appropriations actions that we have already taken. Section II is a reminder of some of the planned or possible FY 1999 investments that are generally important for minorities, but are not explicitly part of the Hispanic plan. Section III lays out a possible investment strategy for Hispanics and LEP children and families for the FY 1999 Budget. Section IV describes the other actions that agencies would announce as part of the Hispanic Action Plan.

Section V presents the views of your advisors.

## I. Background

In response to your request, the NEC, DPC, OMB, Department of Education, as well as Maria Echaveste, Mickey Ibarra, and Janet Murguia set out to determine what we could do to address the Hispanic dropout rate and to generally improve the educational opportunities of Hispanic Americans. We aimed to:

- Improve then-pending Administration initiatives and reauthorization proposals so that they provide a greater benefit to Latinos (for example, adjusting funding formulas that do not adequately take into consideration growth areas).
- Identify Appropriation items in the FY98 Budget that have a disproportionate impact on the Latino population, so that we would be sure to take that into consideration in the continuing budget process.
- Identify and carry out additional administrative and legislative proposals that could be aimed at increasing Hispanic educational opportunities.

As a foundation for our efforts, we were able to use a report and recommendations released last year by the President's Advisory Commission on Educational Excellence for Hispanic Americans. We met with constituency groups, and held a series of meetings with Hispanic Caucus members and staff, where officials from Education, Labor, HHS, and USDA discussed their programs and some of the concerns and recommendations that have been raised. Most recently, we have been able to review the not-yet-released report of the Hispanic Dropout Project, by a group of researchers named by Secretary Riley at the suggestion of Senator Bingaman. We have also reviewed legislation proposed by Congressman Hinojosa and Senator Bingaman.

It is important to note that the consultative effort brought tangible results. As a result of these efforts:

- We insisted that our 35% increase for Bilingual and Immigrant Education be an explicit part of the Bipartisan Balanced Budget Agreement, a very exclusive list (only 13 items government-wide).
- The \$199 million in Bilingual Education includes \$25 million for training teachers to help limited English proficient (LEP) kids, a proposal that Republican appropriators fought last year. (Thank Delia for working with the appropriators this year to assure their support).
- We took another look at our America Reads legislation and added provisions to make doubly sure that States would have to make a particular effort to serve LEP

children.

- Our proposal for Adult Education reauthorization -- a program that provides adult ESL -- includes a new formula that targets states with large numbers of LEP adults. (Unfortunately, no one in Congress is pushing the formula).
- We proposed and received an 11% increase in the FY 1998 appropriation for Hispanic-Serving Institutions (HSIs).
- In a reversal from our position to eliminate the program a few years ago, we proposed and received a small increase for HEP-CAMP (migrant college support services and early intervention program).
- Other selected FY 1998 Appropriations that provide disproportionate benefits for Hispanics include:
  - Job Corps -- an effective program in which 70% of the participants are minorities -- got \$92 million increase (to \$1.246 billion). 30 Job Corps Centers teach ESL.
  - Youth Opportunity Areas: \$250 million to the highest poverty areas to help out-of-school youth (age 16-24) become employable. (Currently six cities are funded. In NYC, 67% of those served are Hispanic; in Houston, 65%; in Los Angeles, 50%.)
  - \$1.4 billion increase in Pell Grants for low-income college students.
  - Obey's Comprehensive School Reform provides funds that will go to schools that need to be transformed -- first in line should be those with high dropout rates.

## II. Generic Issues

It is important that our overall campaign for high standards and accountability remains to be seen as an important part of the answer for all children, *particularly* those who are at risk. For the announcement of the Hispanic Action Plan, Education has developed a document that describes how the key education programs work for Hispanic and LEP children.

There are also other new initiatives that have already been announced or are being considered that are oriented toward needs that have been identified in our work on Hispanic Education, including:

- **Teacher Training and Recruitment.** Your five-year, \$350 million teacher training and recruitment proposal is aimed at improving teacher preparation particularly for harder-to-serve populations, and recruiting more minority teachers.

- **Education Opportunity Zones.** This new investment is aimed at spurring and rewarding effective reform efforts in school districts that tend to be predominantly minorities.
- **College-School Early Intervention Partnerships.** This is a proven response to the dropout problem: it takes children at high-poverty schools by the seventh grade, delivers a firm message about college opportunity, and then provides them with support through to high school graduation. We consider this a major initiative that should be announced in a broader context, but (depending on what is announced first) we can describe it as part of the dropout initiative.

### III. Decision: Added Investments

For FY 1999, we recommend that you consider increasing funding in some key programs that are important to Latinos. This package addresses five of the six highest-priority items identified by the Hispanic Education Coalition (HEC). In a forthcoming letter, the Congressional Hispanic Caucus (CHC) is expected to ask for increases in the same six items listed below, although at higher levels.

Investment (in millions):	FY 1998	Increase	FY 1999
Bilingual Education - Teacher Training	\$25	\$25	\$50
TRIO College Preparation Programs	\$530	\$53	\$560
Hispanic-Serving Institutions [non-add; already approved]	\$12	[\$16]	\$28
Adult Education - Model ESL Programs	n/a	\$20	\$20
Migrant Education Program	\$305	\$50	\$365
Migrant Education: HEP and CAMP	\$9.7	\$5.3	\$15
TOTAL:		\$153.3	

Secretary Riley and the HEC also cite Title I as an appropriate area for investment. While people tend to think of it as a program for African Americans, *Title I now serves more Hispanics than Blacks*. If you decide to provide an increase to Title I, we might want to consider including it in the Hispanic Action plan as a way of changing perceptions about who is served by programs for disadvantaged populations.

**1. Bilingual Education - Teacher Training.** This program provides current teachers with the skills they need to address the English language deficiencies of their students. (Despite the name, it does not require a bilingual program). By doubling the FY 1998 investment and sustaining that level over five years, we could train 20,000 teachers. The need in this area is huge -- California alone has a reported shortfall of 20,000. The \$25 million compares to a \$56 million request expected from the CHC.

2. **TRIO College Preparation Programs.** A recent evaluation of the Upward Bound program (support for promising disadvantaged kids to go to college) showed dramatically positive results for Hispanics. This is an opportunity to showcase this success. We will also be making changes to the TRIO statute to encourage more funding to areas that are under-served, such as the Hispanic community. Even though we may be proposing an *earlier* mentoring program, it is important that we propose an increase in TRIO so that the very strong TRIO constituency does not see the new program as a threat. The \$53 million would be a 10 percent increase. *The separate memo on the College-School Early Intervention initiative suggests at least a \$30 million increase in TRIO.* The CHC is expected to ask for an increase of \$70 million for TRIO, mostly in Upward Bound.

3. **Hispanic-Serving Institutions.** These funds go to strengthen colleges where at least 25 percent of the student body is Hispanic and a large portion are needy. The program is funded at \$12 million in FY 1998. As a result of work on the Higher Education Act reauthorization and discussions with Rep. Hinojosa (chairman of the education task force of the CHC), we have sent a letter to Hinojosa promising an increase of \$16 million. CHC members and the HEC have been very pleased with the \$16 million proposed increase; nonetheless, the CHC is expected to ask for the authorized level, an increase of \$33 million

4. **Adult Education - Model ESL Programs.** The largest single source of English-as-a-Second-Language funding comes from the Adult Education program (which also promotes adult literacy and GED attainment). There are a plethora of approaches, and huge demand for these programs. But there is little information about what types of programs are most effective for different populations. This five-year \$100 million investment would go toward improving the ESL programs that we now fund through identification and dissemination of proven and promising practices. It could also be used to provide more training for adult ESL instructors, and/or to expand the use of the televised ESL series "Crossroads Cafe," if the evaluations of that program are as positive as expected. The CHC is interested in increasing adult ESL, but was unsure what level or method of increase to seek.

5. **Migrant Education Program.** Because of their mobility, migrant children -- more than 80 percent of whom are Hispanic -- often do not "belong" to any one school system or even one State. That is why the Federal role in this area is critical. Funded at \$305 million in FY 1998, MEP is a State formula program that supports an extremely wide range of interventions specifically tailored to the needs of the local population it serves. Services range from the identification and recruitment of kids into schools, to all kinds of school-based interventions, to after school programs and summer sessions.

The 1994 reauthorization (of the Elementary and Secondary Education Act) focused MEP on the most mobile families, and resulted in more services are now being provided in the summer and between school sessions. Despite a narrowing of eligibility rules, the number of participating children has been increasing since the reauthorization, in part because of partnerships between MEP and several major agribusiness partners. These partnerships have led to improved service and coordination by local providers (education, health, public safety,

library).

Increased funding would help to address the growing population of children who are being referred to the program, and to continue to provide a richer array of supplemental educational services. *A \$50 million investment is proposed in a separate memorandum describing options for addressing Child Labor issues.* The CHC is expected to ask for a \$70 million increase.

#### **IV. Administrative Actions and Program Improvements**

Based on our review of the Advisory Commission recommendations, other reports, and our meetings with the constituency groups and the Caucus, the agencies have signed off on a number of changes to, or enhancements in, current programs to better serve the Hispanic population. These are *not* a part of any budget decisions that need to be made.

##### **Dropout Prevention:**

- **Comprehensive School Reform.** The FY 1998 Appropriations bill included a new \$150 million program to transform failing schools using proven models. The Secretary of Education will identify model school reform approaches that address the needs of LEP children and dropout prevention. States and school districts will use these funds to turn around low-performing schools, many of which enroll high concentrations of Hispanic students and have high dropout rates.
- **Conference on Staying in School.** An option under consideration would involve the President and the Administration in a conference to share solutions to the dropout problem (Hispanics and others). The conference -- which may or may not be sponsored by the White House -- would highlight lessons from successful efforts to reduce dropout rates and to provide youth with alternatives to traditional high schools. Clearly this will need to be weighed against other scheduling requests and proposals for education conferences.
- **Clearinghouse on Successful Models for Dropout Prevention.** The Education Department, through its various research centers (and other clearinghouses), has a great deal of resources relating to dropout prevention. This would provide school and community leaders with "one-stop shopping" for ideas and information on best practices for keeping kids in school.

##### **General:**

- **Public Service Announcements.** Univision has agreed to produce a series of Spanish-language public service announcements on education, such as encouraging parents to read to their children at an early age, and telling families about college financial aid. The spots will be developed in cooperation with the Department of Education, and will refer

viewers to the Department's toll-free line.

- **Toll-Free Number.** The Department of Education will establish a toll-free number that is answered in Spanish (or change the current number to prompt non-English speaking callers earlier), to ensure that there are no barriers to parents who want to find out how to better help their children succeed in school. The Department will explore how best to provide assistance in other languages as well.
- **Information Dissemination.** The Education Department will expand the number of publications that are translated into other languages, so that LEP parents have better access to information that will help their children learn. Working with the White House Initiative on Educational Excellence for Hispanic Americans, the publications will be more widely distributed in the Hispanic community.
- **Model High Schools:** Working with the National Council of La Raza and ASPIRA, the Education Department's New American High Schools Initiative will focus attention on schools that better prepare all students for college and careers. Four of the ten schools initially selected have a Hispanic population of 20 percent or more. In addition, the Department has awarded a two-year contract to improve student preparation at six urban high schools and to serve as models for other high schools. Three of the six have substantial Hispanic student participation.

#### **Early Childhood and Parental Involvement**

- **Early Head Start:** FY 1998 Appropriations nearly double the size of the Early Head Start program. Grants are awarded through a competitive process. The Department of Health and Human Services will ensure that the Hispanic community and Hispanic organizations, as well as other communities and organizations, are fully informed about these opportunities. The Department anticipates that about a quarter of the children served by the new programs will be Hispanic.
- **Head Start:** The Bipartisan Balanced Budget includes continued expansion of the program, toward the goal of serving one million children by 2002. The Department of Health and Human Services will implement an outreach plan to ensure that programs are reaching the Hispanic community. As a part of that effort, the Department will identify and disseminate a "best practices" guide for serving limited-English proficient (LEP) children.
- **Title I/parent training:** Parents who do not speak English well need extra care and support to gain their active participation in the schooling of their children. The Department of Education is compiling a set of "best practices" for implementing family literacy and parent involvement programs. This will include guidelines for working with LEP parents.

## Improving teaching and learning

- **America Reads:** The Education Department and Scholastic, Inc., have developed and are distributing, posters featuring the message "Reading is Power/Leer es Poder." The back of the poster provides reproducible reading activities for classroom use. Spanish language tutoring kits have been developed and will be distributed to Hispanic communities. LULAC has been an active partner in America Reads effort.
- **Bilingual/Teacher Training:** The Bipartisan Balanced Budget Agreement secures a 27 percent increase for the bilingual education program. As part of that increase, the Education Department will dedicate \$25 million to increase the number of teachers who are qualified to teach LEP children, and to improve teacher preparation programs so that all teachers can meet the needs of LEP students.
- **Technology:** To ensure that all schools take advantage of the funding available through the \$2 billion Technology Literacy Challenge Fund and the discounts of up to 90 percent (for the poorest schools) that will be available through the FCC's Universal Service Fund, the Education Department will conduct a series of technical assistance workshops, including some that are targeted to communities with large populations of Hispanic students. [Mention VP's leadership of outreach effort?]

## Migrants

- **Technology:** The Education Department has awarded six grants, at \$15 million over five years, for projects that apply the use of technology to improve teaching and learning for migrant children.
- **Coordinated eligibility.** The Education Department is exploring the possibility of waiving eligibility requirements for Migrant Even Start and other education programs so that children of participants in the Job Training Partnership Act's migrant program (section 402), who have already been judged needy, will be automatically eligible.

## Second chance and job training

- **Youth Opportunity Areas:** \$250 million has been appropriated for FY 1999, targeted to the highest poverty areas in the country to help out-of-school youth (age 16-24) become employable. (Currently six cities are funded. In NYC, 67% of those served are Hispanic; in Houston, 65%; in Los Angeles, 50%.)
- **Bilingual Contextual Learning.** The Labor Department is currently evaluating the results of an innovative approach for training individuals for the burgeoning home health care field. The Department will broadly disseminate the "lessons learned" from this experience.

- **ESL in Job Training.** The Labor Department will include guidance for providing services to limited-English-proficient populations in JTPA or successor programs.

### **College opportunity**

- **TRIO programs:** The Education Department's reauthorization proposal will include measures designed to make the programs more available in areas that are now under-served by TRIO, including those with substantial Hispanic populations.
- **Information about college financial aid:** The largest Spanish language newspaper in the country, La Opinion, is publishing and distributing a Spanish-language version of the Education Department's guide, "Getting Ready for College Early." The Department is seeking out other opportunities to better reach Latino families.
- **Hispanic-Serving Institutions:** The Education Department's reauthorization of the Higher Education Act will include the creation of a new part under Title III for Hispanic-Serving Institutions.
- **Community College Articulation:** The reauthorization also would allow the Fund for Innovation in Postsecondary Education to focus a special competition on projects that promote articulation between two-year and four-year institutions.
- **Graduate Education:** The Education Department's proposal for reauthorizing Graduate Assistance in Areas of National Need gives special consideration, in awarding grants, to institutions that show a strong past and continuing performance in serving populations traditionally under represented in academic programs in areas of national need.

**Other efforts:** The Education Department will release a plan that includes a number of other items, and improvements in data collection and research relating to Hispanic and LEP students.

### V. Views and Recommendations

Secretary Riley supports these investments, but thinks there should be more. He would like to see them packaged with increases in one or more of the larger programs that serve Hispanic children, such as Title I.

Sperling thinks these investments are a necessary platform for promoting the many other steps that we are taking to address the educational needs of Hispanic Americans.

Reed agrees that these are important investments that need to be considered in the context of other priorities.

Judy Winston notes that associating this effort with the President's Initiative on Race would help its multiethnic focus, *i.e.* moving beyond the black-white paradigm.

THE WHITE HOUSE  
WASHINGTON

December 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING  
BOB SHIREMAN

SUBJECT: School Construction

You have publicly made it clear on a number of occasions -- most recently in Chicago with Sen. Moseley-Braun -- that you will continue to fight to get Congress to address the problem of the crumbling school infrastructure. There are two issues on school construction that need to be considered in the context of FY 1999 Budget decisions: size and design (spending versus tax). This memorandum briefly describes some of the policy and political dynamics around the question of size, then lays out the pros and cons on the design issue.

Size

As with all of the new initiatives, we are not asking you decide at this time the amount of money that should be dedicated to the School Construction initiative. You should keep in mind, however, that because of the history of this proposal, its size in the FY 1999 Budget will be a substantive and political decision that will draw a great deal of attention.

The OMB passback funds the School Construction initiative at \$1.9 billion -- down from the \$5 billion that was proposed last year. That matches a Daschle-Gephardt proposal developed in the late summer as a last-ditch effort to get a down payment on the school construction issue. The amount was based on the size of the offset they were able to agree on (closing a tax loophole). There is no question that an initiative of that size would *not* be met warmly by supporters of a Federal investment in this area.

Pressures for us to re-propose a school construction initiative of *at least* \$5 billion are coming from a number of quarters:

- **Defining issue for Democrats.** Democrats see this as a popular initiative that sets them clearly apart from Republicans. Some have argued that the funding should be increased

## Cons

- To propose \$5 billion or more, we probably will need to rely on closing tax loopholes as the offset, creating a "tax-and-spend" scenario.
- With a tax-side offset, the spending proposal and the offset would have to move through different committees, making the plan more difficult to achieve legislatively -- unless there is a reconciliation bill.
- While the education groups prefer the spending program in the abstract, they would prefer a tax-side approach *if it means more money could be dedicated to the purpose.*

**Tax proposal.** As part of the Taxpayer Relief Act of 1997, Congress enacted a tax credit proposal by Rep. Rangel that *includes* school renovation (but not construction). The provision allows State and local governments to issue bonds totaling \$800 million over two years. The Federal government essentially covers the interest on the bonds through a tax credit, providing the schools with an interest-free form of financing. These bonds can be used to cover certain costs of "academies" that link businesses with the schools to develop a curriculum that is employment-oriented (the description is not unlike your School-to-Work program). The bond proceeds can be used for a variety of expenses: rehabilitation, repairs, technology, equipment, curriculum development, and teacher training.

While supporters of school construction were pleased to see Congress ratify a proposal that included school renovation, they do not see the Rangel plan as a sufficient approach for two reasons: (1) its narrow focus on these school-business academies, and (2) the broad use of funds.

This bond/tax credit design could be expanded to focus more squarely on school construction and renovation, and beyond the academies in the Rangel provision. For example, Rep. Loretta Sanchez introduced legislation in October that would use the bond mechanism to support school construction in overcrowded districts. We would not need to provide detailed specifics in the budget. We could simply say that the bond/tax credit would be extended and expanded to assist school districts with their school construction and renovation needs. Then we could work with Mr. Rangel and others on the details.

## Pros

- We can more easily propose a larger initiative on the tax side.
- A tax-side initiative will be revenue-neutral, and both the program and the offset would be handled by the same committees in Congress.
- The Senate sponsor of our School Construction legislation -- Sen. Moseley-Braun

## Cons

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## Pros

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- The Senate sponsor of our School Construction legislation -- Sen. Moseley-Braun

-- is on the Finance Committee and would support the idea of a tax-side approach that she could push there.

- We might be able to develop a proposal that would have the strong support of the ranking member in the House (Mr. Rangel).
- The contentious issue of Davis-Bacon, which has caused some problems even with some members of the pro-school construction coalition, has not been an issue on the tax side.

#### Cons

- The bond/tax-credit approach is unprecedented, so we do not yet know how well it will work.
- The bells and whistles that we built into our School Construction proposal -- leveraging, rewarding State investments, etc. -- would be more difficult if not impossible to design and enforce in a tax-side approach.
- The House sponsor of our School Construction legislation -- Rep. Lowey -- prefers the spending bill that we proposed this year.
- Rep. Rangel is very committed to his design, and may not be willing to make the changes that we would want to steer this toward school construction and renovation and away from his "academies" approach. There is a chance we would have to part ways with him, or accept something that we do not like and does not satisfy the constituency groups.

#### Views and Recommendations

Treasury strongly supports a spending-side strategy. The tax credit approach is awkward and inefficient. While Treasury is making every effort to implement the Rangel provision effectively, it is an unprecedented approach -- as would be any tax-side approach to subsidizing school construction.

Secretary Riley also prefers the direct spending approach.

Secretary Herman heard from the Congressional Black Caucus on this issue in her efforts on Fast Track. She would prefer the tax side because it would allow Sen. Moseley-Braun and Rep. Rangel to champion the legislation.

Sperling and Reed would ideally prefer to stick with the your carefully-designed spending proposal, but believe that we should be willing to propose a revenue-neutral \$7 billion, 10-year

approach on the tax side if necessary to make room for child care, health care or other proposals.

Judy Winston considers either approach to be consistent with the President's Initiative on Race, and with the agenda for the December 17 Advisory Board meeting which will include a discussion of racial disparities in educational resources including facilities.

THE WHITE HOUSE  
WASHINGTON

December 6, 1997

MEMORANDUM FOR THE PRESIDENT

CC: THE VICE PRESIDENT

FROM: GENE SPERLING  
TOM KALIL

RE: TEACHER TRAINING FOR TECHNOLOGY

**Summary:**

Making sure that teachers have the skills they need to use technology effectively in the classroom is critical to the success of your Educational Technology Initiative. As you noted recently, "I met with a group of young people yesterday in their 20s who said .. 'What difference will it make if you connect every classroom in the country to the Information Superhighway if the teachers aren't trained to use the technology and the kids know more than they do?'" Although teacher training has always been a part of your four pillars (along with connecting classrooms, computers, and educational software) -- the press has tended to focus more on the goal of wiring the schools. We believe that a new initiative is needed to shine the spotlight on teacher training - and set national goals that are both important and achievable.

At this point, we would like your approval of the proposed policy, and not a specific budgetary commitment. Although we think that this initiative will require some new investment, the decision on the exact funding level should be made in the context of the overall FY99 budget discussions.

We believe that it is particularly important to launch this initiative next year - because schools will begin to receive up to \$2.25 billion in discounts to connect to the Internet in 1998. Unless we have an initiative that also addresses teacher training, we risk a "backlash" against the overall program.

We also think that there is support from the Congress for doing more on teacher training for technology. This year, Senator Bingaman added \$30 million to our competitively awarded "technology innovation grants" to focus on professional development.

## **Why an initiative in teacher training is needed**

The overwhelming conclusion of press and expert analysis of your Educational Technology Initiative is that teacher training is critical to the successful use of educational technology, and that more needs to be done in this area:

- A 1995 OTA study, *Teachers and Technology: Making the Connection* concluded that "helping teachers use technology effectively may be the most important step to assuring that current and future investments in technology are realized" and that "most new teachers graduate from teacher preparation institutions with limited knowledge of the ways technology can be used in their professional practice."
- The President's Committee of Advisors on Science and Technology (PCAST) concluded in 1997 that "the substantial investment in hardware, infrastructure, software and content that is recommended in this report will be largely wasted if K-12 teachers are not provided with the preparation and support they will need to effectively integrate information technology into their teaching."
- In 1994, the latest year for which data is available, only 15 percent of all elementary and secondary teachers had at least 9 hours of technology training.
- In 1996, according to the National Center for Education Statistics, only 15-20 percent of teachers are regularly using advanced telecommunications for curriculum development, professional development, and teaching.

## **National goals and initiatives to help meet those goals**

We think that it makes sense to set the following national goals, and to establish initiatives that are based on meeting these goals. Below are some proposals, although obviously we will continue to work to refine them.

**Goal 1: All new teachers entering the workforce should be able to teach effectively using technology**

### Rationale

- Over the next ten years, 2 million new teachers will need to be hired. Although there is a high attrition rate, many of these new teachers will be in the workforce for a long time. It makes sense for 21st century teachers to have 21st century skills.
- Currently, most colleges of education do not adequately prepare teachers to use technology.

## Initiative

- (1) Sponsor regional "summer institutes" -- at least one in each state -- that would ensure a significant number of all new teachers can teach effectively using technology. This requires both (a) an understanding of the mechanics of using computers, the Internet, and software applications; and (b) an understanding of how technology can be integrated in to the curriculum, and the new styles of teaching and learning that are enabled by technology. When combined with other efforts (new state teacher certification requirements, efforts by leading colleges of education, and private sector activities) - we think it is possible to reach the goal of training every new teacher.

Although "summer institutes" is one possible approach, it may make sense to give states the flexibility to propose other approaches, as long as they make significant, measurable progress towards the goal of training all new teachers.

Some of the requirements of the program might include:

- A focus on people who will soon be entering the workforce as new teachers (e.g. juniors and seniors in colleges of education) -- and faculty at colleges of education, which would strengthen the capacity of colleges of education;
  - Matching funds from the private sector and non-federal sources (we think that private sector companies may be willing to donate equipment and software);
  - A competitive selection process that selects at least one grant per state, and possibly more for large states; and
  - Support for ongoing computer networks that allow new teachers and experienced teachers to continue to communicate with each other, ask questions, and share best practices. [Studies show that this is critical to maintaining momentum and excitement generated by an intensive summer workshop.]
- (2) Support for consortia that make it easier for teachers to use technology in subjects that the Administration has made a priority (e.g. math, science, and reading). These consortia might include colleges of education, the private sector, professional societies, and subject matter experts, and could pursue projects such as:
- Make it easier for teachers and students to find high-quality resources on the Internet [Today, a new teacher doing a search on "Newton's Laws" on the Internet would get over 10,000 responses!];
  - Coordinate the efforts of thousands of teachers and subject matter experts to contribute quality, Internet-based educational resources;

- Develop high-quality training materials in specific subjects that could be used at the summer institutes, or during the course of the school year; and
- Evaluate commercial software.

**Goal 2: Every elementary and secondary school should have at least one teacher that has significant training in the use of technology that can in turn train other teachers**

### Rationale

- Ensuring that every school has one teacher that is adept in the use of technology could serve as a catalyst - especially if the initiative helps "train the trainers." (This is similar to our strategy for having at least one Board-certified teacher in every school).
- Currently, the Technology Literacy Challenge Fund allows but does not require states to invest in teacher training. Experts believe that educational technology efforts should spend at least 30 percent on professional development. Few states and local school districts do this -- because teacher training is not as "tangible" as purchasing hardware, software, and Internet connectivity.

### Initiative

- Direct states to use 30 percent of the Technology Literacy Challenge Fund to provide intensive training to at least one teacher per school, and require that teacher to train his or her colleagues.
- States would have flexibility as to how to achieve this goal. It would tie in nicely with the "summer institute" program, since this could provide a mechanism to train existing teachers as well as new teachers.

### Funding

We believe that the initiative to train all new teachers will cost \$100 million in new money. The cost of training one teacher per school is roughly \$100 - \$125 million. This could be financed through a combination of increasing the Technology Literacy Challenge Fund from \$425 million to \$475 (as proposed in the current OMB passback) and using some of the base funds. This would attach some more strings to a program that has been a formula program, but we think that this is reasonable, given the importance of teacher training. We are not seeking a decision on the funding in this memorandum - this proposal needs to be weighed against competing priorities.

## **Bully pulpit**

We also believe that the Administration can make progress on these goals through use of the bully pulpit. For example:

- During your speech to the National Board for Professional Teaching Standards, you urged the board to make the use of technology a part of their standards.
- Equally important, every state sets their own requirements for certification and recertification of teachers. You can challenge the Governors and the Chief State School Officers to work with their State Boards of Education to set the standards for teachers technological literacy. [One good example is the State of North Carolina that now has performance standards in use and integration of technology for both new teachers and for every teacher as their recertification period comes up.]
- Obviously, educators also need to be integrally involved in this initiative. After a slow start, the 21st Century Teachers initiative that you announced is beginning to gather momentum.
- You could also challenge the private sector to "adopt" colleges of education (those that lack technology resources and infrastructure) and schools, and to work with them to create teacher preparation programs for the 21st century.

Finally, this initiative links to our proposals for Title V of HEA, which are designed to strengthen teacher preparation programs.

## **Recommendations**

This initiative is supported by Education and OVP. DPC and OMB have provided comments.

THE WHITE HOUSE  
WASHINGTON

December 6, 1997

MEMORANDUM FOR THE PRESIDENT

CC: THE VICE PRESIDENT  
FROM: GENE SPERLING  
TOM KALIL  
RE: LEARNING ON DEMAND

1. The vision

The skill demands in the workplace constantly change, but today they change at an even faster pace than anyone ever anticipated. Workers need to be able to keep up with the skill demands. Employers continually complain that they can't find workers with the skills they need. There are ways using today's developing technology to help address those needs for lifelong learning. In particular, technology can help those who, for a variety of sound reasons, cannot avail themselves of training through the traditional post-secondary setting. For example, it can help those who are disabled, those with family demands, those who are frequently on travel, or those in rural areas without access to post-secondary training.

We believe that our policy should have the following objectives:

- To enable adult learners to find information easily on the skills they need to advance in or change careers, and compete for higher-wage jobs.
- To expand opportunities for lifelong learning for all adults by creating pathways for them to tap into "learning on demand" delivered by a variety of institutions using new technologies such as the Internet, CD-ROM, interactive TV, and satellite.
- To advance the use of technology through the use of existing grants, loans, and tax credits in the "learning on demand" environment.
- To establish mechanisms for ensuring that the employer and the student have confidence that the degree or certificate program will provide worthwhile skills.

Although much distance learning already exists, the federal government can play a unique role in complementing current efforts by providing a catalyst to support exemplary, high-quality, disciplined and evaluated pilot projects. In addition, many of these entrepreneurial

activities, at the start-up phase, often lack the resources to achieve excellence. We propose below a \$50 million pilot to start in FY 1999 to test one or more models or their variations. Below we discuss a few examples of current projects, some of the options that we have under existing laws and programs to promote learning on demand, and a few examples of the areas where we believe experimentation would be most useful.

This proposal was developed with input from OVP, DPC, OMB, and the Departments of Education and Labor.

## **2. Existing initiatives:**

We are confident that this initiative will find willing partners in higher education, industry, and organized labor. For example:

- Since 1995, the Western Governors -- with leadership from Governor Roemer -- have been working to design a "Western Governors University." Some of the goals that they have identified include:
  - providing a means for learners to obtain formal recognition of the skills and knowledge they acquire through advanced technology-based learning at home, on the job, or through other means outside the formal educational system; and
  - shifting the focus of education to the actual competence of students and away from "seat time" or other measures of instructional activity.
- The State of Michigan, Michigan State University, the University of Michigan and other Michigan colleges and universities have recently formed The Michigan Virtual Automotive College. It began offering courses in the fall of 1997 that are targeted to the Big 3, automotive suppliers, UAW, and people interested in getting jobs in the automotive industry.
- The Colorado Electronic Community College was founded in 1995 to broker the courses offered by its 13 college state-wide system. Course work is delivered by a variety of technologies including print, videotape, audiotape, cable broadcast, Internet and CD-Rom. Communication such as presentations, discussions, study groups, with classmates and faculty occurs through a voice-mail system and e-mail. CECC has a multi-million dollar digital video and multimedia production and training facility located at the former Lowry Air Force Training Facility, which has been converted into a higher education center at Denver, Colorado.

### 3. Federal initiatives

There are a number of concrete steps that we can take to promote "learning on demand." These include:

1. **Allowing people to use financial aid and other forms of assistance for distance learning:**

- The Department of Education is seeking changes in the Higher Education Act that would eliminate the differences in the "cost of attendance" calculation that currently exist between distance learners and on-campus learners. Currently, distance learners are not allowed to include costs for computers and other equipment in the determination of student aid.
- The Department of Education is interested in establishing an experimental program with several institutions to try different models for determining student aid eligibility for distance learning, while still ensuring quality and protecting public funds.
- We also think it make sense to review other financial aid programs, training programs, and tax credits (e.g. workforce development legislation, life-long learning tax credits, Section 127) to make sure we are not inadvertently discriminating against distance learning. A Presidential Memorandum has been drafted that calls for a review of the appropriate use of technology by training and education programs.

2. **Sponsor "virtual university" pilots with a focus on high-quality adult learning**

We think that it makes sense to have a small pilot program that encourages experimentation with new partnerships for providing "learning on demand," particularly for adults. This competitive grant program, with an FY99 budget of \$50 million, could have portions administered by Education and Labor, and could fund experiments in the following areas:

- a. **Support services for adult learners:** Some adult learners may be totally self-sufficient, and able to search the Internet catalogs of multiple virtual education providers. Others (those making the transition from welfare to work, dislocated workers, under prepared learners, those with no prior college experience) may need a range of services -- including assessment, counseling, help in navigating through the range of options, selecting appropriate courses and programs, and rigorously monitoring their progress.
- b. **A degree that's a ticket to a high-wage job:** Curriculum and software developers and the assessment industry need to know what competencies are required for specific and education and training programs. This is particularly important in a virtual environment where "seat time" is no longer relevant. This requirements could be developed by

representatives from employers, professional associations, professional licensing or credentialing organizations, and educational institutions. For example, the Western Governors University is teaming up with the electronics industry to define an associates' degree for electronics manufacturing. This could build on the work of the Skills Standards Board, which has started some work on identifying competencies needed in different industries.

- c. **Jump-start the market for high-quality software and networked courses.** Currently, the lack of "economies of scale" often prevent commercial publishers and other institutions from investing the amount of money that would be required to develop high-quality educational software and other distance learning offerings. These economies of scale are incredibly important for software and other information technology products - which often have high fixed costs and low marginal costs. Critical mass might be achieved by encouraging a consortia to share courses, instructional material, or software to avoid duplication, and combining existing offerings to offer complete certificate or degree programs. Partnerships between commercial publishers and universities would also be encouraged, given that instructional software is often used only by the individual professor that developed it.

### 3. **Making the government a better user of technology-based training**

The government could help accelerate the development of this market by being a leading user of technology-based training. The Department of Defense is the agency most likely to be able to influence the market. Every year 1.5 million people "graduate" from 30,000 different DoD courses at a cost of \$15 billion and 159,000 student-years. DoD has been a leader in the use of simulation technology for training. Currently, however, only 4 percent of courses involving specialized skill training are using new learning technologies. DOD has an initiative underway to dramatically increase the use of learning technology to reengineer a large number of courses in subject areas which are also relevant to industry (such as avionics, vehicle maintenance, information technology and electronics).

### 4. **Create the "Learning Exchange."**

One of the problems facing the use of technology for lifelong learning is the absence of a national market and information source for training. In a recent report on workplace change by the American Society for Training and Development, one of the primary recommendations was for the federal government to "encourage the maintenance of institutions, networks and systems that support and facilitate access to information on work-related learning." In partnership with DOD, a consortium of states, and the Council for Excellence in Government, the Department of Labor has launched a project to create a national training network that will make it easier and cheaper for individuals and businesses to locate, access, and invest in education and training. This beginning effort can be supported through existing resources. To the extent that the launch is successful, rapid expansion could be supported as part of the "learning on demand" initiative.

This will build on the highly successful "America's Job Bank" -- which has been accessed 188 million times in the last six months.

#### **Potential risks**

- Although many in higher education are excited about the possibilities to promote distance education, others are concerned that it could undermine traditional campus-based instruction. We would have to make it clear that what we are advocating is not an elimination of the campus (which is very important for socialization, face-to-face interaction, etc.)
- As we move towards an online environment, issues surrounding quality assurance and assessment become even more important. We would need to work carefully to avoid the "waste, fraud and abuse" issues that have surfaced in the use of student aid for proprietary and correspondence schools, for example.
- Focusing on remote learning could reduce attention to the fact that certain parts of the workforce need face-to-face services, such as guidance for new training and skills acquisition.

#### **Recommendation**

This proposal is supported by OVP, DPC, Education, and Labor. We have also incorporated comments from OMB.

THE WHITE HOUSE  
WASHINGTON

December 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
MIKE COHEN

SUBJECT: Education Opportunity Zones

This initiative, which you discussed in your Town Hall meeting earlier this week, would designate from 20 to 40 urban and rural school districts as Education Opportunity Zones. This initiative has a strong focus on standards, accountability, and performance. High-poverty urban and rural school districts would be eligible for federal funding under this proposal *if* (1) they adopt tough reform measures -- like those in Chicago -- that make administrators, principals, teachers, and students accountable for success or failure, and (2) show real improvements over time in student achievement. As proposed, the initiative would cost \$320 million in FY 99 (\$1.1 billion over five years).

**Conditions and Purposes of Funding**

To receive funds, local school districts would have to demonstrate that they already have begun to put in place effective reform strategies or raise student achievement, and that they will:

- provide students and parents with expanded choice within public education;
- give schools expanded flexibility while holding them accountable for results, including by rewarding schools that succeed and intervening in schools that fail to make progress;
- hold teachers and principals accountable for quality, including by rewarding outstanding teachers and removing ineffective teachers;
- require students to meet academic standards at key transition points in their academic careers -- i.e., end social promotions.

School districts could use Education Opportunity Zone funds to:

- provide extra help to students who need it to meet challenging standards, through after-school or Saturday tutoring programs and/or summer school;
- provide bonuses to schools that make significant gains in student achievement;

- close down failing schools and reopen them as charter schools, or turn around failing schools by implementing proven reform models, providing intensive teacher training, and building stronger partnerships between schools and parents, businesses, and community-based organizations;
- provide needed training to teachers and principals; reward outstanding teachers by helping them earn certification as master teachers from the National Board for Professional Teaching standards and providing them with financial bonuses when they do so; and implement programs to identify low performing teachers and remove them if they fail to improve.

### **Funding Levels**

As proposed, the Department of Education would award 3-year competitive grants to 10-20 urban school districts and 10-20 rural school districts or consortia (including districts serving Native American students) selected as Education Opportunity Zones. Each urban Education Opportunity Zone would receive approximately \$10-25 million in its first year, and each rural zone would receive from \$500,000 to \$5 million (for consortia), for a total of approximately \$320 million.

The stream of federal support under these grants would be structured so as to ensure that reforms can be sustained over the long term. Continued support in years 4 and 5 would be contingent upon demonstrated success in raising student achievement and willingness to work with similar districts to help them replicate successful reforms. A total of \$16 million would be available each year for national activities, such as providing technical assistance, documenting successes, and disseminating lessons learned to urban and rural communities across the U.S.

### **Outstanding Issues**

We are still working with other offices and the Department of Education on a few issues. First, we are trying to develop a component that would give Education Opportunity Zones greater flexibility in the use of other federal education funds as long as they continue to meet agreed-upon performance goals. In addition, we are exploring whether we could fund this initiative under existing authority, rather than seek new legislative authorization.

THE WHITE HOUSE  
WASHINGTON

December 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
JOSE CERDA

SUBJECT: Community Prosecutors Initiative

Over the past month, we have spoken with the National Institute of Justice (NIJ), the National District Attorneys Association (NDAA), and the American Prosecutors Research Institute (APRI) about a new initiative to promote community prosecution as a local crime-fighting strategy. These organizations are eager to work with the Administration to launch a new initiative to promote community prosecution throughout the country. This memorandum outlines such a plan and proposes that you include it as part of your FY 1999 Budget and State of the Union. Because it is designed to target high-crime (often predominantly minority) areas and to increase residents' confidence in the criminal justice system, this idea also can play an important part in your race initiative. DOJ is strongly supportive.

**Background on Community Prosecution**

Community prosecution is the natural next step to community policing. Over the past few years, as thousands of police departments have made the transition to community policing techniques, new demands have been placed on local prosecutors, as well as on the rest of the criminal justice system in general. Local police and community residents have called on prosecutors to take their concerns into account in deciding what kinds of offenders to prosecute. Even more, they increasingly have asked prosecuting offices to dedicate attorneys to work in the neighborhoods, to play a role in solving local crime problems, and to reorient their emphasis from simply processing cases to taking on quality of life issues and preventing crimes from happening in the first place.

Perhaps the best example of the evolution of community prosecution can be found in Multnomah County (Portland), Oregon. As part of an overall strategy to revitalize the Lloyd District of Portland, local business leaders called for a number of private and public actions, including improved lighting, better and more coordinated private security, more police officers and -- surprisingly -- a special prosecutor assigned to the Lloyd District. When government funding could not be obtained for a dedicated prosecutor, the local business community raised the money to pay for a prosecutor themselves. Although this course of action raised legitimate ethical issues and concerned some in the community, District Attorney Michael Schrunk decided that establishing a one-year, neighborhood-based pilot prosecution project was in the public interest; he accepted the funds on the condition that if the project proved successful, the County would provide funding to extend it. Today, Portland has 7 Neighborhood District Attorneys

(NDAs), with all attorneys' salaries paid for out of public funds.

The community's original request for a dedicated prosecutor was fueled by the desire to punish more severely recidivist offenders, and the NDA initially saw his role as making judges aware, during trial and sentencing, of the impact recidivists had on the community. Within a few months, however, the community also asked the prosecutor to do something about prostitution, public drinking, drug use vandalism, street fights, and car thefts. The NDA focused his attention on these issues, many of which were related to an illegal campsite in the area. He implemented a long-term plan, including police sweeps and community action, to address the problem. As a result, the incidence of these crimes in the area has decreased dramatically.

Other prosecuting offices that have embraced community prosecution in some form include: Boston, Chicago, Denver, Indianapolis, Kansas City, MO; New York City, Milwaukee, Austin, and Washington, DC (initiated this past year by former U.S. Attorney Eric Holder). A new federal grant program will enable the Administration to help prosecutors' offices join with their police departments in making use of community-based crime strategies. This investment in community prosecutors also will help build support among police and prosecutors for future initiatives to promote community-based approaches in the courts and corrections system.

#### Outline of Proposed Initiative

Similar to the COPS program, this proposal calls for \$100 million for FY 1999 (and \$500 million over five years) for the Attorney General to make direct grants, on a competitive basis, to state and local prosecutors for the following purposes:

- (1) Community Engagement. To increase substantially the number of local prosecutors interacting directly with members of the community ("community prosecutors" or "neighborhood DAs"); and
- (2) Problem Solving. To encourage local prosecutors to reorient their emphasis from the "assembly line" processing of cases to solving specific crime and disorder (quality of life) problems in their communities.

A minimum of 80% of the grant funds (\$80 million) would be used to pay the salaries and training costs associated with hiring or reassigning prosecutors to work directly with police and community residents. Grants would last for 3 years and pay for a maximum of 75% of the costs, with the federal share declining over the life of the grant. A maximum of 20% of the grants (\$20 million) could be used for other non-salary costs, such as:

- developing and implementing innovative programs that permit members of the community to assist prosecutors in crime control and prevention;
- increasing prosecutors' involvement in community activities that are focused on crime control and prevention;

- developing and establishing new administrative and management systems to facilitate the adoption of community-oriented prosecution; and
- developing and implementing innovative, community-based programs that include the courts and corrections systems.

This initiative proposes allocating half of the grant funds (\$50 million) to prosecutors' offices serving populations of 500,000 or more persons and the remaining half (\$50 million) to smaller jurisdictions. This distribution means that sizable grants of \$1 million or more could be made to a majority of the 130 jurisdictions serving the largest metropolitan areas, and that smaller grants (about \$50,000 to \$75,000) could be made to nearly half the remaining, full-time prosecutors' offices (of which there are about 1,600 total).

THE WHITE HOUSE  
WASHINGTON

December 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING

SUBJECT: Expanding the Low-Income Housing Tax Credit (LIHTC)

This memorandum details several options to increase the cap on the LIHTC or index it to the rate of inflation. This initiative, along with proposals to raise the number of incremental vouchers, expand homeownership, and strengthen the Fair Lending Law, would build on the housing successes of your first four years.

**Affordable Housing and the Low-Income Housing Tax Credit**

Enacted as part of the Tax Reform Act of 1986, and made permanent in 1993, the LIHTC offers corporate and individual investors a credit against their federal income taxes based on the cost of acquiring, rehabilitating, or constructing low-income housing. The tax credit produces 90,000-100,000 low-income rental units per year.

Because the LIHTC is capped, inflation is eroding its ability to create a steady stream of affordable housing. Under the Tax Reform Act, a state may allocate tax credits each year totaling 1.25 times the state's population. Since 1986, the purchasing power of the LIHTC has declined by about 45 percent; if the cap had been indexed in 1986, the current credit would be more than \$1.75 per capita.

Although conservative Republicans have attacked the credit on the grounds that it is a "corporate welfare," it now enjoys widespread bipartisan support in Congress and among state and local officials. Senators D'Amato and Graham have introduced legislation that would significantly increase the annual cap. Groups such as the Local Initiatives Support Corporation (LISC) strongly support this legislation.

**Options**

1. Index LIHTC for Inflation (Cost: \$175 Million Over Five Years) -- The least expensive option would amend current law to index the LIHTC to the Consumer Price Index. This change would prevent the credit from continuing to decline in value. This proposal, however, would not make up any of the lost value of the credit since 1986. This option would cost roughly \$175 million over five years.
2. Raise the LIHTC Cap (Cost: \$359 to \$600 Million Over Five Years) -- This option would

partially offset the loss of the credit's value since 1986. For \$359 million over five years, we could increase the credit from its current value of \$1.25 per capita to \$1.37. A more expensive, but still moderate approach would increase the credit to \$1.50 per capita, which would cost approximately \$600 million over five years. We could add indexation to one of these increases, but doing so would increase the cost.

3. Support S. 1252 (D'Amato-Graham) (Cost: \$1.6 Billion Over Five Years) -- This proposal would increase the annual volume cap of the LIHTC to \$1.75 per capita and index it for future years. The proposal would cost \$1.6 billion over five years.

### Proposal

Tax Policy at Treasury raises two main concerns about increasing the LIHTC cap: (1) that there are more efficient ways to increase low-income housing than through the tax code, and (2) that tight caps increase the efficiency of the program because projects must compete vigorously for the credit. Although these arguments have some merit, the LIHTC is the only politically feasible way to help build affordable housing for people with low incomes. HUD would welcome as broad an expansion of the LIHTC as possible. The DPC and NEC recommend that you chose Option 2. This option would provide a modest increase in the LIHTC, while ensuring that the efficiency effects from relatively tight caps remain. The DPC and NEC believe that Option 1 will have too little effect in the short-term, while Treasury fears that indexation will decrease the efficiency of the program in the outyears. Option 3 is probably not feasible in light of budget constraints.

THE WHITE HOUSE  
WASHINGTON

December 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING

SUBJECT: Welfare-to-Work Housing Vouchers

Over the last three months, DPC, NEC, and OMB have led an interagency process on economic development and housing policy. This memorandum details a proposal for 50,000 new housing vouchers to assist welfare recipients who must relocate in order to find employment, as well as to help address the shortage of affordable housing. HUD, HHS, and DOL all supportive.

In addition to the new welfare-to-work housing vouchers, your FY99 budget already includes proposals to promote housing portability and choice and to increase home ownership by reducing barriers to buying a new home. We believe these new initiatives, along with a strengthened Fair Lending Law (which has no budget impact) and a possible increase in the Low-Income Housing Tax Credit (see separate memo), would build on your record of providing public-housing tenants and other low-income individuals with the opportunity to move to neighborhoods with more jobs, better schools, and less crime.

**Affordable Housing and Welfare Reform**

The need for affordable housing exceeds supply, particularly for poor families with children. For example, in 1995, 5.2 million families spent more than half their income on rent and/or lived in severely substandard housing. More than 2 million of these households were families with children. According to the most recent data available, demand for affordable housing exceeded supply by 1.7 million units for the lowest income households.

The lack of affordable housing can impede families' efforts to move from welfare to work. Many welfare recipients, even with a job and the Earned Income Tax Credit, find it difficult to afford housing near their job, child care provider, or transportation line. Others find it difficult to begin the journey to self-sufficiency if they are homeless, living in crowded conditions, or surrounded by crime and drugs. Your welfare-to-work transportation proposal, if enacted, will help welfare recipients travel to their jobs, but housing vouchers provide an additional and perhaps even more promising way to help individuals gain access to employment and achieve self-sufficiency.

## Legislative Outlook

Past Administration efforts to increase the number of vouchers have not been successful in Congress. Your FY 1998 budget request included funds for 50,000 additional vouchers targeted to individuals making the transition from welfare to work, but the proposal lacked detail, the White House did not emphasize its welfare-to-work aspect, and the item was not among the Administration's top priorities. As a result, Congress provided funds for only 6,500 new housing vouchers, none of which were targeted to people making the transition from welfare to work. We believe a serious, clearly articulated welfare-to-work housing voucher proposal, if made a priority by the Administration, has a better chance of attracting bipartisan support.

## Proposal

OMB already has approved 50,000 new housing vouchers requested by HUD in its FY 99 budget submission. Of these vouchers, 32,000 are to be used for homeless households and 18,000 are to be used for a variety of special purposes, such as the witness protection and family unification programs.

We propose that you include in your FY99 budget an additional 50,000 housing vouchers tied to welfare to work. This proposal would strengthen our housing policy and support our welfare reform goals. If necessary, the welfare-to-work vouchers can be placed on the mandatory side of the budget, similar to the TANF welfare block grant and the \$3 billion Welfare to Work program, but unlike other section 8 vouchers. The cost is expected to be about \$1.3 billion over 5 years.

DPC and NEC recommend making the additional vouchers available on a competitive basis to public housing agencies that submit a plan to use the new vouchers to support families making the transition from welfare to work. This plan would be developed jointly with the local welfare agency and/or the Welfare-to-Work program grantee (generally the local private industry council), allowing state and/or local participation in the effort. The vouchers would be used to further the goals of welfare reform -- to help welfare recipients go to work or retain jobs, or allow them to move to areas where jobs can be found. Local agencies would have great flexibility to design and operate the welfare-to-work voucher program within broad national guidelines. For example, the agencies would propose whether to focus on particular categories of welfare recipients (long-term recipients, victims of domestic violence, those living in public housing, or those who have retained employment for a certain period of time) and whether to provide short-term, transitional housing assistance or longer-term support. Local plans would be reviewed and ranked by HUD in consultation with the Department of Labor (DOL) and Health and Human Services (HHS).

THE PRESIDENT HAS BEEN

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THE WHITE HOUSE  
WASHINGTON

December 15, 1997

Copied  
Reed  
Sperling  
Kagan  
Waldman  
Bowles

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed  
Gene Sperling  
Elena Kagan

SUBJECT: New Initiatives on Discretionary Side of Budget

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

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

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

**Education**

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

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

3. **Campaign on Access to Higher Education (\$20 million):** This initiative will fund an intensive publicity campaign on the affordability of higher education. The goal of the campaign will be to make every family aware that higher education is now universally accessible -- and that it is the key to higher earnings.
4. **Teacher Recruitment and Preparation (\$67 million):** This initiative, which you previewed last July at the NAACP Conference, will provide scholarships to nearly 35,000 new teachers over five years for committing to work in high-poverty urban and rural schools. It also will upgrade the quality of teacher preparation programs serving these communities.
5. **Technology Teacher Training (Approx. \$230 million):** This initiative will dedicate 30 percent (about \$150 million) of the Technology Literacy Challenge Fund (which is being increased from \$425 to \$500 million) to ensure that at least one teacher in every school receives intensive training in the use of technology for education, so that those "master teachers" can train their colleagues. An additional \$80 million will begin an effort to train every *new* teacher in the latest technology.
6. **Hispanic Education Action Plan -- (\$195 million or more):** This initiative will increase funding for a number of existing programs to improve education for Hispanic Americans and other limited English proficient (LEP) children and adults. It would double our investment in training teachers to address the needs of LEP children; boost the Migrant Education Program by 16 percent; increase the TRIO college preparation program by 10 percent; and create a 5-year, \$100 million effort to disseminate best practices in ESL training for adults. We would accompany these program increases with administrative actions to help Hispanic students complete high school and succeed in college.
7. **Distance Learning -- (\$50 million?):** We are still in the process of developing a new initiative, related to Governor Romer's Western Governors University, to promote the use of technology to give people "anytime, anywhere" access to learning opportunities.

### Child Care

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

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

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

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

2. **Standards Enforcement Fund (\$100 million):** This new fund will support state efforts to improve licensing and accreditation of providers, and to enforce health and safety standards -- particularly through unannounced inspections of child care settings. The fund also will enable states to issue report cards, for use by consumers, on the quality of the facilities inspected.
3. **Provider Training (\$51-60 million):** A new Child Care Provider Scholarship Fund, which you proposed at the Child Care Conference to fund at \$50 million annually, will support 50,000 scholarships each year to child care workers working toward a child care credential. The students will commit to remaining in the field for one year for each year of assistance received, and will earn increased compensation or bonuses when they receive their credential. An additional \$1-10 million will allow the Department of Labor to expand its Child Care Apprenticeship Training Program, which funds providers combining work toward a degree with on-the-job practice.
4. **Research and Evaluation Fund (\$10-30 million):** This new fund will establish a National Center on Child Care Statistics, and provide grants for research projects and state and local child care hotlines and consumer education activities.
5. **Head Start and Early Head Start Expansion (\$284-334 million):** This level of increased investment in the overall Head Start budget should permit doubling the set-aside for Early Head Start over five years without reducing the resources available for children 3-5. The doubled set-aside would enable more than 50,000 additional children to receive Early Head Start services in 2003.

### Welfare, Housing, Urban

1. **Welfare-to-Work Housing Vouchers (\$283 million):** This initiative will provide 50,000 new housing vouchers to help welfare recipients in public housing who need to move in order to find employment. HUD will distribute these vouchers on a competitive basis to public housing authorities working with local TANF agencies and/or grantees of the new \$3 billion welfare-to-work program. (A separate proposal, for which no new funding is needed, would allow families in public or assisted housing to use vouchers to buy a home; HUD expects this proposal to assist some 25,000 people become homeowners over two years, though OMB believes this figure to be exaggerated.)
2. **Housing Portability/Choice (\$20 million):** In addition to the new welfare-to-work housing vouchers discussed above, our proposed package on housing portability and choice expands Regional Opportunity Counseling sites and takes administrative actions to eliminate obstacles to

portability in the Section 8 housing program.

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

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

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

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

### Labor and Workforce

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

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

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

## Health

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

**2. AIDS Programs Expansion (\$165 million):** A funding increase for the Ryan White Program of almost 15 percent will go principally toward ADAP, to ensure that new and effective treatments of AIDS reach those who need them. Some of the funds will support education and prevention programs operated by states, cities, and community health centers, as well as by the CDC.

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

## Environment

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

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

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

## Crime

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

## Race

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

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

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

## Appendix -- Education Budget

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

### **Major Base Programs**

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

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

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

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

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

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

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

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

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

#### **Reductions in the Base**

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

# HEALTH INVESTMENT OPTIONS IN THE BUDGET

## MEDICARE

### USES

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

Clinical Cancer Trial Care: \$1.7 billion

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

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

### SOURCES

Anti-Fraud: \$1.5 - 2 billion

Income-Related Premium: \$6 - 19 billion

## COVERAGE

### USES

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

Workers' Transitions Options: \$2 - 5 billion

Voluntary Purchasing Coops: \$0.1 billion

### SOURCES

[Cost Allocation, Reserve or Tobacco?]

NOTE: All scoring is preliminary and subject to change.

THE PRESIDENT HAS SEEN  
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**MANDATORY EXPENDITURES**

(Five-Year Costs)

<b>CHILD CARE</b>	<b>\$6.0-\$12.0 Billion</b>
- Child Care Block Grant = 66%-75%	
- Early Learning Fund = 25%-33%	
<b>CLASS SIZE</b>	<b>\$6.0-\$9.0 Billion</b>
<b>FOOD STAMPS</b>	<b>\$2.0-\$3.5 Billion</b>
<b>HEALTH CARE</b>	
- Medicare Pre-65 Initiative	\$2.0 Billion
- Medicare -- Clinical	\$2.0 Billion
- Long-Term Demonstration	\$0.5 Billion
- Children's Outreach	\$1.0-\$2.0 Billion
<b>COLLEGE AID</b>	<b>\$1.3-\$1.7 Billion</b>
<b>SCHOOL CONSTRUCTION</b>	<b>\$5.0 Billion</b>
<b>EMPOWERMENT ZONES (Rural or Urban)</b>	<b>\$0.562 Billion</b>
<b>FAST TRACK/TAA</b>	<b>\$0.697 Billion</b>
<b>AG-ENVIRONMENTAL (Crop Insurance, Environmental Conservation, Forest Service)</b>	<b>\$0.720 Billion</b>
<b>MISCELLANEOUS</b>	<b>\$0.462 Billion</b>
- Veterans	
- Transportation	
- District of Columbia	
- Social Security Administration	

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**TOTAL: \$28.6-\$40.5 Billion**
**TOTAL (w/ School Construction As Tax Cut): \$23.6-\$35.5 Billion**

12-30-97

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

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