

Draft 10/28/97 Tom Kalil

**High-Quality Software for "Learning on Demand"**

One of the critical components of the Learning on Demand initiative is to encourage the development of a market for high quality instructional software. In the last several years, experts in the field of technology for life-long learning have begun to develop a vision for how this might be done, and what the software would look like from a technical and pedagogical view point. Below are some of their recommendations:

**1. Focus on high enrollment courses**

One large community college that offered 2,000 courses found that 25 courses accounted for 44 percent of student enrollment. This distribution is typical in both community (44 - 52 percent) and four year colleges (35 percent). Focusing on these courses (the "1% solution") would have the biggest impact on learning - and might also overlap with some elements of high-school curriculum.

**2. Uses technology in appropriate ways to improve student performance**

Some of the potential benefits of technology include:

- Self-paced instruction available anytime, anywhere.
- Real-time, competency-based assessment.
- Allow student to "learn by doing" using techniques such as modeling and simulation. A good example of this an effort to develop an on-line biology lab called EvolveIT. This teaches the basic concepts of natural selection by allowing students to manipulate variables like variability, inheritability, and fitness - and observe the evolution of a hypothetical population of birds on a series of islands.
- Offer individualized instruction (e.g. intelligent tutoring systems that are "smart" enough, to recognize student errors and tailor instruction accordingly).
- Provide real-time and asynchronous communication between students and teachers to create "communities of learners."
- Use multimedia to make instruction more engaging or explain concepts that are easier to communicate using multimedia (e.g. time and motion in physics, foreign language instruction); or the use of hypertext to allow students to explore a subject at various levels of depth depending on their interest and background.

Realizing these benefits requires that the software for technology-based training move beyond digitizing the material in a traditional textbook.

**3. Foster partnerships between universities and commercial publishers/software companies**

Many promising experiments with instructional software never move beyond one classroom because university professors lack the expertise and financial resources required for marketing, distribution, customer service and support, etc. University-publisher partnerships would combine the strengths of each party -- such as the content expertise of the universities and the business expertise of the publishers.

**4. Develop software that is modular, portable and based on open standards**

Instructors and students should have the ability to mix and match software modules from multiple sources. [This is analogous to the professor that creates a customized "reader" from multiple journal articles.] This would allow "learning objects" from multiple content providers to be combined and recombined to meet specific instructional requirements.

Of course, for this to be true, the software needs to be portable (works across different operating systems and computing platforms) and based on open standards. Without these characteristics -- it would be difficult or impossible to integrate content from multiple providers.

## **Rough costs of developing a program to promote this kind of high-quality software**

### **1. "Challenge grant"**

- Assume cost of software development per course is \$3 million
- Federal match is 50 percent - for average grant of \$1.5 million
- 20 courses per year - with an average of 2 awards per course/topic to promote competition. This would allow ten grants directed to "higher ed" and ten grants that are directed to training/vocational-ed.

Cost = \$60 million

### **2. Planning grants**

- \$200K - \$300K planning grants to encourage consortia that could involve universities, community colleges, employers, industry associations, unions, etc. to:
  - define user requirements
  - develop joint RFP

Cost = \$10 million -- assumes 40 grants

### **3. National leadership**

- Evaluation
- Conferences, policy development
- Collection and dissemination of best practices
- Ability to fund small number of "unsolicited proposals" for new ideas

Cost = \$5 million

Total cost = \$75 million





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

## TABLE OF CONTENTS

- (1) Class-Size Reduction Initiative
- (2) University-School Partnerships
- (3) Hispanic Education
- (4) School Construction
- (5) Teacher Training in Technology
- (6) Learning on Demand
- (7) Education Opportunity Zones
- (8) Community Prosecutors
- (9) Expanding the Low-Income Housing Tax Credit (LIHTC)
- (10) Welfare-to-Work Housing Vouchers

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 1, 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,

---

<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 underserved 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

above \$5 billion in order to provide more help to suburbs.

- **Urban needs.** In the context of negotiations over the voluntary national tests, School Construction came up a number of times with the Black Caucus as one item that would demonstrate the Administration's commitment to the needs of urban schools.
- **Class size.** Some have suggested that a school construction initiative could be tied to the idea of smaller class sizes.

Obviously, a funding decision needs to be made in the context of the whole budget, taking into consideration proposals for child care, smaller class size, health care, etc. If we are constrained by funds available in the five year budget window, you should keep in mind that one way to accommodate school construction might be to stretch it over a longer period (such as \$8 billion over 10 years, with \$3.5 billion in the first five years).

### Design

You need to decide whether we should continue to propose our School Construction initiative as a mandatory spending proposal or shift it to a tax credit.

**Spending proposal.** The bill you proposed, the Partnership to Rebuild America's Schools, provided a one-time appropriation of \$5 billion for grants to States and localities to pay for up to one-half the interest cost of repayment of school construction bonds (or an equivalent amount in cases where an alternative financing mechanism is used). One-half of the funding was reserved for the 100 largest school districts. We estimated that the \$5 billion would leverage \$20 billion in new construction/renovation over four years.

### Pros

- The Administration bill in the House gained 116 cosponsors, including \_\_\_ Republicans. A letter signed by 112 of them urges you to include the same, \$5 billion proposal in the FY 1999 Budget.
- The bill was designed to spur additional State and local effort (through a competitive portion of the funds) and to leverage the Federal funds. It is more difficult to design a tax credit that accomplishes those goals.
- This approach is more efficient at addressing our specific goals than a tax credit (tax incentives associated with bonds inevitably have some inefficiencies associated with them).
- The bill is flexible, allowing for creative funding mechanisms such as lease-buybacks, helping districts that are not able to float additional bonds.

### 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

- 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

-- 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).

December 9, 1997

**MEMORANDUM FOR THE PRESIDENT**

**FROM: GENE SPERLING AND BRUCE REED**

**RE: Policy Initiative Memos**

Please find attached additional memos on domestic discretionary spending. We will present the major mandatory initiatives – health care, child care and the 21st Century Bio-Medical fund – in the next several days. We will also be sending you a housing and community development memo.

- (1) Child Labor Initiative
- (2) Community and Economic Adjustment Initiative
- (3) New AIDS Initiative
- (4) Initiative to Reduce Racial Disparities in Health
- (5) Civil Rights Enforcement Initiative
- (6) Indian Education Initiative

THE WHITE HOUSE  
WASHINGTON

December 9, 1997.

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING  
ANNE LEWIS

RE: PROPOSED BUDGET INITIATIVE ON CHILD LABOR

OVERVIEW

We have been coordinating a process to develop a Presidential initiative on child labor. This memo presents the first -- and most urgent -- decision relating to such an initiative: whether to include new funds in the FY99 discretionary budget to support several programs to fight child labor domestically and internationally. The memo also previews other policies and ways to use the bully pulpit to fight child labor, which we hope would be part of an action plan to be announced early next year, perhaps as part of the State of the Union. You should know that the non-budget items need further review and discussion before they are put forward for your consideration.

THE PROBLEM OF CHILD LABOR

The ILO estimates that there are over 120 million children between the ages of 5 and 14 working "full time," -- though not necessarily illegally. Most are in Asia (61%), with 32% in Africa and 7% in Central America. Proportionally, Africa has the highest incidence of work (40%) among its children. Children under 10 tend to account for as much as 20% of the child labor in rural areas, although this concentration is even greater in certain occupations such as domestic service, and home-based industries. These ILO figures represent a significant upward adjustment from the previous consensus view.

Of course, not all of these children are working in illegal or otherwise unacceptable conditions, but tens of millions are. Occupations that are considered particularly hazardous where there is a high concentration of children are: mining, ceramics, glass work, matches and fireworks, deep sea fishing, and domestic service. Clearly, slavery, usually in the form of bonded labor, trafficking and child prostitution, are also significant problems, but there is less documentation about the extent of the problem.

As the facts above make clear, this is a serious and substantial problem around the world. However, the solutions are far less clear. The reasons families resort to child labor are often economic and cannot easily be overcome. The choice is sometimes not between work and school but between more or less exploitative forms of work. *Therefore it is vital that we examine any project that we support to make sure that we are not harming those we wish to help.*

Domestically, although we have made considerable progress in reducing illegal child labor, significant concerns remain about children working illegally on farms. While there are no reliable numbers giving the dimensions of such work, the best -- albeit conservative -- estimates are that fewer than 200,000 children under 18 work at some time during the year in agriculture, including on family farms. One source suggests that over two thirds of migrant children come from households below the poverty level.<sup>1</sup>

There are two dimensions to this problem of children working in the fields. First, U.S. law governing child labor in agriculture is more permissive than U.S. non-farm labor law and is probably in some areas more permissive than the international standard. For example, children age 12 and 13 may work legally on farms for unlimited hours -- as long as it is outside of the regular school day -- with parental consent. Both the international standard (as defined by ILO Convention #138) and U.S. law governing non-farm labor prohibit most work by children under 14.<sup>2</sup>

The second dimension is inadequate child care and difficulty of completing high school as a consequence of the problems created by migration. Among the many factors which complicate the provisions of services to this population are: the need for older children to stay home from school to care for younger children for whom the parents cannot find or afford child care; long hours that older children work during the growing season; lack of transportation to and from schools; complications arising from frequent changes of schools.

We feel that this is an opportune time to engage this issue, because child labor is gaining prominence on both the domestic and international agendas:

- The FY98 Treasury appropriations included language directing Customs to enforce a ban on the import of goods made with forced or bonded child labor.
- In January 1998, an international coalition of child labor advocates will launch a global march starting in San Diego.

---

<sup>1</sup> 1991 Migrant Student Record Transfer System.

<sup>2</sup> Both domestic laws and international standards exempt family farms and "small enterprises." Convention 138 permits light work by children as young as 12, as long as the work is not likely to be harmful to their health or development and does not prejudice their school attendance.

- In June 1998, the ILO will begin debate on a convention prohibiting the most intolerable forms of child labor.
- The Associated Press is expected to publish a major investigative series on domestic farm labor, with some segments dedicated to the problem of child labor.

## PROPOSED BUDGET ITEMS

The proposal under consideration could entail additional FY99 funding of:

- **\$27 million for the International Programme on the Elimination of Child Labor [IPEC].** The money would be given to the Department of Labor, which in turn would fund projects and research by IPEC.
- **\$3 million for the Customs Service** to launch a high visibility effort to enforce U.S. law by stopping the import of goods made with forced or bonded child labor.
- **\$50 million for the Migrant Education Program** to: (1) increase participation (2) provide better services during the summer and (3) expand preschool, child care and out of school youth (ages 12-15) services; and
- **\$4.1 million for the Department of Labor** to double its enforcement of domestic farm labor laws and significantly improve its data on and documentation of agricultural workers.

Taken as a package, this group of budget items will:

- Establish the United States as the world leader in supporting efforts to reduce child labor internationally through IPEC.
- Enhance Customs' enforcement capacity and thus send a strong signal that the U.S. will not allow the illegal import of goods made with forced or bonded child labor. Specifically, we hope to leverage change in the behavior of U.S. rug importers by raising the specter of a high profile seizure of rugs made with illegal child labor imported from South Asia.
- Enhance our domestic ability to get and keep the children of migrant farm workers in school, document the problems of children in farm labor and enforce the law.

### 1. \$27 Million in New Funds for IPEC

The NEC proposes to increase support for IPEC ten-fold by giving IPEC a total of \$30 million in FY99 (\$27 million in new funds and \$3 million that we already provide) and \$150 million over five years for programs aimed at fighting the most intolerable forms of child labor. The Department of Labor would manage the program and give grants and other support to IPEC.

IPEC, an ILO program, was founded in 1992 to finance technical cooperation activities in countries where child labor problems are acute. IPEC's mission is the progressive elimination of child labor, with a current focus on the most intolerable forms of child labor such as: bonded and slave labor, commercial sexual exploitation and trafficking, hazardous work and the work by children under 12. IPEC's direct action programs have three key characteristics: sustainable, main-stream, in-country ownership; emphasis on prevention and abolition of the most intolerable forms of child labor by involving the family and developing reasonable educational alternatives; and reliance on partnerships including employers, among others.

In contrast to remedies focusing exclusively on government prohibitions, which may have unintended adverse consequences, such as forcing children out of formal sector jobs into more exploitative informal sector positions, IPEC programs involve families and employers and make available viable educational alternatives for former child workers. IPEC also commits support for serious research and data collection to document the problem of child labor and other efforts to raise public awareness.

IPEC's 1998 annual budget will be no more than \$15 million, with a U.S. contribution of \$3 million. To date, the U.S. has committed a total of \$8.1 million.

To maximize the impact of our grant money and ensure that the funds are well-spent, DOL would: focus U.S.-supported projects on the most intolerable forms of child labor; establish parameters for categories of spending; require the ILO to commit additional staff and administrative support to effectively administer the program. We would also suggest that you challenge other countries, business and leading philanthropists to match our contribution.

IPEC has bipartisan support on the Hill, including from Senator Harkin, who has called on Secretary Herman to double the U.S. contribution to IPEC, and from Congressman Chris Smith, who has proposed legislation to increase our support of IPEC to \$10 million annually. IPEC is generally well regarded by NGOs, who would likely applaud our initiative on international child labor and give high marks to many of IPEC's programs. Business and labor organizations have participated in some key IPEC projects that the U.S. has supported, so we do not expect criticism from either U.S. or international business or labor organizations.

2. **\$3 Million for Stepped up Customs Enforcement of Ban on the Importation of Goods Made with Forced or Bonded Child Labor.**

With clear authority emanating from the FY98 Treasury Department appropriation, the Customs Service will launch an enforcement initiative with the following elements:

- Designation of forced and indentured child labor as a major enforcement priority, with new staff and offices working to document and pursue a high profile case, for instance by targeting a shipment from an individual carpet manufacturer in South Asia after gathering demonstrable evidence of the involvement of exploitative child labor;

- Establishment of a Treasury Advisory Committee to improve coordination and establish a regular dialogue with NGOs, other federal agencies and industry; and
- Creation of a "jump team" capable of conducting investigations of forced and bonded child labor, initially targeted at the rug industry in South Asia.

It is important to note that the World Trade Organization (WTO) does not currently authorize any ban on imports made with exploitative child labor. Further, we must be careful that this initiative is not viewed by our trade partners as providing license for them to restrict or harass imports of U.S. goods produced using techniques they do not approve. This is particularly important to our agricultural sector, where we have been arguing that the manner in which goods are made (e.g. with hormones or genetic engineering) should not be used as a basis for restrictions. The Customs initiative is carefully designed to minimize the potential for a challenge in the WTO or retaliatory actions, by limiting Customs enforcement to cases of individual shipments or importers where Customs has gathered demonstrable proof of the exploitation of children.

### 3. \$50 Million (for FY99) for the Migrant Education Program (MEP):

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 any one State. That is why the Federal role is critical. Funded at \$305 million in FY 1998, MEP is run on a State formula basis for supplemental education and support services for migrant children.

This program 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.

Despite a narrowing of eligibility rules in 1994, the number of participating children has been increasing, 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, and library).

In spite of an increase in eligible students, the MEP has been level funded since 1994. In FY99 at the current level of funding only 75 percent (roughly 550,000 to 600,000) of eligible students will be served. The suggested increase of \$50 million would allow the program to serve about half the unserved students and to continue providing a richer array of supplemental educational services. This investment would support the full range of MEP-supported activities, including child care, after-school programs, summer sessions, tutoring and other activities critical to getting and keeping these kids in school.

We anticipate that the Hispanic Caucus and advocates for migrant farm workers would react positively to this proposal.

A \$50 million investment in MEP is also included in our Hispanic Education Action Plan.

#### 4. \$4.1 Million for the Department of Labor to Double Enforcement Resources and Collect Data.

With this additional money, DOL will add 40 FTEs to enforcement initiatives in agriculture (and other low wage industries). Specifically, DOL will replicate efforts like "Operation Salad Bowl" -- a targeted enforcement action aimed at child labor violations in the fields. These resources will also be used to support DOL's comprehensive compliance strategy, which combines enforcement with a legal strategy to enhance the value growers, processors, wholesalers and grocery stores place on compliance. DOL will also increase its investment in collecting data on farm labor.

#### PROS AND CONS OF BUDGET INITIATIVES

##### Pros:

- Positions the U.S. as a leader in the *mainstream* fight against international child labor, focusing our IPEC support on the most intolerable child labor and focusing our Customs efforts on forced or bonded child labor.
- IPEC's approach has won the support of business organizations who oppose more punitive approaches to the child labor problem.
- The combination of support for the Migrant Education Program and DOL's enforcement is a balanced approach that creates opportunity for kids, but holds employers accountable for any illegal actions.
- Both DOL's and Custom's enforcement approach are aimed at attaining greater *compliance* with the law -- not just catching offenders.

##### Cons:

- NGOs may view the Customs program as business as usual.
- The ILO may be a lightning rod for criticism, although Senators Hatch and Moynihan are strong supporters.
- Some advocates may claim that this package is inadequate given the magnitude of the problem both domestically and internationally, although we believe that including this budget initiative as part of a broader child labor action plan will mitigate this criticism.

## VIEWS AND RECOMMENDATIONS

There is broad support for this initiative among interested agencies. Ambassador Barshefsky, Sandy Berger and Dan Tarullo all support this effort. Secretary Albright also supports it, although wishes to reserve judgement on the specific funding levels. Maria Echaveste supports this effort. Secretary Herman also supports it and is eager to work on international and domestic child labor issues. Secretary Daley also supports this initiative and Secretary Riley supports increasing the Migrant Education Program. Director Raines supports the initiative, but needs to reserve judgment on the specific funding level. Secretary Rubin supports the initiative, but feels strongly that all international efforts remain focused on the most intolerable forms of child labor. And of course, we at the NEC feel that child labor is an issue whose time has come and that it is a great issue for you to champion at the State of the Union and over the next three years. We hope that we will be able to develop many other policies to support these budget items and create a broader initiative.

## PREVIEW OF BROADER CHILD LABOR ACTION PLAN

We are working on a broader initiative and want to give you a sense of the actions and policies we will consider in our NEC process.

A broader action plan to fight child labor would:

- Provide a larger context for the budget initiative, thus leveraging more change as a result of U.S. investment;
- Maximize the impact of the bully pulpit which can be an effective tool in raising public awareness and establishing international and domestic norms; and
- Establish you as a leader in fighting this important problem.

Although we cannot predict the outcome of such a process, items worthy of consideration for inclusion in the larger plan might include:

- Presidential challenge to private organizations, such as the Girl Scouts or the Boy Scouts, to adopt a "No Sweat" policy for procurement of their uniforms.
- Department of Labor child labor enforcement strategy designed to promote greater compliance with current law by encouraging -- through enforcement actions and partnerships -- growers, food processors, wholesalers, and grocery store chains to value compliance by their suppliers.
- Department of Labor grant to support the voluntary adoption of codes of conduct and external monitoring in the garment industry through the Apparel Industry Partnership and its successor, the Fair Labor Association.

- Joint Customs, Department of Labor and Department of State conference with U.S. rug importers and NGOs to urge their support of voluntary efforts to eliminate forced and indentured child labor in the rug industry in South Asia, specifically including broader support of the *voluntary* Rugmark label.
- Presidential support for an ILO Convention on Intolerable Child Labor which will be debated in June, including outreach to employers.
- Plan to consult farm labor advocates and agribusiness community on possibilities for harmonizing U.S. farm labor law and non-farm labor law and/or U.S. law and international law.
- Joint U.S.-E.U. conference with business, government and labor organizations to disseminate best practices on voluntary labelling, monitoring and codes of conduct efforts.
- Seek an amendment to the WTO to authorize a ban on imports made with exploitative child labor. This would complement the Customs enforcement initiative and, if successful, would shield broader Customs efforts from a WTO challenge. While Secretary Rubin supports this worthy goal, he feels very strongly that any effort in this arena should be narrowly construed to target forced and indentured child labor.

These and other proposals will be considered through an NEC interagency process, including in shaping fast track legislation, and presented in a subsequent decision memo.

THE WHITE HOUSE

WASHINGTON

December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING  
DOROTHY ROBYN

RE: COMMUNITY AND ECONOMIC ADJUSTMENT INITIATIVE

You announced this initiative on November 5, as part of your Fast Track-related strategy to help workers and communities succeed in a global economy; and the \$250 million over five years to fund the initiative is *already* in your FY99 budget. Thus, this memo is not a proposal but rather a summary of the previously announced initiative. In addition, it describes a pilot effort to implement the initiative using existing funds. The Departments of Commerce, Labor and Defense and OMB were involved in putting together this initiative.

**Proposal:** To help trade-impacted regions compete in a global economy, the Community and Economic Adjustment Initiative will borrow a page from the Administration's successful defense economic adjustment effort. Key elements include:

- **Create Office of Community and Economic Adjustment:** Modeled after DoD's highly respected Office of Economic Adjustment -- the federal government's first point of contact with communities slated for a military base closure -- the Office of Community and Economic Adjustment will provide planning grants and help communities organize themselves and develop an economic adjustment strategy. OCEA will be located in the Commerce Department's Economic Development Administration and will draw on the expertise of staff detailed from DoD.
- **Expand Community Adjustment Assistance by \$250 million over 5 Years:** The Administration will propose \$50 million per year in additional community adjustment funding as part of EDA's budget. Of this amount, \$10 million a year will go for OCEA planning grants; \$40 million a year will go to expand EDA's Title IX (Sudden & Severe Dislocation) program, with priority for trade-impacted communities.
- **Coordinate Federal Response:** As OEA has done for base closure communities, OCEA will coordinate the Administration's response to trade-impacted regions by working with Labor, Commerce, USDA, Treasury, SBA, HUD, DOT and other federal agencies. This will ensure that communities are aware of all available federal resources and that federal agencies respond in a coordinated way.

**Background:** The Administration has had considerable success in helping regions hurt by defense downsizing through its coordinated, community-based approach to providing economic adjustment assistance. Initially developed for communities experiencing a base closure, this approach has been used effectively as well in places such as St. Louis and Ft. Worth that faced defense industry cutbacks. Three features distinguish the approach:

- Focus on community organization and planning
- Targeted support for implementation
- Close interagency coordination

The Administration's secret weapon in this effort has been DoD's Office of Economic Adjustment. Created by Defense Secretary Robert McNamara in 1961, OEA has earned a superb reputation using only limited resources. Key to its success are the following:

- OEA is small, agile and has a focused mission: community organization and planning. Located outside the Pentagon physically, OEA has a community orientation not found elsewhere in DoD.
- As the chair of an interagency committee established in 1970, OEA is at the center of a enduring network of federal adjustment specialists and skilled at helping communities tap into a broad range of federal programs at the appropriate time.
- OEA project managers are economic adjustment experts, skilled at helping catalyze a local, grassroots adjustment planning process, using modest planning grants as a financial carrot to get key stakeholders at the table.

**Office of Community and Economic Adjustment:** The key to this initiative will be our ability to set up an office in EDA that -- like OEA -- is small, agile and focused on community organization and planning. We are working with senior officials at Commerce to accomplish this. Ideally, we will use OEA project managers on detail to (and paid for by) the Commerce Department. (Although OEA's current portfolio of base closure communities is shrinking, another BRAC round will likely occur in 3-4 years. By detailing some of its project managers to Commerce temporarily, OEA can keep its team together.)

**Pilot Effort in Roswell, New Mexico:** Last month, Levi Strauss announced that it is closing 11 plants, including one in Roswell, New Mexico. When Sen. Bingaman asked the NEC for help in organizing a coordinated federal response, it presented a good opportunity to test our Community and Economic Adjustment Initiative on a pilot basis. Commerce has agreed to pay for an OEA project manager on detail, who will be assigned to Roswell; EDA also agreed to provide an initial planning grant of \$40,000. Administration officials announced both of these steps at a Nov. 22 meeting in Roswell convened by Sen. Bingaman and Rep. Skeen, which brought together community leaders with officials from the White House, EDA, USDA, Labor, SBA and DOE.

December 8, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
CHRIS JENNINGS

SUBJECT: New AIDS Initiative

We have developed a \$115 million initiative for your FY 1999 budget to improve AIDS treatment and prevention programs. This increase would go to expand programs that are critical to preventing and treating this epidemic, including the AIDS Assistance Drugs Program (ADAP), which extends life-saving new treatment therapies to low-income and underserved populations.

**Background on AIDS Funding**

Since you came into office, AIDS programs that focus on treatment and prevention have improved dramatically. Medicaid, which provides coverage for half of all people with AIDS, now covers protease inhibitors. Funding for the Ryan White Program has increased by 200 percent since FY1993, funding for research at NIH has increased by 50 percent since that year, and funding for the ADAP program has increased 450 percent since 1996.

The AIDS community, however, has expressed disappointment with the Administration's recent efforts in this area. AIDS groups criticized the Administration for failing to propose major increases in discretionary spending in FY1998, which allowed Congress to outspend us in this area. And in just the last few weeks, the AIDS community reacted negatively to HCFA's conclusion that budget neutrality requirements prohibit establishing a Medicaid demonstration to provide early treatment to relatively healthy HIV-infected individuals. There is no doubt that the AIDS community will be examining the Administration's FY 1999 budget submission very closely.

**Proposal**

The AIDS office is recommending, and we agree, that you propose an \$115 million increase in your FY 1999 budget for AIDS treatment and prevention. (OMB is currently recommending \$100 million). All of this spending would go to existing discretionary programs that emphasize prevention and treatment. We would recommend that the majority of this increase go to the ADAP program, because new and effective treatments of this disease are currently not reaching many who need them. We also would recommend modest increases to CDC prevention education programs, as well as a range of programs providing funds to states,

cities, and community health centers.

Although the \$115 million that we are suggesting falls far short of the \$400 million the AIDS advocates are pushing, it is a significant investment that will improve AIDS treatment and prevention and soften criticism from the community.

Finally, in the wake of HCFA's decision on the Medicaid demonstration program discussed above, Nancy-Ann Min DeParle is looking into the possibility of a legislative proposal (which of course need not be budget neutral) for a model pilot project to expand eligibility to Medicaid for people with HIV earlier in the progression of their disease. As of this writing, we have significant questions about whether such a proposal is feasible and whether it could be done in time for the budget process. At the request of the Vice President, however, we are reviewing all options in this area closely.

December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING  
CHRIS JENNINGS

SUBJECT: Initiative to Reduce Racial Disparities in Health

To support your race initiative, we have developed proposals that would commit the nation to an ambitious goal of seeking to eliminate some of the most severe racial disparities in health care by the year 2010. African-Americans, Hispanics, Native Americans, and Asian Americans suffer from certain diseases up to five times as often as whites. To reduce these disparities, the government will have to make a sustained effort to find effective approaches and apply them across all health programs. We recommend that the FY 1999 budget take a two-pronged approach to this issue by (1) expanding our finest public health programs so that they can address the problem of reducing these disparities, and (2) funding competitive grants to thirty communities to test innovative and promising new approaches in this area.

**Racial Disparities in Health Care**

The initiative would focus on six of the most severe racial disparities in health care: infant mortality, cancer, heart disease and stroke, AIDS, immunization, and diabetes. Some of these disparities are quite startling. For example, infant mortality rates are 2 ½ times higher for African-Americans and 1½ times higher for American Indians and many Hispanic groups than they are for whites. African-Americans have a 35 percent higher cancer death rate than whites, and African-Americans under 65 suffer from prostate cancer at nearly twice the rate of whites. Similarly, Vietnamese women suffer from cervical cancer at nearly five times the rate of whites, while Latinos have two to three times the rate of stomach cancer. African-American men also suffer from heart disease at nearly twice the rate of whites. Native Americans suffer from diabetes at nearly three times the average rate, while African-Americans suffer 70 percent higher rates. Minorities account for 25 percent of the population yet make up 54 percent of all AIDS cases. The Demographic changes anticipated over the next decade magnify the importance of addressing these disparities. As minority populations grow, finding effective ways to close these gaps will become a critical aspect of improving the overall health of the nation.

**Validation**

An initiative that sets the ambitious goal of reducing these health disparities would receive overwhelming support from public health groups such as the American Public Health

Association, the American Heart Association and the American Cancer Society, as well as from minority groups such as the Intercultural Cancer Council, the American Indian Healthcare Association, the National Hispanic Council on Aging, and the National Council of Black Churches.

### Proposal

HHS is proposing to spend \$200 million in FY 1999 for this initiative. OMB is currently recommending an investment of \$30 million (along with some retargeting of existing funding streams), with all the new money to go to established HHS programs, and none to the community grant proposal discussed below. (OMB believes that most communities do not have the infrastructure necessary to implement new public health projects in the most efficient manner.) OMB's lack of enthusiasm for this initiative results partly from a fear that we will not be able to reach our goals. DPC/NEC strongly support both parts of this initiative. We believe that the initiative will require an additional \$80 million and that \$30 million of this money should go to the new competitive grant program.

- **Applying Current Effective Public Health Approaches to Eliminate Disparities.** We recommend that you propose \$50 million to apply some of our most effective public health approaches directly to reducing racial disparities. Our best public health programs already use effective prevention and education strategies to improve health care. These programs would use additional funds to implement and adapt such proven public health strategies to eliminate racial disparities. For example, CDC's breast and cervical cancer screening program could use additional dollars to target minority communities better, as well as to extend its efforts to other cancers (e.g., prostate and colorectal) disproportionately afflicting minorities.
- **Community Grants to Develop New Strategies to Eliminate Disparities.** Eliminating racial disparities in health care will require not only the focused application of existing knowledge and best practices, but also the development of new approaches. We recommend that you propose \$30 million in FY 99 to enable thirty communities to develop innovative and effective ways to address racial disparities. Each community, chosen through a competitive grant process, would commence an intensive program to address one of the six health areas. (For example, a grant might go to a Native American reservation to test innovative approaches relating to diabetes.) These grants would fund education, outreach, and preventive approaches that have not been attempted elsewhere. HHS would hold periodic conferences to educate the public health and minority communities about effective strategies developed by these communities, with the aim of extending these approaches across the nation.
- **Beginning Today to Reduce Disparities.** To ensure that we begin this initiative immediately, we are identifying ways in which the FY 1998 increases in health care can be used to address racial disparities. For example, AIDS education and training centers

are beginning a new partnership with the Indian Health Service to develop new approaches to educate health providers about training and prevention. In addition, the National Cancer Institute will expand efforts to recruit more Hispanics into clinical trials.

December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
TOM FREEDMAN

SUBJECT: Civil Rights Enforcement Initiative

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

**I. Strategies that Promote Prevention and Avoid Litigation**

**A. Resolving Problems Without Lengthy Court Fights**

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

**B. Spotlighting the Problem and Encouraging Compliance**

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

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

## **II. Making Enforcement Work**

### **A. Resources to Eliminate Backlogs**

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

### **B. Coordinating and Streamlining Federal Policies**

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

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

### **C. Modernizing Civil Rights Enforcement**

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

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

### III. Status of Proposals

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