

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

December 15, 1994

BACKGROUND BRIEFING
BY
SENIOR ADMINISTRATION OFFICIALS

December 15, 1994

The Roosevelt Room

5:25 P.M. EST

SENIOR ADMINISTRATION OFFICIAL: Let me try, if I can, to summarize some of the main points of the speech this evening. Basically, the President, as you know, is speaking for 10 minutes. The President's basically going to be doing some plain talking with the people of the United States tonight. He's got to be very direct. I think he's going to be trying to speak from the heart in terms of what he thinks needs to be done in this country over the next two years.

Basically he's going to talk about what this country is about -- its strengths, the challenges and the problems that are confronting it, particularly for working families, the middle class in this country -- the steps that he recommends to try to deal with some of the problems facing working families, and how he will work with Congress to try to get those accomplished.

And then he also wants to talk about some steps that the citizens themselves need to take in order to keep the American Dream alive. He basically has lived the American Dream, and he's asking others to believe in it again as well.

The main thrust and the target for the speech is aimed at trying to provide some help to working families with regards to the economic recovery. He's going to speak to the economic recovery, the fact that he was able to get it in place, the fact that -- we've seen a lot of good come from the fact that our economy is doing much better, but that obviously a lot of families have not felt that recovery, and therefore, having made a down payment on a middle income tax cut in the initial economic plan with the earned income tax credit that provided relief to almost 15 million working Americans; that the time has come now to build on that for working -- all working families.

The main concern that he sees are the choices -- the difficult choices, financial choices that face working families right now when it comes to either paying for the education for their children or raising a child within the home, or trying to save up for a purchase of a first home, or for dealing with catastrophic illness or for the care of an elderly parent. Those are the kinds of problems, real problems, that are facing working families.

And so to address that, he is proposing basically four

elements that are part of the proposal. The first is that college tuition would be tax deductible. Just as we made mortgage interest tax deductible -- I'm going to read this quote from the speech: "Just as we made mortgage interest tax deductible because we want people to own homes, we should make college tuition deductible because we want people to go to college."

So he's proposing that tuition for college -- community college, graduate school, professional schools, vocational schools, worker training after high school would be fully deductible up to \$10,000 a year for families making up to \$120,000 a year.

This is a principal centerpiece. He is very -- he believes deeply that this country, in terms of its future, is better off if we can invest in our children and invest in their education.

Q Sliding scale or flat?

SENIOR ADMINISTRATION OFFICIAL: Help me --

Q Up to \$10,000 per \$120,000 --

SENIOR ADMINISTRATION OFFICIAL: Up to \$10,000 a year --

Q Are the incomes adjusted gross?

SENIOR ADMINISTRATION OFFICIAL: Adjusted gross. And it phases out completely at \$120,000. Starts to phase out at \$100,000, and phases out completely at \$120,000.

SENIOR ADMINISTRATION OFFICIAL: Secondly, with regards to families raising children, we provide a \$500 tax credit for children under 13. Tax cuts would be made available to any family whose income is less than \$75,000. Again, to address --

Q Adjusted gross?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

SENIOR ADMINISTRATION OFFICIAL: It phases out from 60,000 to 75,000.

Q So the \$500 applies to under \$60,000 a year.

SENIOR ADMINISTRATION OFFICIAL: Well, under \$75,000 -- you get some of it up to \$75,000.

Q Full \$500 up to \$65,000?

SENIOR ADMINISTRATION OFFICIAL: Up to \$60,000.

Q And what would you get at \$75,000? Zero? Okay.

SENIOR ADMINISTRATION OFFICIAL: Thirdly, again to try to address those particular problems that I talked about, you would allow every American to put \$2,000 tax free into an individual retirement account, and then be able to use that money not just to retire on, but to try to be able to withdraw money from those accounts tax free for education costs, catastrophic costs, purchase of a first home and the care of an elderly parent.

The fourth piece that is part of the package is --

Q Is that \$2,000 a year you just stash away or \$2,000

for life?

SENIOR ADMINISTRATION OFFICIAL: \$2,000 per year.

SENIOR ADMINISTRATION OFFICIAL: Per person.

Q The income limits that -- the ones now are for the

--

SENIOR ADMINISTRATION OFFICIAL: Plenty of time. Let me have my colleague explain it. Go ahead.

SENIOR ADMINISTRATION OFFICIAL: Existing IRAs will be changed in two ways. The income limit will be raised. It's currently for couples, \$40,000 -- phases out -- it starts at \$40,000 and phases out at \$50,000. That's current law. Under the proposal the phase-out will start at \$80,000 and be completely phased out at \$100,000. So we are expanding the universe of people who can contribute to IRAs. In addition, we are going to have the penalty-free withdrawals for the types of things my colleague just mentioned.

Q It's tax-deferred --

SENIOR ADMINISTRATION OFFICIAL: Tax deferred. And in addition, there will be a option to put in a so-called back-loaded IRA. You can put in -- it's nondeductible, but you can get the money out tax free.

Q That's couples, the \$80,000 to \$100,000 -- that's couples?

SENIOR ADMINISTRATION OFFICIAL: Yes, couples.

Q Will the \$2,000 a year be tax deductible or just tax deferred?

SENIOR ADMINISTRATION OFFICIAL: The current IRA that we have now, you get tax deductions, and the income that is in the IRA is not taxed until you take it out, as well as the contribution.

Q And the \$2,000 is per person -- for instance, a couple would get \$4,000.

SENIOR ADMINISTRATION OFFICIAL: And they're both working --

Q Would there be any means test for the elderly parent, any income levels?

SENIOR ADMINISTRATION OFFICIAL: No.

Q Who would decide --

SENIOR ADMINISTRATION OFFICIAL: We're working out those details. We're working out --

Q So there may be strings attached to that.

SENIOR ADMINISTRATION OFFICIAL: There will be conditions on all --

SENIOR ADMINISTRATION OFFICIAL: That really -- that concludes the main tax benefits that would be provided to working families. There is a fourth element that the President will talk

about relating to job training in which he basically will state that there are billions of dollars now that the government spends on dozens of different training programs. And he wants to provide direct payment, in the form of certificate or grant, to be able to give that to people directly if they lose their job or want a better one, so that we're consolidating job training programs and basically providing those payments directly.

Q So someone loses their job, instead of going to a training program you give them \$10,000 grand, and all the programs are eliminated and they go to some private place?

SENIOR ADMINISTRATION OFFICIAL: Secretary Reich is working on a consolidation of those programs and trying to basically provide -- empower the individuals themselves as to how to use those funds for job training.

Q Well, it sounds like elimination, not consolidation. Aren't you just disappearing --

SENIOR ADMINISTRATION OFFICIAL: Well, I think the funding is pretty much the same, but it's basically to try to cut through the various programs that are out there on job training and try to go directly to the people so they can use this directly without having to go through the bureaucracy --

Q Cut through or cut out?

SENIOR ADMINISTRATION OFFICIAL: Well, they're cutting out a lot of the different operations. Let me tell you, Secretary Reich will give you a fuller briefing on the specifics of this, but this is one of the improvements that he's been looking for and trying to get money directly to people.

Q This is the same amount of money?

Q How big a voucher would --

SENIOR ADMINISTRATION OFFICIAL: I don't know.

Q But is there a restriction on the money -- all must be used for job training?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q Can they start a business if they want to

SENIOR ADMINISTRATION OFFICIAL: I believe it's for job training.

Q So it's a voucher.

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q It doesn't affect unemployment --

Q Did you say that's correct, it's a voucher?

Q And what's the amount?

SENIOR ADMINISTRATION OFFICIAL: On the -- I don't know.

SENIOR ADMINISTRATION OFFICIAL: It's \$2,000 to \$3,000 -- it will be between \$2,000 and \$3,000.

Q And would that be based on income?

SENIOR ADMINISTRATION OFFICIAL: This is a further reform, reinventing of a new reemployment option. Our initial one had consolidated several programs. This increases the consolidation -- dozens -- up to 60 programs. And it would still ask states -- it would still ask that there be consolidation, go to one place and know everything. But rather than even having to go to -- (inaudible) -- to find out, the grant certificate comes to you and then you can go to one place to find out consumer information on what the best training opportunities are. There will still be standards, but as my colleague says, taking 60 different funding streams and consolidating, and empowering the individual directly, and then having choice and information provided to them on the different variety of reemployment options.

Q And how much are those 60 programs worth now?

SENIOR ADMINISTRATION OFFICIAL: I believe it is somewhere between \$10 billion and \$13 billion. But as I said, I think the Secretary will brief more detailed --

Q These are 60 programs that will disappear?

SENIOR ADMINISTRATION OFFICIAL: Their funding streams will be consolidated.

Q So where's the savings?

Q Their funding streams will be consolidated?

Q Where is the savings -- in administrative costs?

Q Is there a price tag for all of this stuff?

SENIOR ADMINISTRATION OFFICIAL: I think what we need to do is -- obviously, Secretary Reich has the more specifics on the proposals, but I think you're right, that you're basically taking 60 programs and creating one funding stream.

Q One program to replace them?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q Politically, you don't have trouble with saying you're eliminating programs, do you?

SENIOR ADMINISTRATION OFFICIAL: No.

Q That's what you're doing.

SENIOR ADMINISTRATION OFFICIAL: That's correct. We're consolidating, and you're consolidating --

Q But you don't want to advertise it that way?

SENIOR ADMINISTRATION OFFICIAL: However you'd like to -- (laughter) --

Q This is worth \$2,000 to \$3,000 per person, this voucher?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

The main focus of this has been something that Secretary Reich has been working on for a long time, which is basically to -- instead of having a number of different job training programs out there, to try to consolidate those and try to get it directly to people without having to go through the bureaucracy or the administration of a number of these different programs that operate on a number of different levels. I mean, everybody knows that we are dealing with a lot of very different programs that have a very mixed record of performance. He's trying to consolidate it and get it directly to individuals.

Q Well, consolidating suggests there will be a consolidated federal program -- these people can go to a federal program to get the training; they still will have the opportunity, is that right?

SENIOR ADMINISTRATION OFFICIAL: I believe that's the case --

Q What's the five-year cost?

Q What's the overall cost of the tax cut --

SENIOR ADMINISTRATION OFFICIAL: Okay, on the tax cut itself, which is fully paid for, we are looking at approximately -- I mean, because obviously these numbers get scrubbed a little here or there -- but \$60 billion approximately with --

Q Over five years --

SENIOR ADMINISTRATION OFFICIAL: It's over a five-year number from '96 to 2000.

We pay for the tax cuts in the following manner. Let me just make clear the context here because we are working on the fuller budget. We are still making decisions with regards to the fuller budget, which will be presented in February. There are more decisions to be made next week with regards to that budget. This is a piece of that budget that we're working with.

I don't want to give the impression that this is all of the budget. This is a piece of the budget that pays for the tax cuts. The piece that pays for the tax cuts is the following. Its restructuring -- it's made up of two pieces. One is major restructuring in the following agencies: Energy, HUD, Department of Transportation, GSA and the Office of Personnel Management. The main areas for restructuring involve management, tightening up on levels of management, consolidation of programs, privatizing many of the programs within these different departments, and eliminating some of the programs as well.

In Energy, for example, there's the elimination of a number of programs. But there's also the reducing of a lot of their layers of management and supervision. They do privatize as well. I'll give you an example -- the privatization is the petroleum reserve that they would move to try to privatize that.

In HUD, Housing and Urban Development, there is a consolidation of the programs. Secretary Cisneros has developed a very large consolidation of programs, at HUD to basically focus on housing as well as economic development. Those are the two areas that he wants to focus the programs.

Department of Transportation, the same thing. There is

some privatizing of some of the programs there, plus tightening up on management as well as the supervision levels there.

Q. Which programs would be privatized in Transportation?

SENIOR ADMINISTRATION OFFICIAL: There's only -- the one that would be spun off is the air traffic control operation. But there are others, and I don't want to get into all of the particulars.

Q Do you have an example from HUD?

SENIOR ADMINISTRATION OFFICIAL: HUD is basically, what I said -- it's consolidation of their programs into funds that are targeted at housing, at economic development. I think there's a couple others. But it really is major consolidation of programs. What he's done and what he's recommended are to take whole areas that now involve many different loan programs and trying to consolidate those. It's a really dramatic proposal.

Q Just as an example, how much is the SPR and the ATC worth if they're sold off? What are your estimates here?

SENIOR ADMINISTRATION OFFICIAL: I don't know, and I'll try to get you that.

GSA is the same. We're transferring a lot of the responsibilities to GSA back to agencies and there's some privatization that goes in at GSA as well. And the same thing is true for OPM where there's some training programs that are directed back to the agencies. But, nevertheless, there are some retirement programs that continue to operate under OPM's control.

Q How much is that worth?

SENIOR ADMINISTRATION OFFICIAL: All of that is worth approximately \$24 billion.

Q Everything you've discussed?

SENIOR ADMINISTRATION OFFICIAL: Everything I've just discussed with regards to the agencies --

Q How many people would lose their jobs on that?

SENIOR ADMINISTRATION OFFICIAL: I can't give you that estimate right now.

Q Are these numbers over and above reinventing?

SENIOR ADMINISTRATION OFFICIAL: These are above and beyond what -- I mean, you currently saw in reinventing government, this is a major effort at restructuring. In these agencies, I should tell you that you are looking at the same kind restructuring with regards to other agencies as well. The Vice President will speak to that on Monday when he returns from Russia.

The second piece is to continue the freeze -- it's a hard freeze on spending, for an additional two years. Right now there's a hard freeze on discretionary spending that goes through '98. We would continue the hard freeze on discretionary spending for '99 and the year 2000. That produces \$52 billion in savings. The total of that is \$76 billion, so we have at least \$16 billion that we

can use out of the amount right now to help us with regards to the deficit that we're working on with a larger budget.

Those are the pieces that we're looking at, and, again, I guess -- one thing I would remind everybody of is that there is a history here, obviously, for the President with regards to the middle-income tax cut. It's something that he advocated three years. The Vice President introduced, at one point, a major tax credit proposal with regards to children. The President endorsed the middle-class tax cut. The House passed it, and, as you may recall, when the House passed it, every Republican House member but one voted against that bill.

So it is a proposal that we've supported in the past; it's something the President supports. He feels he's building on what he already did with EITC and that it is -- it's consistent with the policies we've been trying to put in place as President.

Q Why the cut-off at age 13? Why not just have it all minor children?

SENIOR ADMINISTRATION OFFICIAL: I think what he wanted was to target kids in the 12-and-below area because those are really where the costs, principal costs are with regards to caring for kids.

Q When do the tax cuts take effect? Do they take effect before the spending cuts?

SENIOR ADMINISTRATION OFFICIAL: When do the tax cuts take effect?

Q Will they be retroactive January 1st? Is that part of the plan?

SENIOR ADMINISTRATION OFFICIAL: No, they'll start to take effect in January 1 of '96.

Q How come it's less expensive to --

Q Wait, wait. January 1, '96?

SENIOR ADMINISTRATION OFFICIAL: Right. That's what all the proposals have been.

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q Sir, if you don't have kids, you don't need any job training, and already bought your first home, what's in it for you.

Q You're screwed. (Laughter.)

SENIOR ADMINISTRATION OFFICIAL: I think it's fair to say if you want to save for your retirement, or if you want to save for education.

Q You have no one to save for. If you're a single person and you own a home --

SENIOR ADMINISTRATION OFFICIAL: And you want to save for your retirement, you --

Q So you only get a retirement benefit out of this?

Q Why are you so much more specific about the tax

cuts than you are about the details in spending cuts? Is it because the details of the spending cuts haven't been decided yet or because

SENIOR ADMINISTRATION OFFICIAL: No, they've fully been decided, and what we want to do is basically provide a more specific briefing with all of the Secretaries involved in these departments that would provide all of the particulars with regards to that.

Q And when is that briefing?

SENIOR ADMINISTRATION OFFICIAL: I mean, these decisions have all been made. The Secretaries have all made them, and they're preparing a briefing on that.

Q And when is that briefing going to be? Today? Tomorrow?

SENIOR ADMINISTRATION OFFICIAL: We'll provide some of the details tomorrow, but the Vice President would like to present them on Monday when he returns from Russia.

Q But this is all the details for tonight, though?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q Now, is the \$16 billion extra going to deficit reduction?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q Why did you decide against eliminating the Cabinet agencies or combine them?

SENIOR ADMINISTRATION OFFICIAL: Look, I think -- because, frankly, we weren't doing this for show, we were doing this on the basis of trying to make good policy decisions about how we could save money in each of these agencies. Each one of these agencies still have major functions that their responsible for. For example, the Department of Energy has all of the nuclear cleanup responsibilities. That needs to be done, has to be done. Just to simply move that to another agency doesn't save money; it's basically shifting blocks from one place to another.

If the Department of Transportation had the responsibility for that and we decided it was important to keep it there. In the Department of Transportation they have major responsibilities with regards to safety, and we ought not to just simply walk away from those or try to transfer them someplace else; they have that responsibility.

Same thing is true with regards to the Department of HUD. And OPM has responsibility for handling retirement programs for federal employees. We would have to transfer that responsibility someplace else. So our feeling was, let's do the major restructuring that improves each of these departments, but allow them to operate the responsibilities that they really have jurisdiction over and have expertise in. That was the approach we took.

Q Technically, where do you break middle class?

SENIOR ADMINISTRATION OFFICIAL: Just one second. On the point of if you didn't have children -- by lifting it from \$70,000 to \$100,000, it allows a lot more people to get an IRA for

their retirement, but it also would allow somebody current -- even besides that, the IRA would be allowed to be used for catastrophic medical expense, for long-term unemployment. And then also the education -- the education deduction could also be used for anybody who loses their job and needs to go back for a certified education program.

So there are several ways that somebody in that situation, who already had their first home and didn't have young children would still benefit. There's also being able to include helping their children save for these. So I think it covers quite a lot for working families.

Q Where does the middle class break? And then, how much of the \$60 billion goes to those below that middle class break?

SENIOR ADMINISTRATION OFFICIAL: That's your question.
(Laughter.)

Q You're saying the top is \$75,000, right? You're saying the top is \$75,000, what's the bottom of the middle class and how much goes to those below the bottom?

SENIOR ADMINISTRATION OFFICIAL: Well, the EITC is a program we've put in and that basically phases out at about \$28,000. All of these will be available to people who are above that level.

Q So that's your definition of who is eligible?

Q So basically you're saying people below \$28,000 won't benefit because they're already in that negative --

SENIOR ADMINISTRATION OFFICIAL: They've got the EITC.

Q So everybody above the EITC, the \$500 tax credit for kids under 12?

SENIOR ADMINISTRATION OFFICIAL: That will not be available to people who get the EITC. It will be available --

Q The reason for the age limit on kids -- is there any difference in that -- is there any reason for that and the reason behind the income limits? I mean, aren't they both basically designed to deal with the amount of money you feel you have available?

SENIOR ADMINISTRATION OFFICIAL: Well, they basically are aimed at -- again, the President felt that it was important to target the tax credits on the families that really have the most costs with regards to kids at that level. We really wanted to target them. And, obviously, it part of the consideration of the resources that are available when you target anything. Otherwise you'd give a lot to everybody. But that was the main reason.

THE PRESS: Thank you.

ENDS:50 P.M. EST

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

December 15, 1994

BACKGROUND BRIEFING
BY
SENIOR ADMINISTRATION OFFICIAL
ON PRESIDENT'S SPEECH

December 15, 1994

The West Wing

4:55 P.M. EST

SENIOR ADMINISTRATION OFFICIAL: The President is basically going to do some plain talking with the people of the United States this evening. He basically wants to talk about what this country is about and its strengths. He also wants to talk about the challenges that are confronting it, the problems that are facing particularly working families in the middle class in this country.

He also wants to indicate what steps he is going to recommend to try to deal with the problems that working families are facing and how he would like to work with the Congress to get these things done. And then, lastly, he's also going to talk about steps that citizens have to take in order to really have the American Dream come alive again for them. He lived the American Dream; he's going to say that to the American people, and he wants others to believe in it again as well.

With regard to the specifics, the main problems that are facing working families right now are really three in terms of financial -- tough financial decisions: One, how to pay for the education of your children; two, paying for raising a child; and three, saving for basically first-home purchases.

The steps that are being recommended are the following: One, he's going to recommend -- there are four ideas to the proposal that he's recommending to try to help working Americans. One is that college tuition would be tax deductible. And he's going to refer to the fact that since a mortgage interest deduction is deductible because we want people to own homes, we ought to make college tuition deductible because we want people to go to college.

Q Unlimited?

SENIOR ADMINISTRATION OFFICIAL: There is a -- what he's proposing is that tuition for college, community college, graduate schools be fully deductible up to \$10,000 a year for families making up to \$120,000 a year.

The second recommendation is that he wants to help middle-class families raise their children --

Q This doesn't include vocational education?

SENIOR ADMINISTRATION OFFICIAL: Yes, it does.
Vocational education and worker retraining.

Q So it's college and vocational education?

SENIOR ADMINISTRATION OFFICIAL: It's college, community college, graduate schools, professional schools, voc-ed, worker retraining.

Two, middle class families raising their children, so he wants to cut taxes for children under 13 -- in other words, 12 and under. And that tax credit would be available to any family whose income is less than \$75,000 -- isn't it?

Q That's a tax credit?

SENIOR ADMINISTRATION OFFICIAL: That's a child tax credit.

Q Per child?

Q Up to \$500?

SENIOR ADMINISTRATION OFFICIAL: Per child.

Q \$500 per child tax credit for families making \$75,000?

Q Or less.

SENIOR ADMINISTRATION OFFICIAL: Three, he again wants to help middle-income families, so with regard to saving money he wants to create savings incentives. He wants every American to be able to put \$2,000 a year tax-free in an IRA and be able to -- then withdraw that money tax free for education, medical expenses, purchase of a first home.

Q Any medical, or just catastrophic?

SENIOR ADMINISTRATION OFFICIAL: Catastrophic. Purchase of a first home and the care of an elderly parent. And then, fourthly --

Q And there's a cap on how much can be withdrawn without penalty?

SENIOR ADMINISTRATION OFFICIAL: Is there a cap on how much can be withdrawn?

Q Is this available to everybody, or just to certain income groups?

SENIOR ADMINISTRATION OFFICIAL: Families up to \$100,000; individuals up to \$70,000.

SENIOR ADMINISTRATION OFFICIAL: And fourth, he basically wants to consolidate all of the different training programs that the government now has and provide a voucher to improve job training if somebody loses their job or wants a better one, so that we begin to consolidate those programs as part of it.

He basically is going to take the training programs --

Secretary Reich is recommending consolidation of the training programs -- and trying to provide vouchers directly to individuals that want job training.

The proposals themselves on the tax cut side -- we estimate the cost, and you've got to be -- it's approximate; it's about \$60 billion for five years. Five year cost, \$60 billion. They are fully paid for in the package. And I'll go over that, but every -- there's nothing added to the deficit. As a matter of fact, we actually get some additional deficit reduction in the package that we're presenting.

The savings themselves for the pay-goes come from two areas. One is major restructuring of government agencies -- the following agencies: Energy, HUD, Department of Transportation, GSA, and OPM. This is the beginning of a process -- these are actually the first five in agencies to go through this restructuring process. They'll be -- we're going to ask others to do the same.

Q Is this something that would have happened anyway?

SENIOR ADMINISTRATION OFFICIAL: Most of these were -- we were asking them to look at their operations to begin with. But obviously, it is something that is part of the REGO effort, the restructuring of government effort. It's basically targeted at management restructuring, consolidation of programs, privatizing of some of the programs in these agencies, as well as eliminating some of the programs that these agencies have.

For example, in Energy, we are eliminating some programs. They are basically reducing the layers of management; they've got a lot of management and supervision layers there. And they're also going to be privatizing some of the programs at Energy.

At HUD, you're looking at mainly consolidation of programs. Secretary Cisneros is recommending some pretty dramatic consolidation of programs so that they're targeted at housing and economic development. And the same thing is true for these other agencies.

So that's one piece of it. The second piece of it --

Q How expensive?

SENIOR ADMINISTRATION OFFICIAL: That piece saves about \$24 billion.

The second piece is to continue a hard freeze in discretionary spending through 2000. We currently have a hard freeze in place through Fiscal Year '98 as part of the \$500-billion deficit reduction program. We would extend that hard freeze for an additional two years, which picks up \$52 billion. And you've got some additional deficit reduction on top of that.

Now, let me make clear that this represents the portion that relates to the tax cuts and how we're paying for the tax cuts. We have still not made all of our decisions with regard to the budget, and those will be presented, obviously, in the fuller budget.

Q This is \$76 billion in savings?

SENIOR ADMINISTRATION OFFICIAL: This is \$76 billion in savings.

Q And so the \$60 billion will pay for the tax cut --

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q and \$16 billion will pay for additional deficit reduction.

SENIOR ADMINISTRATION OFFICIAL: It helps us in the deficit picture. We're going to have to do more on the deficit picture, and we're going to be working through those decisions next week.

Q Now, is it fair to say if you didn't have any tax cuts, you would have been able to save \$76 billion in deficit reduction? (Laughter.)

SENIOR ADMINISTRATION OFFICIAL: I want to go "duh." (Laughter.) The answer is yes.

Q If you were to have done this -- would you have done this anyway?

SENIOR ADMINISTRATION OFFICIAL: Pardon me.

Q Would you have done this anyway? I mean, the tax cuts.

SENIOR ADMINISTRATION OFFICIAL: No. Clearly, we were pushing for major restructuring in government programs. And the additional freeze is something we were considering.

Q Are you going to have any actual text for us that we can get into the broadcast of what the President is saying.

SENIOR ADMINISTRATION OFFICIAL: Excerpts. We're working on that.

Q Okay, because it's getting -- we're getting --

SENIOR ADMINISTRATION OFFICIAL: I know.

SENIOR ADMINISTRATION OFFICIAL: We've got a summary of what it means for a family, a four-person family with \$50,000 of wage and salary income. And, my colleague will walk through these quickly.

SENIOR ADMINISTRATION OFFICIAL: These are examples of four-person family, \$50,000 of wage and salary income, \$7,500 of itemized deduction and four personal exemptions which add up to \$10,000.

Q That's current? That's current circumstance and now you're going to go to the scenario is what would happen to them as a result of these proposals?

SENIOR ADMINISTRATION OFFICIAL: Correct. So case one, both children, 12 or under, that means they're going to get \$1,000 tax credit, two-\$500 credits -- that's a 21 percent reduction.

Both children over 12, so they don't get any child credit, but they get educational expenses in excess of \$10,000, so they get the full \$10,000 deduction.

Q But that means like they'd have to -- this is sort

of if you can put your kid in private school or put your kid --

SENIOR ADMINISTRATION OFFICIAL: For college.

Q But this is children over 12 aren't in college.

SENIOR ADMINISTRATION OFFICIAL: No. This is just --

SENIOR ADMINISTRATION OFFICIAL: If you're 18, 19 --

Q But basically for people with young teenagers between 12 and 18 unless they're in college, they don't get anything.

SENIOR ADMINISTRATION OFFICIAL: No. Look at case three. They can put money in an IRA, can save for college or for a first home or whatever--

Q \$50,000 -- they can all do that on a \$50,000 income. (Laughter.) Okay.

SENIOR ADMINISTRATION OFFICIAL: I think that the reason why people, why it's hard for them to save for the retirement is because they're usually already saving for, you know, trying to save for college or something. So this makes it exceedingly easier for a family who was trying to put away -- I mean, a lot of people making \$50,000 are trying to put away some money for their kids education. That would help any of those families.

Q And then the reason we did children 12 and under as opposed to 18 and under is because most of that money, you figure, needs to go for child care?

SENIOR ADMINISTRATION OFFICIAL: Yes.

SENIOR ADMINISTRATION OFFICIAL: -- targeted, you know, the caring of kids at home.

Q Let me ask a question. On the third thing --\$2,000 they can put into an IRA. Right?

SENIOR ADMINISTRATION OFFICIAL: Right.

Q Per child?

SENIOR ADMINISTRATION OFFICIAL: No. It's just -- we've

Q Is that for anybody?

SENIOR ADMINISTRATION OFFICIAL: Anybody.

Q Anybody with a family income of \$100,000 and individuals at \$70,000?

SENIOR ADMINISTRATION OFFICIAL: Right.

Q So this third thing over here, where you're saying about --

SENIOR ADMINISTRATION OFFICIAL: It could be either -- you can either have children or it could be a family with no children -- that third example.

SENIOR ADMINISTRATION OFFICIAL: Right now, an IRA, you can put \$2,000 in if your income is up to \$40,000, phasing up to

\$42,000, but you can only use it for retirement. If you take it out before 59-1/2, you face a penalty. This does two good things for middle-class families. One, instead of being \$40,000 as the limit, it raises it significantly to almost \$100,000, so it includes a lot more middle-class families. Secondly, it has a whole other category besides retirement that you can take it out penalty-free for.

Q But the maximum contribution is still \$2,000?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q? For the family or for the individual?

SENIOR ADMINISTRATION OFFICIAL: For the individual.

Q What government services, one or two, of the top ones that Americans enjoy are going to be privatized? What services the people would recognize are on the privatization list?

SENIOR ADMINISTRATION OFFICIAL: Well, let me give you just one example which would be that, for example, the petroleum reserve that currently is under the Energy Department's control. That's being suggested for privatizing.

Q I mean, what would that mean? It would just be privately managed?

SENIOR ADMINISTRATION OFFICIAL: Yes.

Q But the government would still own the oil, right?

SENIOR ADMINISTRATION OFFICIAL: The government could still have access to the oil, but the -- it would basically be operated in a private sector basis. In other words, the private sector would basically manage the field. We would still have the ability to get access and draw from it. But right now we're running that whole operation out there.

Q Nothing far-reaching like air traffic control or the National Weather Service or --

SENIOR ADMINISTRATION OFFICIAL: There are -- I mean, we're looking at a series of those proposals, and I think we -- what we want to do is basically provide a more in-depth briefing on all of that when we get into the particular departments.

Q Is this tomorrow we're talking about or --

SENIOR ADMINISTRATION OFFICIAL: I think some of it will be tomorrow. A lot of it will be over the weekend.

Q Over the weekend?

SENIOR ADMINISTRATION OFFICIAL: Probably Monday is when we want to do a major briefing on all of the departments, as well as -- I mean, the Vice President's back then from Russia, and wants to be able to provide a fuller briefing on the restructure.

Q But would that go beyond monies needed to cover this \$76 billion.

SENIOR ADMINISTRATION OFFICIAL: I think it's mainly going to be the restructuring there plus some of the additional stuff they want to do with regards to other departments.

Q When was the final package finalized, crossing the last t's and dotting the final i's, numbers for all of this?

SENIOR ADMINISTRATION OFFICIAL: The decisions by the President were basically concluded yesterday.

Q Yesterday morning?

SENIOR ADMINISTRATION OFFICIAL: Yes, on the tax pieces and the numbers, obviously, were worked through today.

Q All the details on the 100,000 --

THE PRESS: Thank you.

END5:10 P.M. EST

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

December 16, 1994

PRESS BRIEFING

BY

SECRETARY OF LABOR BOB REICH,
SECRETARY OF TREASURY LLOYD BENTSEN,
SECRETARY OF EDUCATION RICHARD RILEY,
AND CHIEF OF STAFF LEON PANETTA

The Briefing Room

11:18 A.M. EST

MR. PANETTA: Thank you. The purpose of this briefing is to provide everyone with greater details on the proposals that were described by the President last night, particularly the tax and training plans that are part of the Middle Class Bill of Rights.

Secretary Bentsen will discuss the President's tax proposals, and Secretaries Reich and Riley will describe the President's training and education initiatives. On Monday, the Vice President will provide greater details on the dramatic reforms that the President is proposing for major departments and agencies, not only those that are being used for paying for the tax cuts, but the broader proposals that will affect other agencies and departments.

Last night the President really did speak from the heart directly to America's working families about their concerns and about their hopes for the future. As many of you know, this was truly his speech. This was a speech that he essentially dictated into a tape himself. We used that to basically then prepare a final speech, which he then reworked for the address that he gave. So this truly was his speech, his words, and he very much wanted to communicate his convictions to the American people. And he is deeply gratified by the reaction that has come into the White House as a result of the speech.

Q What has that been?

MR. PANETTA: It's been very good, been very good.

The President has said there is more in America that unites us than divides us; we need to bring the country together and we can't let the voices of anger drown out the need for dialogue among all people. And he feels that, I think, very deeply.

The President's Middle Class Bill of Rights is targeted towards the fundamental needs and concerns of middle-income working families. We've said the biggest financial strains that face working families in this country is how do they pay for the education for children, how do they pay for raising their children, buying a first home, paying for the kind of catastrophic illness that can affect every family. Those are the real needs facing working families, and it was to those needs that the President addressed this plan.

The President has been saying for three years that the tax code is unfair to middle-income Americans and that they needed to have a tax cut to help them meet their families needs. The first step came last year, as he pointed out, with the earned income tax credit for 15 million families. That proposal was enacted as part of the economic plan. This proposal completes the fulfillment of the promise that the President has made.

These proposals are fully paid for by reducing government and cutting spending. They're targeted at middle-income working families, and frankly, the Republicans, in contrast, have yet to say how their proposals are paid for. Some of them approaching almost \$300 billion in promises, and they provide enormous and unneeded benefits to those at the upper-income brackets.

The tax cut, as I said, is fully paid for by the President's effort to reinvent government by making it smaller and more effective. We've already reduced federal employment in the government by 272,000, the lowest level in 30 years.

The steps we are now taking make radical reforms in three departments and two agencies, and that is just the beginning. The President has directed the Vice President to review the other departments and agencies, as well as to find additional savings and reforms. We intend to continue that effort to reduce the deficit and make government smaller and more efficient. The savings we are using to pay for the tax cuts are specific and real.

As you know, there is \$24 billion in savings from reforms in the Departments of Energy, Housing and Urban Development, and Transportation, as well as the General Services Administration and the Office of Personnel Management. In addition, by extending the hard freeze on discretionary spending for two additional years in the \$500-billion deficit reduction package that we enacted, there was a freeze on discretionary spending for five years, basically holding spending at the '93 levels for '94, '95, '96, '97 and '98.

We are extending that hard freeze on discretionary spending for 1999 and the year 2000. That produces, in and of itself, \$52 billion in savings. We will specify, as we have always had to specify when it comes to that kind of hard freeze, exactly how those savings will be achieved in the budget we present to the Congress. We've had to do that the last two years; we will do that with regards to the specifics here for '99 and 2000 as well.

I would urge you -- I would urge you to hold the Republican proposals to the same kind of test that we have met in the proposals that the President has presented. Are they targeted to the middle class? Are they targeted to working families in this country? Are they fully and honestly paid for so that the deficit does not increase? Fundamental tests we worked on these last two years is to reduce that deficit. We've got \$700 billion in deficit reduction. It is essential that nothing be done here to increase that deficit. If they meet those tests I think we will be able to work together and we will be able to assist the middle class and keep the economy moving forward.

In the end, ladies and gentlemen, as the President said, this is about the American Dream. He feels he has lived the American Dream; he wants to make sure that others believe it again for themselves and for their children.

Let me introduce Secretary Bentsen.

SECRETARY BENTSEN: Thank you very much. Good morning. During the last two years one of my primary objectives has been to support the President in cutting that deficit, and we have cut it by \$87 billion over those two years. And we're not going to spend one cent of that; we're not going to let that be turned back. I sat through those long sessions as we made the tough choices as to where we're going to make those cuts, and we cannot see a situation where we see it turn to something that is rosy scenarios. We saw that in 1981, and we saw a situation where the deficit -- if you could do away with the increase in the deficit from 1981 to 1992 and the interest we paid on that, we would have had a balanced budget and in this coming fiscal year, would have a \$50 billion surplus. And I insist that we continue on that, and the President is strongly for it.

Let me say this, that in this proposal we're making we get specific in where those cuts are going to be made. As we look at what we're seeing from some of the others and some of the Republican proposals, some of those increase that deficit and increase it substantially.

The President had the right priority two years ago when he started with a deficit reduction. And because we are ahead of schedule in our progress on that, because we have been able to downsize this government and are going to continue to do that, he is now ready to fulfill his promise on a middle-income tax cut. He is also ready to fulfill the promise, the specific child tax credit, and now let the taxpayers benefit from what we've been able to accomplish.

What you heard last night were proposals that have long been Democratic proposals: IRAs -- I worked on IRAs from the day I went to the United States Senate. We passed it in 1974. In '76 we expanded it to nonworking spouses. In 1981 we increased the amount that could be contributed to \$2,000. And we tried other things through the years. You look at the President's IRA proposal. It is very similar to the one in H.R. 11 that had the Bentsen-Roth IRA proposal in it. It passed both the House and the Senate with a majority supporting it -- bipartisan -- but it was vetoed by President Bush.

Or take the tax credits for children. Vice President Gore and I proposed such things in 1992, and President Bush vetoed it. President Clinton promised that in his campaign, and we have now reached the point in fiscal responsibility where we can do it and we can pay for it.

On the education proposal, let me show you a chart. Let me show you the drag on families insofar as paying for college education. In 1980, if they went to a public college, it was 11 percent of their income. If they went to a private college it was 26 percent. In 1992 it has gone up to 15 percent in a public college, and 40 percent if they're going to a private college. They just can't hump that, middle-income folks. And that's what we're providing for in assisting in this educational proposal, that you get a \$10,000 deduction for expenses, as much as that, in going to college.

Let me also get into the point as to who is being helped in this regard. In the share of the tax cuts going to middle-income families, under the President's proposal, 87 percent of that goes to people making incomes under \$100,000. In the Republican contract, 46 percent of it goes to that. Now, who do you think is trying to take

care of middle-income families?

You've heard this, but I want to repeat it. The one thing we don't want to see done is what happened in 1981 with the overly optimistic assumptions taking place that ended up in a bidding war, a great big competition to see who could cut taxes the most and not pay for it -- the present of the Congress in '81. We cannot and we will not let that happen.

So this is where we're talking about having a responsible program, a paid-for program, and not one penny of increase in that deficit. We've learned that lesson. We've come too far in this budget deficit cutting to let the next Congress turn back and start cooking the books. The President wants to make things fair without cooking those books, and that's the way to do it.

I'd like to turn now to Secretary Reich, who is showing his great interest and his strong feeling about education and training, and what's being done in this to take care of it.

SECRETARY REICH: Well, thank you very much, Mr. Secretary. Let me just say that the Secretary has indicated two major areas of contrasts between the President's plan and what the Republicans have so far put up. That is, one, fiscal responsibility -- we're talking about how it's paid for; they aren't. And number two, who comes first. We're talking about working people coming first.

But there is a third point of contrast. It has to do with education and job training. It has to do with the way in which working people in this country can really get ahead. There's a great gap in this country right now, and it's a growing gap. You all know it; everybody knows it now. It's related to education. It's a wage gap and a benefit gap that is growing. If you have good education and good training, you're not guaranteed a good job, but you have a good shot at a good job. If you don't have adequate education and training, you're on a downward escalator.

This has been going on for 15 years. This is why the President, when he was governor of Arkansas, made education the centerpiece of his strategy as governor, took on a lot of special interests. This is why this President, when he came to office, made education and job training and human resource development the centerpiece of his campaign; wanting to do a lot, couldn't do quite as much as he wanted because of that huge debt that we inherited.

Brother Riley and I and the President have accomplished a lot over the last two years. There has been a lot of bipartisan support for education and job training. A lot of Americans don't know the things we accomplished because it was bipartisan and because bipartisanship doesn't make such a good spectator sport. But a lot was done, and a lot will be done.

Let me just refer, if I may, to this chart over here. This chart refers to the gap that I referred to a moment ago -- the growing gap in wages. When people who have college degrees and people who have less than high school -- these are men over here; these are women over here -- you can see that one of the big success stories since 1979 has been women who have college degrees, but they still have a lot to catch up with regard to men.

The point is, though, that this gap is growing wider and wider. It's one of the most important, most troubling factors behind the hollowing out of the American middle class. It is vitally

important that we give every working American the tools with which to prosper in this very different economy -- based on technology, based on global trade. And that's why a major part of the President's proposals -- a major part -- is a deduction of up to \$10,000 a year for families to get education and training and job training and continuous training.

It's not just education for the kid, it's continuous upgrading. Even if you don't have a child in college, you want some additional training. You want to take some time, get some additional training. You can do that on the job; up to \$10,000 deduction. That's why the President emphasized the importance of taking the grab bag of federal adult job-training programs we have now and basically getting rid of them, turning them into skill grants that could be given directly to people so they can make choices, informed choices, with good information about the kind of skills they need, the kind of training they need, when and where they need it.

That's why the IRA also permits deductions for education. This is a major education and training initiative. This is not just a tax cut. This is an investment in the future prosperity of working Americans.

Now, contrast this with what the Republicans are talking about. The Republicans have not dictated -- not indicated with any specificity what they want to do to pay for all the tax cuts they are talking about. The few indications they've given -- and I'm quoting now -- few indications -- they've not talked about how they're going to pay, but a couple of things they have mentioned: They want to cut student loans by \$9.56 billion. Right now, because of the student loan program -- right now, if you're going to college, or if you're getting training, you don't have to pay, you get basically an interest free loan during the time that you're in school. They want to get rid of that -- \$9.56 billion they want to take away from student loans.

They want to cut job training by \$7.56 billion over five years. Now, who is in favor here of helping working Americans get ahead? And I'll tell you, education and training, this is the proof of the pudding. Look at that premium that comes with education and training -- no guarantee you're going to get a great job, but if you don't have adequate education and training, you're in trouble in this technological, global economy.

The President is dedicated to doing something about this, and so is the person I'm about to introduce, my friend and partner, Secretary Dick Riley.

SECRETARY RILEY: Thank you, Bob.

Education -- education is the future of this country. I think all Americans realize that. I think that we realize it for average Americans, for middle-income Americans; it really is the foundation for their economic security. Education should be bipartisan. Support of education should be out of the partisan issue, and that's what we have tried to do since we've been here. All of our education efforts have been bipartisan.

This proposal of President Clinton gives families and their children more control and more skills to enable them to negotiate this new, complex economy. It's their way to really reach the American Dream, as the President has said. I think the President's message is clear, it's basic, it's concrete, and it is simply this -- that for average Americans, for every kid of average

Americans, they are entitled to the best education possible. This proposal says that in its entirety.

From the child tax credit, all of our emphasis on families and parent involvement with children in terms of their education for average Americans -- for middle-income Americans, this tax credit for people with small children will be a tremendous help to them in terms of what they're able to do with their children in that regard.

The education tax credit is so clear; such an incentive and a help for middle-income Americans to be able to afford and to justify the savings of their expense for college.

The IRA's was discussed -- expanded to clearly make it so attractive for, again, savings for use of funds for family education for middle-class Americans.

All of these programs -- all of them, are pro-education; they're important. It is taking a major policy, a tax cut for middle America, and having it drive a very important policy: support of quality education, of advance in education and of training for middle-income Americans.

I want to ask every parent in America to sit down at the kitchen table this weekend, look through the President's proposal, think about your future, think of the complexities of the times, and think how you fit in and see exactly what it does to you as a family of a working-class family in this great country.

Q I have a question for any of you. Do you believe if the results of the elections last month had not been different, that the results of the election last month, if the Democrats had regained or retained control of both Houses, you would be here today announcing this middle class tax cut?

SECRETARY RILEY: I think we would be here announcing a strong education program and a middle class tax cut. I think all Americans expressed themselves in the election and as the President said, certainly it showed to him that a lot of those strains, those difficulties that he had been talking about and concerned about, that they were, yes, even worse. So I think it did cause the President to hone in on this issue.

SECRETARY BENTSEN: Let me further supplement that by saying the President has stated over and over that he had a four-year program, and he was going to go through these commitments and fulfill them, as we could afford them and as we made the headway in cutting that deficit. So it has been a planned progression, staying within the budget limitations.

Q Why are none of these breaks aimed at parents with teenage children who aren't in college? It sort of stops between 13 and when they go to college. Do you not feel that those families are suffering the same kinds of difficulties making ends meet?

SECRETARY BENTSEN: I'll be very candid with you: We did what we could afford, and stay within our budget limitations, and see that every cent was paid for. I would not be standing here if I had not been convinced of that.

Q Can you say why the particular departments and agencies are being targeted? And what are you going to do to protect OSHA and all the safety regulation that have protected Americans

through the years? Because they seem to be very targeted these days. Are you going to let it all go down the drain?

SECRETARY REICH: Well, let me reassure you, and let me reassure every working American: We are not going to compromise the safety or the health of working people. We're going to fight. If Republicans want to take away the protections, they're going to have a major fight on their hands.

Q Secretary Bentsen, you say that the President had a four-year program. But the restructuring could have taken place before now, the extension of the hard freeze in discretionary spending could have been put into effect before now. If all this is so good, why did it take you so long to come up with this?

SECRETARY BENTSEN: Why does it take us so long when we've been able to make an \$87-billion cut? We've made enormous progress, we've got you to a situation where you have the smallest number of government employees as related to the overall employment of the country that you've had in about 30 years. It is a progression that has been taking place, and a tough one. We fought that budget through and won it by one vote. We had the GATT to take care of, we had NAFTA to take care of. We have seen a creation of jobs of over five million. I think we've done pretty good.

SECRETARY REICH: If I may just add one thing. There's an irony here; let's be candid about it. The Republicans, over 12 years, went from a debt of \$1.5 trillion to \$4 trillion. They expanded the debt in a way that no administration, no set of administrations have ever expanded it.

Today, 28 cents of every dollar that Americans pay in personal income tax goes to paying the interest on the debt accumulated over the last two administrations. We had no chance. We have got to get our economic house in order as a first priority.

Q Some economists have suggested that a tax cut at this point would be bad for the economy. They raise fears that it could overheat the economy, raise inflation, prompt the Fed to increase rates. Other economists say the tax break is so small, the tax cut is so small, it won't have any effect on the economy one way or the other. What's your take on this, sir?

SECRETARY BENTSEN: My take on it is if we didn't pay for this, those economists that say that you would take it away from the people by an increase of interest rates are absolutely right. And that's why we fought so hard to see that it was paid for to the penny. And that has been accomplished.

Now, under the other proposal, some of those that are not paid for, it will add to that deficit. They will do just what those economists are concerned about.

Now, insofar as the individuals, you try to tell someone that if we're going to give them a 20-percent cut for a family of four -- when this is fully phased in, a family making \$50,000 a year, that you're going to give them a 20-percent cut in their income tax, and try to say that is not significant? I must say that I want to compliment those people that are making so much money they don't think it's significant. But you talk to someone about a \$1000 cut, and that is meaningful.

Q In order to pay for this, you will have to change the budget law, is that not correct?

SECRETARY BENTSEN: No, we will not. No, no.

Q But you're using discretionary spending --

SECRETARY BENTSEN: And we're going to do it each year. Some people have had the idea that this is done over a five-year period, and finally we get the totals. We do it each and every year.

Q But the current budget law permits you to use discretionary savings for tax cuts. Do you not have to take them out of entitlements under current law?

SECRETARY BENTSEN: No. We will go to the specifics of it, and the Vice President will get into those specifics on Monday. But we followed the budget laws and we pay for it each and every year.

Q Secretary Bentsen, capital gains did not make the cut last night. Does that mean the administration would rule out accepting some capital gains cut that might be passed by the Republican-controlled Congress?

SECRETARY BENTSEN: We do not have it in our proposal. You'd have to see how it was structured, I think. It would have to obviously be something that predominantly helped middle income, and we have not seen that kind of proposal out of them.

Q Mr. Secretary, the President said last night he challenged the Congress to pass this program without new cuts in Social Security or Medicare entitlements, but there were some cuts in '93 that are, I think, supposed to sunset around 1998 or something like that. Would he rule out continuing in force previously made cuts -- would he count those as new cuts, or would those be old cuts made new again?

SECRETARY BENTSEN: Well, I think we'll get into the specifics of that. You're talking about a continuation of some of those, and you have quite a number of them. Let me give you an example. You've got -- like R&E, for example, those types of things -- those decisions we're making, but not ready to comment on at this time.

Q Secretary Reich, would you talk about the IRAs, and aren't you using the same trick that the Republican contract does in backloading it, therefore pushing the cost out beyond the five years?

SECRETARY BENTSEN: We're doing what they are not doing. You see, they're backloading it and insisting it has to be done that way. We're doing where you can take a deduction on the front end, or you can put your money in without a deduction and take it out tax-free as you take it out. We give people the option -- one or the other. They do not do that.

Q Would you be willing to give an estimate of what the loss will be for the next five years?

SECRETARY BENTSEN: Oh, yes. At this point, no --that's where the Vice President is getting into those details. But we obviously have that estimate and figured it in.

Q Could you tell us a little bit about the job training changes in the voucher system?

SECRETARY REICH: Yes. With regard to job training, our proposal is to take all the adult job training programs and essentially get rid of them and substitute instead a school grant, so that individuals -- just like the Pell grants, modeled very closely after the very successful Pell grant program -- so individuals who have lost their job, individuals who are disadvantaged, individuals who cannot take advantage of the tax deductions because they don't have adequate income, can get the training and the education they need, when they need it. They can exercise consumer choice.

We also are going to give them good information -- one-stop shopping -- good information about where the jobs are, what the jobs are, what training is required, and require that every institution that provides job training puts into this data bank information about their success at job placement, so individuals can make informed choices.

Q Why can't you give us the cost estimate, Secretary Bentsen, of the IRA program now, and what it would be fully phased in? Why aren't the American people entitled to those -- understanding what those costs are?

SECRETARY BENTSEN: Well, they're going to have that, and that will be stated. I said that earlier. And that will be on Monday -- on Monday as we go into the details of where the savings are and what the costs are.

Q Do you know, sir, what they are?

SECRETARY BENTSEN: Of course, I know. Let me tell you, we went into each of these, or I wouldn't be up here supporting this.

Q What about long-term deficit reduction, sir? What about long-term deficit reduction: Your own projections show the deficit turning up as the decade progresses. Is the President still committed to getting rid of the deficit entirely, and will we ever see a package from him to get rid of the deficit entirely?

SECRETARY BENTSEN: As we progress, you'll see further things done. One of those things will be obviously in health care costs -- in health care cost containment, and you'll see additional savings coming about. And you're going to see some reduction of the deficit in addition to what we've done, and talking about educational enhancement, and talking about the IRA, and talking about the child credit; additional money above the \$50-some billion that we're talking about on the cap on discretionary spending, and additional on reinventing government.

SECRETARY REICH: May I just say one thing? When the American people are asked to compare what the Republicans come up with to what this President has announced and what he is committed to -- let them consider at least three issues: One, who is fiscally honest, who's is going to actually pay for these cuts and these investments; two, who is putting working people first; and three, who cares most about giving people the education and training, and the tools to get ahead.

Q What happened to putting politics last? We've spent the last 30 minutes here arguing about what's wrong with the Republicans, and Secretary Reich, you just talked about who cares most. Isn't that putting politics ahead of economics in this case?

SECRETARY REICH: Working people in American have benefitted enormously from the progress we've made in getting the

deficit down. There are more than five million new jobs, most of them good jobs. But we have to keep fighting, and keep fighting harder. One message of this election was that it is not enough -- people are hurting out there, people want more, they deserve more. We're going to raise wages, we are not going to stop fighting until working people have a better position in America and their fortunes are better in America.

THE PRESS: Thank you.

END10:52 A.M. EST

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

February 13, 1995

FACT SHEET

The Middle-Class Bill of Rights Tax Relief Act of 1995

The President today transmitted to the Congress a legislative proposal entitled the "Middle-Class Bill of Rights Tax Relief Act of 1995." This proposal would implement the three tax-related proposals of the Middle Class Bill of Rights announced by the President in his address to the Nation of December 15, 1994. The fourth element of the Middle Class Bill of Rights -- not included in this legislation -- is the GI Bill of Rights for America's Workers, which consolidates 70 Federal training programs and creates a more effective system for learning new skills and finding better jobs for adults and youth. Legislation for this proposal is being developed in cooperation with the Congress.

The major provisions of the Middle-Class Tax Relief Act of 1995 are described below.

Child Tax Benefit

A \$500 nonrefundable credit will be allowed for each dependent child under the age of 13. The credit will be phased out for taxpayers with adjusted gross income (AGI) between \$60,000 and \$75,000. No credit will be available to taxpayers with AGI in excess of \$75,000. The maximum credit will be \$300 in 1996-98 and \$500 thereafter.

Deduction for Postsecondary Education Expenses

A deduction would be permitted for up to \$10,000 of the amounts spent by a taxpayer for postsecondary education and training for the taxpayer, the taxpayer's spouse, and dependents (i.e., persons for whom the taxpayer is otherwise entitled to claim a dependency exemption). This deduction is used in determining the taxpayer's AGI and is therefore available to nonitemizers as well as itemizers. The maximum allowable deduction would be phased out for taxpayers filing a joint return with AGI (before the proposed deduction) between \$100,000 and \$120,000. The maximum deduction will be \$5,000 in 1996-98 and \$10,000 thereafter.

Expansion of Individual Retirement Accounts

This proposal would expand the availability of deductible individual retirement accounts (IRAs) to families with income under \$100,000 and individuals with income under \$70,000. These thresholds and the current \$2,000 contribution limit would be indexed for inflation. Taxpayers would have the option of deducting from taxable income the amount deposited in an account or forgoing an immediate deduction and not paying taxes on the money as it is withdrawn. Penalty-free withdrawals from IRAs would be permitted for higher education costs, first home purchases, long-term unemployment, and catastrophic medical costs and long-term care. Taxpayers who forgo a deduction and elect the "Special IRA" could only make tax-free withdrawals if they kept the funds in the account for over 5 years.

THE WHITE HOUSE

Office of the Press Secretary

for Immediate Release

February 13, 1995

TO THE CONGRESS OF THE UNITED STATES:

I am pleased to transmit today for your immediate consideration and enactment the "Middle-Class Bill of Rights Tax Relief Act of 1995." I am also sending you an explanation of the revenue proposals of this legislation.

This bill is the next step in my Administration's continuing effort to raise living standards for working families and help restore the American Dream for all our people.

For 2 years, we have worked hard to strengthen our economy. We worked with the last Congress to enact legislation that will reduce the annual deficits of 1994-98 by more than \$600 billion; we created nearly 6 million new jobs; we cut taxes for 15 million low-income families and gave tax relief to small businesses; we opened export markets through global and regional trade agreements; we invested in human and physical capital to increase productivity; and we reduced the Federal Government by more than 100,000 positions.

With that strong foundation in place, I am now proposing a Middle Class Bill of Rights. Despite our progress, too many Americans are still working harder for less. The Middle Class Bill of Rights will enable working Americans to raise their families and get the education and training they need to meet the demands of a new global economy. It will let middle-income families share in our economic prosperity today and help them build our economic prosperity tomorrow.

The "Middle-Class Bill of Rights Tax Relief Act of 1995" includes three of the four elements of my Middle Class Bill of Rights. First, it offers middle-income families a \$500 tax credit for each child under 13. Second, it includes a tax deduction of up to \$10,000 a year to help middle-income Americans pay for postsecondary education expenses and training expenses. Third, it lets more middle-income Americans make tax-deductible contributions to Individual Retirement Accounts and withdraw from them, penalty-free, for the costs of education and training, health care, first-time home-buying, long periods of unemployment, or the care of an ill parent.

The fourth element of my Middle Class Bill of Rights -- not included in this legislation -- is the GI Bill for America's Workers, which consolidates 70 Federal training programs and creates a more effective system for learning new skills and finding better jobs for adults and youth. Legislation for this proposal is being developed in cooperation with the Congress.

If enacted, the Middle Class Bill of Rights will help keep the American Dream alive for everyone willing to take responsibility for themselves, their families, and their futures. And it will not burden our children with more debt. In my Fiscal 1996 budget, we have found enough savings not only to pay for this tax bill, but also to provide another \$81 billion in deficit reduction between 1996 and 2000.

This legislation will restore fairness to our tax system, let

middle-income families share in our economic prosperity, encourage Americans to prepare for the future, and help ensure that the United States moves into the 21st Century still the strongest nation in the world. I urge the Congress to take prompt and favorable action on this legislation.

WILLIAM J. CLINTON

THE WHITE HOUSE,
February 13, 1995.

#

Note for Gene Sperling
Mike Smith
Les Samuels
Mark Mazur

From: Ken Apfel 

Re: Tuition Tax Credit/Deduction

Date: 10/13/95

Here is the short summary of costs and other issues raised by the current version of the tuition tax credit/deduction proposal. The paper reflects Education and Treasury comments.

10/13/95

Proposal to use tuition tax credits/deductions to guarantee some college education for every American

CURRENT DESIGN

The proposal would modify the pending education tax deduction in the Middle Class Bill of Rights (MCBR) and replace it with one that would target degree-seeking undergraduates enrolled at least half time. The proposal would provide:

- (1) 1st- and 2nd-year students with a refundable tax credit for tuition paid, net of any Federal (e.g., Pell) and non-Federal grant a student receives, up to a maximum credit of \$1,200; and
- (2) 3rd-, 4th-, and 5th-year students with a tax deduction for tuition paid, net of any Federal and non-Federal grant a student receives, up to a maximum of \$10,000.

Treasury estimates that it will take a week or more to develop models providing the capability to analyze and estimate the revenue effects of the current proposal or alternative approaches. It is likely that Treasury will be occupied with analyzing and estimating the Senate tax provisions, which may delay the modeling of this proposal.

ISSUES

1) Cost

Preliminary estimates from Treasury indicate that the new proposal would be substantially more expensive than the one in the MCBR. The MCBR tuition proposal would cost approximately \$5.9 billion annually when fully phased in at 1996 income levels. Using comparable income data, Treasury's preliminary estimate is that the new proposal would cost \$10 billion annually.

- o Changing from the MCBR tax deduction to a refundable tax credit of \$1,200 for the first two years of schooling would, on average, provide generally larger benefits.
- o The recipient population is much larger for a refundable credit than a deduction because it extends benefits to many who would not have any tax liability, or a substantial enough liability to benefit fully from the deduction.
- o The MCBR provided the \$10,000 tax deduction per family unit, whereas this new proposal would provide the tax credit for the first two years on a per-student basis, and the tax deduction for the later years of schooling on a per-family basis.
- o Like the EITC, the refundable nature of the credit would result in scoreable outlays.

- o The above cost-increase factors are far larger than the cost reductions that occur from narrowing the scope of the program discussed below in item 3. (We are as yet unable to estimate the effect of program interactions.)

Some of the cost increase could be moderated by alternative phase-in paths for coverage and for size of benefit, benefit phase-out options, or other parameter changes which can be modeled once Treasury's system is available.

2) Tax Policy Issues

- o Providing a refundable tax credit will increase the number of returns filed, adding burden and cost to IRS.
- o Determination of when an individual is 1st- or 2nd-year will be difficult for the students to determine and very complex for the Federal Government to validate, requiring schools to provide validation and deal with student queries. Schools will not welcome this role.
- o The biggest compliance issues encountered with implementing the Earned Income Tax Credit arise from verifying family structure and the existence of children. These same issues would pertain to the tuition tax credit.

3) Coverage of the Proposal Compared to the MCBR

- o The proposal targets a smaller number of students than the MCBR by excluding (a) students enrolled less than half time in degree-credit programs and (b) all students at graduate schools and in sub-associate degree and non-degree-credit programs. Treasury will need to model costs for alternative coverage options.
- o A major factor in the Administration's job training strategy is financing skill enhancement through grants at the sub-degree level, especially in community colleges. Eliminating eligibility for non-degree students in this initiative could call into question the prior commitment.

4) Effect on Administration's Student Financial Aid Policies

- o The Federal Government already guarantees financial access to postsecondary education through a combination of grants, loans, and work study. Grants are now reserved for the needy. Expanding "grants" to the non-needy is a major change in policy and could raise questions about appropriate allocation of benefits between needy and non-needy families.
- o All students enrolled half-time or more are currently entitled to a Federal direct or guaranteed loan, regardless of family income. Maximum loan limits are currently well in excess of \$1,200. Administration policy has supported direct lending in order, among

other reasons, to provide income-contingent repayment to all borrowers, so that regardless of debt burden, no student pays more than he can afford. A new policy of providing cash benefits through a refundable credit may be taken as a signal that Administration commitment to direct loans with income contingent repayment has changed.

5) Unintended Consequences in School Pricing

- o Tuition tax credits could provide an incentive for States and private institutions to increase their tuition and fees, or to mask cost increases for room and board as tuition and fee increases.

6) Higher Education Community Reactions

- o The MCBR deduction raised a higher education community concern that it would disproportionately reduce costs for students attending public institutions, compared to those in private institutions -- that is, it covers a larger proportion of public institution costs than costs at the more expensive private institutions. A refundable credit may exacerbate this perception, and thus would be viewed still more adversely by private college associations.
- o Associations representing groups excluded from coverage compared to MCBR (non-degree students at community colleges, for-profit trade schools, and elsewhere; graduate students) will likely oppose the proposal.
- o The higher education associations in general will probably oppose this proposal or give it only lukewarm support since they will view it as a retreat from need-based aid and, as noted above, will oppose reporting burdens and administration costs.

10/03/95
9:30 am

**POSSIBLE PROPOSAL TO GUARANTEE ACCESS TO ALL
FOR FIRST TWO YEARS OF COLLEGE**

Objective: To provide all students a guarantee of free tuition for the first two years of postsecondary education.

Proposal: Tax credit equal to average public two-year tuition for all degree-seeking institutions.

Estimates: Quick, rough estimates for FY 1997, probably underestimates because they do not adjust for induced enrollment effects or nondegree programs and students switching to degree status. On the other hand, the estimates assume all current first and second-year students participate in the first year of the program. It may take several years to reach 100% participation.

Options: Options I and II provide guarantee through tax credit only (tax credit supplements existing Pell Grants and other student aid).

Option I - Provide full tax credit (\$1,200) to all first and second-year students.

- 5.5 million full-time equivalents (FTE)
- \$7.7 billion

Option II - Phase in -- provide full tax credit to freshman only

- 3.5 million FTE
- \$4.4 billion

Options III, IV, V and VI provide guarantee through combination of tax credit and Pell Grants. Options III and IV subtract the estimated tuition portion of Pell Grants; Options V and VI subtract the entire Pell Grant amount.

Option III - Subtract tuition portion of Pell Grants (estimated) from tax credit for all first and second-year students. [Note: Estimate based on tuition and fees as a percent of total student charges (including room, board, etc). Pell formula does not separate tuition and other expenses in determining the Pell amount.]

- \$6.5 billion

Option IV - Subtract tuition portion of Pell Grants from tax credit for freshman only. [Note: Estimate based on tuition and fees as a percent of total student charges (including room, board, etc). Pell formula does not separate tuition and other expenses in determining the Pell amount.]

- \$3.5 billion

Option V - Subtract entire Pell grant amount from tax credit for all first and second-year students [Note: This option assumes Pell grants are used to pay tuition first. A reasonable assumption in terms of how schools credit accounts; however, this would mean that many Pell grant recipients would not receive any additional benefit from the tax credit.]

- \$5.3 billion

Option VI - Subtract entire Pell grant amount from tax credit for freshman only.

- \$2.9 billion

Estimated Cost (Revenue Loss) of the President's
Middle Class Bill of Rights
FY 1996 Mid-session Review Estimates for the
Postsecondary Tuition Deduction.

Fiscal year	Billions
1996	\$0.7
1997	4.7
1998	5.0
1999	5.8
2000	7.8
2001	7.6
2002	7.9
2003	8.1
2004	8.3

Estimated Cost (Revenue Loss) of the President's
Middle Class Bill of Rights
FY 1996 Mid-session Review Estimates for the
Postsecondary Tuition Deduction.

Fiscal year	Billions
1996	\$0.7
1997	4.7
1998	5.0
1999	5.8
2000	7.6
2001	7.6
2002	7.9
2003	8.1
2004	8.3



CHIEF OF STAFF TO THE PRESIDENT

Gene - this is a superior idea

MEMORANDUM

Can you get have someone

FROM:

flesh it out. Thank you - Jason

RE:

cc:

Handwritten notes on the right side of the page, including the name "Gene" and other illegible scribbles.

Pell Grant Initiative. I have had conversations with Congressman Chaka Fattah about getting Democratic support in the House for our higher education agenda and how important the Pell Grant expansion is to the support.

He has a legislative idea which I think is terrific. It would select the poorest children in the poorest areas of the country - 400,000 children -- and essentially give them their Pell Grant Scholarship in the 6th grade as a way of letting them know that if they graduate from high school they will have the same opportunity of middle-class students to attend college. This is a way of building off the Eugene Lang model of guaranteeing college to poor children in 6th grade to change these kid's expectations.

Gene

I will have further discussions next week about how the formula can be targeted to ensure that this proposal will reach a significant amount of Hispanics to help address their high drop-out rate.

From a budgetary perspective, the idea has no cost until the kids reach college and the only cost increase would occur if there is an increase in projected enrollment. While I think this could be a great idea, I need to stress that this idea has not yet received a vet by Bruce Reed, the Department of Education, and OMB, but if you are interested, I will run a policy process to see if there is interest.

Hispanic Education. In addition to the idea above, we are meeting with people who worked on the Presidential Advisory Commission on Education Excellence for Hispanics to formulate further ideas. Bruce Reed, Maria Escheveste and I will also be working on education ideas for you in this area.

Maria Escheveste and Anna Gomez, from my staff, are also consulting with the top experts around the country. Henry Cisneros called on Friday with several suggestions of some of the activist experts we should be talking to and he also wanted me to let you know that he is very enthusiastic about this effort.

THE WHITE HOUSE
WASHINGTON

January 9, 1996

MEMORANDUM FOR THE PRESIDENT
THE VICE PRESIDENT

FROM: BRUCE REED
GENE SPERLING

SUBJECT: CABINET RETREAT BRIEFING:
EDUCATION ISSUES

I. Overview

The most important thing this Administration can do to prepare America for the 21st century is to raise the level and quality of education for all our people.

Twice before in the 20th century, America led the world in expanding education opportunity for its citizens: first, by making high school universally available in the first great transition from farm to factory; and second, by expanding access to college through the G.I. Bill during the second great transition to a booming industrial economy. These great commitments built the broad American middle class and enabled this country to enjoy the most prosperous century the world has ever known.

We are now in the midst of another great transition to an information age and a global economy --- and once again our success in this transition depends on education. All Americans deserve the opportunity and the challenge of an education that gives them the tools to make the most of their God-given potential.

II. Key Legacy Objectives

Education is at the heart of your strategy for economic growth and national unity, as well as your fundamental governing philosophy: that all Americans should have the opportunity to get ahead and take responsibility to make the most of it. The depth of your experience and commitment to education, the amount your Administration has already accomplished, and the sweep of your agenda give you the chance to leave a lasting legacy as the Education President.

The Administration has already established Direct Lending and National Service programs which make it easier to borrow or earn the money to pay for college, and has launched a nationwide effort to build new paths from school to work. It will make a difference in ensuring that schools of the future strive to meet high standards and use 21st century technology. And it will help guarantee that parents can send their children to the public school of their choice, including charter schools. The following areas of education stand out as key elements of your education legacy:

A. Standards of Excellence for All

American students are making progress in reading, science and math, but still don't measure up to the standard they will need to compete in the next century. Our goal is that one day America's grade schools and high schools are the envy of the world, not just our colleges and universities.

You already have an ambitious agenda to raise the quality of elementary and secondary education: public school choice and charter schools to increase accountability; an army of tutors and volunteers to teach reading; education technology and school construction to modernize our schools for a new century; school uniforms, truancy enforcement, safe and drug-free programs, religious expression, and character education to promote our basic values. As you set out to build and secure that legacy, the greatest remaining challenge is what to do next to advance the standards movement that began with Goals 2000.

The need for higher standards in core subjects is clear. On the most recent National Assessment of Educational Progress (NAEP), 42% of the 4th graders did not attain the "basic level" of proficiency (this finding is an important basis for your America Reads initiative); and on the Third International Math and Science Study (TIMSS) of 41 nations released last fall, U.S. 8th graders performed below the international average in math and slightly above the international average in science. According to the TIMSS study, one major explanation for the continuing low performance in math is that neither teaching nor textbooks in the U.S. reflect high standards.

While there has been considerable activity at the national and state level to develop standards in a variety of academic subject areas since 1991, the results have been quite mixed. Voluntary national standards have been developed by subject area specialists in virtually every discipline. Some, such as those in math, science, geography and civics, have been well received in the education community, have received at least tacit public support, and have been valuable tools to state and local officials developing their own academic standards. Others, most notably in history and English/language arts, have been highly controversial and are little used.

State experience with the development of standards has been mixed as well. Forty-eight states are developing, or have developed, standards in core academic subjects (Iowa and Wyoming have left this task entirely to the local level). This is powerful evidence that the standards movement is taking hold on a large scale. However, almost every knowledgeable observer believes that the quality of these state standards is highly varied. For example, an AFT survey released last summer indicated that fewer than fifteen states had developed clear

and specific standards, while the others were too vague and general. A report to be released next week by Education Week affirms these basic findings.

Public support for raising academic standards and measuring progress is broad and deep. This is especially true for national standards and tests. At the same time, the political obstacles to setting challenging standards have been considerable. The bipartisan Congressional support that led to the enactment of Goals 2000 is much more polarized now, in particular around the issue of standards. As was evidenced at the National Education Summit between governors and business leaders last spring, state political leaders are also less united than at the 1989 Education Summit, and less sure about how best to proceed.

In short, the progress in the movement to raise standards has been considerable over the past four years, but the pace is slowing, the quality uneven, and the time is right for bold leadership to spur additional action.

One bold approach would be to promote national tests in the core subjects of 4th grade reading and 8th grade math, based on the existing NAEP and TIMSS tests.

The essence of this proposal is to transform each of these assessments into tests that will produce individual scores, and then actively challenge states and school districts to adopt them as their own. This would be the fastest way for states to put into place high quality tests aligned with rigorous national and/or international standards, and to enable students and their parents to learn how well students and schools are performing compared to state and national standards, to students and schools throughout the nation (in reading) and to international benchmarks (in math).

We could also promote the development of a high school level test and/or promote state graduation exams and policies requiring students to meet standards before moving from one school level to the next. At the same time, we could highlight a combination of successful national, state, and local efforts to raise standards and measure student performance.

This approach provides bold leadership, and can transform the debate about national standards by focusing it on concrete issues of reading and math. It holds the promise of providing parents and students with accurate information about student performance against challenging standards more quickly than most states would if they continue on their current paths. The main downside is that it has the potential to reignite a debate about federal intrusion in education, especially since both tests have been developed with federal funds and with a federal imprimatur.

B. 21st Century Schools

A second, complementary approach to the national standards proposal is to continue the effort to build 21st Century schools and classrooms for all -- so that every school and classroom provides a modern, safe environment and is equipped so that all students and teachers can learn interactively in school and at home through engaging software and

discovery learning on the internet. Two major themes that you can consider are the following:

- Modernizing the Classroom of the 21st Century: Few institutions have changed as little during the past century as the classroom. Our combined emphasis on education technology, school construction, making our schools environmentally sound and after-school care is a comprehensive effort to modernize the classroom for the first time in generations so that we are ready for the 21st century. This theme provides a broader thematic structure that various sub-proposals.
- Bringing the Nation Together by Ensuring Universal Access to Information Technology: Without care, access to information and educational technology could divide the nation the way that race and income have in the past, with children who have early access to the internet and the world of education technology getting ahead and those who do not falling hopelessly behind. It would be a legacy of considerable significance if the President helped ensure that every child was technology literate and had access to the information age. For the first time in our history, every child -- regardless of income, race or background -- could have the same access to information everywhere. The internet can put millions of computers and thousands of libraries on even the poorest child's desk.

The attached memo by Greg Simon and Jim Kohlenberger gives a good overview of our initiatives and objectives. We should continue to look for bold goals to mobilize the private and public sector. One idea -- that fits our goal of every child reading by 8 years old and being on the internet by 12 years old -- is to ensure that every 6th grade teacher has solid education technology and internet training by the summer of 1998. We could call for summer sessions in universities in all 50 states in 1998 for 6th grade teachers and ask our new private sector CEO group to help mobilize it.

C. Universal Access to College and Lifelong Learning

In the last four years, you have done an enormous amount to open wide the doors of college. With the agenda you have spelled out for the next four years, you can secure a formidable legacy in expanding access to college and lifetime learning.

1. Two Year, 1997-1998 Push for Guaranteed College Education: Between the improved student loan program, income contingent loans, national service, our increases in the Pell Grants -- and the new education tax cuts we are proposing -- we will have a structure that ensures that through loans and grants, every young person who wants to can be guaranteed a higher education. Stressing this idea this year, however, could actually undermine our push for the Hope Scholarship, our \$10,000 education tax cut, and our major increase in Pell Grants. Therefore, we could spend 1997 on the theme of making 13th and 14th grade universal, and set out to enact those proposals as well as the IRA for education. We could also make a communications effort in 1997 to promote:

- **College Free Savings:** We can better promote the notion that with IRA and \$10,000 education deduction, working families can engage in tax-free savings for college education.
- **Pay-as-You-Earn/Direct Lending Campaign:** We must continue to support and fight for our direct lending proposal, but we could also start a more explicit campaign to promote our new innovation: pay-as-you-earn.

In 1998, we could launch a national campaign on the theme that every American child is guaranteed financing for a college education. This would include a clear booklet showing how everyone now can obtain financing for college, and major joint campaigns with high school counselors, parents groups, etc.

Additional ideas that could be considered would be to officially make Pell Grants an entitlement to build on this message, or to more explicitly look for ways to encourage many states to imitate the Georgia Hope Scholarship. Pell Grants already function as an entitlement on the discretionary side, yet putting it on the mandatory side could be joined with possible GI Bill Proposals to make the notion of a "guarantee" or "entitlement" more explicit. The downside is that some fear that the perceptions of "entitlement" could be negative even in the college education perspective.

2. **All-Out Push For GI Skill Grant Proposal:** One of our best chances for lasting structural change is in the area of job training. While many Republicans insist on reforming training programs through a cut and block grant approach, several Republicans — including Jack Kemp and John Kasich — have shown real interest in the notion of consolidating programs and then creating a more market-oriented training system in which we use skill grant/vouchers to empower people directly. In 1995 and 1996, we laid relatively low while we worked to get the bill passed. This year, we need to more publicly call for the GI Skill Grant proposal, and a more clear presentation that we are the ones seeking to empower individuals directly, while those calling for block granting are simply seeking to shift the program from one bureaucratic structure to another.

III. Executive Action or Legislation

A. Standards of Excellence -- 21st Century Schools

The America Reads Challenge, the school construction initiative, and the youth portion of the GI Bill all require Congressional authorization and funding. The Technology Literacy Challenge requires additional funding. The testing and standards initiative can be carried out primarily through executive action and Presidential leadership.

B. Universal Access to College and Lifelong Learning

The Hope Scholarships, education and training tax deduction, expanded IRA, and basic agreements on student loans must be achieved in budget reconciliation. The Pell Grant increase may be achieved through appropriations this year, or reauthorization of the Higher Education Act next year. The GI Bill requires authorization and funding. Federal Skill

Grants (at least for dislocated workers) might be achieved as a part of a larger mandatory package in budget reconciliation or as an amendment to JTPA directed as a part of the final budget agreement.

IV. Competition with Legacy Priorities

A. Standards of Excellence -- 21st Century Schools

Republicans will press for vouchers. A few Republican governors and some congressional Republicans will seek to make standards, tests, and all K-12 school reform solely a matter of state and local prerogative and responsibility.

In addition to pressing for standards, you will also be taking the lead (1) in supporting safe and drug-free schools and a disciplined environment conducive to student learning, with mutual respect among and between teachers, students, and parents; (2) in fostering high quality teaching by encouraging over 100,000 teachers to attain National Board Certification and by calling on states, school boards and representatives of teachers to work cooperatively to get rid of incompetent teachers; and (3) calling for parents and communities to become more actively involved in schools and their children's learning, national service participants, work-study college students and 1 million volunteers to help tutor children to learn to read, and the V-chip, educational children's television, citizenship education, freedom of religious expression, and interactive educational games to engage children in the excitement of learning by doing rather than watching TV.

B. Universal Access to College and Lifelong Learning

Republican governors, Senators and Representatives will call for block-granting all DoL training resources to states to do as they please, including particularly to provide training to help states make welfare reform work.

V. Timeline

The timeline below provides a preliminary schedule of opportunities for using the bully pulpit to advance the objectives discussed above. Additional opportunities and events can be developed as needed, and as the legislative process requires.

January

Announcement of Chicago charter schools and release of ED charter schools report

February

State of Union Address -- (1) launch national standards/testing initiative; (2) announcement on college student reading tutors

Radio Address -- highlighting Chicago-area school districts reporting results from participation in TIMSS

American Council on Education speech, linked to higher education initiatives

Release of NAEP mathematics results

Release of survey of schools access to advanced telecommunications, and announcement of Technology Literacy Challenge state grants

March

Announcement of America Reads National Coalition, and release of ED kit on reading

Announcement of new board-certified teachers from National Board for Professional Teaching Standards

April-May

Several announcements highlighting promising local accountability practices for schools, teachers and students

June-July

Additional releases of TIMSS and NAEP national and state-by-state data

KEY FACTS ABOUT EDUCATION AND THE ECONOMY

1. **The returns to learning are increasing -- as we move from an industrial age in which machine power leveraged human muscle to an information age in which human minds leverage knowledge and innovation through networks never before possible to add more value to goods, services, distribution, and communication:**

- Each year of post-secondary education and training already adds 6%-13% to an individual's annual earnings.
- The median full-time worker with at least a bachelor's degree earns almost 75% more per week than the median full-time worker with only a high school degree, double the gap from just 1979.
- Increasing the level of education attainment by one year in a firm's workforce raises the firm's productivity by as much as 8.5% in manufacturing plants and almost 13% in non-manufacturing establishments.

2. **The U.S. has a remarkably decentralized system of education, not a national system:**

- Education is the largest and most costly function of the 50 states and their local school districts and higher education institutions. The federal government contributes approximately 7% of the costs of elementary and secondary education. While the federal government provides almost 2/3 of student financial aid for post-secondary education, its contribution (including research funding) is still less than 25% of the total cost.
- In elementary and secondary education, there are over 2.5 million teachers and over 50 million students, almost 90% of whom are in nation's 81,000 public schools. The public schools are governed by 14,000 local school boards and the 50 states.
- At the post-secondary level over 14 million students of all ages are served by 10,000 post-secondary public and private institutions, which are governed by a mix of autonomous public and private boards, state higher education authorities, local college districts or authorities, and 50 state legislatures.

3. **In the first third of this century, the country made a commitment to universal access to high school:**

- The high school graduation rate soared from less than 10% of all 18 year-olds in 1900 to almost 50% in the mid-1930's. By way of comparison, Great Britain with its national system of education did not make a similar commitment until 1944 when Prime Minister Churchill announced full public support for secondary school.
- Over the rest of the century, the high school graduation rate has risen steadily to almost 87% of all persons under 30. From 1982 to 1995, the drop-out from high school for persons 16-24 years old fell from 13.9% to 12.9%.

- Although the achievement in reading, science, and math of American students may be the same or slightly higher than a generation ago, today's children and youth are not learning to the higher standards of excellence essential to thriving in this new information age: on the most recent National Assessment of Educational Progress (NAEP), 42% of a representative sample of fourth graders did not attain the "basic" level in reading (although the U.S. does rank near the top of the world in reading for children at this age level); and, on the Third International Math and Science Study (TIMSS) of 41 nations, a representative sample of 8th graders ranked only slightly above average in science and below average in math.

4. Immediately following World War II, the nation made a commitment to increasing access to college.

- Presidents Roosevelt and Truman signed into law and implemented a G.I. Bill of Rights that directly financed the college education of a total of 3.5 million veterans of WWII and the Korean War.
- This national commitment helped catalyze the rise in college-going rates of young adults, from less than 10% in 1940 to almost 25% in 1960.
- Today, the growing supply of colleges and universities, state and local support, family investment and private endowment, and a package of federal financial aid assists almost 50% of high school graduates to benefit from college education.
- In 1994, 24% of all persons age 25 to 64 years of age in the U.S. had completed college -- almost twice the rate of our major European and Pacific Rim competitors.

5. The lesson of the two prior economic transitions in the twentieth century is simple: America will continue to be the leading force for democracy and prosperity in the world if advances in technology and innovation are matched by a real commitment to advances in education for all. Advances in both serve two key functions:

- First, they are the engines of economic growth.
- Second, they are the levers of opportunity that empower all families and workers and succeeding generations of children and youth -- who are willing to learn and to work for it -- to earn a share in the increasing prosperity and to renew the civic fabric of the world's longest running democracy.

6. A real commitment now to two advances in education offers the key to making a successful crossing to the greater possibilities in this new information age:

- A standard of excellence in learning for all children and youth
- Universal access to college for each succeeding generation and to lifelong learning for all adults.

January 22, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin
Laura D'Andrea Tyson

SUBJECT: Education Tax Proposals

You proposed college tuition tax relief in the Middle Class Bill of Rights (MCBR). A number of education tax proposals were considered in some depth in November by the NEC and are now under consideration for the State of Union Speech. The alternative proposals would be much more costly, or to maintain cost neutrality would limit coverage in problematic ways, or otherwise present structural problems for which answers have not been found. There is a rhetorical alternative that supports the "guarantee" notion without these problems.

The **Middle Class Bill of Rights** proposal cost about \$39 billion over 7 years. (The Joint Tax Committee scores it at \$41.2 billion.) It phased-in a tax deduction (phased out at higher incomes) for tuition paid up to a maximum deduction of \$10,000 per tax filing unit for all postsecondary students, regardless of institution and program. It covered 16.5 million postsecondary students in college and vocational training.

Alternatives were examined in order to provide a "guarantee" of Federal non-loan resources for the first two years of public postsecondary education.

The **Guarantee Proposal** would provide a refundable tax credit for the first two years of college and tax deductions for the last three years of college. The tax credit would be for tuition paid, up to a maximum of \$1,200 per student; the tax deduction would be up to a maximum of \$10,000, like the MCBR. For this and all other proposals, institutions of higher education would have to institute an information reporting system to verify claims by students or their families.

There are four major issues raised by this proposal: 1) The guarantee proposal would cost \$54.2 billion, \$15 billion more than the MCBR. 2) In addition to higher cost, the proposal eliminates 7.6 million MCBR beneficiaries (mostly vocational school, part-time, and graduate students). 3) It also provides a credit too small to make the "guarantee" good in 18 States; this State coverage problem would affect such States as MA, MD, MN, NH, NY, and OH. 4) The combination of a 100 percent credit and refundability creates problems of administration and incentives for abuse.

Guarantee Variation 1 would address the cost issue in part, by counting Pell grants in the \$1,200 Guarantee. It would lower the cost to \$48.1 billion, still \$9 billion more than the MCBR. The State coverage issue remains; this variation would eliminate 8 million postsecondary students.

A further modification of this variation would restrict it to the credit only, by eliminating the deduction for 3rd, 4th, and 5th year students, which would cost slightly less than the MCBR (\$37.8 billion). However, this eliminates another 3.1 million students, serving only 5 million students in total, and still has the State coverage problem.

Guarantee Variation 2 - Count Pell and increase guarantee to \$1,600 and eliminate tax deductions. This would partly address the State coverage issue, (still excluding 9 States, including MA, NH, and NY) and lower cost somewhat by eliminating the deduction. It would still cost \$47 billion, \$8 billion more than the MCBR, and it would eliminate 11.1 million beneficiaries.

Guarantee Variation 3 would bring cost down to the MCBR level (\$37 billion) and bring back about 2.6 million vocational and part-time students, but do it by restricting the credit to one year, thereby eliminating the payment for the second year as well as the tax deduction, and would return to the State coverage provided under the original guarantee proposal, still not providing the "guarantee" in 18 States. In addition, 8.5 million fewer students than the MCBR would be covered.

In summary, unless we are willing to spend a great deal more money, it is impossible to develop a real two-year guarantee that serves the same population in all the States as the MCBR.

Another Approach?

There is another approach to a guarantee that has none of the problems of the variations on the MCBR. The Speech can declare what only student aid insiders now appreciate: current Federal programs already guarantee enough money to ensure that anyone can afford at least a public postsecondary education.

This is because student loans are a pure entitlement, some parts with no income test, and Pell grants operate like a quasi-entitlement for lower income persons. Other more limited federal programs supplement these with work study, more grants and loans.

Therefore, rather than promoting yet another new program the President can achieve the same impact of "guaranteeing" postsecondary education by saying something like:

"Here's something all Americans should know. The Federal government guarantees financial access to at least public college and postsecondary training to every qualified person, young or old.

"That's right -- guarantees it. We do this through a combination of grants and loans and subsidized jobs. This is a promise the government will make so long as I am President.

"We don't pay the full cost for the most expensive schools, of course, but we do make it possible for everyone to afford a public postsecondary college or a training institution, and many private colleges.

"The program improvements I support -- Direct Loans with repayment tied to your actual income so you need never fear default, higher Pell Grants, a stable and growing Federal education and training budget, a tax deduction for tuition, an expanded workstudy program, and a merit scholarship for the top students of every high school class -- all enhance this guarantee.

"So if you qualify for an accredited college or training school, the Federal government ensures that you can pay for it."

DRAFT
5/28/96 -- noon

TO: Mike Smith

FROM: David Longanecker

SUBJECT: Education Tax Proposals - New Variations on the Theme

At our May 24 White House meeting on education tax proposals, we discussed four new variations on the theme of guaranteeing two free years of postsecondary education:

- o increasing the size of the tuition tax credit to assure that it truly guarantees access for most students.
- o narrowing the scope of the covered population to full-time degree seeking students only.
- o lowering the income limits for eligibility.
- o narrowing the scope of the covered population only to students who achieved a 3.00 GPA in high-school.

These variations could be pursued singly or together. The effects of each are described below.

Increase the size of the tuition tax credit to assure that it truly guarantees access for most students.

In Academic Year 1996-97, the median Community College tuition is expected to be approximately \$1,200, so the original plan to provide a \$1,200 refundable tuition tax credit would "guarantee" access to the first two years of college for only one-half of all prospective students. It is simply not feasible to increase the credit sufficiently to guarantee all students because to do so would require increasing the credit to more than \$2,500.

An alternative, which would cover two-thirds of the full-time-equivalent student enrollment in Community Colleges in 1996-97, would be to provide a credit of \$1,500. This would represent, on average, about 25 percent of instructional costs in Community Colleges, so future amounts could be indexed to 25 percent of institutional costs to maintain future purchasing power of this tax expenditure. Under this proposal the President could say that he was "ensuring that almost all students were guaranteed enough federal help to pay for tuition in the first two years of college."

This broad based tax credit would cost \$_____ through FY 2002. It would serve _____ million students in FY 97. One of the flaws with such a broad based plan, however, is the almost

certain effect it would have on tuition charges, particularly at institutions currently charging less than \$1,500.

A variation on this theme would be to provide the \$1,500 credit to full-time students, and a \$750 credit to students enrolled at least half-time but not full-time. This is similar to the prorata approach currently used in the Pell Grant Program. This would substantially reduce program costs (to \$_____ through 2002), would continue to benefit a large number of students and would still provide a benefit that the President could legitimately say ensured access to most students. Unfortunately, this concept would still have the tuition pricing effect because of its broad applicability -- schools could increase costs without adversely affecting virtually any of their students.

Narrow the scope of the covered population to full-time degree seeking students only.

To reduce the revenue loss associated with this proposal, one option would be to restrict the benefit to full-time students only. This would substantially reduce the costs (\$_____ through 2002), but would also reduce the number of beneficiaries from the _____ million expected under full coverage (including students enrolled at least half-time) to _____ million full-time students. This narrowing of scope could be justified because the President is clearly talking about extending the ethic of young people continuing their full-time education beyond high school through the first two years of college. There would also be two serendipitous results of this change. First, it would encourage full-time participation, which is highly correlated with degree completion. Second, it would eliminate the likely pricing effect, at least for those institutions that serve large numbers of part-time students -- they couldn't justify increasing tuition to capture the benefit of the tax credit because many of their customers would be hurt by such an act. Although this would no doubt concern advocates of adult and lifelong learning, this Administration has a strong record of support for those activities in other arenas (workforce development and higher education act initiatives).

Lower the income eligibility for the tax credit.

Previous analyses of the tax credit proposal phased out the credit using the same income cutoffs as the deduction proposal in the Middle Class Bill of Rights (phased out for single filers with AGI between \$70,000 and \$90,000, and for joint filers with AGI between \$100,000 and \$120,000.) Lowering the income cutoffs to those included in the IRA proposal--between \$50,000 and \$70,000 for single filers and \$80,000 and \$100,000 for joint returns--would lower costs by \$_____ through 2002.

Narrow the scope of the covered population only to students who

achieve a 3.00 GPA or greater in High-School.

To reduce the revenue loss associated with this proposal, another option would be to restrict the benefit only to students who had achieved at least a 3.00 Grade Point Average (GPA) in High-School. This would substantially reduce the costs (to \$___ through 2002), but it would also reduce the number of beneficiaries, to ___ million students. This narrowing of scope would make this tax plan similar to the HOPE scholarship recently adopted in Georgia under Governor Zell Miller's leadership. This proposal would give support to this Administration's strong and consistent theme of encouraging students to strive to higher standards of achievement. Adopting this approach would require modifying the rhetoric to say that the President is "ensuring that most students who achieve to high academic standards will be guaranteed enough federal assistance to pay their tuition for the first two years of college." Two arguments are likely to be made against this specific strategy. First, as with Merit scholarships, some will argue that using grades or other measures of achievement disadvantages individuals coming from educationally disadvantaged backgrounds -- that grades are as much a measure of class as of ability. Second, some will be concerned that placing high monetary value on grades will result in grade inflation. Empirical evidence is weak in this area. There has been some evidence of grade inflation in states where the higher education system increased entrance standards. There is no evidence to date, however, that a financial incentive would have the same effect.

THE WHITE HOUSE

Office of the Press Secretary
(Princeton, New Jersey)

For Immediate Release

June 4, 1996

REMARKS BY THE PRESIDENT
AT PRINCETON UNIVERSITY COMMENCEMENT ADDRESS

Princeton University
Princeton, New Jersey

12:00 Noon EDT

THE PRESIDENT: Thank you very much. President Shapiro, members of the faculty, alumni, to parents and friends of this graduating class, especially to the graduates of the Class of 1996 -- (applause.) Let me thank you co-Presidents, George Whitesides and Susan Suh, who came to say hello to me this morning; and compliment your valedictory address by Bryan Duff, and the Latin address by Charles Stowell. I actually took four years of Latin in high school. (Laughter.) And even without being prompted, I knew I was supposed to laugh when he was digging me about going to Yale. (Laughter.)

I want to also thank Princeton for honoring the high school teachers and the faculty members here for teaching, for today we celebrate the learning of the graduates and we should be honoring the teachers who made their learning possible. I thank you for that. (Applause.)

It's a great honor to be here in celebrating Princeton's 250 years. I understand that Presidents are only invited to speak here once every 50 years. President Truman and President Cleveland -- you've got to say one thing, for all the troubles the Democrats have had in the 20th century; we've had pretty good timing when it comes to Princeton over the last 100 years. (Laughter and applause.)

I want to thank President Shapiro for his distinguished service to higher education in our country. I thank Princeton for its long and noble service to our nation. I also am deeply indebted to Princeton for the contributions it has made to our administration and my presidency.

My Press Secretary, Mike McCurry, sat in these seats in 1976. I'm sure that Princeton had something to do with the fact that he not only thinks, but talks so fast. (Laughter.) The Chair of our National Economic Council, Laura Tyson, was a Princeton Professor then, and Mike McCurry's thesis advisor. And you got back from me Professor Alan Blinder, who was a distinguished member of the Council of Economic Advisors and the Vice Chairman of the Federal Reserve, and a brilliant contributor to our efforts to improve the economy. I want to thank Alan Blinder here among his colleagues and these students for what he has done.

I thank Tony Lake and Bruce Reed and John Hilley and Peter Bass, all members of our staff who graduated from Princeton. Two Princeton graduates who are no longer living -- Vic Raiser and his son,

Monty, were great friends of mine. Vic's wife, Molly, is here -- our protocol chief. And if it hadn't been for him I might not be here today, and I want to recognize their contributions to Princeton and Princeton's gifts to them.

I also want to say that one of my youngest staff members is a classmate here -- Jon Orszag. And when the ceremony is over I'd like to have you back at work, please. (Laughter.)

I would like to talk to the senior class today about not only the importance of your education, but the importance of everyone else's education to your future. At every pivotal moment in American history, Princeton, its leadership, its students have played a crucial role. Many of our Founding Fathers were among your first sons. A president of Princeton was the only university president to sign the Declaration of Independence. This hall was occupied by the British since 1776, liberated by Washington's army in 1777, and as the President said, sanctified forever to American history by the deliberations of the Continental Congress in 1783.

In 1896, the last time there was a Class of '96, when Princeton celebrated its 150th anniversary and, as has been said, Grover Cleveland was President, Professor Woodrow Wilson gave his very famous speech, "Princeton in the Nation's Service." I read that speech before I came here today. And I'd like to read just a brief quote from it: "Today we must stand as those who would count their force for the future. Those who made Princeton are dead. Those who shall keep it and better it still live. They are even ourselves." What he said about Princeton 100 years ago applied then to America and applies to America even more today.

At the time of that speech 100 years ago, America was living as it is living today, through a period of enormous change. The Industrial Age brought incredible new opportunities and great new challenges to our people. Princeton, through Wilson and his contemporaries, was at the center of efforts to master these powerful forces of change in a way that would enable all Americans to benefit from them and protect our time-honored values.

Less than three years after he left this campus, Woodrow Wilson became President of the United States. He followed Theodore Roosevelt as the leader of America's response to that time of change. We now know it as the Progressive Era.

Today, on the edge of a new century, all of you -- our Class of '96 -- are living through another time of great change, standing on the threshold of a new Progressive Era. Powerful forces are changing forever our jobs, our neighborhoods, the institutions which shape our lives. For many Americans, this is a time of enormous opportunity. But for others, it's a time of profound insecurity. They wonder whether their old skills and their enduring values will be enough to keep up with the challenges of this new age.

In 1996, like 1896, we really do stand at the dawn of a profoundly new era. I have called it the Age of Possibility because of the revolution in information and technology and market capitalism sweeping the globe -- a world no longer divided by the Cold War. Just consider this: There's more computer power in a Ford Taurus every one of you can buy and drive to the supermarket than there was in Apollo 11 when Neil Armstrong took it to the moon. Nobody who wasn't a high-energy physicist had even heard of the World Wide Web when I became President. And now even my cat, Socks, has his own page. (Laughter.) By the time a child born today is old enough to read, over 100 million people will be on the Internet.

This Age of Possibility means that more Americans than ever before will be able to live out their dreams. Indeed, for all of you in the Class of '96, this Age of Possibility is actually an age of high probability, in large measure because of the excellent education you celebrate today.

But we know that not all Americans see the future that way. We know that about half of our people in this increasingly global economy are working harder and harder without making any more money; that about half of the people who lose their jobs today don't ever find another job doing as well as they were doing in their previous one.

We know that, therefore, our mission today must be to ensure that all of our people have the opportunity to live out their dreams in a nation that remains the world's strongest force for peace and freedom, for prosperity, for our commitment that we can respect our diversity, and still find unity.

This is about more than money. Opportunity is what defines this country. For 220 years, the idea of opportunity for all and the freedom to seize it have literally been the defining elements of America. They were always ideals never perfectly realized, but always our history has been a steady march of striving to live up to them.

Having these ideals achievable, imaginable for all is an important part of maintaining our sense of democracy and our ability to forge an American community with such disparate elements of race and religion and ethnicity across so many borders that could so easily divide this country.

And so I say to you, creating opportunity for all, the opportunity that everyone has, that many of you are now exercising, dreaming about your future -- that is what you must do in order to make sure that this Age of Possibility is really that for all Americans.

When I took office, I was concerned about the uncertain steps our country was taking for that future. We'd let our deficit get out of hand, unemployment had exploded, job growth was the slowest since the Great Depression. The country seemed to be coming apart when we needed desperately to be coming together.

I wanted to chart a new course, rooted first in growth and opportunity -- first, to put our economic house in order so that our businesses could prosper and create jobs; second, to tap the full potential of the new global economy; third, to invest in our people so that they would have the capacity to meet the demands of this new age and to improve their own lives.

This strategy is in place, and it is working. The deficit is half of what it was. The government is now the smallest it's been in 30 years. As a percentage of the federal work force, the federal government is the smallest it's been since 1933, before the beginning of the New Deal. We signed over 200 trade agreements. Our exports are at an all-time high. Fifteen million of our hardest-pressed people have gotten tax cuts. Most of the small businesses have as well.

We've invested in research and defense transformations. We've invested in new technologies. And we've invested in environmental protection and sustainable development. And I will say, parenthetically, the great challenge of your age will be to prove that we can bring prosperity and opportunity to people all across the globe without destroying the environment, which is the precondition of our successful existence. And all of you will have to meet that challenge,

and I challenge you to do it. (Applause.)

Our economy, while most of the rest of the world was in recession, has produced 8.5 million new jobs, the lowest combined rates of inflation, unemployment and home mortgages in three decades, the lowest deficit as a percentage of our income of any advanced economy in the world, 3.7 million more American homeowners, and record numbers of new small businesses in each of the last three years.

We are doing well, but we must do better if we are going to make the promise of this new age real to all Americans. That means we have to grow faster. How fast can we grow? No one knows the exact answer to that. But if we look at the long-term, if we believe in our people and invest in them and their opportunities, and our people take responsibility, the sky is the limit.

We must look with the greatest skepticism toward those who promise easy and quick solutions. We know that the course that leads to long-term growth is in the minds and spirits and ideas and discipline and effort of people like those of you who graduate here today. We are on the right course: we must accelerate it, not veer from it.

We have to finish the job we started in 1993 and balance the budget -- not only because we want to free you and your children of the legacy of debt, but because that will keep interest rates down, increase savings, expand companies, start new small businesses, help more families buy homes and more parents send their children to college.

We know we have to continue to fight for fair and open trade because we proved now if other markets are as open to our products and services as we are to theirs, we'll do just fine. We know we have to do more to help all Americans deal with the economic changes of the present day in a more positive way by investing in the future and targeting tax cuts to help Americans deal with their own problems and build strong families.

We know we have to continue to invest in the things that a government needs to invest in, including research and development, and technology, and environmental protection. We know that since so many people will have to change jobs more often than in the past, we have to give families the security to know that if they change jobs they can still carry with them access to health care and pensions and education for a lifetime.

But finally and most importantly, if we really want Americans -- all Americans -- to participate in the future that is now at your fingertips, we have got to increase the quality and the level of education not just for the graduates of Princeton and Georgetown and Yale and the state universities of this country, but for all the American people. It is the only way to achieve that goal. (Applause.)

The very fact that we have been here or our forebears have for 250 years is testimony to the elemental truth that education has always been important to individual Americans. And for quite a long time, education has been quite important to our whole country. Fifty years ago when the Class of '46 was here, coming in after World War II the G. I. Bill helped to build a great American middle class and a great American economy. But today, more than ever before in the history of the United States, education is the fault line, the great Continental Divide between those who will prosper and those who will not in the new economy.

If you look at the census data, you can see what happens to hard-working people who have a high school diploma or who drop out of

high school and try to keep up in the job market, but fall further and further behind. You can also see that if all Americans have access to education, it is no longer a fault line, it is a sturdy bridge that will lead us all together from the old economy to the new.

Now, we have to work to give every American that kind of opportunity. And we've worked hard to do it -- from increasing preschool opportunities, to improving the public school years, to increasing technology in our schools. And this spring the Vice President and I helped to kick off a Net Day in California where schools and businesses and civic leaders hooked up nearly 50 percent of the schools to the Internet in a single weekend. What I want to see is every schoolroom and every library in every school in America hooked up to the Internet by the end of the year 2000. We can do that.
(Applause.)

And I am very proud that I was asked to announce today that a coalition of high-tech companies, parents, teachers and students are launching Net Day New Jersey this week to connect over a thousand schools in New Jersey to the Internet by this time next year. That will make a huge difference in making learning more democratic and information more accessible in this country. I thank them for that. Every single person in New Jersey who will be a part of that.
(Applause.)

But we have to face the fact that that is not enough. We have to do more. Just consider the last hundred years. At the turn of the century, the progressives made it the law of the land for every child to be in school. Before then there was no such requirement. After World War II, we said 10 years are not enough, public schools should extend to 12 years. And then, as I said, the G.I. Bill and college loans threw open the doors of college to the sons and daughters of farmers and factory workers. And they have powered our economy ever since.

America knows that higher education is the key to the growth we need to lift our country. And today that is more true than ever. Just listen to these facts. Over half the new jobs created in the last three years have been managerial and professional jobs. The new jobs require higher-level skills. Fifteen years ago the typical worker with a college degree made 38 percent more than a worker with a high school diploma. Today, that figure is 73 percent more. Two years of college means a 20-percent increase in annual earnings. People who finish two years of college earn a quarter of a million dollars more than their high school counterparts over a lifetime.

Now, it is clear that America has the best higher education system in the world, and that it is a key to a successful future in the 21st century. It is also clear that because of cost and other factors, not all Americans have access to higher education.

I want to say today that I believe the clear facts of this time make it imperative that our goal must be nothing less than to make the 13th and 14th years of education as universal to all Americans as the first 12 are today. (Applause.)

We have put in place an unprecedented college opportunity strategy: Student loans can now be given directly to people who need them, with a provision to repay them based on the ability of the graduate to pay -- based on income. This is a dramatic change which is making loans more accessible to young people who did not have them before. Americorps, which by next year will have given over 65,000 young people the chance to earn their way through college by serving their country and their communities. More Pell Grants, scholarships for

deserving students every year.

Now we want to go further; we want to expand work-study so that a million students can work their way through college by the year 2000. We want to let people use money from their Individual Retirement accounts to help pay for college. We want every honor student in the top five percent of every high school class in America to get a \$1,000 scholarship.

And we also want to do some other things that I believe we must do to make 14 years of education the standard for every American. First, I have asked Congress to pass a \$10,000 tax deduction to help families pay for the cost of all education after high school -- \$10,000 a year. (Applause.)

Today I announced one more element to complete our college strategy and make those two years of college as universal as four years of high school -- a way to do it, by giving families a tax credit targeted to achieve that goal and making clear that this opportunity requires responsibility to receive it.

We should say to Americans who want to go to college, we will give you a tax credit to pay the cost of tuition at the average community college for your first year, or you can apply the same amount to the first year in a four-year university or college. We will give you the exact same cut for the second year, but only if you earn it by getting a B average the first year. A tax deduction for families to help them pay for education after high school; a tax credit for individuals to guarantee their first year of college and the second year if they earn it.

This is not just for those individuals, this is for America. Your America will be stronger if all Americans have at least two years of higher education. (Applause.)

Think of it: We're not only saying to children from very poor families who think they would never be able to go to college, people who may not have stellar academic records in high school, if you're willing to work hard and take a chance, you can at least go to your local community college and we'll pay for the first year. If you're in your 20s and you're already working, but you can't move ahead on a high school diploma, now you can go back to college. If you're a mother planning to go to work, but you're afraid you don't have the skills to get a good job, you can go to college. If you're 40 and you're worried that you need more education to support your family, now you can go part-time, you can go at night. By all means, go to college and we'll pay the tuition.

I know this will work. When I was the governor of my home state, we created academic challenge scholarships that helped people who had good grades and who had good behavior to go to college. But my proposal today builds mostly on the enormously successful HOPE Scholarships in Georgia, which guaranteed any student in the state of Georgia free college as long as they had a B average. This year those scholarships are helping 80,000 students in the state of Georgia alone -- including 70 percent of the freshmen class at the University of Georgia.

In recognition of Georgia's leadership, I have decided to call this proposal America's HOPE Scholarships. And I want to thank the Governor of Georgia, Zell Miller, who developed this idea. I also would like to recognize him -- he came up here with me today -- and thank him for the contribution that he is now going to make to all of America's future.

Governor Miller, where are you? Would you please stand up? Here he is. Thank you. (Applause.)

Let me say, as all of you know, money doesn't grow on trees in Washington, and we're not financing deficits anymore. I'm proud to say, as a matter of fact, for the last two years our budget has been in surplus, except for the interest necessary to pay the debt run up in the several years before I became President. So we are doing our best to pay for these programs. And this program will be paid for by budgeted savings in the balanced budget plan. We cannot go back to the days of something for nothing or pretend that in order to invest in education we have to sacrifice fiscal responsibility.

Now, this program will do three things. It will open the doors of college opportunity to every American, regardless of their ability to pay. Education at the typical community college will now be free. And the very few states that have tuition above the amount that we can afford to credit, I would challenge those states to close the gap. We're going to take care of most of the states. The rest of them should help us the last little way.

Second, it will offer free tuition and training to every adult willing to work for it. Nobody now needs to be stuck in a dead-end job or in unemployment. And finally, this plan will work because it will go to people who, by definition, are willing to work for it. It's America's most basic bargain. We'll help create opportunity if you'll take responsibility. This is the basic bargain that has made us a great nation.

I know that here at the reunion weekend the Class of '46 has celebrated its 50th reunion. And I want to just mention them one more time. Many members of the Class of '46 fought in the second world war. And they came home and laid down their arms and took up the responsibility of the future with the help of the G.I. Bill. That's when our nation did its part simply by giving them the opportunity to make the most of their own lives. And in doing that, they made America's most golden years.

The ultimate lesson of the Class of 1946 will also apply to the Class of 1996 in the 21st century. Because of the education you have, if America does well, you will do very well. If America is a good country to live in you will be able to build a very good life.

So I ask you never to be satisfied with an age of probability for only the sons and daughters of Princeton. You could go your own way in a society that, after all, seems so often to be coming apart instead of coming together. You will, of course, have the ability to succeed in the global economy, even if you have to secede from those Americans trapped in the old economy. But you should not walk away from our common purpose.

Again I will say this is about far more than economics and money. It is about preserving the quality of our democracy, the integrity of every person standing as an equal citizen before the law, the ability of our country to prove that no matter how diverse we get, we can still come together in shared community values to make each of our lives and our family's lives stronger and richer and better. This is about more than money.

The older I get and the more I become aware that I have more yesterdays than tomorrows, the more I think that in our final hours, which all of us have to face, very rarely will we say, gosh, I wish I'd spent more time at the office, or if only I'd just made a

little more money. But we will think about the dreams we lived out, the wonders we knew when we were most fully alive. This is about giving every single, solitary soul in this country the chance to be most fully alive. And if we do that, those of you who have this brilliant education, who have been gifted by God with great minds and strong bodies and hearts, you will do very well and you will be very happy.

In 1914, Woodrow Wilson wrote as President, "The future is clear and bright with the promise of the best things. We are all in the same boat. We shall advance and advance together with a new spirit." I wish you well, and I pray that you will advance, and advance together with a new spirit.

God bless you and God bless America. (Applause.)

END

12:31 P.M. EDT

June 6, 1996

MEMORANDUM FOR THE PRESIDENT
THE VICE PRESIDENT

FROM: GENE SPERLING
BRUCE REED
LORRIE McHUGH

SUBJECT: Media Coverage of the America's HOPE Scholarships Announcement

Your announcement of America's HOPE Scholarships at the Princeton University commencement received enormous press coverage throughout the nation in the two days following the event -- with the overwhelming majority of the coverage being extremely positive. *Attached is a summary of the news coverage, a sampling of nationwide clips, and a page of the best quotes.*

HIGHLIGHTS:

- **Network News Coverage on all 4 Major Networks** -- Including a lead story on *ABC World News Tonight* followed by a profile of the Georgia HOPE Scholarships program.
- **2 Consecutive days of USA Today Articles** -- Including the charts we provided on the cost of average community college tuition in each state and the increases in costs of college tuition as a percentage of family income.
- **2 Consecutive days of New York Times Articles** Including a Front-Page Article and a Mostly Supportive Editorial.
- **3 Washington Post Articles** Including a Front-Page Article and an Editorial.
- **2 New Jersey Star-Ledger Articles** Including a Front-Page Article.
- **Front-Page Articles:**
 - *Washington Post,*
 - *New Jersey Star-Ledger,*
 - *St. Louis Dispatch,*
 - *Chicago Tribune,*
 - *New York Times,*
 - *Minneapolis Star-Tribune,*
 - *Baltimore Sun,*
- **Pictures of the President at the Princeton commencement:**
 - *Los Angeles Times,*
 - *Atlanta Journal Constitution,*
 - *St. Louis Dispatch,*
 - *Richmond Times-Dispatch,*
 - *Washington Times,*
 - *New Jersey Star-Ledger*
 - *Hartford Courant,*
 - *Baltimore Star,*

- *Miami Herald,*
- *Louisiana Times-Picayune,*
- *Chicago Tribune,*
- *Ashbury Park Press.*

POTUS NOTE TO GENE SPERLING 5/28/96

Gene S.

Possible additions to record.

_____ New Home Owners

_____ Average savings on mortgages because of lower interest rates from 93 Economic Plan

_____ People took advantage of Family Leave (Doesn't the study say 1 in 6? How many is that?)

Average #s on jobs, businesses, businesses because of SBA loans. ?/DOD Defense Conversion efforts

PRESIDENT CLINTON CALLS FOR AMERICA'S HOPE SCHOLARSHIPS A TAX CUT TO MAKE 14 YEARS OF EDUCATION THE STANDARD FOR ALL

June 5, 1996

This age of possibility means that more Americans than ever before will be able to live out their dreams. . . America knows that higher education is the key to the growth we need to lift our country. . . It's America's most basic bargain: We'll help create opportunity if you'll take responsibility."
-- President Clinton, Princeton Commencement, June 4, 1996

TO REALIZE THIS AGE OF POSSIBILITY, PRESIDENT CLINTON IS COMMITTED TO A REAL GROWTH STRATEGY:

1. **Putting our economic house in order**, through both deficit reduction and a balanced budget. President Clinton has cut the deficit in half since taking office, and this year he submitted to Congress the first genuine balanced budget in 17 years.
2. **Opening new markets to create jobs for American workers.** More than 1 million new export-related jobs have been created under the Clinton Administration.
3. **Investing in our workers so they can seize the opportunity of today's economy.** To unlock the age of possibility for all Americans, we must give every single child, and every adult who needs it, the chance to get the best possible education.

PRESIDENT CLINTON NOW CALLS FOR NEW AMERICA'S HOPE SCHOLARSHIPS: To Make 14 Years of Education -- At Least Two Years of College -- the Standard for All Americans. President Clinton's HOPE Scholarship Tax Cut makes clear that 2 years of college should be as universal as high school and builds on his comprehensive program to guarantee that a college education is both accessible and affordable to all Americans at any time in their life.

- **\$1,500 Tax Cut For College Tuition.** Modeled on the successful Georgia HOPE Scholarship program, this new proposal provides all students with a \$1,500 refundable tax credit for full-time tuition in their first year (\$750 for half-time), and another \$1,500 in their second year if they work hard, stay off drugs, and earn at least a B average in their first year.
 - This \$1,500 tax credit will pay for more than the full cost of tuition at the national average-priced community colleges. This \$1,500 tax cut is \$300 more than the average community college tuition and would make community college "free" for 67% percent of community college students.
 - This tax cut for middle-class families is paid for with new savings in President Clinton's balanced budget. America's HOPE Scholarships costs \$7.9 billion, which will be offset by reducing sales source rule benefits, applying an international departure fee, and auctioning radio DARS spectrum.
- **\$10,000 Tax Deduction for All Education and Training.** The President maintains his \$10,000 tax deduction for tuition for college, graduate school, community college, certified training and technical programs. This encourages lifetime investment in higher education.
- **Pell Grant Scholarship Increases for Lower-Income Students:** In announcing America's HOPE Scholarships, President Clinton also announced that his balanced budget will increase Pell Grants each year. The maximum Pell Grant award will increase by 33% from fiscal 1995 to fiscal 2002.

SENATOR BOB DOLE: "President Clinton had an idea that was pretty good and that was credits for two-year college students." -- Senator Bob Dole, Indiana IA campaign event, February 3, 1996.

AMERICA'S HOPE SCHOLARSHIPS BUILD ON PRESIDENT CLINTON'S PLAN FOR GUARANTEED ACCESS TO COLLEGE.

- **With the President's increased Pell Grant program support**, students have access to up to \$5,100 in Pell Grants and student loans for their first year in college, and much more in future years.
- **President Clinton's Direct Student Loan Program** enacted as part of the President's 1993 Economic Plan is allowing millions of students to borrow in a simpler, less bureaucratic way, and to pay back their loans as a share of their income. This year, "Pay-As-You-Can" loans will account for nearly 50% of loans this year.
- **President Clinton's National Service Program -- AmeriCorps:** Last year, 30,000 students earned up to \$4,725 for service. By the end of next year, more than 65,000 students will benefit from this opportunity.
- **Work Study Expansion:** President Clinton's balanced budget includes an expansion of College Work Study to 1 million participants by 2002. The President has also challenged colleges to use additional work study funds to promote public service by putting students to work in the community.
- **Honors Scholarships for Outstanding High School Students:** President Clinton's balanced budget includes \$1,000 scholarship for the top 5% of graduating students in every high school class. If this proposal is enacted this year, 128,500 graduating high school seniors will receive a scholarship to help finance their college education.
- **IRAs for Education:** President Clinton's balanced budget would change the law to allow penalty-free withdrawals for education
- **Skill Grants:** President Clinton's balanced budget includes \$2,600 Skill Grants to enable dislocated workers to get needed skills
- **National Service College Scholarships To Reward High School Community Service:** President Clinton has challenged every high school student in the country to make a commitment to community service. To support this commitment, the President is asking all high schools to make service part of their basic ethic and to raise \$500 to reward a high school student who has done significant work to help his or her community. The federal government will then match the \$500 to help that student go on to college.

HOPE

EXECUTIVE OFFICE OF THE PRESIDENT

29-Nov-1996 11:31am

TO: SPERLING_G
TO: REED_B
TO: Kenneth S. Apfel

FROM: Robert M. Shireman

CC: Barry White

SUBJECT: Hope Scholarships - Update

Message Creation Date was at 29-NOV-1996 11:23:00

In preparation for Monday's meeting, I wanted to give you the current state of play on the Hope tax credit, and to let you know my recommendation for next steps.

1. Design: Treasury has worked up some mock forms that colleges and taxpayers would need to fill out in order to claim the credit. Colleges would file a four-part form, providing information about costs, credit hours, federal and other aid, and grades for EACH TERM (quarter, semester, summer) paid for by the student/taxpayer during the tax year. The taxpayer then transfers all of this information into tables on a tax form, and performs various calculations in order to determine eligibility for the credit.

All of this information is necessary in order to allow taxpayers to claim a partial credit for part-time and/or partial-year schooling. For example, a half-time student might claim the \$1500 credit in two chunks over a two-year period. The forms track exactly when the person reaches the one-year point when the grade requirement kicks in. Then the forms track when the two-year point is reached (it may be in the middle of a tax year), when no further credit is allowed.

I have floated a much simpler approach to Treasury and Education. I would dispense with the idea of any partial credit, instead allowing for a \$1500 credit for tuition and fees paid for ANY half-time-or-more enrollment in a degree or certificate program. The student is eligible the first time as long as he hasn't finished two years of course work. The student is eligible for a second credit if he has a B- GPA for the first year of courses -- or those completed at the time of filing, if he hadn't yet finished the first full academic year.

The Treasury analysts agree that this would eliminate the need for the cumbersome term-by-term calculations. They raise some equity issues, however (part-time students at low-cost institutions might only get two \$500 credits, rather than being able to stretch it out over six years and get the full \$3000 under the current scheme).

If you agree that this simpler approach should be explored, we need to get Treasury to do a cost estimate.

2. Fraud. Treasury is rightfully concerned about the fraud potential with any new refundable credit. The IRS needs to (a) collect the college-provided data independently to guard against taxpayers creating their own fake 1099s; and (b) check to make sure that colleges are providing them with accurate information. Could Education perform these roles?

HOPE already limits eligibility to institutions approved under Title IV of the Higher Education Act, and the Education Department is already charged with certifying the financial and administrative capability of the institutions as part of the (admittedly weak) gatekeeping system. Instead of having IRS audit the system, why not beef up Education's operation a little so that they can check institutions' compliance as part of the regular certification and audit process?

As part of the current financial aid process, the Education Department already collects some of the data (particularly on poorer students) that HOPE requires. (The Department will bring a chart indicating what items are in its system). Education could collect the taxpayer data from colleges -- as an addition to its current data collection activities -- and provide IRS with the data for matching up tax forms. Again, some resources would need to be provided to Education.

3. Pell Grants. Some have expressed a concern that the HOPE credit does not help poor students enough (because it is offset dollar-for-dollar by federal grant aid). At a previous meeting, someone suggested that the Pell Grant maximum be increased to \$3000, and that the credit be reduced in order to pay for the increase. Assuming that the grant would increase by inflation each year, the cost is about \$3.7 billion. In order to save that amount, Treasury estimates that the credit would need to be reduced to somewhere between \$1350 and \$1400. A \$1500 credit would cover tuition and fees for about two-thirds of community college students. The lower amount might cover "average" tuition and fees nationally (\$1200 in 1994-95), but would not cover as many students or states.

Do you want to explore this option further, or look at other ways that the credit can be adjusted to help poor students more?

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

02-Dec-1996 08:43am

TO: Robert M. Shireman
FROM: Kenneth S. Apfel
CC: sperling_g
CC: reed_b
CC: Barry White
SUBJECT: Re: Hope Scholarships - Update

Message Creation Date was at 2-DEC-1996 08:36:00

We could either reduce the credit or eliminate the refundability. We should explore both options

December 8, 1996

MEMORANDUM FOR GENE SPERLING
FROM: PAUL DIMOND *AD*
SUBJECT: HOPE SCHOLARSHIPS, SKILL GRANTS, PELL GRANTS
AND G.I. BILL FOR AMERICA'S WORKERS
CC: BRUCE REED, KEN APFEL

Proposal: offer the President an option to propose in his FY98-2001 Balanced Budget that essential resources and good information be placed directly in the hands of individuals and families on the mandatory side of the budget so that students and workers of all ages are assured that they will be better able to invest in the post-secondary education and training they choose to get ahead in the new economy. In particular, I propose full exploration and presentation of an option that incorporates the following on the mandatory side of the budget:

- \$1500 Hope Scholarship for up to two years, \$10000 Education Tax Deduction and expanded IRA, all with the same income phase-outs
- An additional \$1500 Hope Skill Credit for one year for Dislocated Workers (who cannot get back to work with their current skills based on a minimum of 12 weeks of job search)
- Pell Grants (with whatever maximum you deem appropriate, e.g., \$3000, the median cost of tuition for a year at a four-year college or university), including non-degree training programs so long as their consumer information and gatekeeping is based not only on the rate of completion of the offered curriculum but also on the earnings of the student in the year following completion of the prescribed course-work
- Pay-As-You-Earn Student Loans (in both Direct and GSL Loans) so that students and workers of all ages can invest in learning new skills and repaying based on future earnings.

I. Relevance to POTUS legacy. Since the mid-term elections in 1994 and throughout the 1996 campaign, the President staked his affirmative legacy on empowering all American individuals and families with the tools they need to learn new skills to make a successful crossing from the old industrial era to a new age of discovery, knowledge and information. That is the motive for his "Pay-As-You-Earn" student loans, increases in Pell Grants, proposed Middle Class Bill of Rights (including the Education Tax Deduction, expanded IRA, and individual Skill Grants in a G.I. Bill for America's Workers), and the Hope Scholarship. *Given the pressures on Non-Defense Discretionary Spending for at least the next generation, there is only one way to assure that the President's legacy is built into the fabric of federal budgeting: put all of these forms of federal support and incentives to increase individual and family "education purchasing power" on the mandatory side of the budget.*

II. Other considerations:

- Balanced Budget. I take a back seat to no one in this Administration as a deficit hawk -- I

continue to urge that the President balance the budget on his watch, including proposing a budget that achieves a zero deficit in FY2001. That means that the full budget implications of the proposal (and any alternatives) should be fully fleshed out. Then, the hard budget priorities and trade-offs can be presented to the President. I am confident that he will choose to include this proposal as a centerpiece of his proposed Balanced Budget. And I am just as confident that the President will negotiate to include this proposal as an essential component of any Balanced Budget agreement. *But the President will have this opportunity only if you make sure that the option is fairly presented to him.*

- Constituency and Hill Politics. Adding an increased, more flexible Pell Grant and a Hope Skill Credit for Dislocated Workers will build support for the entire package (including the Hope Scholarship, the Education Tax Deduction, and the Expanded IRA) among student, higher ed, and union groups. It will make clear to all of these constituencies -- and to the American people -- that the President is serious about making sure that all Americans have the most important key to unlocking the door to greater opportunities as the U.S. leads the world into a more challenging and more rewarding new age of discovery, knowledge and information. It will give liberal and moderate Democrats on the Budget, Ways and Means, and Finance Committees (with the full support of their compatriots on the Authorizing Committees) something to fight for that is right at the top of the President's agenda. And it will make clear to Republicans that these essential tax cuts and Pell Grants must become an integral -- and lasting -- part of a Balanced Budget agreement.

- Agency Concerns. DoEd will generally support all aspects of the proposal, although they will express concern about making Pell Grants more flexible because the increased information and gate-keeping requirements on non-degree programs may raise concerns among the higher ed community. But we can strike a deal, first, with the community colleges and the proprietary schools (and, then, with four-year colleges and universities) that this is a very small and very fair price for making Pell Grants mandatory and enabling them to compete for higher amounts on the mandatory side of the budget, now and in the years ahead. DoL will waffle on all counts for a variety of reasons, most of which relate to fears of losing support for appropriations for DoL training programs. Even if this fear were born out, however, it should not distract the President for one second from assuring that the increased purchasing power he has always fought for is assured to be placed directly in the hands of individuals and families, students and workers of all ages by including the mandatory proposal in a Balanced Budget agreement. [N.B.: Moreover, we can still craft an adult-only G.I. Bill for America's Workers, modelled after the Careers bill in the House, that includes most of the components of our proposal last year -- One-Stop Shops (supplemented by the major advances DoL is making with its electronic labor exchange, America's Job Bank, Talent Bank, Labor Market Information and Training Network), area-wide Local Workforce Boards and flexible, state-local designed individual Skill Grants. DoEd will be submitting a separate Voc Ed bill (hopefully based on the principles of accountability, choice and excellence, and retaining all kids in "school" until graduation.) We should avoid any provision relating to School-to-Work in order to avoid renewing this controversy with the Conservative Right in the House.]