

NOTE TO GENE SPERLING:

The attached memo is a work in progress, reflecting ongoing conversations between myself, Terry Peterson and Susan Stroud.

Susan has been on travel the past few days; she has not seen this version of the memo, though I talked her through most of it. In the main she is comfortable with it, but there is clearly an unresolved issue regarding the primary purpose of this steering committee. The attached draft presumes that the purpose of the steering committee is to recruit college presidents who are willing to commit specific numbers of volunteers -- both from work study and from throughout the campus community -- specifically for the purpose of tutoring in America Reads.

At times there has been an alternative conception of the purpose of this committee: to recruit college presidents who will take up the more general challenge of mobilizing new work study slots for community service, with America Reads being a subset of that larger agenda.

As you might imagine, ED and CNS staff value these options differently, though I think we each see them both as legitimate, just different.

We will need your assistance in resolving the fundamental purpose before we proceed.

You might also note that I have attached a marked-up version of a possible timeline to the end of the memo. This timeline needs additional work, both with respect to the specific activities we need to undertake, as well as again with respect to the relative emphasis of our message.

I will continue to work with Susan and Terry on this on Monday. Call me if you have any questions.

Mike Cohen

TO: Gene Sperling

FROM: Mike Cohen
Susan Stroud
Terry Peterson

SUBJECT: America Reads/Work Study Steering Committee of
College Presidents

The three of us met this week to discuss how to quickly launch a steering committee of university presidents to mobilize institutions of higher education behind America Reads.

This memo spells out our overall approach as well as some issues we will still need to resolve in consultation with you.

Steering Committee

We envision a Steering Committee of approximately twelve college presidents who are influential among their peers, geographically representative and representative of the broad diversity of sectors in higher education (e.g., state and land grant universities, private universities, Catholic institutions, HBCU's, etc.). The Steering Committee will provide the means to achieve buy-in the higher education community toward achieving the Presidents goals in America Reads, and to providing a significant part of the army of volunteer tutors needed to achieve it.

Attached is a list of candidates we intend to draw from.

The steering committee members will be asked to do two things:

- . to make exemplary commitments to providing volunteer tutors for America Reads from their own campuses; and
- . to enlist a minimum of five other college or university presidents to make similar commitments.

One issue to be resolved is the specific nature of the commitments we expect members of the Steering Committee to make. Our current thinking is that members should be asked to:

- . Commit to working toward a target of up to 50% of new work-study slots for America Reads
- . Commit to a specific campus-wide mobilization (students, faculty and staff), over and above the work-study commitment, to America Reads. We are not able to specify this any further, in terms of absolute numbers of percentages of participation on a campus basis.

Honor Roll (or Committee of 50 or 100 College Presidents for America Reads)

We envision the Honor Roll/Committee as the means to recognize the commitments made by both the Steering Committee members and the additional college presidents they bring into the process. The target number for the honor roll/committee is fifty to one hundred college presidents by the time of a State of the Union announcement.

We believe we must involve the Steering Committee in determining the exact commitment necessary to be added to the Committee of 100, given their need to sell the initiative. Some options for criteria include:

- . 50% of new work-study slots committed to community service, and
- . a substantial (and to be specified) portion of those work-study slots designated for America Reads and
- . a larger commitment to mobilize the campus beyond work study for America Reads

What is being measured?

There needs to be a common metric for "counting" the commitments made by Steering Committee and Honor Roll members, so we can have something clear, concrete and sizeable for the President to point to during the State of the Union or other announcement time. We believe that the Steering Committee members must be part of the process of determining this metric; in fact, it is one of the committee's first tasks. Measurement options we have considered include:

- . Number of new (or total) work-study slots going to preK-4 literacy programs
- . percentage increase in campus involvement in literacy programs (in terms of numbers of tutors, numbers of tutoring hours, etc.)
- . total number of additional campus volunteers
- . total number of tutoring hours dedicated to America Reads (this would produce the highest figure of all the options)

Other issues:

The committee could, if inclined, take up other issues related to helping mobilize college tutors, such as:

- . connecting community groups with universities;
- . the need for putting together a guide book or other tangible information on starting a reading-tutoring program from a campus perspective;
- . methods to minimize the barriers for campuses to use work study slots for community groups

Moving Forward: Next Steps

We need to quickly:

- . Finalize the list of who we will recruit for the Steering Committee. Terry and Susan are consulting with their colleagues to narrow down the final list. You should indicate any of those on or off the attached list you want

to make sure we include. We will finalize this list on Monday.

Contact potential members and form Steering Committee. We are in agreement that there should be a letter to the potential members from the White House ASAP (from POTUS, or perhaps the Chief of Staff, Laura Tyson or yourself). The letter will be followed up immediately by a phone call, with the calls probably divided up between WH, ED and CNS staff. The Committee should be formed by Dec. 13.

A conference call with the committee. We will send the committee members a brief memo laying out the initial issues we think they need to address, and hold a conference call to work through them. The call should occur during the week of Dec. 16.

Develop a roll out plan and timeline for higher education initiatives for America Reads, including:

- . Announcement of formation of the Steering Committee
- . Ongoing interaction with and support to the committee
- . Setting deadline for securing written pledges for college/university president's
- . State of the Union Announcement
- . Photo-op with President for Steering Committee members

12/03/80 110 10-11 PNA 102002101 CNS 0000

POSSIBLE STEERING COMMITTEE MEMBERS

Priority List:

Robert Corrigan
President
San Francisco State University
(suggested chair)

Has already committed work-study slots,
generated commitments already from all 23
CSU system campuses

Tom Cole
Clark Atlanta University

He has already committed new work-study slots
to America Reads; HBCU

Delores Cross
Chicago State

State school, urban environment, older, minority
student population

T. Sandy D'Alemberte
Florida State University

Large public university, and Governor Chiles has
already committed to advancing work-study

George Deannson
University of Montana

On Compact Executive Cmte., and Chair
Montana State Commission on National Service

John DiBiaggio
Tufts University

He has credibility with private and land
grant universities; chairs coalition of 32 Mass.
colleges and universities

E. Gordon Gee
Ohio State University

Large, midwestern institution

Vartan Gregorian
Brown University

He would have influence with private
universities

Augusta Souza Kappner
Bank Street College of Education

A small, graduate level institution with a terrific
president

Eamon M. Kelly
Tulane University

Southern private university; strong Clinton
supporter

Brit Kerwin
University of Maryland, College Park

Has already committed work-study slots,
willing to liaise with other land grants

Byron McClenney
Community College of Denver

A dynamic president of a community college

Barry Munitz
Chancellor, California State University System

He is advocating this in the CSU system,
and he is the current chair of ACE

Diana S. Natalicio
University of Texas at El Paso

Largely Hispanic serving public university

Leo O'Donovan
Georgetown University

He is close to the President and would have
clout with private and Catholic universities

L. Jay Oliva

The largest private university in country, and he

New York University

teaches a course in community service

Eduardo Padron
Miami Dade Community College

One of largest community colleges with
excellant community service program

Judith A. Ramaley
Portland State University

She's on Compact Executive Cmte., and she is very
committed to community service

Judith Rodin
University of Pennsylvania

Has expressed interest to White House; excellent
community service program.

Ted Saunders
Southern Illinois University at Carbondale

Formerly with US Department of Education

Other Names:

Johnetta Cole
Spelman College

While she would be great, she is scheduled to leave
her position

Lols B. DeFleur
State University of New York at Binghamton

Incoming chair of ACE board

John D. Eshelman
Seattle University

Catholic university, Pacific Northwest

Norman C. Francis
Xavier University of Louisiana

Private, Catholic university in South; leader in
HBCU network

Jullet V. Garcia
University of Texas at Brownsville

Dynamic leader of largely Hispanic public
university

Claire Gaudiani
Connecticut College

Small, private liberal arts institution, former
chair of Campus Compact

Donald N. Langenberg
University of Maryland System

He is already working with Brit Kerwin on using
work-study throughout the Maryland system

Carl V. Patton
Georgia State University

Large land grant university in South

John H. Reinke
Loyola University of Chicago

Strong leader; Catholic institution

Arthur K. Smith
University of Utah

Excellent community service program

H. Patrick Swygert
Howard University

The Howard name would carry a lot of clout with
HBCUs

Education Association Presidents:

James Appleberry
ASCU

William Gray
UNCF

Stan Ikenberry
ACE

Peter McGrath
NASULGC

Frank Newman
Education Commission of the States

Frank Newman has written about this for years

David Pierce
American Association of Community Colleges

While he's an association president, he may be a
useful link to community colleges

David Warren
National Association of Independent Colleges
and Universities

FIMELINE Possible Activities

December:

- **Presidential Invitation for Steering Committee:** We have an expanded list of potential Steering Committee members for the President to approach. The list covers all areas geographically, and has representatives from all sectors. We believe these presidents should be approached first through a White House letter of invitation (next week), the deadline for response of which would be the end of next week. The week thereafter, we would schedule an initial conference call to brief the new members.

- **White House Announcement of Steering Committee:** Because the holiday period is very slow for news from the White House, we are more likely to generate press interest by announcing the formation of the Steering Committee for Work-Study/America Reads during this time.

Letter from POTUS: College and university president would receive a letter from the President asking for their help on this initiative. *(ask on the President's overall higher education agenda in particular, Higher Scholarship and \$10,000 Deduction for College)*
(copy sent to Gene from Steve Waldman on December 2)

Wofford/Riley/Corrigan visits to education associations: Robert Corrigan from San Francisco State University has agreed to visit Washington in December to meet with associations of colleges and universities to ask for support on this initiative.

- **Develop Wofford/Riley joint op ad:** ~~We are working on a boilerplate op ad piece which we would like to have CEO Wofford and Secretary Riley byline for national press.~~ *on not only workstudy/America Reads, but the President's broader higher education agenda as well.* We could also give Steering Committee members the same boilerplate to use in their own regional or local press. In addition, we would like to place an op ad in the national education press, such as the *Chronicle*.

January:

- **Steering committee solicitations:** During the period leading up to the Inaugural, the Steering Committee would need to be briefed and be in the process of bringing in new members. *for the Committee of 50 (or 100)*
- **Inaugural Week event: America Reads Day:** Given that the pre-Inaugural festivities will not last an entire week, it may be difficult to get the White House and Inaugural Committee to designate a specific America Reads Day. However there may be some press opportunities to draw attention to ~~literacy programs~~, the Steering Committee's America Reads.
- **Inaugural Address:** While the Inaugural speech focuses on broad themes, there may be a chance to bring up the Martin Luther King Day community service activities being carried out by AmeriCorps nationwide. Many of these programs have a literacy theme and could be cited.
- **State of the Union Address:** The State of the Union speech may be a good opportunity for anecdotes on commitments to work-study ~~to America Reads~~, *as well as other groups which have volunteered large scale support for America Reads.*

February:

- **ACE Secretariat meeting:** The ACE has its monthly Secretariat meeting on February 4. We would like to have Harris Wofford and Secretary Riley address the audience on ~~work study and community service.~~ *our entire higher education agenda, including AmeriCorps, Community Service, Higher Scholarship, and Bill TRIO Workstudy*
- **ACE Annual Meeting/Campus Compact Meeting:** The President spoke at the ACE meeting two years ago in San Francisco, and this year's meeting takes place in Washington on February 23 - 25. It's likely that the President has already been invited to speak. The Campus Compact meeting follows

NOTE:
 David L. has already written all the college presidents' brief work study/summary terms/America Reads



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE UNDER SECRETARY

THE UNDER SECRETARY

To: Gene Sperling
From: Mike Smith *MS*
Re: Reading Initiative
Date: August 15, 1996

I had a lengthy conversation today with Secretary Riley about the reading initiative and the various forms it might take. Because we both see some significant weaknesses in the joint "zero to eight" proposal that has been developed, we think it important that the President be presented with all three options that have been considered thus far: the joint option, an option more clearly focused on improving reading achievement, and an early childhood option.

Attached, as you requested at the NEC meeting yesterday, are pros and cons of both the joint initiative and of a more targeted reading proposal. Based on the conversation today with Secretary Riley, we are making some minor changes to our reading proposal and will send it to you tomorrow. I would then like to chat with you for a few minutes Friday to see where we are.

PROS AND CONS OF READING INITIATIVE AND 0-8 PROPOSAL

L ED's K-3 READING PROPOSAL

If the President is presented with an option focused exclusively on the K-3 reading initiative, the pros and cons are:

Pros:

- **The goal is straightforward, concrete and universal:** to help all children read independently and well by the end of 3rd grade. The initiative would allow the President to call for: extra help after school and during the summer for any young child who falls behind in reading; 1 million volunteers tutors; 1 reading specialist/tutor coordinator for every elementary school who needs one. These are strong bully-pulpit issues that can galvanize the public and create significant, lasting change in home, school and community norms about reading.
- **Reading by 3rd grade is the right focus:** Research shows that if a child can't read well by 3rd grade, chances for later success, in school and life, are significantly diminished. Ensuring the reading success of every child would increase their academic performance, unlock their potential to learn, and empower them throughout their life. It would also reduce the numbers of children in special education; improve discipline problems in classrooms (which correlate with low academic achievement); and provide critical additional help for the 2.8 million children with limited English proficiency.
- **A focus on reading is present- and future-looking.** A reading effort reinforces the Administration's commitment to all children learning the basics – a priority to the public – while also being consistent with a focus on technology (for children cannot "cruise the internet" if they do not know how to read).
- **A reading initiative is pro-family, pro-child and pro-community:** Every parent can help -- and must assume the responsibility for helping -- their children read. For example, all parents can make a positive difference by reading with their child 30 minutes a day. Not just parents, but also communities, the 16,000 public libraries, civics clubs, church groups, seniors, and national organizations can contribute to reaching the reading goal.
- **Tutoring after-school, weekends & during the summer creates opportunities for additional and individualized learning time,** thereby building on, rather than substituting for, existing efforts to improve reading in our schools. Research also suggests that individualized help most effectively addresses reading problems.
- **Summer and after-school tutoring programs can support other important goals:**
They:

-- help schools stay open afternoons and weekends.

- leverage efforts to promote community schools.
 - address the problem of the lack of adequate day care, child care and positive experiences at the end of the school day.
 - provide children with mentors and adult role models.
 - provide children with additional "safe havens."
- **Reading funds can leverage improvement in the regular instructional program and the Title I program, because they will serve children in schools doing least well in reading and depend on schools committing to improving their own in-school reading programs.**
 - **This initiative builds in a clear accountability mechanism -- 4th grade reading scores on the National Assessment of Education Progress (NAEP).**
 - **This initiative builds on the efforts of a number of states (TX, CA, CO, GA) and cities (Boston, NYC) who already have their own reading campaigns focused on early reading. It also builds on ED's Read*Write*Now and Parental Involvement Campaigns.**

Cons/possible attacks:

- **A reading campaign could further ignite the phonics-whole language debate and provide political fodder for opponents of whole language and the federal government.**

Response: the initiative must emphasize that locals, not feds, will have control of all program decisions. Moreover, good teachers generally use a range of reading strategies including phonics and reading for comprehension.

- **Tutoring programs are often difficult to run and sustain. These programs depend on volunteers for whom the tutoring usually is not the primary commitment. The tutors lack training and often give a short-term commitment. Mobilizing 1 million volunteers may also prove unrealistic.**

Response: Paid reading specialists, full-time, paid tutor coordinators, and a strong focus on training are designed to mitigate these problems.

- **The effectiveness of tutoring by volunteers has not been very well-documented.**
- **A program focused on after-school and summer reading tutoring raises questions about the efficacy of Title I and the overall school program.**

Response: Through ESEA reauthorization and other efforts, the Department too is working on strengthening Title I and leveraging improvements in overall school programs.

- **Some may argue that there is no need for a new program and that additional funding**

should be provided to Title I or national service.

Response: A proposal for large-scale after-school and summer help for children behind in reading provides a concrete and important new idea that is neither programmatic nor lodged exclusively in either schools or communities. Regarding Title I, no matter how good the Title I program is, reading success depends on parents and communities and on working with children from an early age. There also will always be some children who will need extra help before and after school. Moreover, while National Service should be a component of a reading initiative, it is not suited to produce either the infrastructure or flexibility for a large-scale effort that includes the majority of schools and very highly trained teachers and other staff.

• Volunteer programs always present some risk of child abuse problems.

Response: Only with strong screening and active, well trained tutor coordinators can this be addressed effectively.

II. THE OVERALL 0-8 PROPOSAL

If the President is presented with a joint option for a 0-8 Proposal that includes early Head Start, Head Start, Parental Involvement, and the Reading effort, the pros and cons are:

Pros:

- If done right, the proposed components compliment each other. Preschool expansion/improvements and parental involvement are critical to providing the early supports and language-rich environments for very young children that are essential to a young child's reading success. (Enriched preschool and parental involvement were components of the initial reading proposal).
- Focusing on children 0-8 avoids criticisms of an approach focused exclusively on K-3 or 0-5 (i.e., "for not starting early enough" or "for lacking follow-up").
- The public will intuitively recognize the importance of and connection between all of the components of the initiative.
- Strong family literacy and parent training are essential to enabling all parents to help their children learn to read.
- The health, development, and reading success of children depend on very early interventions. Passage of the welfare bill will only exacerbate the present inadequacy of child care and day care in the country.

Cons:

- There likely is not enough funds for any of the components to have a universal reach and significant impact.
- The goal and focus of the initiative is diluted (there are many programmatic pieces, many sub-messages [e.g., healthy development, head start expansion, building on Americorps]). This may undercut the strength of the proposal and its public appeal.
- Right now, the different components of the 0-8 proposal have very different emphases. With three of its four components focused on Head Start and broad support and training for parents, the proposal also loses its emphasis on reading and its universal appeal.
- A challenge grant to states to support parental involvement may not be an effective way to promote parental involvement. In many cases, local groups, communities and national networks can more effectively mobilize parents.
- The proposed expansion of early Head Start will reach very few infants.

EXECUTIVE OFFICE OF THE PRESIDENT

19-Nov-1996 04:44pm

TO: SPERLING_G
FROM: Kenneth S. Apfel
CC: TABERSKI_D
CC: Barry White
CC: Robert M. Shireman
SUBJECT: America Reads - Work Study regulation

Message Creation Date was at 19-NOV-1996 16:35:00

I believe we should get this reg out asap. This is a good short term solution - - and one we owe to the OMB staff, not the Department. Gene - - do you agree?

----- Forwarded by Kenneth S. Apfel/OMB/EOP on 11/19/96 04:32 PM -----

Robert M. Shireman
11/19/96 03:25:15 PM
Record Type: Record

To: Kenneth S. Apfel/OMB/EOP
cc: Leslie S. Mustain/OMB/EOP, S. A. Noe/OMB/EOP
Subject: America Reads - Work Study regulation

I looked into what the Secretary can do without further legislation. It is clear that he cannot increase or change the current 5% community service requirement. However, he is authorized to waive -- by regulation -- the 25% institutional match on the work-study awards "in furtherance of the purpose" of the law. One of the purposes of the law is community service, including tutoring.

If we had time, the Secretary could put out a proposed regulation saying (for example) that a school can get a waiver if 15% of their work-study students are reading tutors. But we don't have time to do a proposed regulation for next year, because the master calendar requires that any regulations that will take effect next academic year must be published in final form by December 1.

The lawyers tell me that the Secretary can publish a final regulation that did not go through the NPRM process if it is "harmless," and they think the 15% approach does not meet that definition. So, the Department suggests a regulation (to be added to a currently pending regulatory package) that authorizes the waiver where "the student is employed as a reading tutor for children who are in preschool through elementary school."

Given that we don't know what the prospects or timing are for legislation, I would recommend that we go forward with this modest step. We could always go further later.

Do you want to go forward with the regulation, or save it all for legislation?

EXECUTIVE OFFICE OF THE PRESIDENT

06-Dec-1996 06:48pm

TO: SPERLING G
 TO: Kenneth S. Apfel
 FROM: Robert M. Shireman

SUBJECT: America Reads

Message Creation Date was at 6-DEC-1996 18:44:00

Just in case the fax didn't reach you, this is the document describing the issues that need to be decided in Monday's meeting.

America's Reading Challenge

Purpose: To help ensure that children read well and independently by the end of the third grade so as to succeed in school, the workplace and in life.

Funding:

(in millions)

1998 1999 2000 2001 2002 Total

Reading

| | | | | | | |
|--------------------------|-----|-----|-----|-----|-----|-------|
| Education Dept. (mand.) | 200 | 250 | 325 | 325 | 325 | 1,425 |
| National Service (disc.) | 200 | 200 | 200 | 200 | 200 | 1,000 |

Parents as First Teachers

| | | | | | | |
|-------------------------|----|----|----|----|----|-----|
| Education Dept. (mand.) | 60 | 60 | 60 | 60 | 60 | 300 |
|-------------------------|----|----|----|----|----|-----|

Accountability

| | | | | | | |
|-----------------|---|---|---|---|---|----|
| ED-NAEP (disc.) | 5 | 5 | 5 | 5 | 5 | 25 |
|-----------------|---|---|---|---|---|----|

Total 465 515 590 590 590 2,750

A. Grants to States:

Funding is formula-driven, with all States receiving funds upon approval of State plan.

ISSUE 1: Should grants to States be competitive? ED favors a leading edge strategy that would fund the 30 best plans in the first year, with all interested States receiving resources by the third year. This means that the Federal government will have to decide which States are ready for a statewide reading program. ED feels that this is necessary in order to get serious, innovative plans from States.

However, under a formula grant, States would still need to submit a publicly-vetted strategy to ED and CNS for approval. Given the high priority of the initiative, the process would be closely watched. Funding only some

States in the first and second years slows the national effort considerably.

Total Funding available for state grants -- 95% of the Reading 8 funds each year are distributed to States.

ISSUE 2: Should more money be retained for national activities? The current draft sticks with the initial design of state-based reading initiatives. The 5% set-aside is for national activities such as training, dissemination of model materials and programs, evaluation, conferences, and structured local experiments. ED and CNS would like additional funds to both (a) fund national and regional organizations, to prompt a true national effort, and (b) fund innovative local programs. However, this would make it more difficult to hold States accountable for their activities, since there would be national organizations and federally-funded local programs that are not part of the State plan. Furthermore, it is unlikely that Congress would provide ED and CNS with a large, flexible pot of funds.

Single state strategy for ensuring that all children can read well and independently by third grade. State plans are developed and submitted jointly by the State Educational Agency (SEA) and the State Commission on National and Community Service. (The plan will have to designate one entity as fiscal agent.) They devise an integrated State strategy to raise reading levels.

State Plans must describe the State's strategy for disseminating funds through a competitive process to local reading consortia that serve areas with high number/percentage of low-income students or great need for assistance. The State plan and local consortia would describe plans to recruit and provide tutors for after-school, weekends, and/or in summer and other effective reading initiatives for children pre-K through Grade 4 that support in-school reading programs, promote early childhood literacy/parenting initiatives, use qualified, trained, screened personnel, including reading specialists, and make parent involvement a high priority. State plans must also include a strategy for expanding existing local or State literacy initiatives or developing new ones, incorporating National Service participants (AmeriCorps; RSVP) consistent with any CNS requirements, incorporating work-study students, coordinating with State Head Start programs and Parents as First Teachers programs, leveraging resources from private or public sources for literacy initiatives, and monitoring literacy programs.

The joint plan would justify an overall budget by describing costs in two parts:

(a) estimated funds needed for reading specialists, local assessment, the cost of keeping schools open, and other education-related activities; and,

(b) estimated funds needed for volunteer coordinators and other volunteer-related efforts.

The joint plan would describe how the partnership intends to ensure accountability for the funds (e.g. who the fiscal agent is, how the agencies will monitor the local activities). The presumption would be that the SEA would monitor activities funded pursuant to (a) above, and the Commission would monitor activities funded pursuant to (b). This would be a joint monitoring plan, with any results being a joint product.

Joint review by ED and CNS. ED and CNS jointly review the State plans and negotiate for improvements in the plans. The review would include an assessment of the total cost of the volunteer-related activities proposed by

the State plans. If that total cost is less than the amount of funds appropriated for this purpose for CNS, and further changes to State plans would not further the purposes of the program, then the funds would be available for reallocation to other States. If more volunteer-related activities are proposed than the amount appropriated to CNS, then ED funds could be used for that purpose.

The State receives its total funds, and carries out its plan. The State need not separate funds according to whether they came from ED or CNS. The statute would specify that Congress intends to allow commingling of funds at the State level (so that this could not be cited as a problem by Inspectors General, etc.), and that ED and CNS would work out a joint plan for monitoring and assessing the progress of State programs.

ISSUE 3: Should the ED and CNS funds remain separate. ED agrees that joint plans should come from States to the Federal government, and from local consortia to States. But ED would keep the funds separate, sending its portion to the SEA, while CNS sends its portion to the Commission, as laid out in the State plan. The Commission and SEA would then fund a local consortium based on its plan for broad-purpose SEA funds or national service people. 8 The Commission and SEA (as well as ED and CNS) would retain distinct responsibilities for monitoring the use of their funds. (See attached chart representing ED's approach).

But these are not two separate programs. There is one goal: teaching children to read. A State plan is either succeeding or failing. The Commission and SEA efforts fit together in just one plan, and the plan should be monitored and evaluated in its entirety, not in pieces. Worrying about keeping funds separate does not contribute to the success of the plan.

States may reserve up to 1% of funds for state coordination and funds management.

B. National Activities Fund

Funding per year -- 5% of ED and CNS & reading 8 funds.

Activities include training, dissemination of materials/model programs, evaluation, and conferences.

Decisions made jointly by ED and CNS.

C. Parents as First Teachers

Funding: \$60 million per year.

Use: Grants to national and regional organizations to establish and expand programs that help parents stimulate and improve their children's reading skills.

Decisions made jointly by ED and CNS.

ISSUE 4: How does Parents as First Teachers fit in, and what is the HHS role? There are two issues that have been raised but not resolved:

(a) Should some of these funds be distributed along with the State & reading 8 grants? (If so, should the State Head Start Office be added to the Commission-SEA joint plan, and a relevant entity included in the local consortium?)

(b) Should HHS be part of the decision-making structure for this program, and for the reading funds?

DRAFT

December 6, 1996

MEMORANDUM FOR THE FIRST LADY

FROM: GENE SPERLING
BRUCE REED

SUBJECT: Possible Involvement in Promoting the President's New Initiatives

I. AMERICA READS. (Child Literacy)

Over the next few months, as we send formal legislation to the Congress for Democrats to introduce on "America Reads," we have a simultaneous opportunity to lead a national public campaign on the importance of reading and the need for volunteer tutoring to help all children read well by the end of the 3rd grade.

While Barbara Bush achieved some success at associating her name with literacy and drawing greater attention to the issue, your involvement coupled with a strong bully-pulpit and legislative push by the President, could truly make this a legacy issue for the President.

Described below are each of the various aspects that make up the America Reads initiative. You could decide to emphasize the overall America Reads goal of "making sure that every child can read by the end of the 3rd grade," or you could decide to choose one particular aspect of the America Reads challenge to make your personal cause over the next year(s).

Aspects of America Reads:

- *Parents as Teachers: Reading to Children While They Are Young.* This aspect of the President's initiative focuses on helping parents help their children become better readers. And this aspect of the America Reads initiative will certainly require the greatest bully-pulpit public campaign effort. *[We can only do so much through legislation to get parents to read to their kids -- but we can accomplish a great deal by having a national campaign focusing on the issue]*

A national campaign on this issue could focus on highlighting programs that are "proven successes" at helping give parents the tools they need to help their children learn to read (such as Parents as Teachers, HIPPI, MegaSkills, and others). Such a campaign could also truly become a grassroots effort -- going into communities, libraries, and homes across the country and talking to parents about the importance of reading to their children early and often.

- *Head Start Revival.* Related to the Parents as First Teachers aspect of the proposal, you could place a strong emphasis on strengthening our commitment to Head Start -- so that even the most disadvantaged children get reading attention when they are young and so that their parents are taught the importance of reading with their children.

Under new Head Start standards developed by our Administration, Family Literacy is a new priority in Head Start -- all parents will be offered training to help them be involved in their children's education and to help them be their children's first teacher. Last year more than 800,000 Head Start parents volunteered in their local program. The President's balanced budget proposal includes an expansion of Head Start so that it can reach 1 million preschool children in 2002.

Your attention to Head Start would help revive this program which was once held in the highest of stature of all government programs, and go to show that there is some good that can be done by some government programs. It would also help to emphasize that no child should be left behind in our national child literacy effort.

- *America's Reading Corps.* The crux of the America Reads Initiative is the mobilization of an army of reading tutors to help make sure that every child has the individualized attention -- both after school and during the summers -- that they need.

- *30,000 Reading Specialists and Volunteer Coordinators* to help the 20,000 schools that need help most -- reaching 3 million children. Our legislation would provide grants to help such efforts. In lieu of passing such funding, you could visit these communities and schools, talk to leaders, highlight successful existing efforts, focus attention on the need for greater resources, and help mobilize new volunteer efforts.

- *National Goal of Mobilizing 1 Million Reading Tutors.* Your personal commitment could help build this army even without passage of our legislation. Our 1 million tutors will include:

- *11,000 AmeriCorps members as tutor coordinators and volunteers.*

- *Experience Corp -- senior reading volunteers.* Thousands of older Americans already volunteer their time reading to young children. The President's proposal would expand on these intergenerational efforts.

- *100,000 Work Study Tutors.* Subsequent to announcement of America Reads, the President announced his plan to require that 50% of the increase in work-study slots be used to mobilize 100,000 work study students to tutor children in reading.

II. TRAINING TEACHERS ASPECT OF TECHNOLOGY LITERACY

While we have done well to highlight the need to connect every classroom to the Internet with modern computers, we have not done as great of a job at emphasizing the need to ensure that our children's teachers are trained to teach these new technologies.

All 6th Grade Teachers Trained to Teach Technology. One proposal we are currently considering to increase the number of technologically-trained teachers would be to target all 6th grade teachers. By choosing just the 6th grade to start, we could announce an achievable goal and rally states and national school boards behind this goal. Targeting the 6th grade would allow us to reach children when they are ready to use the Internet and other new technologies for educational purposes. As a next step, these trained 6th grade teachers could then help educate their peers in other grades.

Were we to pursue this new idea, you could visit schools around the country and lead the effort.

III. SCHOOL CONSTRUCTION.

Initial reaction from the Hill to this proposal has been somewhat positive and bipartisan.

The President's proposal would help communities rebuild their schools (or build new schools) by reducing interest costs on new school construction and renovation projects by up to 50% -- with a sliding subsidy scale depending on need. The goal of the interest reduction is to subsidize \$1 out of every \$4 in construction and renovation spending -- thus our \$5 billion proposal would spur \$20 billion in local construction.

As you well know, the crumbling of old schools and the plethora of overcrowded schools around the country has received enormous media attention this school year. While our legislation is sent to the Hill and introduced by the Democrats, you could visit schools across the country and talk about the need for passing School Construction legislation. You could also mobilize community leaders in support for such an unprecedented federal school revitalization commitment.

IV. COMMUNITY SCHOOLS.

As part of the President's FY98 budget proposal, we are working on a proposal to increase the number of schools that keep their doors open after school hours to give children a safe place to go.

V. HIGH SCHOOL SERVICE.

From a pure bully-pulpit standpoint, we could launch a campaign to increase the amount of community service performed by our young people. This ties into the "responsibility" theme. We also have a legislative proposal to give National Service Scholarships to high school students that participate in community service.

Head Start Revival. Related to the Parents as First Teachers aspect of the proposal, you could place a strong emphasis on strengthening our commitment to Head Start -- so that even the most disadvantaged children get reading attention when they are young and so that their parents are taught the importance of reading with their children.

Under new Head Start standards developed by our Administration, Family Literacy is a new priority in Head Start -- all parents will be offered training to help them be involved in their children's education and to help them be their children's first teacher. Last year more than 800,000 Head Start parents volunteered in their local program. The President's balanced budget proposal includes an expansion of Head Start so that it can reach 1 million preschool children in 2002.

Your attention to Head Start would help revive this program which was once held in the highest of stature of all government programs, and go to show that there is some good that can be done by some government programs. It would also help to emphasize that no child should be left behind in our national child literacy effort.

America's Reading Corps. The crux of the America Reads Initiative is the mobilization of an army of reading tutors to help make sure that every child has the individualized attention -- both after school and during the summers -- that they need.

- *30,000 Reading Specialists and Volunteer Coordinators* to help the 20,000 schools that need help most -- reaching 3 million children. Our legislation would provide grants to help such efforts. In lieu of passing such funding, you could visit these communities and schools, talk to leaders, highlight successful existing efforts, focus attention on the need for greater resources, and help mobilize new volunteer efforts.

- *National Goal of Mobilizing 1 Million Reading Tutors.* Your personal commitment could help build this army even without passage of our legislation. Our 1 million tutors will include:

- *11,000 AmeriCorps members as tutor coordinators and volunteers*

- *Experience Corp -- senior reading volunteers.* Thousands of older Americans already volunteer their time reading to young children. The President's proposal would expand on these intergenerational efforts.

- *100,000 Work Study Tutors.* Subsequent to announcement of America Reads, the President announced his plan to require that 50% of the increase in work-study slots be used to mobilize 100,000 work study students to tutor children in reading.

II. TRAINING TEACHERS ASPECT OF TECHNOLOGY LITERACY

While we have done well to highlight the need to connect every classroom to the Internet with modern computers, we have not done as great of a job at emphasizing the need to ensure that our children's teachers are trained to teach these new technologies.

All 6th Grade Teachers Trained to Teach Technology. One proposal we are currently considering to increase the number of technologically-trained teachers would be to target all 6th grade teachers. By choosing just the 6th grade to start, we could announce an achievable goal and rally states and national school boards behind this goal. Targeting the 6th grade would allow us to reach children when they are ready to use the Internet and other new technologies for educational purposes. As a next step, these trained 6th grade teachers could then help educate their peers in other grades.

Were we to pursue this new idea, you could visit schools around the country and lead the effort.

III. SCHOOL CONSTRUCTION.

Initial reaction from the Hill to this proposal has been somewhat positive and bipartisan.

The President's proposal would help communities rebuild their schools (or build new schools) by reducing interest costs on new school construction and renovation projects by up to 50% -- with a sliding subsidy scale depending on need. The goal of the interest reduction is to subsidize \$1 out of every \$4 in construction and renovation spending -- thus our \$5 billion proposal would spur \$20 billion in local construction.

As you well know, the crumbling of old schools and the plethora of overcrowded schools around the country has received enormous media attention this school year. While our legislation is sent to the Hill and introduced by the Democrats, you could visit schools across the country and talk about the need for passing School Construction legislation. You could also mobilize community leaders in support for such an unprecedented federal school revitalization commitment.

IV. COMMUNITY SCHOOLS.

As part of the President's FY98 budget proposal, we are working on a proposal to increase the number of schools that keep their doors open after school hours to give children a safe place to go.

V. HIGH SCHOOL SERVICE.

From a pure bully-pulpit standpoint, we could launch a campaign to increase the amount of community service performed by our young people. This ties into the "responsibility" theme. We also have a legislative proposal to give National Service Scholarships to high school students that participate in community service.

VI. MEDICAID OUTREACH TO CHILDREN.

3 million children are currently eligible for Medicaid but are not enrolled. We could develop a strong outreach strategy with the states to target these children and get them enrolled.

VII. OPEN THE DOORS OF COLLEGE LIKE NEVER BEFORE -- MAKE 13th AND 14th GRADES THE NEW NATIONAL NORM.

High School Campaign on Going to College (HOPE Scholarships).

Beyond our legislative proposal for HOPE Scholarships, there is much that we can do to emphasize that every child should go on to college -- that school doesn't end at grade 12 and that the 13th and 14th grade should be the new national norm.

Our HOPE Scholarship tax cut would make the typical community college free.

To promote excellence, we also have our proposal on the table for \$1,000 college honors scholarships to reward the top 5% of graduating high school students from every high school.

IRA and Savings for College Education. Tax free savings for college.

Expand Pell Grants. Beyond the record Pell Grant expansion we achieved this August as part of the budget deal, we are considering proposals to expand Pell Grants even greater in conjunction with the HOPE Scholarships proposal -- so we can ensure that lower income students receive.

IX. FAMILY & MEDICAL LEAVE PART 2.

We could launch a major campaign to reward work and family by insisting on expanding Family and Medical Leave immediately so that parents can take off time without penalty to attend parent-teacher conferences and attend to the health needs of elderly relatives.

X. WELFARE-TO-WORK JOBS

XI. PENSIONS

1997 MAY 30 10:15 AM

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS BEEN

6-3-97

May 30, 1997

Corrected
Spelling
COS

UP LULA FROM RUL
9/11/97
DANNING

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC Weekly Report

America Reads: The work-study challenge has begun to pick up steam, with 225 colleges now on board. The new regulation waiving the work-study match for reading tutors goes into effect on July 1, and we are looking for a possible event that could highlight that action as well as the summer reading program sites that are now in operation.

Comp Time: We began negotiations on comp time this week. NEC, Legislative Affairs, and Democratic Senate staff met with Senators' Jeffords, Ashcroft, and Dewine staff. The Republicans were insistent on using S.4 (the Ashcroft bill which undermines the 40 hour work week) as the starting point for discussions. We reiterated our objections and offered to produce a paper laying out our changes to S.4. We don't expect to reach an agreement until Senate Republicans decide to abandon the most objectionable provisions to S.4 -- those which undermine the 40 hour work week -- and they clearly have not decided to do so yet.

PM/OZ. In coordination with Katie McGinty and Sally Katzen, the NEC held another principals meeting on the EPA's proposed particulate matter and ozone standards. Katie, Sally and I feel it is best to use a few days for informal conversations with Carol Browner and others to hopefully help move us towards a decision consistent with the spirit and letter of the law. As you would expect, outside reaction is very split with environmental and health groups pushing for strong provisions, while Congressman Dingell, whom I spoke with today, continues to threaten us with a "bloody war" over this. It is clear that there is a Breaux-Chafee letter being organized that, while far less strident than Congressman Dingell, will call for a more cautious approach than they believe the EPA is considering.

Volunteers/Tort Reform: We completed work on the volunteer liability bill signing statement. With Legislative Affairs and DPC, we met with the staff of Senators Breaux and Hollings to discuss broader product issues. We will meet with staff of Senator Rockefeller and Mr. Dingell on Monday, as well as have an interagency meeting to continue work on alternatives. The main topics of discussion are joint and several, punitive damages and the statute of repose.

Stock options: Ellen Seidman met with representatives of the high tech and retail industries concerning the bill to restrict tax deductions for stock options submitted by Senators Levin and McCain. They discussed their reasons for opposing the bill, as well as their assessment of likely legislative strategy. Senator Levin is hoping to talk to Bob Rubin soon.

4-3-97

Real Estate Industry: I met with representatives from the real estate industry to discuss their concerns about depreciation recapture rules. In particular, they want a capital gains tax package to include a cut in the recapture rate -- the rate at which amounts that had been previously deducted as depreciation are taxed upon sale of the property. I reassured them that we had not finalized our position on capital gains, and that we would go back to them if we were to carve out the recapture rules (which is one of the many options available to reduce the cost of a capital gains tax cut). One strategy we will be talking about in our budget meetings is that if we agree to include depreciation recapture schedules in the capital gains tax cut, we will seek to have the clear support from the real estate industry for key parts of our package.

✓ **City Jobs Data:** Myself, Elena Kagan and others from the NEC and DPC met with Secretary Cuomo to go over a possible "State of the Cities" report that could be presented in conjunction with the U.S. Conference of Mayors. One major issue we talked about was how to show long-term negative trends for city populations and jobs that justify our key urban initiatives without glossing over the progress made over the last couple of years. We decided to run the numbers from 1993-1996 which presented that way, show while there are long-term negative trends, there has been important progress since 1992.

GOOD

✓ **House Republicans on Welfare-to-Work:** Elena Kagan and I, along with DPC, NEC, OMB, Labor and HHS staff, met with House Republican committee staff to discuss the Administration's priorities regarding the \$3 billion in welfare-to-work funds. Under the draft Republican proposal circulated yesterday, all of the dollars would be distributed to States by formula, with no dollars directly to city governments, no performance-based funding and no competitive application process. Job creation would not be allowed. We presented the Administration position on these points.

Ron Haskins, the chief Republican welfare staffer, indicated that job creation would be added to the allowable uses and seemed amenable to distributing at least part of the money through a competitive grant process. He did not indicate any flexibility re: strengthening the nondisplacement provisions and was relatively unenthusiastic about performance bonuses. His position on channeling funding directly to cities was unclear. Drafting began today; we will keep you posted.

Very important

✓ **Historic Homeownership Tax Credit:** I met with Dick Moe (President of the National Trust for Historic Preservation) to discuss a proposal for a historic homeownership tax credit. This proposal is based on the existing historic rehabilitation tax credit (which applies to commercial buildings). It would provide a 20 percent tax credit for rehabilitation and reconstruction expenditures for historic homes (or homes in certified historic districts). The goal of the tax proposed credit is to provide an incentive for people to buy, refurbish, and live in older homes, generally in central cities.

got it one of our other

One potential problem is that the benefits from this proposal could flow mainly to real estate developers and to those with upper incomes, unless the proposal is well-targeted. We will bring this into our budget process to see if this is an idea worth considering.

Good

Economic Event: The Vice President, Secretary Rubin, Director Raines, Chairman Yellen, and I briefed the press on Friday on how well the economy has been performing since you took office. We noted the revised GDP growth rate of 5.8 percent during the first quarter of 1997 --the highest in a decade -- and emphasized our three-part economic strategy. The reaction was positive: reporters asked a series of substantive questions on the economy and our budget plans. We also distributed a packet of charts and an updated report card on the economy over the past 4 years which I showed you at the radio address taping.

At your request, we will work with others in the White House to come up with a larger distributional plan on this and other areas where our economic and budget policies have made a major difference.

June 7, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
RE: NEC Weekly Report
cc: ERSKINE BOWLES

Medicare Commission: We started an inter-agency group to consider our strategy on long-term entitlement reform in light of the lessons from the 1983 Greenspan Commission and other recent commissions. There is a Medicare Commission proposal in last week's Ways and Means mark-up. There was universal concern expressed about both the risk involved in the proposal without having a better sense of the implications of its likely recommendations as well as the structure of the Ways and Means commission (had a majority of Republicans and financing, cost estimates to be done by CBO, appointments made by the Speaker).

As we felt we needed to begin to develop a response that did not in any way appear that we were not interested in addressing the long-term financing challenges of the Medicare program, the budget team, along with Secretary Shalala, met in Erskine's office on Friday and concluded that the best response strategy was to determine if it would be possible for you and other White House principals to engage Senator Lott and Speaker Gingrich in a joint discussion about preferable alternative processes.

As an interim step, we concluded that we must initially include in our overall response general concerns about the Medicare mark-up a specific reference to the Medicare commission. As a result, a reference in a letter from Frank Raines to Chairman Archer was included which outlined general concerns on the Ways and Means subcommittee markup. We will be discussing with the budget team and Secretary Shalala appropriate future actions and will shortly make a recommendation to you.

AARP/Vice President Meeting: The Vice President, myself and Chris Jennings met with the AARP board. They presented the Vice President with a letter to both of you articulating their general approval of our Medicare provisions. It was a positive discussion. In addition to expressing concerns about MSAs, they were of the opinion that our next steps forward after the

budget should be on long-term Social Security. I told them that there was some sympathy to that position and we were interested in discussing with them their ideas on how best to proceed.

Student Loans: Bob Shireman, on our staff, has been involved in negotiations on the student loan portion of the reconciliation bill. The loan industry is pushing hard to cancel a reduction in the interest rate charged on student loans which is scheduled to take effect in July 1998. This was part of the 1993 reforms, and is a \$3 billion benefit to borrowers over five years (using CBO projections ---more using Education's projections). We are opposing any change in the interest rate reduction, and are reminding the industry and the Hill that the budget agreement explicitly says that there will be no reductions in benefits to student loan borrowers.

So far, Goodling and Jeffords haven't proposed a change, but they are meeting with the industry on the issue. The Republicans are insisting on a permanent entitlement for middlemen (guaranty agencies), which runs counter to your budget proposal to establish a performance-based compensation system. We are working with OMB and Education in opposing the new entitlement.

Higher Education Tax Proposals: With the changes we announced earlier this week, some of the higher education groups have become more active in support of the Administration's plan.

College presidents on Friday made calls to members of Finance and Ways and Means. The student groups and the state college association (AASCU), however, are discussing an alternative with Finance and Ways and Means that would scrap the deduction, and make the credit even more progressive than our new proposal. We have warned these groups that the Committees are not likely to ultimately support refundability, and that they are being strung along in an effort to undermine the Administration proposal. Education is also working with the other groups to put pressure on them. On the Senate Finance Committee, Education is working closely with Sen. Rockefeller, who has expressed willingness to fight for the Administration plan.

While you are making calls to Senate Finance Democrats, we are sending out responses to the CRS study which you received over the weekend. Education is distributing paper to higher education and student groups. Bob Rubin and Dick Riley, as well, have been making calls.

School Construction: John Hilley and I met with Sen. Moseley-Braun to discuss ideas for providing some incentives on the tax side. She is pleased that our draft tax plan currently includes a tax credit for school construction. She is interested in design issues, and would like to see more than the \$1.5 billion that is currently in the draft over five years. While we did not make the case to her, we think that it would be appropriate to argue that the 10-year figure (currently \$6 billion) on the tax side is comparable to our original school construction proposal (\$5 billion over four years, going into

interest-bearing funds), since that proposal would have subsidized construction financing over a period of ten years or longer. We also stressed our willingness to work with her outside the budget agreement on a stand-alone school construction initiative.

Direct Loan Contract: Reports from the field suggest that customer service has improved significantly, but that some delays remain. Education admits that we have now passed the date on which we would have needed to cancel the EDS switchover and go back to CDSI for the large increase in loan activity in August. They know the importance of making sure that the new system works, and has given the issue the appropriately high level of priority.

America Reads: We brought together Education, OMB, and National Service, and DPC to discuss strategy for passage of the authorization legislation. We will continue to insist that National Service be included in any bill developed by Goodling and Jeffords, but we realize that the important battle ground is appropriations, since National Service already can (and does) engage in tutoring. That battle may occur in the House earlier than an America Reads bill would move.

So that we are not wholly reliant on the good will of Goodling and Jeffords, we are also developing an appropriations-only proposal that would use some flexible authorities for the Secretary of Education. That way, if by the time appropriations bills are nearing your desk, the authorization bill is mired in controversy, we can insist on the funds that were promised in the budget agreement.

A Kid-Friendly Internet: Tom Kalil, on our staff, has been working with the Vice-President's office to broaden support in industry for tools that will allow parents to have more control over what their children have access to. Some in industry have been calling this an "e-chip" because the technology will "empower" parents to block inappropriate material. Because the technology uses software, it could actually be adopted faster than the TV "v-chip" - which requires new hardware. It will also allow parents to choose which rating system they want to use. A decision by the Supreme Court could happen any time in June or early July.

China MFN: The NEC and NSC are reviewing options for how you should best get your message out. In particular, there is interest in ideas to connect the importance of this to Hong Kong, show there is religious validation for our side, and illustrate that we wish to actively use other tools on human rights. We are holding a Cabinet level meeting in Erskine's office on Monday on overall strategy.

I think it is important that you publicly put this in a Hong Kong frame; because it presents a strong framework as well as making it difficult to attack our position -- and because with the media fascination on Hong Kong, it will play into where the news is already directed.

Comp Time: I participated in a press conference with Senators Landrieu, Kerry and Baucus. The

four of us stressed that we supported the right kind of comp time bill. I made clear that you were willing to compromise but that the Ashcroft position that people get straight time for time and a half for more than 40 hours a week was a non-starter. We pointed out that because the Ballenger bill in the House does not include this provision and that the Ashcroft bill had lost a cloture vote twice it was important that they drop the provision.

PM/Ozone: We have had several principals meetings on this issue, and a small group, including Carol Browner, is now reviewing the proposed rule. We are making good progress towards an outcome that will protect public health and at the same time, afford cities and counties a smooth path towards compliance without undue disruption.

Climate Change: Dan Tarullo and Katie McGinty co-chaired a Principals meeting on climate change issues, as a prelude for a decision memo for you on possible statements that could be made at the Group of Eight Summit and/or the UN General Assembly Session on environmental issues. The NEC is temporarily heading up the Interagency Analytic Team, the group responsible for modeling economic responses to climate change policies.

There are strong opinions among many of the economic principals that this is one of the biggest issues you face. Because of the importance of the issue, before we send any signals on our long-term direction, there is a desire for dialogue with you that is based less on specific and internal disagreements, but more on the gravity of the issue and the importance that anything we do should be well thought through.

Tort Reform: Ellen Seidman met with staff of Senator Rockefeller and Mr. Dingell on Monday, and chaired three interagency meetings during the week. We have remained carefully consistent to the concerns articulated in your veto statement, and within the bounds of those concerns. We are moving fairly quickly toward developing options for positions on issues as the legislation moves forward.

Stock options: We held further meetings with representatives of the high tech industries concerning the bill to restrict tax deductions for stock options submitted by Senators Levin and McCain, and discussed it with Treasury. Senators Levin and McCain have many problems, but a potential Republican proposal to amend section 162(m), of the Code (the \$1 million compensation deduction limitation) to include the value of options would be difficult to oppose, a position the high tech community understands.

Securities litigation preemption: The NEC interagency group has been meeting to consider options on this issue developed by Treasury and DOJ. Treasury will prepare a draft memo for circulation to the working group next Wednesday, with the goal of enabling you to make a fully informed decision about how to deal with this issue when you visit northern California on June 23.

Welfare to Work: Even with all of the difficulties we are having with the Immigrant provisions, Bruce Reed and I are somewhat amazed by how well things are going in

getting the Welfare-to-Work bill in the House based on our proposal, in addition to the exactly \$3 billion that will go directly to states and localities while targeting the 100 cities with the highest poverty rates.

Bruce Reed and I met with Gerry McEntee, who in response to your comments to him, showed us a proposal for unions to work with several key cities in developing a welfare-to-work initiative.

Kelly and McClellan: A House defense subcommittee voted yesterday to terminate the ongoing "public-private" competitions for the depot maintenance workloads at Kelly and McClellan Air Force Bases. Currently, the Air Force is conducting full and open competitions between private contractors, who would keep the work at privatized Kelly and McClellan facilities, and other public depots. The House language, which is almost certain to get approved in full committee next week, would abort those competitions and move the Kelly and McClellan work to other depots. We are urging Secretary Cohen to make clear his strong opposition to this legislation and his full commitment to completing the Kelly and McClellan competitions.

Corporate Alternative Minimum Tax: I met with representatives of the AMT Coalition, a group of firms interested in relaxing several aspects of the corporate alternative minimum tax. For many capital intensive firms, the alternative minimum tax has become the relevant tax system, denying these firms many of the investment incentives (e.g., very accelerated depreciation deductions) available to firms subject to the ordinary corporate income tax. In 1993, the Administration proposed, and Congress enacted, significant changes to the depreciation deductions under the AMT. The revenue estimate of this provision was more than \$4 billion over 5 years; the AMT Coalition maintains that this legislation addressed less than one-fifth of their total AMT problem. It is not clear that Congress intended for firms to permanently be subject to the alternative minimum tax when it was reformed in 1986, leading these firms to seek relief (such as provided in a bill introduced by Senators Nickles and Rockefeller).

THE PRESIDENT HAS SEEN
7-14-97

THE WHITE HOUSE
WASHINGTON

July 12, 1997

12:31:18

*Copied
Gene Spurling
COS*

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
SUBJECT: NEC Weekly Report

Social Security Reform. Following up on my memorandum to you last week, I led two meetings on our strategy for Social Security reform this week, including one in Erskine's office with your economic team. One conclusion from our internal meetings was that we did *not* want a Social Security commission included in the budget legislation -- the collective judgement of Erskine and your top advisers was that such a move would unduly complicate the budget negotiations, would not allow sufficient time for carefully designing a commission, and would represent too stark a contrast with the Medicare commission already included in the legislation (which we are trying to shape into more of an advisory commission).

The discussion therefore moved on to other related and complicated issues. A key question is whether we should come out with our own specific proposal early next year. Some felt that we can not afford to wait until past the fall 1998 elections, and that acting soon was therefore essential. Coming out with a proposal early, according to this argument, would demonstrate your leadership, help to focus the debate, and move the process along. Others questioned whether it would be possible to develop a coherent proposal by early 1998, would prefer taking the time to invest in a public education effort and a bipartisan process, and were concerned that a proposal without bipartisan support would politicize potential solutions and harm prospects for legislation. Related questions include how we should approach the Republican leadership to sound them out on how they want to proceed; whether you should seek other bipartisan support (Rudman, Peterson, Dole) if the Republican leadership initially balks; whether you should give a speech in the near future laying down a marker on the issue; and whether it would be helpful to appoint a group of eminent Americans to serve on an education panel or an advisory commission. These are huge questions, and we plan to meet again soon to refine the various options before presenting a memo and, if appropriate, arranging a meeting with you on the topic.

Erskine and Secretary Rubin did consult, as you requested, with Senator Moynihan. He said he would get back to us, although his initial response to Erskine was a one-page substantive

THE PRESIDENCY HAS SEEN
7-14-97

plan -- of which 75 percent was the 1.1 percent CPI adjustment recommended by the Boskin Commission.

Medicare. This week, Chris Jennings and Jeanne Lambrew discussed major Medicare issues both internally and with Congressional staff and Members. The focus has been on issues surrounding the income-related premium. NEC has been coordinating an interagency working group comprised of staff from Treasury Economic Policy, Tax Policy, and IRS; HCFA; Social Security Administration; and OMB. This group has thoroughly examined issues associated with administering the premium through Treasury versus HHS/SSA. We have produced internal documents detailing concerns and costs, as well as summary documents for public distribution.

Climate Change. Dan Tarullo, Katie McGinty and I hosted a principals meeting on climate change to restart the decision process in light of your U.N. speech calling for a dialogue with the American public. We will hold principals meetings every week for the next five weeks so that, by early September, we will have developed the best ways of reaching different emissions target levels. To support the principals' decision-making process, we are also creating a set of working groups -- which will draw upon the best people in the Administration -- to study a set of specific questions (such as how to design the best possible emissions trading system). Janet Yellen was selected to represent the Administration at Congressional testimony next week focusing on the economic aspects of policies to reduce greenhouse gas emissions. Our policy process will be working hand-in-hand with Todd Stern. Todd and others, as you know, will help us in ensuring that we are aware of, and are addressing as much as possible, concerns being raised in the business, environmental, and other outside communities.

EU Review of Boeing-McDonnell Douglas Merger. Dan Tarullo chaired an NEC principals' meeting on Tuesday to decide what (if any) actions the Administration should take toward the European Union, which has voted preliminarily to prohibit the proposed merger of Boeing and McDonnell Douglas. Even though neither company has operations in the Europe, the EU has authority to prohibit the merger and (if the merger were to proceed anyway) to impose fines of up to \$5 billion on Boeing.

As a result of decisions made at the principals' meeting, we are pursuing a three-track plan: First, the Justice Department requested formal consultations under the 1991 U.S.-EU agreement on antitrust cooperation. The EU agreed to consultations, and Joel Klein and others will meet with EC counterparts over the weekend in Brussels. Second, senior Administration officials communicated to EU officials their serious concerns about the EU merger review process and what a prohibition of the merger would do to U.S.-EU relations. And, third, the NEC is developing a list of retaliatory actions that the U.S. might take, if necessary. Boeing and EU negotiators will meet on Sunday and Monday to try to reach a compromise on remedies. We have scheduled another NEC principals' meeting for Tuesday to consider next steps. If appropriate, we will give you a decision memo laying out possible retaliatory actions that we might want to threaten prior to the EU's final decision on July 23.

THE PRESIDENT HAS SEEN
7-14-87

NAFTA Report. We released the NAFTA Report Friday at a press briefing with Secretary Rubin, Secretary Daley, Ambassador Barshofsky, Special Envoy Mack McLarty and me. The event drew an overflow crowd of reporters. Press reports previewing the NAFTA report on Friday morning were balanced and generally favorable. We arranged to have surrogates, such as Mickey Kantor, provide validation on television and in the papers, while Charlene and I made calls to editorial boards and handled requests from the financial cable stations. The usual NAFTA opponents were very well organized and very quick to react.

Family Friendly Internet. Tom Kalil on the NEC staff is working with OVP and others to prepare for your meeting with industry executives, leaders of groups representing parents and teachers, and members of Congress next Wednesday to discuss making the Internet "family-friendly." Internet companies will be making commitments that will make it easier for parents to prevent their children from getting access to inappropriate material. Groups such as the American Library Association will be launching an initiative to make it easier for parents and children to find educational resources on the Internet.

Fed Nominees. We announced on Thursday your nomination of Edward M. Gramlich and Roger W. Ferguson, Jr., to the Federal Reserve Board. I held a conference call with reporters; the reception to the formal nomination of the candidates was generally positive. The Federal Reserve's legislative affairs office will now guide the candidates through their confirmation hearings with the Senate Banking Committee. As you know, we will have to fill another slot on the Board early next year, when Susan Phillips's term ends.

*Ok's have
been made
regarding
all the
labs*

Budget Agreement and Education Appropriations. The House Labor-HHS-Education Appropriations Subcommittee next week will not likely provide the full amount for America Reads, nor do they plan to make the Pell Grant change to expand benefits for 218,000 independent students -- both required by the budget agreement. We are hearing a similar message from the Senate. Secretary Riley is sending a letter today to the Hill on the issue. We have been working with Education and WH Legislative Affairs to send a strong message to the Committees on this issue, and the education groups have become more engaged.

America Reads Work-Study Commitments. We now have *more than 500* colleges signed on. You recently asked about the number of slots that are filled in the coming year. We had found that many colleges were reluctant to sign up if they were required to commit to a specific number of slots. Working with Carol Rasco, we therefore determined that our priority should be getting the colleges to commit to the concept, *then* working with them to develop a high-quality, high-participation program. The strategy has worked: we had only 183 colleges at the end of May and we now have over 500. And many of those colleges will be sending representatives to four training sessions around the country scheduled for the next two weeks. Colleges were reluctant to promise a particular number of slots for several reasons, including: (1) they want to run pilot efforts in the fall before they expand; (2) there are not yet significant resources for training large numbers of tutors; (3) they want to base the size of their program on the interest

THE PRESIDENT HAS SEEN

7-14-97

level from students, which they could not predict without having experience first; (4) they were afraid that they would be audited based on the commitment level, and (5) they (especially some of the sectarian schools) want to focus on volunteers, not paid tutors.

Tax Package Rollout -- Urban Tax Event with Mayors. We held a press event with the Vice President and Secretary Rubin at the White House on Monday. They were joined by Mayor Marc Morial of New Orleans, Mayor Ron Kirk of Dallas, Mayor Anthony Masiello of Buffalo, Mayor Tom Murphy of Pittsburgh, Mayor Floyd Adams, Jr. of Savannah, and Supervisor Mary Rose Wilcox of Maricopa County (Phoenix). The Vice President focused on the urban tax initiatives in your tax package -- specifically discussing the EZ/EC expansion, WTW tax credit, Brownfields tax incentive, and CDFI tax credit. There was good coverage by National Public Radio, *USA Today*, *The Washington Times*, *The Los Angeles Times*, *Dallas Morning News*, and other regional papers.

Tax Package Rollout -- Roundtable on Higher Education Tax Cuts. We worked with the Vice President's office to coordinate a roundtable on your higher education tax package on Tuesday in Pittsburgh. The Vice President was joined by several students and families, as well as Mayor Tom Murphy and Rep. William Coyne. We drafted a detailed package on the higher ed tax cut plan, which included a state-by-state analysis of how many students would benefit from the plan compared with the congressional alternatives. The packet was distributed to the Senate and House Democratic members, Democratic governors and mayors, higher education groups, as well as the Cabinet. We also worked with the Vice President's press office, the Education Department, and Media Affairs to distribute the state-by-state to regional media and the wires.

Tax Package Rollout -- Press Event on Tax Cuts for Working Families. We worked with the Vice President's office on a press event at the White House on Thursday to discuss the Administration's \$500 child tax credit. Joining the Vice President were Sen. Daschle, Rep. Gephardt, Sen. Landrieu, and Rep. Rangel, as well as several lower-income families who would benefit from our child tax credit, but would be shortchanged by the congressional alternatives. We released a packet on our child credit, as well as a state-by-state analysis of the four million families that are left out of the congressional alternatives. There was solid coverage on CNN and in the *Washington Post*, *New York Times*, and *LA Times*.

Electricity Restructuring. The interagency process is preparing to advance options and recommendations to the NEC principals later this month, and we expect to have a number of meetings to consider the issues relating to possible Administration legislation on this subject. We are also working closely with CEQ on possible linkages between electricity restructuring and global climate change to see whether it would be prudent to pursue carbon reductions in the electricity restructuring legislation, and to assess whether it would be possible to do so without making the Administration's bill non-viable. Secretary Pena and I met Friday about possibly accelerating a memo to you on the general parameters of the legislative options.

Tobacco Settlement. As a part of the DPC-led effort, NEC staff continued to participate in meetings relating to the tobacco settlement. In the economics/industry meetings, we are assessing how much of the payments will be passed through to consumers in the form of higher prices, how effective the youth "lookback" provisions will be, and what the impact of the settlement on government revenue will be.

Product Liability. NEC staff went over some last questions with Staff Secretary concerning the options memo to you. The memo is scheduled to be forwarded to you this weekend.

DC Pensions. Together with OMB, PBGC and Treasury, we met with House (committee and legislative counsel) and CRS staff to discuss concerns legislative counsel and CRS had raised about the pension provisions. The meeting was productive, and legislative counsel better understands what we were trying to do. Rep. Davis' staff was very supportive. We will meet on Monday with Senate staff.

Black Colleges. Bob Shireman on the NEC staff spoke to HBCU college presidents at the annual meeting of the National Association for Equal Opportunity in Higher Education. He emphasized the investments in higher education in the budget agreement, the improvements in the tax package (and the contrast with the Republican plans), concern about the direction of Congress on affirmative action, and made a pitch for America Reads involvement by the colleges. He responded to questions about the need for more effort to increase the number of minority graduate students, and a concern about the lack of refundability in the HOPE Scholarship and tuition credit. Privately, some of the NAFEO leadership expressed concerns about the Education Department's plan to elevate the status of Hispanic-Serving Institutions in the reauthorization of the Higher Education Act.

July 18, 1997

MEMORANDUM FOR GENE SPERLING

FROM: Bob Shireman

SUBJECT: America Reads

I see real problems ahead on America Reads, and I wanted to run some ideas by you and get your strategic advice. Some of this came up in yesterday's meeting in Jack Lew's office. The problems:

FY99. The Education Department funds are not until FY99. I consider this to be the easiest problem to address. The Budget Agreement is clear, so we push the leadership to fix it.

AmeriCorps. As the Wofford memo points out (attached), the National Service increase is not in either the House or Senate versions of the VA-HUD bill. How can we claim a win on America Reads if we don't get any more money for AmeriCorps? Yet this one seems hopeless: There is not enough money in the VA-HUD bill, and Congress will already have to find a way to satisfy the Budget Agreement's call for funding of CDFI within that allocation.

Getting an authorization. As I mentioned, Goodling (and even some Democrats) is not particularly interested in the core element of America Reads -- mobilizing the community to help provide one-on-one reading help to children. He will soften up, but we have little leverage to get a bill we like -- he is the driver's seat. Further, even if we can reach some agreement on that aspect:

- He has made it clear that he will *absolutely* not include anything for National Service. If we have already failed to get appropriations for AmeriCorps, I think we would have to insist on a role for National Service in the authorizing bill. But if we insist, we lose, because we get no bill.
- Senate staff have warned that numerous riders -- including vouchers -- await the America Reads legislation and any other elementary-secondary vehicle. Perhaps amendments could be stripped in conference, but I can't imagine Coverdell and others letting this opportunity go by -- let the President veto *his* America Reads plan because of a school choice demo.

A strategy for a win

1. A plan for re-training teachers. Carol Rasco, Mike Cohen, and others were receptive to our idea that we develop a plan -- primarily using existing programs -- to accomplish what Goodling wants to do in terms of disseminating information about "best practices" in the teaching of reading. This plan would be linked to our America Reads effort. Education will have a first draft of a plan next week. This will need to be a *significant* effort, because it not only must impress Goodling, but also some of the liberal-leaning critics of America Reads. The plan should call for immediate steps, starting this fall. To the extent that any legislation is needed, it should be minimal or window-dressing.

The idea would be to get Goodling really excited about the plan. Perhaps have the President call him to thank him for pushing us along to do what needs to be done with existing programs. Perhaps plan an announcement of some sort.

2. Use an existing, flexible authorization. If Goodling is satisfied with our plan, then I think there is a chance that he won't raise a complete stink if we push, in the final deal on appropriations, to have the money placed into a flexible authorization under Title I (we have already identified an appropriate one). This is the toughest step. We really need to think about how to pave the way -- with leadership, with Goodling, and in terms of our statements over the next two months -- to make this a possibility.

3. Give National Service an increase in the Labor-HHS bill. Whether or not we accomplish the above, we should insist, in the final negotiations over the appropriations, that a portion of the \$260 million (or if possible an additional amount) go to VISTA/AmeriCorps, which is funded from the Labor-HHS appropriations bill. That makes National Service part of America Reads, even if Goodling never gives an inch. I have not raised this possibility with Education.

As always, I welcome your strategic counsel.

July 16, 1997

MEMORANDUM TO: ERSKINE BOWLES
 JOHN HILLEY
 RON KLAIN
 FRANKLIN RAINES
 BRUCE REED
 GENE SPERLING
 MELANNE VERVEER

FROM: HARRIS WOFFORD
 CORPORATION FOR NATIONAL SERVICE

SUBJECT: NATIONAL SERVICE AND AMERICA READS

Last fall, the President issued a challenge to the country to take the steps necessary to have all children read well and independently by the end of the third grade. The Administration's proposal to accomplish this goal was based on a several-pronged strategy, including: strengthening existing Federal efforts such as Head Start and Title I; supporting parents as first teachers; and developing a new initiative - America's Reading Corps -- to enable communities to provide the individualized tutoring and support critical to the more than three million children who need it.

As you know, the President's Reading Corps proposal was to fund 30,000 reading specialists and volunteer coordinators who would mobilize 1,000,000 volunteer tutors. Funding was split between the Department of Education and the Corporation for National Service. The Corporation's budget request was for an increase of \$200 million to support 11,000 new AmeriCorps members to perform this volunteer coordination function, as well as other monies to support the involvement of seniors and college students in this effort. Additional Work Study funds, already included in the prior year budget for the Department of Education, would enable a substantial number of college students to be part of the tutoring army.

The Administration's proposal -- a nontraditional community mobilization approach to educational reform--was based on two central ideas: (1) individualized tutoring works to raise reading levels, particularly when combined with effective in-school teaching and family involvement; and (2) AmeriCorps had demonstrated its capacity to get things done, including the capacity to generate community involvement and volunteer support to meet critical community needs. From the perspective of national service, the unique part of the America Reads challenge was that the expansion of AmeriCorps was being tied to a major national goal, whereas in its first several years communities determined the agenda based solely on various local needs and interests.

-2-

Since last fall, the Corporation has worked hard with the Department of Education to begin to address the President's challenge. The Corporation's program guidelines for all state commissions and grantees issued this year emphasize the reading challenge as an area of high priority, and we will therefore support some new reading programs within existing resource levels this fall. We are also supporting summer reading programs, additional training and technical assistance for ongoing literacy activities, and program growth through Work Study. The national service community is energized by the challenge and awaiting the resources to bring this effort to the scale envisioned by the President.

Since the announcement last fall and the submission of the President's budget and legislative package this spring, we have the paradox of an idea that has stimulated broad support and interest from the public, but little enthusiasm on Capitol Hill. At this point, despite the inclusion of the funding for the initiative within the budget agreement, the appropriations process has moved forward without any significant attention to America Reads. I can report that in the deliberations over the VA/HUD appropriation -- the source of all AmeriCorps grant funds and a majority of the funds for the Corporation for National Service -- America Reads has scarcely been mentioned and it has received no serious consideration. The full House has now passed a VA/HUD bill without any America Reads funds. The Senate Subcommittee has done the same, and the full Senate Appropriations Committee will presumably take the same stance in its markup today.

Without strong White House support for the national service component of the America Reads Challenge--volunteer mobilization and management -- the prospects for favorable Hill action are bleak. If there is no funding for national service in literacy activities it will be bad for the President's record of accomplishment, bad for the President's reading initiative, and bad for AmeriCorps and the Corporation for National Service. Without the mobilization of volunteers by AmeriCorps members, it is unlikely there will be the "army" of volunteer tutors the President called for -- which is the part of the President's proposal that received the most attention and popular support. I urge you to do whatever possible to impress upon Congress the Administration's resolve on this initiative. I would like to sit down with the appropriate White House team to plan what to do. I stand ready to do anything you deem useful in this endeavor.

THE WHITE HOUSE

WASHINGTON

July 18, 1997

MEMORANDUM FOR GENE SPERLING

FROM: Bob Shireman

SUBJECT: Meeting with Rep. Fattah

Rep. Fattah met one-on-one Tuesday with Director Raines. According to Claudia Pharis on Fattah's staff, Raines was supportive of the goals of the proposal, but said that the spending caps under the budget agreement might make it difficult to embrace. According to Jill Blickstein, Raines also brought up the inefficient targeting of the proposal. Rep. Fattah also met recently with Education Department officials, and was impressed that Secretary Riley stopped by the meeting.

Cost/spending caps. Some points to keep in mind:

- The spending caps are only relevant to this proposal if we change it to a discretionary program. In that case, the total *promised* amount -- far more than would actually be spent -- would have to be accommodated within the overall discretionary budget authority caps and the Function 500 amounts in the Budget Agreement.
- If the promise is handled on the mandatory side (either as an entitlement or a capped spending amount), then the budget authority is irrelevant -- only the outlays matter, and they come years from now. Creating a "new entitlement," however, is controversial.
- If we determine that more spending is needed for support services, that would need to be accommodated within the current five-year budget (whether discretionary or mandatory), unless we get some relief from the Budget Agreement amounts.

Cosponsors and Hearings. As of yesterday, the legislation has 93 cosponsors, including seven Republicans (Christopher Shays, Ken Calvert, J.C. Watts, Jr., Richard Baker, Joe Scarborough, David McIntosh, and James Greenwood). There is no Senate companion bill. On June 5, Rep. Fattah testified before the House Education and the Workforce Committee's postsecondary subcommittee and received a warm reception from both sides of the aisle.

Because of the positive reception to the Fattah proposal, the *Chronicle of Higher Education* ran a feature on July 11 about the plan (see attached). It noted the bipartisan support for the concepts in Rep. Fattah's bill, but also repeated specific concerns that:

- it does not provide for the support services (tutoring, mentoring, etc.) that are needed for the proposal to be successful;
- it may guarantee help to too many non-needy students; and,
- it is a new entitlement.

Fattah acknowledged that his proposal is not perfect, and said he is working with the Administration to improve it.

The options memo. Last week I gave you a re-draft of the "leveraging" option, based on your suggestions. I have now incorporated that into the overall memo, which I have simplified to three options (see attached). I welcome your comments and direction.

THE PRESIDENT HAS SEEN
9-29-97

THE WHITE HOUSE
WASHINGTON

1997 SEP 27 2:08:55

September 27, 1997

copied
Spurling
LOS

MEMORANDUM FOR THE ~~P~~RESIDENT

FROM: GENE SPERLING
RE: NEC Weekly Report
cc: ERSKINE BOWLES

Student Aid Management: As we indicated in our last weekly report, we have pulled together OMB and Education for an action plan for resolving this issue. The initial output of this effort was announced at a hearing Mike Smith, the acting Deputy Secretary testified at last week. At the hearing, he announced (1) a plan to eliminate the backlog and begin accepting new applications by December 1; (2) action to ensure that students with applications pending will be "held harmless" (lenders will be required to offer forbearance upon student request); (3) the creation of a Modernization Board composed of officials from Education, OMB, NEC, and other agencies; and (4) support for the concept of creating a Performance-Based Organization (PBO) for the delivery of student financial aid. Chairman Hoekstra expressed skepticism about the December 1 date. So far, however, the contractor is meeting the targets that Education set for it.

We have provided Education with suggestions of some staff from other agencies who would be willing to spend a few months at Education helping review some of the procurement, technology, and other issues that the Department is facing. OMB has already provided Education with some advice on procurement issues. In particular, we want to make sure that there are contingency plans ready to go if EDS fails to hit its targets on consolidation loans in the next few weeks.

Next steps: This Tuesday, the Modernization Board will have its first meeting, where we will review the status of loan consolidation, and some broader issues.

THE PRESIDENT HAS SEEN
9-29-97

Direct Loans: With the loan consolidation issue, Republicans see a crack in the direct loan armor and are now attempting to insert a wedge. The House is tentatively planning an "Education Week" when they come back from recess in late October. One of the bills they may bring up would allow direct loans to be consolidated, at the borrower's request, to become guaranteed loans. (Currently, loans can only go the other direction). This opens up a potential "creaming" problem, in which Sallie Mae lures away the most profitable borrowers, leaving the Direct Loan Program with the remainder. Bob Shireman will hold a strategy meeting next week on this topic. It will be difficult to oppose the concept directly; our inclination, instead, will be to develop a package of "fairness" amendments that would strengthen direct lending and force banks to offer students the same kind of flexibility that direct lending provides (giving Democrats a venue for citing the benefits of direct lending).

America Reads: We are working on two fronts simultaneously: (1) Authorization: Until Tuesday, we were making good progress with Goodling's staff. They had presented a plan that was oriented almost exclusively to teacher training. But they responded warmly to a counter-proposal that pushes States and communities to make better use of Title I and other funds for teacher training, while using the bulk of America Reads funds for community-school partnerships to provide extra help to kids who need it. On Tuesday, however, they presented a proposal for mark-up next week that was weak on tutoring and included a new tutoring voucher plan that emanated from their right wing. (Apparently, some Republicans are asking Goodling why he is working with the Administration at all on this issue.) Carol Rasco, Bob Shireman, and Andy Blocker responded very negatively to the plan. This afternoon, Goodling's staff cancelled the mark-up and asked us to come back to the table on Monday. We expect that it will continue to be rough sledding.

You received an odd letter from Goodling yesterday which concludes, "Your stance on testing is making my job of authorizing an 'America Reads' program almost impossible. I need your help if your most important initiative --having all Americans read --is ever going to see the light of day." He seems to be implying that if you dropped testing, America Reads would be a cinch. This is a total non-starter and caving in on this key priority would only inspire the right wing to go after other key initiatives. We will work with DPC, Legislative Affairs and others on how to respond to the letter.

(2) Appropriations: This may be our way out of the authorization mess. In the negotiations on the Labor-HHS-Education appropriations bill, we worked with Barbara Chow in insisting that the Education Department's America Reads funds go into a current, flexible authority if a separate authorization is not enacted. Instead of saying no, they have asked for some clarifications. In terms of National Service, it looks like we will be able to secure them an increase in the neighborhood of \$35 million that is targeted to America Reads, though we are trying to get it for at least \$50 million.

Early Pell Grants: This week, we circulated a memo on options relating to Congressman Chaka Fattah's proposal to Frank Raines, Secretary Riley, Bruce Reed and others. We have worked out some of the budgetary issues in doing such a guarantee in a way acceptable to Rep. Fattah. As we have studied the provision, it has become clearer to us that this proposal should be more combined with significant early intervention programs centering around college-school partnerships and mentoring. This could help address several issues of concern including the Hispanic drop-out rate and a response to the Hopwood case. Because this would make the initiative a new program with an expenditure of new funds, however, I must stress that there may be a differing of views among your budget and education team. We will hold an NEC Principals meeting shortly and then follow with a recommendation memo to you.

9-29-97

Product Liability: Following the decision meeting with you, we contacted Senator Rockefeller, and met with staffs of Mr. Dingell and Senators Lott, Gorton and McCain. We also spoke to consumer advocates, and met with both Democrats and Republicans on the House side. Senator Rockefeller will work with us on reducing the size of businesses subject to the small business cap, but is still asserting he will not move at all on protective orders. Not surprisingly, the consumer folks are upset that we might have agreed to anything at all, even with the changes. Mr. Dingell's staff is not happy, either.

Senator Lott's staff wants to negotiate from our position, but we spent over an hour making it clear that our position is the most we can accept and could go no further in expanding it. Senator Daschle spoke to me about his process concerns about how we came to our position. I understand he also spoke to you. He said Senator Breaux was clearly an issue for him and I told him we had included Breaux's provisions on Alternative Dispute Resolution. He felt it would be helpful if we, at least, met with Breaux. Bruce and I will do that next week.

Big Three CEOs: Dan Tarullo and I met with the heads of the Big Three Washington offices this week to talk about the concerns the CEOs will raise with you and the Vice President on Thursday. Not surprisingly, climate change is their biggest concern, by far. (The only other issue that came up, and only briefly, was Korea/Japan market access and the dollar-yen relationship.) Because of their strong opposition to binding targets and timetables, they were unwilling to talk about *how* -- as opposed to *whether* -- to reach them. The CEOs will likely emphasize the importance of technology (Bob Eaton has called for a mega-Manhattan Project) as a way forward.

Skill Grants: Last week, Chairman Jeffords and Senators Kennedy, DeWine and Wellstone introduced the Workforce Investment Partnership Act. While the bill includes many of the principles you embraced in your GI Bill for America's Workers, we feel it doesn't go far enough in individual empowerment which was one of your key principles. We will continue to push in that direction over the next phase of the legislative process. In Senator Kennedy's remarks he recognized "the important role [you] have played in bringing about ... dramatic reform" of our job training system. He also said: "The philosophy behind [your] skill grant proposal is reflected in [the bill]." We will continue to work with Senators on the Labor Committee on two important issues: operation of the individual training account (their name for skill grants) and design of your Out of School Youth Opportunity Areas program (see below).

Out of School Youth Opportunity Areas Program: We are working in both the appropriations process and under the authorization in the Workforce Investment Partnership Act mentioned above to get a significant expansion of your Out of School Youth program. Currently, it is a demonstration project that receives approximately \$8 million a year. It benefits kids 16-24 who are out of school and is targeted to urban centers who need its services the most. We have a good chance of a major expansion to \$250 million forward funded for fiscal year 1999 contingent on its appropriation in the Workforce Investment Partnership Act.

Fortunately, the Out of School Youth program was successfully voted out of Committee on Wednesday. At the eleventh hour, Senator Harkin considered offering an amendment to change substantially the design of your Out of School Youth program by diluting the saturation approach so central to its design. After speaking with him, he agreed to withdraw his amendment and work with us on a compromise before the full Senate votes on the bill sometime later this fall.

Handwritten note: May need to push harder to get this done

Handwritten note: This is particularly important to you

DPC/NEC community empowerment working group: The DPC and NEC are co-chairing a community/economic empowerment working group to develop additional proposals in this area; the group includes representatives from virtually all of the domestic Cabinet departments and White House policy offices. The group met again this week and is currently considering a number of proposals, including tax incentives, in areas such as transportation and transit infrastructure development (including rehabilitation of bus terminals), housing mobility and voluntary CRA expansion to non-bank financial institutions.

Child Care Policy Process: The NEC is participating in the DPC-coordinated process for developing child care proposals to be announced in conjunction with the White House Conference on Child Care in late October. As you may know, there are working groups focusing on three issues: 1) child care tax credits/subsidies; 2) child care quality; and 3) after-school child care. Regardless of what we do, I feel it is critical that we keep a strong focus on the early learning, 0-5 perspective that ties in so importantly with your education agenda by showing an emphasis on education before and after K-12.

IRS Hearings: This week, as you know, the Senate Finance Committee held three days of hearings on the IRS. The Committee received testimony from taxpayers mistreated by the IRS and from current and former IRS employees, whose testimony included a perception that employees are evaluated on revenue production quotas, which is against the law. Acting IRS Commissioner Dolan testified at the end of the hearings, issuing an apology and a series of concrete steps that the IRS will take to ensure that the prohibition on using production quotas is universally understood within the IRS and customer service is improved.

Among other steps, the IRS will no longer comparatively rank their 33 district offices by revenue product and they will suspend the distribution of any goals relating to revenue production to their field offices. On the customer service end, each district director will be required to hold monthly problem solving problems to give taxpayers opportunities to raise concerns and each District and Service Center Director will review all complaints to their office in the last quarter. A letter is being drafted from Larry Summers to Acting Commissioner Dolan to instruct the IRS to report back, in person to Bob Rubin and Larry, in short order on additional actions to be taken in response to the hearings.

ISTEA: Under the agreement he reached with Mr. Gingrich, Rep. Shuster agreed to go with a straight six-month extension of current ISTEA programs, with the understanding that his massive multi-year bill will be considered as part of the FY99 budget resolution or allowed to go to the floor. The Senate will likely agree to this approach (although Chafee will try to pass his six-year bill as well, so as not to have to revisit ISTEA next year).

We convened a Slater-Raines-Hilley meeting this week to strategize about the Shuster-Gingrich agreement. We agreed it would be preferable to get a six-year bill now, given that the House and Senate bills both treat our priority programs favorably. Accordingly, we are continuing to push publicly and privately for a six-year bill within the budget agreement. But, assuming Congress opts for a six-month extension, we have two challenges: The first is to use the time to make the case for an investment vision other than Shuster's. (Although Shuster may have just as much political support six months from now, he may not: even assuming the FY99 budget resolution reflects a surplus, other Members by then will have put forth competing plans for spending that surplus.) The second challenge will be to maintain adequate funding for our priorities in a Shuster bill that will necessarily be much smaller.

Handwritten notes in Arabic script on the left margin, including the word "مستند" (document) and other illegible text.

In its markup of the transit component of ISTEA, the Senate Banking Committee yesterday approved a Mosley-Braun amendment to provide \$100 million per year for welfare-to-work transportation services, consistent with our NEXTEA proposal. This was an important win, because the Shuster bill only provides \$42 million a year.

THE WHITE HOUSE
WASHINGTON

4-4-98

April 3, 1998

copied
Spurling
COS

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
RE: NEC WEEKLY REPORT
cc: ERSKINE BOWLES

I apologize for the length of this "weekly report," but it reflects the many important activities of NEC issues which took place over the past *two weeks*.

Electricity Restructuring: The Administration unveiled its electricity restructuring package -- jointly coordinated by the NEC and CEQ -- on Wednesday (3/25). I want to stress to you the degree that Secretary Pena should be complimented for being an extraordinary team player in the process that led to consensus and our proposal. As you know, our proposal is expected to save American consumers \$20 billion a year and reduce carbon emissions from utilities by 25 to 40 million metric tons in 2010 (3 to 6 percent of utility emissions projected for that year, and 1 to 2 percent of total national emissions). The proposal received mixed reviews. A relatively positive *Wall Street Journal* article quoted Colorado Republican Dan Schaefer, a key player on this issue on the Hill, as calling the proposal a "meaningful step" in advancing electricity restructuring. And Enron Corporation was also very positive. But despite the inclusion of many crucial environmental provisions -- as well as the unleashing of competition, which Tom Casten of Trigen and others have argued should improve efficiency and thus reduce emissions -- some environmental groups criticized the absence of cap-and-trade authority for carbon in the proposal. Our response has been that we look forward to working with Congress to find the appropriate legislative vehicle for cap-and-trade authority, and that the electricity proposal as it stands is expected to reduce emissions. Lastly, on March 31st, somewhat later than originally expected California opened its retail electricity market to competition.

SAVER Summit and other savings education announcements: Deputy Secretary Larry Summers, Assistant Secretary Olena Berg, SEC Commissioner Laura Unger, Senator Baucus, Congressman Pomeroy, and I held a press conference on Thursday (3/26) to announce your package of savings education initiatives. We highlighted the need to increase the relatively low and declining private savings rate, the new elements of the Labor Department's retirement education campaign, and the SEC's major grassroots effort to educate investors, the "Facts on Saving and Investing Campaign," which took place this week. We also took the opportunity to announce the names of the 100 people who were jointly chosen by the Administration and the Democratic Congressional leadership to participate in the first National Summit on Retirement Income Savings -- the Republican leadership has named the remaining 100 participants. Representative Pomeroy's efforts on this issue were recognized and both he and Sen. Baucus spoke.

Kid's Health: On Wednesday (4/1), Secretary Shalala, Bruce Reed, and I coordinated a press conference at the White House to highlight the successful six-month anniversary of the start of the Children's Health Insurance Program (CHIP). We announced that two more states--New York and Illinois-- children's health plans were approved. Additionally, a six-month progress report on the implementation of CHIP was released. The report reviews Federal and State progress towards achieving the goal of covering up to 5 million uninsured children--after only six months, eight states have approved plans (over one million children will now have health coverage), another fifteen states have submitted their child health plans for approval and virtually all other states have processes in place to develop and submit their plans.

Equal Pay: Today, Friday, April 3rd is "Equal Pay Day," the day on which women's earnings, added to their previous year's earnings, are said to equal what men earn in one calendar year. Many organizations around the country are holding events this week to highlight the issue; the White House event was held yesterday. The Vice President participated in this event which also included Senators Moseley-Braun, Rep. DeLauro, Secretary Herman, Linda Chavez-Thompson, and John Sweeney. (Senator Daschle was unable to attend because of votes on the floor.) The Vice President's announcement included both the Administration's endorsement of Senator Daschle and Rep. DeLauro's equal pay legislation, which will strengthen the Equal Pay Act by authorizing compensatory and punitive damages for gender-based pay discrimination and prohibiting retaliation against employees' disclosure of wages. We also announced administrative actions that will highlight the problem of pay disparity and enhance enforcement of wage discrimination laws in the private sector and the Federal government. CNN ran a very good story all day today, and AP and Reuters also ran very positive stories.

America Reads: Larry Stein and I met with David Hoppe (Lott's Chief of Staff) on Tuesday (3/24) to discuss the need for the Majority Leader's leadership in moving the America Reads (and the GI Bill) through the Senate. We stressed that these two issues were important to you and that we want to resolve them in a bipartisan manner without politicalization. We promised Hoppe that we would treat the issues and any support they offered in a non-political and bipartisan spirit. We made the case that the Republicans committed to giving us an America Reads type proposal in the B.B.A., and that both issues provide an opportunity for bipartisan wins in the near term. Stein and I both thought that Hoppe was appreciative of the spirit in which we approached him and that he seemed cautiously receptive.

G. I. Bill: On Thursday (4/2) the Senate version of the G. I. Bill (the "Workforce Development Act") was sent around to all members of the Senate to get a "unanimous consent" to hold floor debate on April 20. However, Senators Lautenberg, Torricelli, and Feinstein all put holds on the bill. All of the holds concerned the fact that local units of government with populations of between 200,000 and 500,000 that are designated as "service delivery areas" (SDAs) under current law, would no longer automatically receive training funds with the bill under consideration. Working with the Department of Labor and Larry Stein we feel a compromise has been drafted. The

compromise would allow these (newly exempted) SDAs, who have a right to ask for an appeal from their Governor to retain the training funds, to also have the right to ask the Secretary of Labor to overturn Governor's denial, if the SDA had a good performance record.

H1-B: On Thursday (4/2), the Senate Judiciary Committee marked up legislation that is intended to respond to the growing demand for skilled workers in the information technology (IT) industry. The Committee reported out (by a vote of 12-6) a modification of a bill originally introduced by Sen. Abraham, that would increase the annual cap on the number of temporary visas for foreign "specialty" workers under the H-1B program. All of the Republicans voted for the bill, as did Senators Feinstein and Kohl. (The committee also voted on a substitute introduced by Senators Kennedy and Feinstein for which all of the Democrats voted (and all of the Republicans opposed). The Administration submitted a letter of support for the overall approach of the Kennedy-Feinstein bill (increased training and reforms to the H-1B program to protect American workers in conjunction with a small, temporary increase in the number of visas). We are stressing that the current Abraham bill--even with its improvements--still must be stronger on ensuring additional training and real reforms.

IRS Update: The Senate Finance Committee passed its version of IRS reform this week by a vote of 20-0. Secretary Rubin was able to secure several improvements, including seats on the new oversight Board for the Treasury Secretary and a union representative. Our main concern with the bill now is that, unlike the House bill, it is not fully paid for. It is short \$9.8 billion over ten years. Roth added costly provisions, such as reducing certain penalties, that added significantly to the cost. He has pledged to find additional offsets. Given that Congress has still not passed a bill and that Roth has scheduled additional hearings in late April, we have discussed a possible radio address on IRS reform for April 11. This would provide you another opportunity to express disappointment that Congress failed to pass a bill by April 15, press for quick action in Congress after the recess, and highlight positive steps the IRS has been taking on the customer service front, including expanded electronic filing.

Student Loan Interest Rate: In late February we proposed a pro-student rate that Treasury analysis indicated was adequately profitable for banks. The House committee adopted our reduction for students, but proposed additional subsidies for banks costing \$1-4 billion over 5 years. Director Raines has warned that this could result in a sequester that would increase student loan fees paid by borrowers, and cut vocational rehabilitation, foster care and adoption assistance, and Medicare. CBO this week released an analysis indicating that while current rates provide excessive profits, the Administration's proposal would *not* be sufficiently profitable for banks. Treasury is analyzing CBO's methodology, which is complex. We have been quietly floating a proposal that would allow subsidies for two years and then transition to an auction-based system.

School Construction: Last Wednesday (3/25), Senator Faircloth offered (and later withdrew) an amendment to the supplemental that threatened to take \$5 billion of the ESF (the fund Treasury

uses to stabilize currency fluctuations) and move it to school construction. This amendment would have set an awful precedent in that it would have busted the budget since ESF does not provide outlays. However, the upshot of Faircloth's amendment is that he made the case for school construction, citing the GAO report, etc. This suggests that the threat to attach your school modernization proposal to Coverdell is having an impact -- Republicans may be starting to feel that they need to support a large school construction initiative of some type. When the Senate returns, it will take up the Coverdell legislation, including a vote on school construction. To gear up for that, you will be touring a school in or near Chicago next Wednesday. That will be followed by forums in at least 20 cities around the country that day; all of them will participate in a conference call with VPOTUS. We hope that will help to get significant regional coverage, and possible addition national press, in advance of the upcoming Senate vote.

High Hopes: Last Thursday (3/27), Bob Shireman on my staff joined Education Department staff in a small meeting at the Ford Foundation in New York. Ford is interested in partnering with us to fund model programs (building on their efforts in Houston and other cities), and to increase awareness about approaches that work in improving education and college attendance in high-poverty areas. This may develop into an announcement of a financial commitment by the Foundation, perhaps with the involvement of Lucent Technologies. *This announcement -- which is tentatively on your schedule for May 4 -- may give us a hook for highlighting the bipartisan involvement in the House, and to perhaps bring in a Senate Republican.*

The Senate mark-up of the reauthorization of the Higher Education Act occurred Wednesday afternoon (4/1). Chairman Jeffords, who would normally be sympathetic, wants to protect a program he created in 1992, and may hold this issue as a bargaining tool with the House and with us. A number of efforts by Riley, Fattah and me ended in a good colloquy between Jeffords and Kennedy during the mark up in which they pledged to work together on a joint approach as the bill moved to the floor. We have been reaching out to Republican Senators with some success. Chaka Fattah seems to have secured Specter--which is important because of his appropriations role. I have had two good conversations with Senator Frist who seems increasingly interested, though I have had less success with Senator Collins.

Master Teachers: The Senate Committee version of the reauthorization of the Higher Education Act, voted out Wednesday (4/1), does not include any provision that would undermine the Administration's financial support for the National Board for Professional Teaching Standards.

INTELSAT: This week in Salvador, Brazil, the U.S. government went along with the decision by 141 other INTELSAT member governments to spin off six satellites into a separate, publicly traded company -- temporarily called New Skies Satellites -- that will provide services in the global satellite communications market. The Brazil decision marks the end of a contentious four-year debate within INTELSAT, an intergovernmental organization dominated by monopoly telephone providers, in which the U.S. has often been alone in insisting that any spin off company must be

fully separate and independent. The NEC has coordinated the Administration's interagency effort on INTELSAT, itself contentious at many points, and Dorothy Robyn from my staff participated in Brazil. You should know that we believe the creation of New Skies is the first, and most difficult, step toward complete privatization of INTELSAT. Finally, while the Justice Department believes the restructuring is pro-competitive, several U.S. satellite communications companies are criticizing it on the grounds that remaining links between INTELSAT and New Skies will harm competition.

ISTEA: The House this week passed its ISTEA reauthorization bill by a 337-80 vote. Three challenges to funding provisions in the bill -- including an Administration-supported amendment by Rep. Spratt to extend the current short-term ISTEA law to July 1, so as to allow for completion of the House budget resolution -- were defeated by similar margins. Good news came in the form of 1) a 225-194 vote to defeat an amendment by Rep. Marge Roukema that would have eliminated DOT's Disadvantaged Business Enterprise program, and 2) House approval of an amendment by Rep. Danny Davis to increase annual funding for welfare-to-work transportation services from \$42 million to \$150 million (we requested \$100 million/year in NEXTEA). The leadership did not allow for a vote on Rep. Lowey's amendment to lower the legal blood alcohol content to .08. Conferees will begin work following Easter recess, in hopes of reaching a compromise bill by Memorial Day.

Your senior advisers are actively debating various legislative strategies that deal with the problems in both ISTEA bills. In the next few days, we will be doing additional analysis of 1) the demonstration projects, 2) the crowding out effect ISTEA would have on other priority investments (including non-highway transportation investment), and 3) historical data showing that, from 1980-1995, Highway Trust Fund (HTF) outlays exceeded receipts (this was possible because of interest earned on HTF surpluses from 1967-79). Press coverage of the \$9 billion in House demonstration projects has been extremely critical, and some Senate Republicans (e.g., Warner) are genuinely embarrassed by that as well as the sheer size of the House bill and its off-budget provision. Thus, it may well be possible to get some improvements in those areas.

Securities Litigation Reform: As you may recall, one of your greatest concerns with the Private Securities Litigation Reform Act of 1995 was the ambiguity created by that law concerning whether recklessness remained a basis of liability for securities fraud claims and whether the pleading standard established in the Second Circuit was still intact. Despite your concerns with the 1995 law, last year you decided that the Administration should not oppose efforts led by the High Tech industry to pass further securities litigation legislation which would create a uniform national standard for securities fraud class action suits and provide a "safe harbor" for forward-looking statements in an effort to encourage companies to provide greater information to consumers. Last Wednesday (3/25), at reconfirmation hearings before the Senate Banking Committee, SEC Chairman Levitt told Senators D'Amato, Dodd and Gramm that he and Commissioners Hunt and Unger can support a revised version of this legislation worked out between SEC and Senate staffs. (Commissioner Johnson continues to believe that no legislation is justified at this time.) To gain

Levitt's support, the three Senators clearly moved in our direction by narrowing the scope of the bill. Although the concessions obtained by the SEC appear to be consistent with your objectives, the NEC has asked the DOJ to review independently the final language. We will then consult with the OVP, Bruce Lindsey and John Podesta, before any Administration view on the final bill is communicated.

Financial Modernization: House Banking Committee Ranking Democrat John LaFalce credited "the Administration's opposition" as being "the turning point" in the Democrats' successful effort Tuesday to defeat the Republican's Financial Modernization bill. House leaders were forced to pull the bill from the floor, recognizing that their tactic of merging the Financial Modernization bill with the popular Credit Union legislation (see below) had backfired. Financial Modernization which would remove inappropriate barriers to integration among banking, insurance, and securities firms. The Republican's bill was seen by most banks as favoring securities and insurance firms at the banks' expense. We have tried to position the Administration not as picking sides, but rather as ensuring a level playing field so that consumers win. We are also concerned that the Republican's bill would undermine the Community Reinvestment Act by forcing new financial activities to occur in holding company affiliates whose assets are not counted toward CRA obligations. The SAP said that, if the bill were presented to the President in its current form, "the Secretary of the Treasury would recommend that it be vetoed." The Republicans pledged to bring the bill up again during the week of May 4th, but most commentators believe that making the changes necessary to gain additional support would cost support as well.

Credit Unions: The credit unions had a major victory on Wednesday (4/1) in their intensive campaign to reverse a recent Supreme Court decision on credit union membership, when the House passed a credit union bill 411-8. The Court decision overturned a long-standing NCUA interpretation concerning the extent to which credit union membership must be based on a "common bond." The bill passed this week did not fully restore the broad authority to add new membership groups that the credit unions had sought, but it provided significant flexibility beyond that available after the Court decision. It also added positive new safety and soundness reforms and, for the first time, CRA-like obligations for credit unions. The NEC will run an interagency process to prepare for the Senate's consideration of the bill.

Apparel Industry Partnership (AIP): Kitty Higgins and NEC staff attended a meeting of the AIP in NYC on Thursday (3/26). The meeting confirmed our suspicion that the discussions are near or at an impasse. Companies complain of mission creep as they battle on such issues as whether it is possible to be in compliance when manufacturing in China and what constitutes a "living wage." Meanwhile, the NGOs and Labor are being pressed from their left. NEC will work closely with Labor, State and NSC to identify ways the Administration could help to break the impasse.

Child Labor: The NEC/NSC is convening a policy process to decide whether to develop a legislative proposal to authorize you to take appropriate action in response to persistent,

exploitative child labor practices. This proposal is intended to address Rep. Chris Smith's bill requiring automatic sanctions against any country whose laws did not prohibit child labor (defined such that the US and UK would be sanctioned countries). The NEC has also is working on a strategy to promote your Child Labor budget proposals on the Hill in the face of skepticism that IPEC (the International Programme for the Elimination of Child Labour) has the capacity to absorb the 10-fold increase in funding you proposed (from \$3 to \$30 million) to fund their country-based programs to end the most intolerable forms of child labor. The strategy includes: (1) demonstrating how IPEC's parent organization (the ILO) and the Labor Department can enhance IPEC's capacity; and (2) framing the \$30 million investment as small in relation to the size of the problem.

Social Security Forum: The NEC has been working with the Concord Coalition and AARP on their April 7 Social Security Forum at Penn Valley Community College in Kansas City. We have held daily meetings with Communications, Scheduling, Legislative Affairs, Cabinet Affairs, and others to discuss the Concord/AARP Forum and your role in it. At present, you will give opening remarks and later participate -- with four members of Congress selected by each leader (Kerrey, Santorum, Pomeroy, Hulshof) and a panel of experts (Marilyn Moon, Gary Burtless, Fred Goldberg, David Walker) -- in an interactive conversation with the audience moderated by Gwen Ifill. Between those two sessions, you will conduct satellite feeds, off-stage, into five town meetings on Social Security hosted by individual members of Congress in their districts. We will meet with you on Monday to discuss the Forum in greater detail.

Press Briefing on the Supplemental: On Tuesday (3/31), we coordinated a press conference at the White House with Secretary Albright, Secretary Rubin, and Secretary Cohen highlighting the importance of passing a budget supplemental that includes funding for all of our national security priorities: UN arrears, IMF, Bosnia, and Iraq. The three Cabinet Secretaries delivered the message that national security should be above the usual legislative wrangling. Later that day, the House passed the supplemental without funding for Bosnia or the UN by an extremely thin margin (212-208) with 17 Republicans breaking ranks. That legislation will now go to conference; the Senate supplemental is similar, but does include IMF funding and does not include the domestic offsets to pay for the emergencies.

Asia Financial Markets: The IMF expects to reach agreement with Indonesia on Wednesday on a revised reform package, which is likely to include added flexibility on food and fuel subsidies, a framework for corporate debt workouts and tightened monetary and interest rate targets. Once the agreement is finalized, the IMF intends to release Indonesia's next \$3 billion disbursement in 3 equal, monthly installments in order to maintain leverage. Australia, Singapore and Japan are likely to provide an additional \$1.3 billion directed at corporate debt guarantees and trade financing. Although the details are not yet fully known, Treasury expects that we will be able to welcome the agreement, while expressing significant cautions about ensuring implementation. Separately, the State Department has announced a package of \$70 million in humanitarian

assistance for Indonesia, including approximately \$50 million in food assistance; and secured World Bank support for an April 1 donors conference to coordinate assistance for Indonesia. We are keeping a close eye on Malaysia, which is undertaking a "home-grown" reform package, drawing on IMF advice but refraining from requesting IMF funds and the attendant policy conditions.

Santiago Trade: Following the meeting of hemispheric trade ministers in Costa Rica, there is widespread support for a strong and comprehensive launch of negotiations toward the Free Trade Area of the Americas (FTAA) at the Santiago Summit of the Americas, including the creation of a consultative group on labor and the environment. Anticipating that there will be considerable press interest in fast track at that juncture, the international economic Principals agreed the best approach is to acknowledge that fast track authority will be important in maintaining U.S. international leadership, but that we are finding ways to move forward on our market opening agenda without it, as evidenced by the success of the FTAA launch.

International Tobacco: In anticipation of the March 31 mark-up of the tobacco bill, Principals agreed that our main emphasis in the international arena should be on developing a strong set of health-oriented advertising, labeling and marketing standards through the World Health Organization and ensuring that there is sufficient funding to enable developing countries to implement these standards. The international provisions in the McCain bill were incorporated at the urging of Senator Wyden, against the opposition of Senators Hollings and Ford. While these provisions remained unchanged, it was agreed that representatives from the Administration would meet with Commerce Committee staff next week to work out compromise language for the Chairman's mark regarding funding for international public health and education, restrictions on official U.S. promotion of tobacco and on advertising, labeling and sales practices overseas, and anti-smuggling efforts.

Japan Economic Policy: In the run-up to the end of Japan's fiscal year, the ruling LDP party announced a proposal for 16 trillion yen (\$123 billion or 3.1 percent of GDP) in fiscal stimulus and hinted at additional tax cuts later this year. Although this is an encouraging development, it is difficult to assess at this juncture whether it will have a significant impact on the economy, since such top-line numbers customarily include a large number (half or more) of repackaged existing commitments. The initial reaction of the markets suggested considerable skepticism. In addition, the Japanese government announced this week a new three year deregulation plan that contains some important and meaningful steps in such areas as financial services and housing, but falls short in critical areas such as telecommunications and pharmaceuticals. We will press for more progress between now and the G-8 Summit. Hashimoto committed to you in Vancouver last year that he would produce concrete results by Birmingham, and last week he publicly called upon his government to work toward that goal.

THE WHITE HOUSE

WASHINGTON

May 1, 1998

1998 MAY 06 11:00

COPIED
Spurling
Bowles

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC WEEKLY REPORT

cc: NEB NE BOWLES

5-6-98

IRS Hearings: As you know, the Senate Finance Committee held four hearings this week on the IRS, focusing specifically on the IRS Criminal Investigations Division. Witnesses included IRS employees, taxpayers, and others, a number of whom recounted being on the receiving end of IRS strong arm tactics. As you know, Commissioner Rossotti and Secretary Rubin went out on Tuesday (4/28), the first day of the hearings, and announced that Judge William Webster will conduct an independent review of the Criminal Investigation Division. Commissioner Rossotti announced additional measures as well, including strengthened discipline of CID managers and employees, a new complaint system, and support for a new Inspector General for Tax Administration. The Senate is expected to consider the IRS bill on the floor next week. A main concern we have with the Senate bill is that, unlike the House bill, it loses significant revenue, \$9.7 billion over ten years. While continuing to express overall support for IRS reform, we will work as the bill moves along to ensure that in final form it is paid for.

H-1B: As you know last month the Senate Judiciary committee reported out a bill sponsored by Senator Abraham that the administration did not support. The House Judiciary committee is now working on their bill. On Thursday (4/30), the House Judiciary sub-committee on immigration reported by a voice vote a bill introduced by Rep. Lamar Smith that would temporarily increase the number of H-1B visas for skilled foreign workers. Also on Thursday, Bruce Reed and I sent a letter to Rep. Smith stating that the Administration supports the reforms to the H-1B visa program that protect U.S. workers that are contained in the bill, but that until the bill includes a training provision (which we have stressed must accompany any temporary increase in the number of these visas) we cannot support the bill. We are working with Hill staff to ensure that an amendment including a training provision is included at the full Committee mark-up which is expected to be on Wednesday, May 6. We expect the Senate version to reach the floor the week of May 11th which Senator Lott has declared to be High-tech week.

G. I. Bill: The Senate version of the G. I. Bill, the Workforce Investment Partnership Act, was debated on Friday (5/1); the vote is scheduled for Tuesday (5/5) afternoon. We support the job training reforms in the Senate version of the bill, however there is an amendment by Sen. Ashcroft that threatens the Administration legacy on School-to-work which we strongly oppose. Our strategy is to not oppose the bill, but let it get voted out of the Senate and fix it in conference. We are working with Senator Kennedy who has received verbal commitment from DeWine and Jeffords to "render this amendment benign." The NEC is convening an interagency

meeting next week to insure that the final bill reflects all of your principles.

Securities Litigation: On Tuesday (4/28), Bruce Lindsey and I sent a letter to Senators Dodd, D'Amato and Gramm concerning S. 1260, the Securities Litigation Uniform Standards Act, which provides that class actions generally can be brought only in federal court. We supported amendments negotiated by the SEC to clarify that the bill will not preempt certain corporate governance claims and to narrow the definition of class action. More importantly, we made clear that the Administration's support for the bill depends upon delivery of legislative history and floor statements promised to SEC Chairman Levitt that should help to reduce confusion in the courts about the proper interpretation of the Private Securities Litigation Reform Act. The Senate Banking Committee will report the bill out on Monday (5/4); it is expected to reach the Senate floor the week of May 11. We expect that House action on the bill, later in May, will respect the commitments that the SEC obtained from the Senate.

Good

C.C. Hoff

America Reads: On Thursday (4/30), Bob Shireman on my staff met with a group of black educators, including Doctor Charlie Knight, superintendent of the East Palo Alto district where Chelsea tutors. She asked Bob to pass along to you that you have raised a wonderful daughter, the kids love her, and she clearly loves working with them. Her help is valuable and appreciated.

Chairman Jeffords held a hearing Tuesday (4/28) on literacy. It covered both adults and children, and generally underscored the need for action on reading instruction, including teacher training. Jeffords indicated that he would like to mark-up a reading bill in the next few weeks; his staff thinks that Sen. Coverdell is sincere about moving a bill in time for the July 1 funding deadline, rather than just grandstanding on the issue (as you know, it is part of the Coverdell bill that you will veto). But passage of a separate bill that you can sign is by no means assured.

Student Loan Interest Rates: Majority Leader Arney fought hard to include a bank-friendly fix as part of the supplemental appropriations bill, but it may have to be broken off separately at some point. We opposed his fix -- in part because its subsidies to banks were not offset -- and he ultimately failed. Keeping it as part of HEA helps to provide a driver for the reauthorization to occur this year. We may seek to quietly negotiate a compromise in the near future.

Response to Times Article on Medicare Billing: You asked about Monday's (4/27), *New York Times* article that reported that HCFA is implementing a policy to delay payments to providers. While it is true that HCFA is changing its payment policy, even with this change, Medicare pays providers as fast if not faster than private insurers. Medicare has been a leader in this field in the past and will continue to do so. Your 1999 budget adds \$100 million in funding from user fees to improve payment and oversight in Medicare, and to assist in implementing the major changes in Medicare that were made in the bipartisan Balanced Budget Act. User fees are controversial amongst providers who would prefer that needed administrative funding come from the traditional discretionary spending. We proposed these fees precisely because of the tight

6-8-91

THE WHITE HOUSE
WASHINGTON

June 6, 1998

copied
Spertling
COS
pages 3+4
Emanuel
COS

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
RE: NEC WEEKLY REPORT
cc: ERSKINE BOWLES

China MFN: Your economic team was aggressive this week in underscoring the enormous risks of playing politics with MFN. The Senior Administration officials (myself, Barshefsky, Rubin, Daley, Echaveste) reached key CEOs. I addressed the board of the U.S.-China Business Council, Secretary Rubin addressed their 25th Anniversary Gala, and Daley, Barshefsky, Steinberg and Rubin addressed the President's Export Council. The June 3 letter to you from Gingrich, Archer and Crane supporting MFN is clearly good news. Senator Lott has made some positive noises in the last day or two, but we need to continue our discussions with him. We understand there have been no final decisions on the timing of a vote, but indications from majority Ways and Means staff point toward a vote in July following your trip to China. Larry Stein is leading the effort to push this down. Business issued strong statements in support of your decision to renew. Fearful of an early vote and unclear where Republican leadership would come out on MFN, business welcomed Gingrich's announcement to renew MFN, but plans to take nothing for granted. Please find attached the one-page Administration China MFN fact sheet.

China WTO: On Thursday (6/4), the NEC held a principals meeting on China WTO accession negotiations. We have reason to believe China may be prepared to take positive steps to reach a market access agreement prior to the Summit. (Sandy Berger or I can provide more detail separately.) It remains unclear, however, what those steps will be or whether they will be sufficient. We remain very far apart right now on sectors such as agriculture, autos, chemicals, financial services, and pharmaceuticals, whose industries are critical to domestic support for any market access agreement. Ambassador Barshefsky will arrive in Beijing on June 17 for negotiations. China is refusing to negotiate with anyone else, and will not table its proposal beforehand. We will press hard for a market access agreement over the next few weeks, but need to keep expectations low, as we do not know, and are somewhat skeptical, that China will come far enough.

Africa Trade Bill: Sandy Berger and I co-chaired a meeting Friday afternoon, with Charlene, Larry Stein, and Sylvia on how we could move the Africa Trade Bill in the Senate where it is currently stalled. It was agreed that Sandy, Charlene, Larry Stein, and myself will all make calls from coordinated talking points to encourage members to move on the bill this session. We will be meeting with Representatives from the House later next week to follow up on their request to get a more significant commitment from the Administration on this important legislation.

review
y'all
to get
the
under
sup, to
why
inst

IRS Reform: This week we gave our views on the IRS legislation to members of the House and Senate conference. The letter from Secretary Rubin outlined all that we have done to reform the IRS, our interest in moving IRS reform legislation, as well as particular provisions we have concerns with. Before the letter was sent, we held an Economic team meeting on how the letter should address the budget ramifications of the Congressional bills. According to Treasury estimates, the Senate bill still loses \$7.3 billion over five years. The dilemma we face is how to raise this point to facilitate correcting it without setting ourselves up if the scoring issue is not cleared up and you are presented with a bill to sign. We decided to couch the new scoring estimates in language to the effect that we will work with conferees to ensure that the bill is fully paid for and avoids a sequester. We will now try to work with conferees to try to bring the cost down.

For

SAVER Summit: We will attempt to capitalize on the Speaker's remarks that showed support for reducing the vesting period for employer 401 (K), a new defined benefit plan and tax cuts to bear costs for small businesses starting up pensions. We received positive news coverage and NBC did a detailed in-depth piece with quotes from both you and Secretary Herman.

good

House Budget Resolution: On Friday (6/5), the House passed the Kasich budget 216-204 (3 Democrats voted for the Kasich plan and 9 Republicans voted against the Resolution). During consideration of the Resolution, the House defeated the alternative conservative budget by a vote of 158-262; and defeated the Spratt/Democratic budget 164-257. The House-passed and Senate-passed versions of the budget resolution now go to conference. We put out a statement from you calling the Kasich budget a "step backwards that would mean severe and unnecessary cuts in education, the environment, and health care." In the next week, we will step up our attacks on the Kasich budget. You should know that the Kasich budget would lead to a 14-percent cut in the area of the budget that funds critical education, environment, law enforcement, and research and development initiatives in 2003. If these cuts were applied across-the-board, this would mean, for example, that 85,000 children would be denied Head Start opportunities and 162,000 students would be denied Pell Grants in 2003.

we
did
shit
in
all

Working with Rev. Jackson re: Channeling Private Capital to Disadvantaged Areas. On May 7, 1998 the Rev. Jesse Jackson held a meeting with Sandy Weill (Chairman and CEO of Travelers Group), Lamond Godwin (Chairman and CEO of Peachtree Asset Management), Jim Hill (Oregon State Treasurer) and other corporate officers to "explore ways to use the nation's billions of dollars in private capital and pension funds to effectively rebuild America." The result of this brainstorming session was a very preliminary concept paper describing a government-backed investment vehicle that Rev. Jackson calls a "domestic OPIC." Rev. Jackson subsequently met with Erskine Bowles and me to further discuss this concept. On Monday, I am taking a team of a few Administration officials, including Treasury and SBA, to New York to meet with Rev. Jackson and a group of CEOs and top officials from financial services firms, including Travelers and NationsBank, to explore potential structures for this investment vehicle and ways the Federal government could support (e.g., indirectly) such an effort.

up
starts
my
in
the
effort.

Medicare Commission: The full Medicare Commission met on Monday and Tuesday (6/1-2) to

discuss Medicare projections and major issues related to: benefits, eligibility, costs, management, and financing. On benefits, there is growing agreement that the benefits should be rationalized (e.g., include prescription drugs, make cost sharing consistent), although some like Phil Gramm raised concerns about costs. There was also an extensive discussion of HCFA management. One area of consensus -- even among the Republicans -- was that there is too much micromanagement of HFCA; it should be given more authority to use private practices such as competitive bidding. There was also a debate, with no consensus, about whether FEHBP could be used as model for administering Medicare. We are preparing a NEC/DPC memo that explores this question. At the end of the meeting, Senator Breaux allowed a representative from the National Council of Senior Citizens to request additional opportunities for beneficiaries and other affected parties to be heard. Breaux committed to additional forums for discussion, including two field hearing in early July. The next full Commission meeting is scheduled to be held on August 10.

✓
C/S
C/S
T/S

America Reads: We remain concerned over whether or not Congress will be able to deliver a bill to your desk by the July 1 deadline for triggering the \$210 million advance appropriation (which reverts to special education). There is a fair chance that we can get a bill *after* July 1, but we will then have to fight for funding in the FY 99 appropriations process. (We are looking at possible vehicles for delaying the July 1 date, but that is a long shot.) The NEC is working with Education and supporters in Congress to determine whether it would be best to quietly ask the leadership to renew the BBA commitment to move America Reads, or to criticize the delay more publicly.

Student Loan Interest Rate, and Refinancing Current Loans: As you know the ISTEPA bill includes a three-month "fix" to the July 1 interest rate problem, adopting our low rate for students but providing banks with an additional subsidy that we think is excessive. The fix is silent on the question of refinancing current loans, which means that the ~~Secretary of Education~~ could allow millions of current borrowers to refinance at the new rate in the direct loan program. However, using that authority would have severe political consequences (and could strain administrative resources if demand is high). Working with Education, OMB and Treasury, we are exploring the options, including whether we can use the refinancing authority to leverage a longer-term compromise on the interest rate issue overall.

National Homeownership Week: As part of National Homeownership Week (June 6-13), there will be nearly 1,000 events across the country -- ranging from award ceremonies to seminars, and from homebuyer training seminars to groundbreakings and ribbon-cutting ceremonies. Over 400 members of Congress have pledged to help build a home under the auspices of Habitat for Humanity and the National Partners in Homeownership -- at least 99 of the "House that Congress Built" events will take place *next week*. Your radio actuality and your proclamation on National Homeownership Week will be faxed out to each of the National Partners so that we can get the message out on the policies we have put in place (and the policies in your budget) to help expand homeownership and empower communities.

copied
pgs 3-4
Emanuel
COS

→
Emanuel

Individual Development Accounts: Nearly six years ago -- in a speech in Los Angeles during the 1992 campaign -- you announced your support for Individual Development Accounts (IDAs)

-- an idea that matches each dollar lower-income Americans save in order to provide incentives to accumulate wealth for a first home, post-secondary education or training, or to start a small business. Your 1994 welfare reform proposal included a demonstration of this concept and the 1996 welfare reform law allows states to use welfare funds to create IDAs. However, federal funds have never been directly allocated to establish IDAs. Senator Coats and Senator Harkin are the lead sponsors on a bill to do just that. There are modifications that we believe are necessary to the bill before we could support it. Jon Orszag and Emil Parker on my staff met with Senator Coats' and Senator Harkin's staffs this week to discuss these issues. We will send you a decision memo in the near future to determine whether you want to endorse any form of an IDA demonstration proposal--Coats/Harkin or one like it.

good

CFTC/Treasury Dispute on OTC Derivative: Secretary Rubin, Federal Reserve Chairman Greenspan, and SEC Chairman Levitt are preparing a letter to Congress transmitting proposed legislation that would impose a moratorium on CFTC regulatory action on over-the-counter derivatives. Last month, the CFTC released a concept release (akin to an advanced notice of proposed rulemaking) concerning whether it should, for the first time, propose regulations governing certain types of swaps and other derivatives. The three officials have grave concerns about whether the CFTC has authority to regulate these transactions and the market impact of even the prospect of such regulatory action. The NEC discussed with Treasury whether a step less dramatic than a moratorium was possible, but the depth of the Secretary's concern, shared by Chairman Greenspan and Levitt, convinced us to let them go forward.

OK

Bankruptcy: After a thorough interagency process, the NEC will provide you next week with a decision memorandum on the issues presented by the House and Senate consumer bankruptcy reform bills. The Administration has already stated its strong opposition to the House bill, which is slated to go to the House floor next week. It is unclear when the more promising, but still quite flawed, Senate bill will move.

Child Labor: After an NEC process and interagency consultation, I sent you a decision memorandum on Friday (6/5) and which the Staff Secretary will forward to you shortly, recommending that: (1) you send a statement to Geneva with Secretary Herman strongly supporting the development of a new ILO convention on the most intolerable forms of child labor; and (2) DoL testify that it supports Senator Harkin's efforts to modernize the domestic agriculture child labor laws (without reference to specifics in his bill which appear to not have been vetted yet with interest groups). If you agree, we will work to develop an effective White House communications strategy to get coverage of your actions.

Yes!
good
Harkin

Product Liability: Senator Rockefeller has now circulated a revised version of his bill that reflects his agreements with the Administration. We are now told that Senator Gorton will not offer competing legislation and that Senator Lott is expected to bring the Rockefeller bill to the Senate floor. House reaction is as yet unclear.