

THE WHITE HOUSE
WASHINGTON

November 8, 1994

A MEMORANDUM FOR GENE SPERLING
SHERYLL CASHIN

FROM: GAYNOR MCCOWN
SUBJECT: YOUTH CONSOLIDATION OPTION
CC: JEREMY BENAMI
BELLE SAWHILL

Attached you will find a copy of our memorandum recommending the option of consolidating youth programs. By sending you this memorandum, we want to reiterate that this bold reinvention plan - to create a single funding mechanism called a Youth Development Fund - should be included in the memo to the Principals. As Alice Rivlin said, it is important to push the envelope with a "break the crockery" proposal as we consider what options to present to the President.

Please note that this memorandum has not been prepared in collaboration with the agencies. Therefore, the list of programs should be viewed as nothing more than an example to illustrate the possibilities. (The programs we have suggested are ones that share common goals, are closely intertwined and somewhat duplicative. They are not ones that represent Presidential investments such as those included in major legislation, recently enacted.) If there is some interest in considering this proposal, all subsequent work will be done in conjunction with the Departments of Health and Human Services, Education, Labor, Agriculture and Housing and Urban Development.

November 8, 1994

A MEMORANDUM FOR SHERYLL CASHIN

FROM: JEREMY BENAMI
BELLE SAWHILL
GAYNOR McCOWN

SUBJECT: SINGLE YOUTH DEVELOPMENT GRANT FUNDING

cc: CAROL RASCO
BRUCE REED
BILL GALSTON

Riding the wave of public discontent with federal bureaucracy, reinvention needs to be a more central element of our message and program. As with other target groups, a myriad of service programs target youth. Therefore, we are proposing the possibility of bold, new legislation to dramatically change how the federal government funds these services. Bolder than the waiver bill, this proposal would require the consolidation and elimination of programs, rather than providing flexibility within the existing ones. This single federal youth development funding - "Youth Development Fund" - would send dollars to states, probably by formula, and they in turn would allocate to localities. Any such proposal would find enormous grass-roots support from community groups to state and local elected officials.

A bold, highly visible commitment to consolidating, reducing and simplifying federal programs in order to encourage local flexibility is in line with the President's assertion that the federal government is at its best when it provides top-down support for bottom-up reform. By freeing local communities from the constraints of narrow categorical programs and giving them the opportunity to design programs that meet the needs of their youth population, we would indeed be sending a good message to start off the second term.

In line with the key principles of the Administration's "reinventing government" philosophy, this single funding mechanism would encourage mission driven programming through a strong emphasis on results. By setting forth guidelines and rewarding creativity, the federal government would be empowering

local communities to define their own goals and develop strategies to achieve them. Following are some examples of the potential advantages of a consolidated youth program:

- ♦ *Less red tape and better services to youth.*
- ♦ *Rather than creating a new government bureaucracy, a single funding mechanism would build on the strength of existing community-based development organizations.*
- ♦ *The consolidation of programs would encourage collaboration and healthy competition among service providers.*
- ♦ *The most sweeping of bold options could restructure dozens of programs involving hundreds of millions of dollars.*
- ♦ *A single funding mechanism would encourage the leveraging of federal funds with private resources.*
- ♦ *The elimination of programs could significantly decrease the number of people it would take the federal government to run the programs, and those savings could be added to program dollars available.*

Despite the potential positive outcomes, there are clearly some disadvantages we should be aware of as we consider pushing such a proposal. They are:

- ♦ *Congressional reaction from committees and members who have created and now oversee the range of categorical programs will not be favorable.*
- ♦ *Advocacy groups that represent grantees currently funded by categorical programs may not be pleased.*
- ♦ *There may be question about whether or not youth services is the area in which the Administration should use its political capital to promote one truly bold reinvention strategy.*

Keeping in mind, both the potential positive and negative outcomes of pursuing a strategy such as the Youth Development Fund, we have worked out some possible scenarios that may be helpful in considering this option. Please note that we have done this based on little information or input from the relevant agencies. If there is some interest in this proposal, all subsequent work will be done in collaboration with the Departments of Health and Human Services, Education, Labor, Agriculture and Housing and Urban Development.

In determining which programs to include, we have used the following criteria:

- ◆ Programs targeted to youth in distressed communities -- "at risk" and disadvantaged youths.
- ◆ Programs that have new grantees every one or two years as opposed to programs that have on-going grantees.
- ◆ Programs geared toward "positive development" and personal responsibility.
- ◆ Programs that are not included in major legislation, recently enacted such as School to Work, ESEA, etc....
- ◆ Non-school programs.

Based on the above criteria, we have selected 20 different programs as candidates to become part of the Youth Development Fund. All of these programs - 11 from the Department of Health and Human Services, four from the Department of Education, two from the Department of Labor, two from the Department of Housing and Urban Development and one from the Department of Agriculture - share common goals and are closely intertwined, often serving the same client groups and in some instances, the same client. These redundancies foster inefficiencies and make it almost impossible to determine the effectiveness of an individual program and indeed the system as a whole. This overlap has prompted us to suggest this bold reinvention strategy.

The total funding (in millions) of the 20 programs is \$2,094.673. This amount - \$256.14 from HHS; \$78.2 from DOE; \$1,702 from DOL; \$10 from DOA; and \$48.473 from HUD - is based on FY 1993 funding. If we excluded the two biggest programs -- JTPA 11B (\$1 billion funding in FY 93) and JTPA IIC (\$702 million funding in FY 93) -- the funding would total \$392.673. Both JTPA programs are administered through the Department of Labor.

The JTPA 11B - Summer Youth Employment and Training Program - is designed to enhance the basic educational skills of youth; encourage school completion or enrollment in supplementary or alternative school programs; provide eligible youth with exposure to the world of work; and enhance the citizenship skills of youth. The program serves individuals age 14 through 21 who are economically disadvantaged or eligible for free lunch under the National School Lunch Act.

Similarly, JTPA 11C - Year-Round Youth Program - is designed to improve the long-term employability of youth; enhance the educational, occupational, and citizenship skills of youth; encourage school completion or enrollment in alternative school

programs; increase the employment and earnings of youth; reduce welfare dependency; and assist youth in addressing problems that impair them from making successful transitions from school to work, to apprenticeships, the military, or postsecondary education and training. JTPA LLC provides job training and educational services to economically disadvantaged youth ages 16 through 21. It is also important to note that under the current legislation, not less than 50 percent of those served under JTPA LLC must be out-of-school (different from those who have dropped out of school); and participants who are school dropouts under the age of 18 must attend a school, or program such as a high school equivalency program.

Attached you will find a more detailed description of the 20 programs we are recommending as candidates for consolidation. Please note that this is not intended to be a final list but rather an example to illustrate the possibilities.

PROGRAM/AGENCY	TARGET YOUTH POPULATION/ELIGIBILITY	FUNDING
HHS		
Comm. Partnership Demo Grant	Youth At-Risk for Substance Abuse	\$ 105.1
High-Risk Youth Demo Program	Youth At-Risk for Alcohol, Tobacco, or Other Drug Use / Abuse / 5-20	\$ 56.4
Target Cities	Adolescents, Minorities, Residents of Public Housing	\$ 30
Critical Populations	Youth 10-21, Minorities, Residents of Public Housing	\$ 29
Youth Gang Drug Prevention	Determined Annually / Under 18	\$ 10.64
National Youth Sports Program	Low-Income Youth / 10-16	\$ 9.5
Minority Male Initiative	Youth At-Risk of Substance Abuse, Dropping Out, Unemployment, Fatherhood	\$ 5.0
Demonstration Partner- ship Program	Young Minority Males, Teen Parents, At Risk School-Aged Youth, and Low- Income Families	\$ 3.6
CSAF Programs Nat'l Significance	Disadvantaged Youth	\$ 3.2
Disadvantaged Youth	Disadvantaged Youth	\$ 2.5
Youth Opportunities Unlimited	Youth in High Poverty Areas	\$ 1
DOE		
Talent Search	Counseling services for 12-27 Year Olds to Complete High School and Pursue Post-Secondary Education; Activities to Encourage Drop-Outs to Return to School	\$ 65.5
Student Literacy and Mentoring Corps	Promote Community Literacy and Mentoring Programs	\$ 5.3
School, College and University Partnership	Skill Improvement and Preparation of Low-Income Youths for Continued Education or Employment	\$ 3.9
Eisenhower Leadership Program	Development of Student Leadership	\$ 3.5

DOL

Summer Youth Employment and Training	Basic and Remedial Education, Work Experience, Employment Counseling and Related Services to Youth age 14-21	\$1,000
Year-Round Youth Program	Education and Training, Tutoring, Mentoring and Related Services to Youth ages 16-21	\$ 702

HUD

Youthbuild Opportunities	Job Training and Work Experience for Economically Disadvantaged Youth	\$ 40
Youth Sports Program	Sports, Cultural, Recreational, Education Activities for Resident Youth	\$ 8.753

DOA

Youth At-Risk	Prevention and Intervention Activities for Youth At-Risk	\$ 10
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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

December 15, 1994

BACKGROUND BRIEFING
BY
SENIOR ADMINISTRATION OFFICIALS

December 15, 1994

The Roosevelt Room

5:25 P.M. EST

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

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

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

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

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

And so to address that, he is going to be talking about...

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

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

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

Q Sliding scale or flat?

SENIOR ADMINISTRATION OFFICIAL: Help me --

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

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

Q Are the incomes adjusted gross?

SENIOR ADMINISTRATION OFFICIAL: No, adjusted gross. And it phases out completely at \$120,000. Starts to phase out at \$100,000, and phases out completely at \$120,000.

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

Q Adjusted gross?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

SENIOR ADMINISTRATION OFFICIAL: It phases out from \$0,000 to \$75,000.

Q So the \$500 applies to under \$75,000 a year.

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

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

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

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

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

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

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

for life?

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

SENIOR ADMINISTRATION OFFICIAL: Per person.

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

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

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

Q It's tax-deferred --

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

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

SENIOR ADMINISTRATION OFFICIAL: Yes, couples.

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

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

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

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

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

SENIOR ADMINISTRATION OFFICIAL: No.

Q Who would decide --

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

Q So there may be strings attached to that.

SENIOR ADMINISTRATION OFFICIAL: There will be strings attached to that --

SENIOR ADMINISTRATION OFFICIAL: The main tax benefits that would be provided by working families. There is a fourth element that the President will talk

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

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

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

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

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

Q Cut through or cut out?

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

Q This is the same amount of money?

Q How big a voucher would --

SENIOR ADMINISTRATION OFFICIAL: I don't know.

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

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q Can they start a business if they want to

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

Q No, it's a business?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q It doesn't affect unemployment --

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

Q And what's the amount?

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

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

Q And would that be based on income?

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

Q And how much are those 60 programs worth now?

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

Q These are 60 programs that will disappear?

SENIOR ADMINISTRATION OFFICIAL: Their funding streams will be consolidated.

Q So where's the savings?

Q Their funding streams will be consolidated?

Q Where is the savings -- in administrative costs?

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

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

Q One program to replace them?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

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

SENIOR ADMINISTRATION OFFICIAL: No.

Q That's what you're doing.

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

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

SENIOR ADMINISTRATION OFFICIAL: How do you'd like to --

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

SENIOR ADMINISTRATION OFFICIAL: That's correct.

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

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

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

Q What's the five-year cost?

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

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

Q Over five years --

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

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

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

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

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

Department of Transportation, the same thing. There is

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

Q. Which programs would be privatized in Transportation?

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

Q. Do you have an example from HUD?

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

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

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

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

Q. How much is that worth?

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

Q. Everything you've discussed?

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

Q. How many people would lose their jobs on that?

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

Q. Are these numbers over and above reinventing?

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

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

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

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

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

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

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

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

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

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

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

Q How come it's less expensive to --

Q Wait, wait. January 1, '96?

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

SENIOR ADMINISTRATION OFFICIAL: That's correct.

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

Q You're screwed. (Laughter.)

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

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

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

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

Q Why are you so much more specific about the tax

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

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

Q And when is that briefing?

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

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

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

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

SENIOR ADMINISTRATION OFFICIAL: That's correct.

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

SENIOR ADMINISTRATION OFFICIAL: That's correct.

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

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

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

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

Q Technically, where do you break middle class?

SENIOR ADMINISTRATION OFFICIAL: Just not so far. On the point of if you didn't have children -- by lifting it from \$20,000 to \$100,000, it allows a lot more people to get an IRA for

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

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

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

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

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

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

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

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

SENIOR ADMINISTRATION OFFICIAL: They've got the EITC.

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

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

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

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

THE PRESS: Thank you.

ENDS: 50 P.M. EST

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

December 15, 1994

BACKGROUND BRIEFING
BY
SENIOR ADMINISTRATION OFFICIAL
ON PRESIDENT'S SPEECH

December 15, 1994

The West Wing

4:55 P.M. EST

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

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

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

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

Q Unlimited?

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

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

Q This doesn't include vocational education?

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

Q So it's college and vocational education?

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

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

Q That's a tax credit?

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

Q Per child?

Q Up to \$500?

SENIOR ADMINISTRATION OFFICIAL: Per child.

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

Q Or less.

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

Q Any medical, or just catastrophic?

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

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

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

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

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

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

He basically is going to take the training programs --

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

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

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

Q Is this something that would have happened anyway?

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

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

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

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

Q How expensive?

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

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

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

Q This is \$76 billion in savings?

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

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

SENIOR ADMINISTRATION OFFICIAL: That's correct.

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

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

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

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

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

SENIOR ADMINISTRATION OFFICIAL: Pardon me.

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

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

Q Are you going to have any audio, video, is that we can get into the broadcast of what the President is saying.

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

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

SENIOR ADMINISTRATION OFFICIAL: I know.

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

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

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

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

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

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

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

SENIOR ADMINISTRATION OFFICIAL: For college.

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

SENIOR ADMINISTRATION OFFICIAL: No. This is just --

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

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

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

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

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

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

SENIOR ADMINISTRATION OFFICIAL: Yes.

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

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

SENIOR ADMINISTRATION OFFICIAL: Right.

Q Per child?

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

Q Is that for anybody?

SENIOR ADMINISTRATION OFFICIAL: Anybody.

Q Anybody with a family income 2 \$100,000 and individuals at \$70,000?

SENIOR ADMINISTRATION OFFICIAL: Right.

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

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

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

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

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

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q? For the family or for the individual?

SENIOR ADMINISTRATION OFFICIAL: For the individual.

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

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

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

SENIOR ADMINISTRATION OFFICIAL: Yes.

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

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

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

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

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

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

Q Over the weekend?

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

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

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

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

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

Q Yesterday morning?

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

Q All the details on the 100,000 --

THE PRESS: Thank you.

ENDS:10 P.M. EST

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

December 16, 1994

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

The Briefing Room

11:18 A.M. EST

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

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

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

Q What has that been?

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

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

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

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

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

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

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

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

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

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

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

Let me introduce Secretary Bentsen.

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

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

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

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

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

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

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

care of middle-income families? .

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECRETARY RILEY: Thank you, Bob.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Now, his target is individuals, and he's saying that if we're going to give them a 20-percent cut in their income tax -- when this is fully phased in, a family makes \$100,000 a year, that you're going to give them a 20-percent cut in their income tax, and try to say that is not significant? I must say that I want to compliment those people that are making so much money they don't think it's significant. But you talk to someone about a \$1000 cut, and that is meaningful.

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

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

Q But you're using discretionary spending --

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q Do you know, sir, what they are?

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

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

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

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

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

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

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

THE PRESS: Thank you.

END10:52 A.M. EST

Gene -

Great idea!

Maybe better for
week of House vote.

Kitty

CC: N.I.

K.H.

THE WHITE HOUSE

WASHINGTON
February 26, 1995

MEMORANDUM TO LEON PANETTA, HAROLD ICKES, ERSKINE BOWLES,
 GEORGE STEPHANOPOULOS, MARCIA HALE, ALEXIS
 HERMAN, BILLY WEBSTER, MARK GEARAN, DOUG
 SOSNICK, KITTY HIGGINS

FROM: Gene Sperling

SUBJECT: SAVE 1 MILLION SUMMER JOBS DAY

PROPOSAL: I would like to recommend a Presidential event as soon as possible on the Republican proposal to eliminate summer jobs program for the summer of 1995 and the summer of 1996. Over 615,00 jobs would be lost each summer, meaning a total loss of 1.2 million summer job opportunities. The event I am proposing would be a day of mayoral press conferences with a *Presidential conference call to several mayors and business leaders in different cities.*

RATIONALE: There are five main reasons why I think this is a particularly good hit.

- 1. Clarity on Anti-Youth Cuts:** Republicans will be seeking to blur their war on children by speaking about administrative savings through block grants and places where they will claim to be only slowing the rate of growth when they are in fact cutting benefits for children. Since the summer jobs cut is a stark cut -- even an elimination -- it will help to fortify our arguments in the other areas that there are real cuts going on.
- 2. How is 1 million Fewer Jobs Part of a Republican Pro-Work and Responsibility Message?:** Republicans will want to establish that they are the most pro-work party, yet here they will be showing that a complete disregard to a program that gives people nothing except work. Average Americans and experts will both find giving young people work over idleness as a good response to crime and welfare. The suggestion that Republicans are proposing having 615,000 young people each summer go from work to idleness will not be well-received nor seen as pro-work. Also, this will show Democrats standing up for private sector jobs -- not another government services program.
- 3. National and Regional Hit:** With a major effort for a "Save 1 million Summer Jobs Day," we can make this a national story while also generating numerous regional and local stories. While the cities we may get to join may not be where the key Republican appropriators are at (though targeting them would be good), that should

not be our sole or even primary purpose in doing such an event. Rather this should be seen as a strong opportunity to use this issue to define the differences between the two parties. DOL has already done a state-by-state and even city by city analysis of where the lost summer jobs would be.

4. Heavy Staff Lift, But Low Presidential Time: Organizing this may take considerable work from Marcia's shop and others, but the President could still do this from here if he went for the conference call hook-up strategy.

5. Good Business-Administration Effort: There will clearly be participating businesses that will be upset by this cut, and would be able to join with the local mayors in protesting this rescission.

This is a good hit. Good policy, good politics. Let's do it.

Gen. in JTR, Dimond, bia
4

THE WHITE HOUSE
WASHINGTON

June 12, 1995

MEMORANDUM FOR CAROL RASCO
ALICE RIVLIN
LAURA TYSON

FROM: PAUL DIMOND *PD*

SUBJECT: G.I. BILL FOR AMERICA'S WORKERS

CC: GENE SPERLING; KEN APFEL; JEREMY BENAMI

This memo summarizes (1) the main principles of the President's proposal; (2) the current status of House and Senate action on these main principles; and (3) possible approaches to overcoming the roadblocks to enacting these principles in this Congress. To date, following regular consultation with Ken Apfel and me, the Departments and Secretaries have carried the Administration's case on the Hill. Mark-up of a very problematic draft bill is scheduled for as early as Wednesday in the Senate Labor Committee. As set forth below in IIIB, your assistance (or that of the Chief of Staff) with at least Senator Kennedy may be required within the next two days. I also recommend that Leon Panetta and Pat Griffin be briefed and that the President be informed as fully as you determine appropriate. Ken and I have scheduled a 5:30 p.m. meeting today with the Departments. As I receive more information, I will keep you apprised.

I. G.I. Bill for America's Workers: The main principles (hereafter "G.I. Bill Principles") of the G. I Bill for America's Workers include:

- two design goals -- (1) for Adults a market-driven system of education, training, and employment that puts resources and good information directly into the hands of individuals so they can make their own choices (with individual Skill Grants, One-Stop Career Centers, and better information on the labor and training markets); (2) for Youth, School-to-Work.
- consolidation and state flexibility
- a collaborative state design process, led by each Governor, that includes a place at the table for the major stakeholders (the private sector, education interests, labor and the employment service, local officials and community-based organization)

Since the fall 1994 elections, these G.I. Bill Principles have been an integral part of the President's sustained strategy (1) to make the case for education and (2) to challenge the Republicans' proposed cuts in education as the wrong way to balance the budget.

II. Current Status of Congressional Action.

A. House. The House Education and Economic Opportunity Committee, by a bi-partisan 29-5 vote, included the G.I. Bill Principles in a CAREERS Act. Chair Goodling, Sub-Committee Chair McKeon and Rep. Rigg, and Ranking Sub-Committee Minority Member Williams and Ranking Majority Member Gunderson were champions. We continue to work with Republicans and Democrats on the Committee to strengthen the School-to-Work provisions in order to continue rather than terminate the system-building seed capital grants to states. The Administration and the Democratic leadership on the Committee agreed to disagree with the Republicans on the authorized level of funding and to wage the war on the amount of funding in Appropriations and Budget Reconciliation.

The Careers Act passed in the Committee despite the opposition (and an alternative proposal for unrestricted block grants) from Representative Zeliff. There is still some risk that the House Leadership and Freshman Republicans will seek to overturn the Careers Act Bill on the floor in favor of the Zeliff proposal. The NGA (including the Democratic Governors) expressed strong opposition to the Sub-Committee draft of the Careers Act; and several of the Republican Governors continue to lobby in support of the Zeliff approach. A vote on the House Floor is likely after July 4.

B. Senate. The Senate Labor Committee is scheduled to mark-up the Workforce Development Bill as early as Wednesday June 14. The Chair of the Committee, Senator Kassebaum, has drafted a bill that undercuts several of the G.I. Bill Principles. First, the provisions for building a market-driven system of education, training and job search for adults are weak, and Skill Grants are optional. Second, School-to-Work activities are basically made optional, with no provision for STW system-building seed capital grants, while 25% of the Block Grant goes to fund traditional vocational education activity. Third, local officials, community-based organizations, the private sector, and labor and employment service interests are basically placed at the mercy of each governor in the design of each state's state workforce plan.

The NGA has written a bi-partisan letter generally supporting the Workforce Development draft, but suggesting that more prominence be given to School-to-Work and to Skill Grants. To date, there is no Democratic or Republican Champion for the G.I. Bill Principles on the Committee. [In addition, Senator Kassebaum's draft includes a proposal to create an independent, federal Workforce Development Corporation to administer the proposed block grant to the States. This proposal for the creation of a new independent agency inevitably raises the separate issue of the extent of the joint administration or merger of the federal education and training functions or the Departments of Labor and Education.]

III. Possible Approaches to Overcoming Congressional Roadblocks.

A. House. The Departments continue to work quietly to strengthen the School-to-Work provisions and to support the CAREERS ACT. The Administration has avoided public praise for the bi-partisan work thus far, lest the Republican Leadership move to support the Zeliff proposal in order to deny the President the opportunity to claim victory here. Leaders of the business community, some Republican think tanks, a few market-oriented Republican Mayors, and community colleges continue to support Goodling and McKeon with the

Republican leadership, while the President has personally thanked Ranking Member Williams for his continuing work to support the G.I. Bill Principles.

We have also met with the staffs of the Democratic Governors to tone down their opposition to the Careers Act, at least with respect to School-to-Work and Skill Grants. Republican Governors Thompson and Engler continue to press for State Block Grants with unrestricted discretion vested in the Governors. As of this writing, it appears that Republican Leadership is not willing to overturn the work of Chairman Goodling, Sub-Committee Chair McKeon, and Representatives Gunderson and Rigg. [N.B.: A year ago Speaker Gingrich publicly supporting a market-driven approach for adults, including vouchers, in a debate with Secretary Reich. The Speaker's policy advisers continue to recommend this approach to him. Although there may be risks, it may be worth exploring whether the Speaker would publicly or privately signal support of Skill Grants for Adults in the CAREERS Act as a real sign of bi-partisan House support for the President's leadership here.]

B. Senate. Senator Kennedy is the initial key here: if he can hold the Democrats in line, Senator Kassebaum will be reluctant to proceed in the Committee on a straight party line vote. Senator Kennedy was a co-sponsor of Daschle-Breaux S.6, which included individual Skill Grants. To date, however, Senator Kennedy has not actively engaged Senator Kassebaum on the drafting of her Workforce Development Bill because of his leadership on other matters, including defending education against budget cuts. Senator Kennedy now needs to be asked to serve as the President's champion for the G.I. Bill Principles as an integral part of the President's defense of education in the federal budget. If Senator Kennedy agrees to do so, it will provide leverage for his staff (working in closer cooperation with us) to negotiate substantial improvements in the Workforce Development Bill. Secretary Reich spoke directly with Senator Kennedy about this Saturday, and they will meet Monday evening to discuss in greater detail. [Senators Pell, Simon and Dodd have expressed differing reservations about Skill Grants. With Senator Kennedy and his staff, we need to determine a strategy to hold them in line, and to assure the support of other Democratic members.]

The second key is peeling off Republican Senators to support particular G.I. Bill Principles. Senator Jeffords (along with Appropriations Chair Hatfield) are likely champions of School-to-Work for youth. Senators Coates, Jeffords, Gregg, and/or Frist are possible supporters of a more market-driven approach to put Skill Grants directly in the hands of adults. Sub-Committee Chair McKeon, a few members of the business community, a few of the mayors, and community colleges will be calling on them for support. Depending on the results of those discussions, it is possible that they may work privately with Senator Kassebaum or Senator Kennedy to improve the Workforce Development Bill.

Finally, depending on the results of the first two efforts, the President may have some ability to influence the outcome in the Senate (1) by carefully defining the principles he will require to be included in any workforce development legislation and (2) by carefully coordinating this strategy with the Senate Democratic Leadership (and Senator Kennedy). Given the political sensitivity in the House, implementing such a strategy could be delayed so that it follows the vote on the CAREERS Act on the House Floor.

January 22, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin
Laura D'Andrea Tyson

SUBJECT: Education Tax Proposals

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

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

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

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

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

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

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

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

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

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

Another Approach?

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

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

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

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

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

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

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

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

February 2, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: CAROL H. RASCO
LAURA TYSON

SUBJECT: STATUS OF G.I. BILL FOR AMERICA'S WORKERS AND
THE ROLE OF THE GOVERNORS

The purpose of this memorandum is to inform you of the position of the Governors to key provisions of your G.I. Bill for America's Workers -- Skill Grants, One-Stop Career Centers, School-to-Work and Funding Levels. Republican Governors are now working actively against your position in Conference, often with the tacit silence or explicit support of most Democratic Governors.

As one would expect, the Governors (including most Democratic Governors) oppose our Skill Grant proposal. The idea was to shift the debate away from the Republicans "block and cut" approach to training by creating an alternative that called for consolidation in order to empower the individual as opposed to simply just moving training from federal bureaucracies to state bureaucracies. Your GI Bill of Rights for American Workers puts the money in the hand of the individual; resulting in a more market driven system with one stop shopping and better information for each person.

Our proposal asks states to put in place a market driven system with one-stop career centers, ensuring that individuals get the training they need. Therefore, it is of little surprise that most Governors have expressed a desire for an approach that gives them more discretion. Nonetheless, we feel confident that our approach is popular with the American people and is one in which we should remain committed.

We have had some - though limited - success with the Republican Congress. In the House, the Republicans have sought deep cuts in training -- up to 30%. However, they have been supportive of mandating vouchers for Adult Training, Local Workforce Boards and One-Stop Career Centers. While we strongly disagree with their cuts, we have seen real progress in the House in accepting your skill grant/voucher structure. In the Senate, we have done less well. They have stayed with mostly a pure "block and cut" approach. The Senate bill "authorizes" States to have a skill grant approach. But, it does not require skill grants. Furthermore, it does not require any spending on training at all. States have almost complete discretion.

Also of note is training for younger people. The Senate Republicans have resisted entreaties by the Governors to run School-to-Work education funding through the States. It appears unlikely that the Governors will be your allies on any of the key issues that now

divide the Conferees. Therefore, your discussion with the Governors on these issues does not offer much common ground.

Following is a more detailed summary of the Administration position, the position the Governors have taken, and the status of these key provisions in the House and Senate Bills.

1. Skill Grants for Adults

- The heart of your proposal is to consolidate the resources from dozens of adult training programs and put a **Skill Grant worth up to \$2600** in the hands of the individual. This would empower dislocated and disadvantaged workers who are unable to find new and better jobs through job search to spend this voucher, for example, at a community college learning whatever skills they choose to get ahead.
- The Governors **oppose** individual Skill Grants. The Governors contend that they should be empowered to design whatever workforce system they believe best serves the needs of each state.
- **House Bill:** Requires that States design and implement a system to provide vouchers to dislocated workers and disadvantaged persons who can't find new or better jobs with job-search assistance. Accepts your basic position that resources should be placed directly in the hands of individual so that they can make their own choices.
- **Senate Bill:** Gives only lip service to your basic proposal for Skill Grants. Authorizes but does not require states to design and to implement a system of training vouchers. Any training, whether through vouchers or otherwise, is completely optional. The Secretaries are authorized to offer an incentive reward to states that establish a voucher system for training adults.

2. One-Stop Career Centers.

- Your G.I. Bill proposed to consolidate adult job search and reemployment programs so that states working in partnership with the mayors and the private sector in each local labor market area would design and implement responsive One-Stop Career Centers to provide (a) good information and counseling to individuals on jobs, skills, careers, and education and training providers and (b) effective job search to match individual job-seekers with employer hiring demands.
- The Governors have not actively opposed most of these provisions. The Governors, however, do oppose any required participation by the private sector, unions, and the mayors in design and implementation. The Governors have refused to accept your position that such market-driven reforms provide the means to empower individuals to make their own informed choices about how best to get ahead.
- **House Bill:** Includes strong one-stop career centers, supported by local public-private work-force boards. Embraces your position that such provide the basis for a constantly improving market-responsive system of education, training, and job search based on vouchers and informed choice of individuals.
- **Senate Bill:** Requires states to design one-stop careers centers to provide information, counseling and job search. Does not require local workforce board. Does not provide any requirement for training -- through vouchers or otherwise -- for dislocated or disadvantaged workers who can not find new or better jobs with their current skills.

3. School-to-Work for Youth.

- You proposed that many vocational education and other youth programs be restructured to support your basic School-to-Work principles, with funds flowing through the SEAs and LEAs to fund additional support for your proposed reform of secondary schools and the pathways to careers and college.
- The Governors have generally supported your School-to-Work framework for youth, but they want federal education and training funds for youth to flow through the Governors rather than through the schools.
- **House Bill:** Adopts the principles of School-to-Work (without using the name) but makes no provision for continuation of the School-to-Work seed capital grants. Job Corps remains as a totally separate program, but Summer Jobs is folded into the youth block grant as a permissible (but not required) activity.
- **Senate Bill:** Adopts School-to-Work principles (and name) for consolidated youth block grant. Requires states which have School-to-Work seed capital grants to continue the activities and transformation promised in their approved School-to-Work plan in implementing the youth portion of their workforce plan. Separate funding streams are provided for at-risk youth (to be based on School-to-Work principles) and for Job Corps.

4. Funding

- You proposed major increases in funding for Skill Grants, One-Stop Career Centers, youth programs built around School-to-Work, consistent with your commitment to greater federal investment in expanding educational opportunity for all Americans.
- The Governors -- particularly the Democrats -- initially expressed strong opposition to cuts in authorized levels of funding. The Governors, however, have long been and are now much more vocal in seeking flexibility in using federal education and training funds as they see fit, including for "economic development activities" proposed in the Senate bill that have virtually nothing to do with education or training.
- **House Bill:** Cuts the authorized levels 30% below current appropriation levels and sends all funds through the Governor. Provides Governors with discretion to "flex" (i.e., transfer) 10% of funds between the youth-education block grant and the adult-training block grant.
- **Senate Bill:** Cuts the authorized levels 20% below current appropriation levels but requires that youth education funds go through SEAs and LEAS. Also permits governors a 50% "flex" between the youth-education and adult-training block grants, with governors authorized to use half of this "flex" -- at total of 25% of all federal youth and adult workforce funds -- available to prop up failing firms with "economic development " retraining grants.

Attachment: Administration Letter from Secretaries Riley and Reich to Conferees

June 9, 1996

MEMORANDUM FOR LAURA TYSON
 GENE SPERLING ✓

FROM: PAUL DIMOND PRO

SUBJECT: EDUCATION

G.I. Bill for America's Workers (Michael Warren). Attached are three drafts -- (1) three options, (2) background on G.I. Bill to date, and (3) possible alternative approaches to achieve each principle stated in POTUS letter if the decision is made to negotiate. I defer to your better judgment -- and ultimately that of the President -- on which option to pick given the background to date and the current political climate.

I offer only one charge to you: avoid even the appearance of POTUS caving in on the basic principle of "we'll expand individual opportunity and choice if you'll take greater personal responsibility" -- in this instance, through skill grants for dislocated workers. The only real risk for POTUS is if he appears to "flip-flop" on this basic principle now that the going has gotten tough because the House R's have run away for purely political reasons from the very principle they shared with us for the past year. George S. missed this point at the last meeting with LEP: there is no risk of appearing to "flip-flop" if POTUS sticks to *this* principle. The Clymer N.Y. Times story makes clear that it is the two principles of Skill Grants for Dislocated Workers and STW for Youth that are at really at issue now -- not whether the Administration earlier urged R's, D's or conferees to move forward in order to craft a bill to implement these principles.

With the delay resulting from the staff "negotiations" following LEP's presentation to the conferees, this issue will be framed for LEP and for POTUS *this week: you will need to weigh in accordingly!*

Education Technology (Tom Kalil, assisted by Henry Kelly.) 21st Century Teachers will require sustained coordination with DoED, education groups, Tech Corps, and business leaders to make sure that (1) teachers sign up this summer, (2) there are good kick-off events in the fall, and (3) real follow-up with 100,000 teachers teaching 500,000 colleagues over the fall and winter. POTUS speech to NEA on July 2 should thank teachers for making this commitment, continue the drum-roll of support for Technology Literacy Challenge and his call to coordinate 21st Century Teachers with Net-Days and Back-to-School Parent nights in October. If the number of teachers signed up over summer is not adequate, the first two weeks of the school year can be used as a final push to sign up teachers with the support of NEA-AFT, School Boards, and Principals.

Net-Days will also have to be coordinated with all of the groups, OVP, Tech Corps, the business groups and the education community. I recommend finding a way to integrate DoC, Kanter, Irving, and Lane in this process, with a continuing call on all of the other agencies (including DoEd, HUD, AG, NASA, DoD) to help. There seems to be some

confusion over a Net-Day in the District: perhaps, Tom can get his arms around this.

Over the next several weeks, Kalil, Kelly and DoEd must continue to press the Senate appropriators and Senate bi-partisan coalition (with support from big and small business) for funding Technology Literacy Challenge — so that POTUS and LEP/MF can negotiate full funding in final FY97 budget.

Finally, there is a possibility of bringing together business, labor, and interactive providers (DoD, colleges and universities, and software companies) for some kind of voluntary demonstration of the power of education technology for adults learning in the workplace and at home. Kelly has been noodling around with this, and Kalil is interested. My instincts caution that this will be hard to pull off this fall, but Tom should advise you whether it is worth investing any time in this before November. If he could pull it off, it would be another demonstration of good news and forward-looking POTUS leadership.

School Construction (Ellen Seidman, Michael Deich). Please be cautious, smart and creative here. School Construction and repair is an integral component of very complex and very diverse state-local school finance systems. The entire school finance issue is very treacherous for any President. We fought hard (and rightly) to stay out of this fray in the battle over Goals 2000 and ESEA Reauthorization. The education groups tried to include "opportunity [i.e., input] standards" as the price for going along with higher academic and achievement standards. Among the many "opportunity" or input standards were, of course, school facilities. We successfully resisted this: we wanted no part of a "National State-Local School Finance Reform Act" of 1994. In 1995, I also successfully resisted this same call from education groups to make school construction and school repair a "pre-condition" for putting in education technology: the education groups once again backed off of this call when it became clear that you can wire schools, put in interactive computers, and have great software and teaching without having to tear apart and replace even the most crumbling walls of the worst maintained schools. We shouldn't fall prey to the risk of getting into the school finance issue in 1996 in the guise of dealing with school facilities.

The basic problem with the school finance issue is simple: it is a quagmire! There is no evidence that more dollars (or other inputs) produces results. The evidence is very mixed on whether poor kids live in poor districts that have "less" capacity to raise revenue (or even spend less per pupil). Money spent from school operating budgets for maintenance, repair and renovation is totally fungible with all other expenditures and requires a state-local choice on priorities: it's a slippery slope from repair and deferred maintenance to the entire school operating budget. Lots of states are in the process of totally revamping their school finance systems (generally relying less on local property taxes and more on other sources of revenue). School construction bonds (for new construction, maintenance, repair or renovation) are already heavily subsidized by federal tax-exemption for bonds. Finally, the GAO study should NOT be understood as defining THE problem. Consider a few critical questions: have local districts made a rational choice to buy books, teachers, and administrators rather than repair schools? are local districts beginning to think about constructing smaller 21st century schools and letting the bigger "factory model" schools built for the "baby boom" thirty and forty years ago wear out? do states and localities have the capacity to make their own choices

about repairing the aging school stock or building new schools? Is the deferred maintenance primarily in places where there are now fewer kids and tougher budget choices need to be made about which schools to repair and which to close? Are more new schools needed in expanding outer suburbs, exurbia, and the growing South, Southwest, and West? Is the real issue deferred maintenance on schools where they are or the need to build new schools where the growing "baby boom echo" is moving? Should the federal government further subsidize this "migration" when the states and localities may have the fiscal capacity to pay their own way? Be very careful in defining the problem lest you miss the mark or open a Pandora's box -- including what we have, have not, or should be doing about the supposed (but in my view mistaken) claim of an "infrastructure gap" more generally.

There are some affirmative points that we should make: First, the Clinton economic recovery (and historically low interest rates) have increased the capacity of states and localities to address any school construction or repair issues, just like all other state-local finance and public infrastructure. Deich, DoEd and Treasury need to get this story fully researched and told! Second, the President has already made clear (e.g., in his speech at NGA education summit) that he is in every respect THE EDUCATION PRESIDENT: and he has challenged states and localities to spend their dollars more wisely on what is important (e.g., rewarding good teachers, improving teaching and learning at school and home through higher standards for all, safety and discipline, education technology, and parental involvement rather than wasting dollars on administration, school bureaucrats who have no contact with kids, or protecting incompetent teachers). Third, if you want to add school repair or even new school construction to the list of good things about schools that the President is for, then have a National 21st Century School Construction and Repair Day to highlight this and tout states and localities that are building and renovating schools in new ways so that they are truly schools for the new basic skills of the 21st century -- not just factory model schools of the mid-1950' or even the 1920's.

I worked in the area of school finance for years. Don't believe this one GAO report shows anything except (a) a large part of the stock of schools built to serve the baby boom is now thirty to fifty years old and needs repairs and (b) states and localities are the ones who have both the fiscal capacity and the fundamental responsibility of making the hard choices about what to do about repair of schools, new school construction, and whether to invest more in bricks and mortar or in teachers, administrators, books, or kids. There's nothing the matter with the President finding the means to challenge the American people to think harder about the issue of what kinds of physical school facilities they want for their children at the dawn of the new century. But, please don't have the federal government step in to rescue states and localities from the responsibility and consequences of their own fiscal choices here.

Finally, if you are going to make a proposal to restructure or supplement the current federal subsidy of tax-exempt bonds for school construction, please do so because it makes sense for all federal support for public infrastructure and not because the federal government is going to come to the rescue to solve some "school repair crisis." The real agenda of many inside the administration is that we should do more on "infrastructure" generally, and they view "school repair" (or after they think harder about it, new "school construction") as the most consistent and sympathetic place to start moving on "infrastructure" with this Education President.

THREE OPTIONS FOR G.I. BILL FOR AMERICA'S WORKERS

- **Meet the Bar or Kill the Bill.** Make clear that Republicans can either join the President and the Democrats in meeting the bar set in the President's letter, or the bill is dead. If the Republicans refuse to meet the bar after negotiations, hammer them for caving in to unjustified right-wing extremism in refusing to join the President in expanding opportunity for dislocated workers and youth who will take responsibility for choosing how best to get ahead in this new age of possibility. [This could be done (a) by a very visible White House lead and POTUS speech or (b) by dragging the process out over time with the congressional D's and a few elite media stories.]
- **Negotiate to Meet the Bar.** Assuming that any staff negotiations are unlikely to produce substantial movement on the two major issues, have the Chief of Staff make it clear to the respective Chairs and Ranking members that only real negotiation between the principals on how to meet the President's principles -- not a statement of respective positions by staffs -- will produce a bi-partisan bill that is acceptable to the President. (E.g., either don't repeal the School-to-Work Opportunities Act or exclude secondary education from the bill altogether; plus require states to give priority to serving dislocated workers, including with a Skill Grant of a size, amount and use to be determined by each States in full cooperation with localities, the private sector and the education community and phased in over time.) If a real negotiation doesn't achieve results, prepare to hammer the R's as above.
- **Negotiate to make progress in meeting the bar but prepare to sign the bill.** Assuming that any progress can be made in negotiations (e.g., on funding, running the education money through the schools rather than the governors, local workforce boards, Secretary sign-off of state plans), the President can point to overall progress in reforming workforce development -- e.g., building vocational education around school-to-work principles; building job search around more accessible labor market information, more customer responsive one-stop centers, and more accountable local consortia of business, labor, education, and local officials; and sympathetic governors touting School-to-Work and training vouchers). At the signing ceremony, the President can also make clear, e.g., (a) his unwavering support for full budget appropriations and (b) his renewed call for building on the \$1,500 Hope Scholarship Credit to expand opportunity for all Americans, including particularly dislocated workers who want to learn new skills to find new and better jobs.

The political reality is that Candidate Dole and the Republicans need a bill signed far more than the President -- to show (a) they aren't against all education and training and (b) they didn't pull away from bi-partisan work to improve the bill because of the unjustified, extremist opposition of the right-wing elements of their party. All three options are based on the President continuing to fight for his basic bargain with the American people -- to expand individual opportunity and choice if they'll take personal responsibility. This presents an opportunity for the President to distinguish his policy, leadership and resolve: as explained in the attached background memo, all of the constituency interests, the Democratic members of Congress, and the elite commentary on any outcome (whether an exit strategy or a bill signing) will follow the President's lead as long as it is based on -- and is understood -- as the President deciding how best to advance his basic bargain with the American people.

BACKGROUND

The President's Proposal. The President proposed his G.I. Bill for America's Workers in December 1994 as an integral part of his Middle Class Bill of Rights. The guiding principle is to expand the opportunities for working families to make their own choices about how to invest in a better future for themselves and for their children, as with the \$10,000 education deduction and expanded Education IRA. In his G.I. Bill component, the President proposed to consolidate a maze of federal job-training and education programs to achieve two complementary objectives:

- **For Dislocated Workers** -- to enable hard-working Americans who lose their jobs to choose for themselves what new job to take and, with a \$2600 Skill Grant, what skills to learn to find a better job. Control over job training would be shifted from unwieldy bureaucracies directly into the hands of workers who can choose for themselves what training best meets their needs and aspirations.
- **For Youth** -- to enable the rest of the states to join the 27 that are already working with local business, schools and higher education to build on the bi-partisan School-to-Work Opportunities Act in communities all across the country. This transition assistance will enable more youth to learn the relevance of education and meeting high standards to their future, and -- with their parents -- to choose for themselves among clearer pathways from school to higher education and good jobs rather than being tracked into watered-down curriculum, dropping out or dead-end jobs.

The President in his balanced budget proposed funding for FY97 that can make the promise of this new G.I. Bill real -- \$1.3 billion for dislocated workers and a total of \$1.5 billion to help states and localities expand school-to-work opportunities for youth. In this time of great change, the President has made clear that every working family deserves the security of knowing that they if they do lose their job, they won't lose their health care or their pension and they will have expanded opportunity to choose how best to find a new and better job.

Bi-Partisan Support. The President's Skill Grant proposal was supported from the outset by Jack Kemp and Al From, who called "for members of Congress of both parties to discard partisan squabbling and cooperate on the measure that can help hardworking Americans acquire the skills they need to lift their incomes." L.A. Times, June 20, 1995.

House. Throughout 1995 the Administration worked cooperatively on a bi-partisan basis with the House Committee members to give states the flexibility to design their own skill grant systems so that workers could choose to use the training vouchers most effectively, for example at community colleges or at growing firms looking for additional workers as the recovery continues to tighten labor markets all across the country. Before the vote on the House Floor, Representative Rigg (R. Cal.) discussed the bi-partisan nature of the Committee's work and hailed Skill Grants: "[W]e have included...an individual voucher for job training recipients,...a career grant. What we are really trying to do is tell American workers that they will have a greater say in determining what kind of career training is right for them." [Cong. Rec. H 9148.] Speaking for House Democrats, Ranking Member Clay urged Democrats to vote for the bill -- but only on the express condition that the bi-partisan agreement to continue the transition of the School-to-Work Opportunity Act be worked out

despite the growing expression of opposition from "ultra conservative" groups. [Cong. Rec. H 9155.] Sub-committee Chair McKeon (R. Cal.) who had worked closely with ranking Democratic Member Williams (D. Mont.) gave his personal assurance that in conference the final bill would continue support for the school-to-work transition through its already scheduled expiration in 2001.

Senate. In the Senate, there was broad bi-partisan support for expanding school-to-work opportunities for youth and adding the full force of federal vocational education funding to assist states and local communities to achieve their own reforms. In addition, Minority Leader Daschle, Ranking Minority Member Kennedy, Senator Breaux and many other Democratic members introduced S.6 on the first day of the new Congress to signal Democratic support for assuring essential support and choice -- through Skill Grants -- for dislocated workers. Chair Kassebaum, however, was adamantly opposed to Skill Grants on the ground that Governors should be free to choose whether to provide any training at all for adults and, if so, through whatever means they choose. All Democrats united in late August to block a bungling amendment to invite Governors to use this unlimited discretion to steal federal taxpayer support for working Americans to pay for welfare reform. At the urging of the Administration, Democratic members finally joined to support passage of the Senate Workforce Development Bill -- for purposes of getting to the conference and working on a bi-partisan basis to include the best features from both bills, e.g., the "Career Grants" from the House bill.

In February, 1996 Majority Leader Arney urged passage of the bill because it "takes control away from bureaucrats, who are in no position to know where the jobs are, and puts it in the hands of workers searching for training." N.Y. Times, p.1, March 30, 1996. Thereafter, the National Alliance of Business urged the Conferees to "authorize the use of skill grants or vouchers as a primary tool for serving dislocated workers...[and to] retain current [School-to-Work Opportunities] law...." In the final agreement on the FY96 Budget, a total of \$1.1 billion was appropriated for Dislocated Workers and \$1.4 billion for school-to-work opportunities and vocational education -- aided by the prospect of the conferees working on a bi-partisan basis to complete agreement on the structural reform of federal support for secondary education and for dislocated workers.

Republicans are Caving in to Extreme Conservative Opposition. Since then, the bill has become "bogged down in Congress and threatened by attacks from very conservative groups." N.Y. Times, p.1, March 30, 1996. The Eagle Forum complained that enabling workers to access job openings on computers through new information networks would somehow turn the government into a "Big Brother," while the Family Research Council falsely charged that the expansion of school-to-work opportunities might compel "all students" to march into a "vocational track." (Id.) These conservative groups launched personal attacks on Republican members who worked on a bi-partisan basis and threatened to raise money for their opponents in the upcoming primaries. Representative Hyde (R. Ill) sent a Dear Colleague letter signed by prominent conservatives urging Republicans to vote against the bill.

The upshot was that the Republicans froze the Democrats and the Administration out of the discussions in the conference and ran away from any bi-partisan effort to improve the separate bills in conference. As Ranking Democratic Senator Kennedy noted, "the long-promised overhaul by Congress of Federal job-training programs is now being jeopardized by

the unwillingness of Republicans to agree on reasonable reforms, such as President Clinton's training vouchers." (Id.) The Republican conferees contemplated passing a partisan bill that, as House Chairman Goodling (R. Pa.) conceded, the Republican leadership "made about 60 changes to the bill to allay [the] concerns" of the extreme right. Consistent with their House Budget Resolution, this partisan Republican proposal would:

- for dislocated workers -- cut job search and training support for Dislocated Workers by more than 1/3 and leave the choice over job training in the hands of state bureaucrats rather than putting it in the hands of responsible American workers
- for youth -- repeal School-to-Work Opportunities for youth altogether.

The President signals that he won't Break his Basic Bargain with the American People. On May 20, 1996, the President wrote to the Conferees to let them know that he would not accept this partisan caving in to right-wing extremists: "I cannot accept a conference bill that does not...authorize spending [at] the levels proposed in my FY 97 budget; arm dislocated workers with sufficient information and purchasing power, through skill grants, to choose the training that is right for them; preserve national funding for school-to-work infrastructure building grants..." The President urged the conferees "to craft an acceptable bi-partisan bill...fully incorporating my G.I. Bill." [May 20, 1996 letter attached.]

Every Democratic member of the Senate and House Committee (with the exception of Senator Pell) signed off on a draft letter supporting the President's position; and there is every reason to expect that Senator Pell would fully support the President if directly asked. Representatives Clay and Williams have been particularly frustrated by the refusal of their Republican colleagues to live up to the express assurances (e.g., on School-to-Work) made before the vote on the committee bill on the House Floor; and the almost total exclusion of House Democrats from conference discussions in which the House Republicans conceded on important elements of the House Bill -- like Skill Grants for Dislocated Workers -- to Senator Kassebaum added further insult. Senator Kennedy has become equally frustrated by the refusal of the Republican leadership on the conference to address the concerns of the Democrats and the President. The Democrats are looking for direction from the President as to how to proceed from this point forward.

On June 5, Committee Democrats joined with Chief of Staff Leon Panetta in personally urging the Republican conferees to get back to work on a bi-partisan basis to implement the essential principles set forth in the President new G.I Bill. The conferees agreed to have their respective staffs meet for one week with Administration officials to determine whether and, if so, how a bi-partisan agreement might be reached to implement these principles.

Constituency Groups. The mayors and counties, the education community, the National Alliance of Business, and labor groups all support the principles in the President's letter. The Governor's continue to urge "passage of bi-partisan legislation" with funding to continue the School-to-Work transition "from a national pool of funds." Although the governors "believe that federal law should provide states with the maximum flexibility to design a system that meets the workforce needs of the state," they also urged the conferees to "recognize the cost of new responsibilities" in certifying and overseeing providers "if the act mandates the use of vouchers to provide services."

ISSUES FOR CONFERENCE ON H.R. 1617

- **Sufficient authorization of appropriations.** It is imperative that the bill authorize spending for the consolidated programs at least at the levels proposed in the FY 1997 Budget. Future appropriation action must not be constrained by insufficient authorizations that imprudently cut funding for education and training investments.

The Republican conferees propose "such sums."

We can propose *adding* "a [minimum dollar amount] or such sums as may be necessary...." This would enable both sides to claim victory and to reserve the substance of the issue for the appropriation process.

- **Adequate funding for skill grants for dislocated workers.** The bill must earmark no less than \$1.3 billion for dislocated worker assistance, and ensure that these individuals have sufficient information and resources -- including through the use of skill grants -- to choose the training that is right for them.

The Republican conferees may be willing to offer a "priority on workforce development services" at one-stops for "dislocated workers."

We can propose *adding* " (a) a priority on workforce development services at one-stops for dislocated workers, including the "offer of an individual career grant [designed in such amount, duration, and useable at such providers, including firms that are expanding employment, as the state may determine pursuant to its plan] for dislocated workers who are unable to find a new job after making use of the workforce development services" and (b) make the rapid reemployment of dislocated workers and the implementation of an effective system of individual career grants a required component of state plan and one of the express goals for incentive awards (both in original state plan and in performance bonuses). [In the alternative, could *add* (a) and (b) as precondition for state qualifying to use any "flex account." Either of these fits the spirit of Governor's letter and the letter of NAB principles.]

- **Dedicated national funding to continue the School-to-Work implementation grants.** The School-to-Work Opportunities Act should not be repealed. To date, 27 States have received implementation grants under the School-to-Work Opportunities Act. Dedicated funding to continue School-to-Work implementation grants is essential to permit these States to complete their system building activities, and to provide an opportunity for all remaining States to do the same. Without a strong, lasting school-to-work infrastructure, the promise of this bill for youth development will be unfulfilled.

The Republican conferees offer requirement that states continue implementation of the School-To-Work Transition activities.

We can propose *an alternative*: either (a) drop repeal of the STW Opportunities Act from bill or make effective date of repeal 2001 (or 2000) or (b) drop in-school education component of bill entirely. [Either of these is much more consistent with Governors and NAB than what R conferees propose.]

• **Accountability to taxpayers for results.** The bill must ensure that taxpayer dollars are not invested in programs that don't deliver results. Since Federal funds support the workforce development system, the final bill must establish the Federal government as a full partner in determining measurable goals and objectives, establishing expected levels of performance for State and local areas, and approving plans. To protect against fraudulent and incompetent training providers, this bill must include strong provisions on "gatekeeping" and consumer information. The Secretaries of Education and Labor should be clearly responsible and accountable for administering workforce education and workforce training and employment activities, respectively. Their resource and staffing needs should be determined through the annual budget and appropriations process.

The Republican conferees may offer decent gatekeeping and backing off any resource and staffing mandates on the agencies.

We can propose adding (a) report language on full authority of Secretaries to review substance of plans, to provide technical assistance, to approve goals and benchmarks, (b) range of incentives/sanctions for quality of plans-goals-benchmarks and for actual performance in meeting goals and benchmarks and (c) "staggering" implementation date so that Secretarial approval required to get started in FY 97 or FY 98 (and states not getting flexibility of new law until 1999 if there plan is not approved).

• **State and local education agency control and responsibility for education resources.** The conference bill must ensure that State and local education agencies have responsibility for planning, administering, and making decisions relevant to education resources. Full collaboration of State and local workforce boards and the private sector with State and local education agencies is essential.

The Republican conferees will concede on this issue.

• **Adequate, properly targeted resources for adult education and training, in-school youth, at-risk youth, a summer jobs program, and the nation's labor exchange.** The conference bill must ensure a priority for these activities and for sufficient funding, at levels consistent with the FY 1997 Budget. In addition, the bill must contain within-State allocation formulas, as in current law, that target at-risk youth and that direct in-school funds to school districts with greatest need and post-secondary education institutions that serve disadvantaged individuals. The Wagner-Peyser Act, which establishes the public employment services, must remain the fundamental legislative charter for our nation's public labor exchange services, ensuring the prudent use of employer-paid federal unemployment taxes.

[I defer to those who know these issues better.]

• **Local governmental responsibility for job training.** While Governors should have final approval authority over the local plans affecting job training funds, elected officials from our cities and counties must have responsibility for administering and overseeing local One-Stop Career Center and job training funds, through workforce development boards that bring together business and labor and other community leaders to plan and develop flexible job training programs appropriate to their communities.

The Republican conferees will compromise on this issue.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 25, 1996

MEMORANDUM FOR THE PRESIDENT

From: Jack Lew and Laura D'Andrea Tyson ^{LDT}

Subject: Status of the Workforce Development Legislation -- Your G.I. Bill

It is increasingly unlikely that workforce development legislation incorporating your G.I. Bill principles will emerge from Congress in signable form, if at all, this year. The emerging legislation does not meet your stated principles or the principles articulated by key Congressional Democrats.

The G.I. Bill for America's Workers

Eighteen months ago, you proposed a radical restructure of federal job training. Central principles of your proposal are:

- **Empower individuals** with "Skill Grants" for adult training, and with the performance and labor market information needed to make wise training choices.
- **Streamline Adult training services** through "One Stop Career Centers," building on the One Stop system reforms launched by the Clinton Administration.
- **Expand School-to-Work Opportunities** for youth by completing this Clinton Administration reform that gives every State five years of grants (27 already have them) to build systems that help all youth move more smoothly from school to careers.
- **Consolidate 79 programs** into an integrated, simplified system.
- **Devolve significant responsibility to Governors**, while preserving a strong role for State and local education officials and local, private-sector led, workforce boards.
- **Improve accountability** by focusing on results, not process, and rewarding exceptional performance.
- **Reforming vocational education and adult education** to integrate them into this new system.

Action in the House and Senate

Both the House and the Senate embraced workforce training reform, albeit in very different forms; we had been working with Senator Kennedy on the ideas during 1994. In the Senate, Senators Kennedy and Kassebaum lead the effort; in the House, Representatives Goodling, McKeon, Williams, and Clay.

In the House, the Democratic and Republican committee leadership forged a working relationship. Over objections from certain conservative groups, the committee produced a bill incorporating many G.I. Bill principles, including your market-based Skill Grant concept. While by no means fully satisfying to us, the Administration offered qualified support and worked with Democrats to ensure House passage to get the bill to conference, so that improvements could be made. On September 19, 1995, the bill passed by a vote of 345-79.

In the Senate, we found less support for Skill Grants on either side, and strong Republican pressure to curtail the federal role. This bill was also not satisfactory, as we made clear in Statements of Administration Position. Again, the Administration encouraged our Democratic allies to support the bill through committee and floor passage, so that a better bill could be sought in Conference. On October 11, 1995, the bill passed 95-2.

Effect of the FY 1996 appropriations battle

During the protracted FY 1996 struggle, education and training interest groups helped us win the appropriations battle, supporting many categorical programs which would have been consolidated under our original proposal. As a result, we find it more difficult this year to support consolidation that fails to protect key programs they fought with us to protect -- such as Summer Jobs for youth, dislocated worker assistance, vocational education, and adult education.

The Conference to date

Conference began in October 1995, and immediately stalled. House and Senate Republicans were divided and unable to overcome philosophical and policy differences. Certain conservative groups, such as Phyllis Schlafly's Eagle Forum, have exerted extraordinary pressure on House Republicans to defeat the bill. According to Representative Goodling, "over 60 changes" were made to satisfy them, including repeal of School-to-Work.

Forsaking the traditional bipartisan approach to education and job training, Republicans excluded Congressional Democrats and the Administration from the discussions. Recently, Democratic staff have been allowed some information and influence on lesser issues, but no real voice in decisions. Senator Kennedy and Representative Clay have complained openly about the conduct of this conference, to no avail.

The emerging conference bill would meet a few of your principles: consolidating programs; partly adopting a one-stop center concept; devolving (albeit excessively) control to Governors; and improving vocational education and adult education.

Much more importantly, the Republican conference agreement would fail to incorporate key G.I. Bill features.

- It would include only Skill Grant "pilots" of indeterminate size in each State, limited to dislocated workers -- even though House Republicans had accepted in the House-passed bill a Skill Grant formulation virtually identical to ours.
- It fails to provide adequate funding overall, by authorizing only "such sums," giving no guidance to appropriators, and it does not require States to finance your priorities at or near your request levels, such as, dislocated worker assistance, Summer Jobs, and vocational and adult education. Without assurances of adequate funding, and without acceptance of Skill Grants, this consolidation would be more of a "block and cut" than a reform and strong commitment to empower individuals.
- It repeals the School-to-Work Opportunities Act.

In addition, the conference agreement diminishes, rather than enhances, local control, by requiring local officials to negotiate with Governors to establish their role and responsibilities. It also provides inadequate accountability for results, preventing the Federal government from assuring minimum quality standards, allowing each State to define performance factors and success differently (and without meeting challenging standards), and excluding many training providers from the requirement to provide consumer reports on performance.

Our efforts to influence the conference outcome

After consultation with Senator Kennedy, Representative Clay, and others, Secretaries Riley and Reich, and Directors Rivlin and Tyson met with Democratic and Republican members to convey your strong desire that the conference bill includes your GI Bill principles.

In a May 20th letter to the conference leadership (attachment #1), you spelled out your requirements for an acceptable bill. In early June, the Chief of Staff met with Senator Kassebaum, Representative Goodling, and others to reinforce your message. In a final effort to determine if Republicans want to negotiate with the Democrats, we extended a good faith compromise offer which preserves your principles but offers some movement (attachment #2). Unfortunately, Republicans have not responded to our offer.

Prospects for a bill

Senator Kassebaum apparently sees little hope for a bill; she blames the Administration for its failure.

Senator Kennedy is on the record as staunchly opposed to the current conference bill passing the Senate. The Education and Labor Departments are working on ensuring Democratic Senate support for stopping a bad bill from passing. At this point, few of the interest groups -- the education community, organized labor, and local officials -- want the bill that is likely to come out of conference.

It is remotely possible that a good bill can be salvaged. Our compromise offer still is on the table, but we are pessimistic that constructive negotiations will result.

In the meantime, White House staff and the agencies are working to make sure that the Administration's reform proposal -- and the Republican anti-reform position -- are represented accurately in the media.

If this legislative process does fail, it is critical that we make clear that the Republicans rejected our individual-oriented, non-bureaucratic Skill Grant reform. We must also use the occasion to make the strong case for why our G.I. Bill of Rights for America's Workers is a must for the future.

September 26, 1996

MEMORANDUM FOR LAURA TYSON
GENE SPERLING

FROM: PAUL DIMOND *PD*

SUBJECT: G.I. BILL FOR AMERICA'S WORKERS -- next steps?

CC: BRUCE REED

Assuming that the Conference Bill rejecting the President's Skill Grant proposal craters as Congress races to adjourn, we need to consider the next steps to keep the President's basic message and principle alive -- during the campaign and for enactment if he is re-elected. Consider the following suggestion:

1. POTUS declare (a) victory for appropriations support for School-to-Work and (b) outrage at Republicans in authorizing committees for caving into to extreme right-wing opposition.
2. POTUS express dismay that Congressional Republicans could not agree on providing Skill Grants to hard-work American workers who are dislocated and want to learn new skills to find new and better jobs in this dynamic economy. Like Portable pensions and health care for America's workers, expanding the opportunity to learn new skills is vital to enabling every worker to know that they can make it in this new economy: this will insure sure that America's workers have the tools they need to make their own choices about how to get ahead. *For that reason, POTUS proposes that a refundable tax credit of \$2600 be made available to every dislocated worker.* [The pay-for this can be cut in DoL budget. I recommend that we not include "underemployed" workers in this Skill Grant tax cut now, for two reasons. First, both Treasury and OMB will be unwilling at this time to do so for a variety of insufficient reasons that can be dealt with later in context of budget proposal. Second, I believe that Skill Grants for the "underemployed" should be integrated into a new proposal for Pell Grants as a part of Budget Reconciliation: a complement to Hope Scholarships and Dislocated Worker Skill Grants as a refundable tax cut (or other mandatory investment). Pell Grants already provide a far larger number of "underemployed" workers with the equivalent of Skill Grants than DoL appropriations for "job training.")
3. POTUS issue executive order on existing DoL Skill Grant national demos/base closure, School-to-Work, and America's Job Bank (and maybe a couple of related items. Tim Barnicle is working on a proposed draft.)

I recommend that Gene be authorized to run this process immediately with OMB, Treasury, DoI, DoEd to drive this to a good outcome ASAP.

November 7, 1996

MEMORANDUM FOR GENE SPERLING
BRUCE REED

FROM: PAUL DIMOND *PD*

SUBJECT: G.I. BILL AND FY98 BUDGET STRATEGY

Introduction. The major strategic judgment is to decide how much (and what portion) of the President's education and employment agenda you want to slam into a major balanced budget reconciliation and how much you want to leave to the authorization and appropriation process. This will require careful attention to priorities and tactical considerations. This memo lays out a range of options that I hope stimulates your more insightful and experienced planning on the politics and the budget.

I also believe these options should be considered against a cross-cut look at a mini-max strategy based on maximum and minimum cooperation from a somewhat cooperative to totally hostile Congress and the maximum use of the President's bully pulpit to persuade the American public that they do have the tools to make the historic crossing from the stagnation in the waning of the old industrial economy to a more rewarding future in the flowering of the new economy in a new century. *The main message and goal of all this should be to put good information and increased purchasing power in the hands of individuals and families so they can learn the skills they choose to make that crossing.*

Finally, I believe that Secretary Rubin could be a major player in pushing this successfully through a balanced budget reconciliation, particularly if he were joined by a prominent Republican (as Secretary of Education or Labor) like former Governor McKernan who is well-connected with Congress, business and the Governors. Any such strategy will require cooperation from Treasury in assuring that compliance and administration burdens are born by competent institutions other than IRS.

G.I. Bill for America's Workers. *The maximum that can be placed in a reconciliation bill:*

- Skill Grant Refundable Tax Credits (administered through U.I. system with advance payment upon proof that have search for new or better job for 8 weeks without success, and could be part of U.I. reform with mandatory Skill Grants) for unemployed workers;
- similar Skill Grants for "underemployed" workers (I would be tempted to merge this with Pell Grants, which already finances more education and training for "under-

employed, low-income" persons than all of JPTA put together)

- job search credits (say \$250 refundable credit through U.I. system) for unemployed workers.

You could also omit one or both of the last two, and rely on authorizing and appropriation process (e.g., a Higher ed reauthorization bill that adds a new title to Pell Grants). For scoring purposes, individual Skill Grants would only cost the incremental beyond whatever Hope Scholarship, Education Tax Deduction, and Pell Grant would otherwise cost for individual for one year). [Whatever else we do, we should separate the adult from the youth portions of G.I. Bill. The youth portions of the G.I. Bill will have to go through the discretionary authorization and appropriation process, although the youth portions could build on a variation of skill grants and School-to-Work by incenting states and localities to allow state-local school funds to follow youths over the mandatory school-age (to their own choice of "school" until they earn a high school diploma and learn a marketable skill).

If you submit all of the adult portion of last year's G.I. Bill to the authorizing and appropriation process, we will end at most a block grant to the states, to be administered through One-Stop Reemployment Centers (a euphemism for letting the governors fight it out with the Employment Service) and a requirement that States use individual skill grants that they design for any training and education for dislocated (and disadvantaged) workers. This is not awful, but it does dilute the message, the tools, and the signature of the President.

[Whatever the decision here, we do need to pay attention to requiring all providers to make better information on their programs and results available to all consumers.]

Student Financial Aid. There are three parts to this you need to think about: student loans, Pell Grants, and the mandatory tax cuts (or grants).

- *Student loans* are already on the mandatory side of the budget. But we need to rethink our strategy on direct lending vs. the guarantee loan program: the competition from Direct Lending plus improvements in terms, performance, and lowering the subsidy costs and waste of the GSLs, privatizing Sallie Mae, and enabling GSLs to offer income-contingent loans may well make the Guaranteed Student Loan Program more efficient, convenient and effective over time than Direct Lending. We, therefore, need to consider how to *declare and get credit for a well-deserved victory here* rather than manning the ramparts to defend Direct Lending per se and set ourselves up for defeat. (One possibility is to call both GSLs and Direct Loans "HOPE Loans" (i.e., Higher Opportunity Education Loans) to complement the President's Hope Scholarships. In any event, our emphasis should be on delivering the most effective purchasing power to borrowers based on a few key principles: better information and gatekeeping for providers, more affordable and convenient access for borrowers to use at the school of their choice, 25-year terms and Pay-As-You-Earn and other repayment plans for borrowers, more effective collection, etc. (We could press such HOPE loans either (a) through continuing the competition between direct loans and GSLs and touting the competition as great no matter who "wins" or (b) by developing an integrated loan program borrowing the best features of Direct Lending and GSLs.)

- *Pell Grants* could also be included in a budget reconciliation, either as a mandatory individual spending program or as a part of a refundable credit (administered by student financial aid system rather than IRS in either case). If you want to consider an increase in the dollar amount of this individual grant (e.g., to put the purchasing power back to where it was 25 years ago), I don't see how this can be done on the discretionary side of the budget through appropriations. If you do choose to go to the mandatory side and increase the amount of this individual grant, I recommend careful consideration of changing the terms of Pell Grants so that they bear more of the President's mark (e.g., increasing amount to pay for the cost for first two years of public-4 year college, with students required to rely more on student loans for last two years and for graduate school). This would support POTUS idea of making first two years of college universal. You also need to be prepared -- and to take credit -- for -- a legislative compromise that leads to an increase in Pell Grants (and Skill Grants) in exchange removing refundability feature of Hope Scholarship: this will be much easier to consider doing if Pell Grants and Skill Grants are a part of the budget reconciliation.
- *Hope Scholarships and Education Tax Deduction* obviously are integral components of a balanced budget reconciliation. My two suggestions: (a) consider increasing the amount of the Hope Scholarship so that it pays median cost of first ~~four~~ years of 4-year public college (that would be more popular and put more real purchasing power in hands of individuals and families than tailoring to community colleges) and (b) consider administering the refundable portion of Hope Scholarships through student financial aid (and U.I. systems) so that this purchasing power (along with Skill Grants, Pell Grants, and student loans) is effectively in the hands of the consumer up front.

Better information and gatekeeping on results of providers would increase (a) popular political support and (b) the on-going accountability and constant improvement through competition of such a market system. Some short-term fig leaf to cover us on increases in tuition costs resulting from increased purchasing power might also build political support now, but this is less critical for support and long-run effectiveness than making sure that administration and compliance in this new system of federal support for financing post-secondary education and training is not loaded onto an already beleaguered IRS.

November 12, 1996

MEMORANDUM FOR LAURA TYSON
GENE SPERLING

FROM: PAUL DIMOND *PD*

SUBJECT: SEPARATING G.I. BILL PROVISIONS?

CC: BRUCE REED

If you do not think it is possible to achieve a single, integrated education and training account to achieve the President's goal of putting good information and increased purchasing power in the hands of individuals and families, Part I elaborates an alternative approach that retains the several funding streams but coordinates their implementation. The major issues are: (a) the amount of budget resources you want to place in each stream, the total education and training budget and the extent to which you want to place these funding streams on the mandatory side of the budget, including as refundable tax credits; (b) the extent of the coordination between funding streams, both in terms of the users and the administration and gatekeeping; and (c) whether you wish to add non-degree programs as permissible uses of these funding streams. The purpose of this analysis is to raise key issues so that the President is not blind-sided by the current budget proposals of DoED and DoL that fail to implement the key principles of individual empowerment, market accountability, and rewards for performance.

Part II proposes a workable alternative to bring the youth programs in line with the President's basic principles.

The premise underlying both parts is that we cannot and should not again propose a single G.I. Bill for America's Workers authorizing legislation that seeks to tie all DoED and DoL youth and adult education training and job search programs together. That approach did not work in the last Congress and will not work in this Congress: it will only invite unnecessary battles with the Republican Right Wing about School-to-Work and Republican centrists about devolving all education and training to the states.

I. Adults

Hope scholarship -- refundable tax credit for education and training, degree and 1-year certificate programs. \$1500 for two years, including 1-year certificate. [Issues: raise to \$2500 per year? Include non-degree programs? Information include percentage and time for students to achieve degree or certificate (and, if include non-degree programs, job and income results for students in non-degree programs)? Gatekeeping? Administer through DoEd student financial assistance, with advance payment of refundable portion credit? How coordinate with IRS?]

Education tax deduction -- for education and training, degree and 1-year certificate \$10,000. [Issues: include non-degree?]

Dislocated Worker Skill Hope Credits -- after 12 weeks of job search, refundable tax credit. Total of \$2500 [including \$1500 Hope Scholarship]. [Issues: how relate to portable health care? Raise amount to \$3000? DoEd student financial assistance administer, with UI/ES confirming 12 weeks of job search? Include non-degree?]

Pell Grant for degree and 1-year certificate, [Issues: mandatory or discretionary? increase to \$3000 or \$3500, perhaps in exchange for limiting to first two years? Add non-degree? gate-keeping and information?]

Student loans, with Pay-As-You Earn and 25-year sliding scale repayment plans [Issues: include non-degree? how set bar and conditions of GSL and Direct Lending to make loans more affordable and convenient to students, with better information, gate-keeping, and collection?]

[Issue=\$250 refundable credit for job-search? or rely on interactive job banks and counseling/placement from the search firms that represent employers?]

[Workforce Development Act -- if omit non-degree from Hope Scholarship, Pell Grants and Student Loans, then go with principle of devolving DoL programs to states, with states having flexibility to design individual grants for job search and training, with sign-off by local labor market workforce boards made-up of majority of private employers and by county-city executives; approval by Secretary of DoL in consultation with Secretary of Education]

[Welfare-to-Work Jobs Challenge based on principle of state-local design to connect welfare-to-work participants to real jobs in expanding local labor markets]

2. Youth Education and Training

DoL: performance incentive awards to states and localities that put per pupil K-12 resources behind students 17-24 without high school diplomas to learn to earn high school diploma, workplace skill and (a) job or (b) access to post-secondary education. E.g., \$1000 per student with \$500 to state-locality for each student they get back into learning program that meets conditions and another \$500 for each such student earning a high school diploma, workplace skill certified by local workforce board and (a) job with 1500 hours work per year or (b) access to post-secondary education. [Issue: need authorization? if so, don't tie in any way to School-to-Work so that R's don't have to face issue of right-wing attack on STW. Also: assume that keep summer jobs, Job Corps; small fund for experiments, demos?]

Vocational Education/ACE Graduation Challenge: incentive awards for retaining more students in "school" until earn high school diploma that means something to employers and colleges. Use bully pulpit to encourage range of choices, apprenticeships, experienced base learning, charter schools, etc.

continue to fund and implement STW, but use bully pulpit to coordinate with new DoL incentive awards and DoEd graduation challenge.

Gene -

I think we should have this
memo sent on to the President
if this issue is not adequately
discussed this afternoon.

Let me know what you think

Sam

Draft

LT:
The meeting with Secretary
& POTUS is at 4 p.m. today
Gene & Bruce have copies
of this draft.

December 19, 1996

PD.

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
BRUCE REED

SUBJECT: FEDERAL GUARANTEE TO ALL AMERICANS TO INVEST IN
POST-SECONDARY EDUCATION AND TRAINING THEY
CHOOSE

Proposal: Under our direction your education and training policy team (Ken Apfel OMB, Mike Smith ~~Dodd~~, and Paul Dimond NEC) has developed a *budget neutral* proposal to guarantee on the mandatory side of the budget (Federal Resources) to enable every American family, student, and worker ~~resources~~ to invest in the post-secondary education and training they choose. The proposal achieves this goal by using the savings from simplifying the Hope Scholarship and further reforms in the student loan program to expand the amount of Pell Grants to the median cost of one year of college education and to provide greater flexibility so that individual Education and Skill Grants are available to low- and moderate-income families and students and dislocated and "underemployed" workers.

Discussion: There is *no* objection from any of your Principals on policy grounds to this proposal. In combination with Hope Scholarships, Education and Training Tax Deduction, and Pay-As-You-Earn student loans this proposal implements your long-time goal of guaranteeing that every American family, student, and worker -- regardless of income or wealth -- will have the resources to invest in the education and training they choose. As such the proposal provides the platform for a Second Inaugural Address that gives substance to all of your previous related proposals -- Pay-As-You-Earn Student Loans, Middle Class Bill of Rights, G.I. Bill for America's Workers, and Hope Scholarship.

In contrast, all of your Principal Advisers express substantial or grave concern that the proposal of such a guarantee will complicate your ability to achieve a Balanced Budget Reconciliation agreement. Director Raines is therefore analyzing whether the substance of the proposal could be achieved on the discretionary side of a balanced budget agreement.

Recommendation: Given the importance of these issues ^{to your education and training agenda,} we recommend that this proposal and alternatives thereto be presented to you, with all of the pros and cons, so that you can discuss the issues fully with your Principal economic and education advisers.

Decision:

Yes, present proposals for discussion and decision
~~Discuss further~~ No, I do not need a separate ~~document~~
document of the issues.

set up talk to Ken

January 16, 1997

MEMORANDUM FOR GENE SPERLING

FROM: PAUL DIMOND *PD*

SUBJECT: SCHEDULING REQUESTS BEFORE SOTU

CC: MICHAEL WARREN
MELISSA GREEN
KATHY WALLMAN

yes set up
Ken *(X)*
1. **GI Bill for America's Workers.** Ken Apfel wants to convene a Deputies' meeting with OMB, NEC, DPC, DoEd, and DoL to set up process and provide marching orders for the next month on this. He would like for you to join in this meeting and wants to schedule it for tomorrow, Friday, January 16 or Tuesday, January 21. *Instead, I recommend that you convene the meeting to make clear that you (and the NEC, with Bruce if you wish) are in charge of the process; and further, that the charge to the group is to develop options for achieving federal skill grants for dislocated and low-income workers, including for non-degree programs, that (a) build off or coordinate with our Pell Grant/Student Loan proposal and operation and (b) can be implemented through budget reconciliation negotiation or through authorizing/appropriation process that can pass this year.* All other components of the GIBFAW proposal can then be evaluated for separate action through the authorizing/appropriation process. If you do not assert leadership over the process or substance, you run the risk that Ken – who has many other higher priorities and will argue that other options should be presented – will steer the process toward a compromise that will undermine the President's chief priority. If you can't attend the meeting then deputize someone to deliver the message and set up the process you want.

(X)
2. **WTW Jobs Challenge.** Ken would like to convene a similar meeting of deputies for this on the same day, consistent with your schedule. Although I do not feel as strongly about this, I believe that you (with Bruce) should convene this meeting and set the agenda.

3. **Leaders of Business/ other Constituency Interests: no more than 15 minute introduction meetings.** You need to set aside an afternoon or morning to knock off about 20 of these meetings. It will build your credibility, and a network of people who want to feel like they can be consulted or help support the President.

• Bob Jones, President of National Alliance of Business. He has been very supportive on Goals 2000, High Standards, STW, 2-years of college universal, Skill Grants, WTW. He is one of the few persons, given his business and Republican support, who has succeeded in building truly bi-partisan support for POTUS. He knows the issues, is smart, and will continue to be a tremendous ally.

• Tony Carnevale, Morty Barr, and an ad hoc coalition of labor and business leaders

who support coordinated system of federal Skill Grants, Pell Grants, Student Loans, Hope Scholarships, Education and Training Tax Deduction, expanded IRA, Sec. 127 to help all individuals and families invest in the post-secondary education and training they choose.

- Sol Horwitz and Ron Boster from Committee for Economic Development. As you know, they basically write reports on a variety of topics; generally, they are supportive of POTUS economic plan, but their most recent report -- "Growth With Opportunity" - does.
- probably executive director of Chamber of Commerce and small business group (check with Dorothy Robyn)
- National Association of Manufacturers (check with Ellen on who); BRT (you will know who to invite);
- NGA (Ray Shapock sp?); Conference of Mayors (Cochran); League of Cities (Don Belin); the comparable organization of counties (have someone get name from Marcia Hale's office)
- Organized labor (you should get a list together of those with whom you haven't met already).

Sorry to add to your already too extensive burdens!