

February 18, 1997

MEMORANDUM FOR GENE SPERLING

From: Ken Apfel

Subject: G.I. Bill Background

You asked for GI Bill background for your trip on Wednesday. As you know, we are developing an options memo on the issue of skill grants that should be ready for review later this week. The following memo provides more general background on the GI Bill.

BACKGROUND. As detailed in the FY 1996 Budget, the G.I. Bill included combining 70 employment and training programs into one workforce development system (see attached) with five discrete component parts:

- (1) **Individual Skill grants.** Financed at \$3.6 billion in the Labor Department, vouchers of up to \$2,620 would support "technical education" for dislocated workers and low-income persons. \$2.1 billion of the amount was derived by transfer from Pell grant funds used then (and now) for these purposes.
- (2) **Individual Pell grants.** Financed at \$4.5 billion in the Education Department, grants of up to \$2,620 would provide student financial aid to defray the costs of associate's and bachelor's degree courses. Pell would no longer be used for non-degree training.
- (3) **A grant to States for adult services other than training.** Financed at \$2.7 billion in the Department of Labor, this grant would support a State and local system of job placement and training-related services provided through one-stop career centers, with a limited national reserve for activities such as grants for multi-State mass layoffs, and research. This was the major consolidation of the Labor Department's Job Training Partnership Act (JTPA) and the Employment Service.
- (4) **Two State grants for youth.** Financed at \$2.9 billion, one grant would support vocational education for in-school youth through the Education Department; a second grant for at-risk and out-of-school youth would offer second chance training and work experience through the Labor Department. All activities were to be structured within the School-to-Work framework jointly administered by the Education and Labor Departments.
- (5) **A State grant for adult and family literacy.** Financed at \$490 million in the Education Department, this grant would provide GED, ESL, and basic skills instruction,

as determined by the States.

The FY 1996 Budget proposed \$14.2 billion for the G.I. Bill for America's Workers, an increase in overall funding of \$1 billion above 1995. We estimated that the Skill grant part of this approach (\$3.6 billion) would serve all dislocated workers who wanted training, but only serve an estimated 60 percent of economically disadvantaged adults who needed and wanted training. As a result, State and local grantees would be required to ration Skill grant resources. It was (and remains) impossible to distinguish clearly between Skill grant and Pell grant eligibility on the basis of individual characteristics, so these take-up rates are very rough estimates. Both degree and non-degree training and education would have remained financeable through student loans and income-contingent repayment, but we did not factor these resources into the discussion.

LEGISLATIVE HISTORY. The Administration did not transmit legislation to authorize the G.I. Bill reforms, except for a separate bill in May 1995 to reauthorize the vocational and adult education programs. We chose instead to work informally with the 104th Congress on bills Republicans were moving through both chambers. Our judgment was that specific Administration bill language would raise issues our supporters could not accept and would draw fire from Republicans unnecessarily. Senator Kennedy supported this approach.

The proposal to move Pell resources to the Labor Department was abandoned almost immediately because it was opposed vigorously by the higher education constituency and their Congressional allies.

In the Fall of 1995, training reform bills -- known as "CAREERS" (Goodling) and the "Workforce Development Act" (Kassebaum) passed both Houses of Congress with overwhelming bipartisan support (345-79; 95-2). The Administration expressed conditional support for both bills and organized Democratic and interest group support despite concerns with each. We wanted to keep the issue alive in Congress and looked to conferees to address concerns. This also helped us in the appropriations fight, where we could argue that it made no sense to cut funding deeply with a major reform on the horizon. Of the two bills, Rep. Goodling's CAREERS was closer to fulfilling the G.I. Bill principles.

CAREERS required, with an exception for training run by community-based organizations, vouchers for adult training, "report cards" and performance standards for training programs, one-stop and school-to-work frameworks for adult and youth programs (although it would have repealed the School-to-Work Act), and private sector involvement in workforce development programs. By contrast, the Kassebaum bill would make vouchers available at State option; authorize a single State grant with a 25% "flex pot" for State-determined workforce development activities, which could include supporting company training of the employed; weaken accountability by permitting States to define success in their own terms; and greatly diminish the role of local communities in determining training needs.

As the two bills went to conference, the fierce FY 1996 and 1997 appropriation struggles were underway. The appropriation negotiations led the Administration to advocate financing for existing categorical programs for summer youth, dislocated workers, and vocational education to try to preserve funding for these programs, which had been cut severely by both chambers. With the help of constituent groups, the Administration won the appropriations battles, but in the process, resulting of necessity, moderated the G.I. Bill reform agenda to be less specific on both consolidation and the form of Skill grants.

In a May 1996 letter to the conference leadership the President urged the conferees to craft a bipartisan bill that incorporated the Administration's G.I. Bill principles. The letter advocated earmarked funding for dislocated workers and "properly targeted" resources for a summer jobs program, adult education and training, in-school youth, at-risk youth, and the labor exchange. The original G.I. Bill principles never explicitly stipulated these elements as essential components.

Pressured by conservative "family groups" to resist compromise, and for other reasons, Republican conferees excluded the Administration and the minority from the negotiations. Some of the majority conferees believed the Administration was negotiating in bad faith, or defending the status quo. The partisan conference produced a bill that resembled Kassebaum's flawed block grant approach. In part, the conference bill was unacceptable because it required only a 50-State training voucher "pilot," failed to ensure that adequate resources would be available for adult training, and included weak accountability provisions. Former Chief of Staff Panetta made an effort to re-open negotiations. The last effort, a June 17th offer from the Administration representing our "bottom line issues" received no response from the conferees. Emerging in July 1996, the conference bill failed to gain the Administration's support or the vote of any minority conferee. The bill never reached a floor vote.

G.I. BILL IN THE FY 1998 BUDGET AND 105TH CONGRESS. The FY 1998 Budget reiterates support for the G.I. Bill principles, characterizes training reform as "essential," and anticipates working with the 105th Congress to produce a bill. For comparative purposes, using a program mix matching the original G.I. Bill in the FY 1996 budget, the FY 1998 Budget request for G.I. Bill programs is \$14.3 billion (\$4.9 billion in Labor, \$9.4 billion in Education), \$109 million above the FY 1996 Budget request. The FY 1998 Budget makes no specific statement about the number of programs to be consolidated. The non-degree postsecondary education supported by the Education Department's Pell grants (which totaled \$2.1 billion in FY 1996 and was proposed to be transferred to Labor) continues as a major contributor to technical education and training. It no longer is considered part of the G.I. Bill/Skill grant mix.

Training reform legislation is a priority for the 105th Congress. In the Senate, a Daschle bill to consolidate adult training programs (S. 17) was introduced on January 21st. This bill authorizes a State voucher system. In the House, hearings on training reform began on February 11th; Labor may be asked to testify on March 4th.

POLICY OPTIONS. We are developing policy options on the nature of the voucher to pursue in a second-term G.I. Bill. All options assume strengthened "gatekeeping" (efforts to ensure high quality training) and consumer reporting of training program performance to ensure accountability for results.

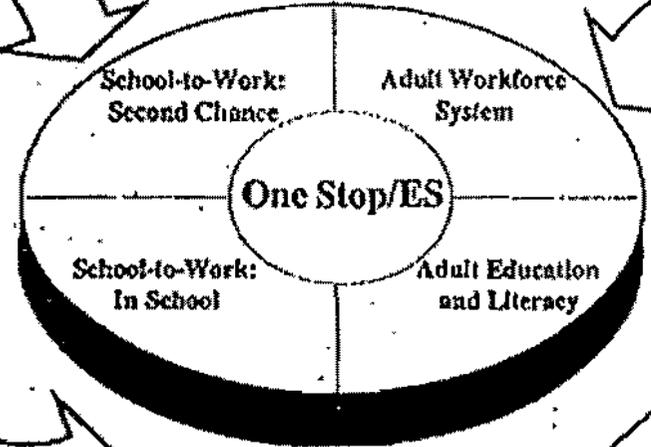
Current programs pay for much more than training. In fact, funds used exclusively for training (a proxy for what would be converted to Skill grants) comprise less than half of all G.I. Bill programs funds. The remaining non-training dollars would finance State grants for a workforce development infrastructure of one-stop career center systems and the labor exchange, local workforce boards, gatekeeping and consumer reporting activities, training support services (such as job counseling), and non-vouchered on-the-job training. These remain key features of the G.I. Bill concept.

Attachment

G.I. Bill for America's Workers

- School-to-Work Opportunities (DOL/ED)
- ITPA Title 8C Disadvantaged Youth
- ITPA Title 13C Youth Skills Ed programs
- ITPA Title 13C Youth Incentive Grants
- ITPA Title 13B - Summer Youth Employment and Training
- ITPA Title 13B - Summer Jobs-Native American Youthbuild
- Youth Fairs/Chairs
- Youth Incentives

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Programs



- ITPA Title 11A - A Job's Training for the Unemployed
- ITPA Title 11A - Training Programs for Older Individuals
- ITPA Title 11EDWAA (Governors' 30% Discretionary)
- ITPA Title 11EDWAA (Secretary's 30% Discretionary)
- ITPA Employment and Training Pilots and Demos
- ITPA Clean Air Employment Transition Assistance
- *Employment Services - Governor's Discretionary Funds
- *Employment Services - Wagner-Peyser State Grants
- ITPA Defense Conversion Adjustment
- ITPA Defense Diversion Programs
- ITPA Title 11A - State Education Grants
- ITPA Title 11A - State Incentive Grants
- ITPA Title 11EDWAA (SDA Alternates)
- Food Stamp Employment and Training
- State Postsecondary Review Program (PELL)
- Labor Market Information
- *One Stop Career Centers
- Women In Apprenticeship
- Federal Pull Grant Program
- Federal Loan Programs (Direct)
- Federal Loan Programs (Passive Bill)
- Labor Certification for Alien Workers
- Interstate Job Bank
- ITPA Employment and Training R&D
- American Samaras
- Rural CEYS
- HOCCC (DOL Share)

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Programs

- School-to-Work Opportunities (DOL/ED)
- Voc Ed - Programs for Criminal Offenders
- Voc Ed - Cooperative Demonstration (all Mod programs)
- Voc Ed - Opportunities for Indian & Hawaiian Natives
- Voc Ed - Community Based Organizations
- Voc Ed - Demonstration for Dislocated Workers
- Voc Ed - Costumes and Home-making
- Voc-Ed - Exam Credits
- Voc-Ed - HOCCC
- Voc-Ed - English Proficiency Act
- Workplace Transition Training for incarcerated youth
- Native Hawaiian Ed. - Community-based Learning Ctr
- Voc Ed - Basic Skills Programs
- Voc Ed - Technical Education
- Voc Ed - Demonstration for the provision of Voc and Academic Log
- Voc Ed - Ed Programs for Post-Correctional Institutions
- Voc Ed - Ed Compensation Career Guidance and Counseling
- Voc Ed - Short-Term Voc Ed Programs
- Voc Ed - Model Programs for Regional Training, State Trade
- Voc Ed - Business/Education/Work Partnerships
- Voc Ed - Tribally Controlled Post-Secondary Institutions
- Voc Ed - State Programs and Activities
- Voc Ed - Single Parent, Home-makers, Program
- Post-Ed - Job Equity

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Programs

- Adult Ed-State Administered Basic Grant
- National Adult Education Observatory Program
- State Literacy Resource Centers
- Nat'l Workplace Literacy Program
- Workplace Literacy Partnership
- Adult Education for the Homeless
- Literacy Training for Homeless Adults
- Literacy for Incarcerated Adults
- Literacy Programs for Prisoners
- Even Start - State Educational Agency
- Even Start - Migrant Education
- Literacy Literacy
- (Transfers from ITPA Title 11A)

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Programs

* ES will be retained as a separately authorized and funded program to the states; it will be an integral part of the One Stop Career Center System. One Stop implementation grants will be available only through 1999 and School-to-Work grants will be available only through the year 2000.

THE WHITE HOUSE

WASHINGTON

February 22, 1997

MEMORANDUM FOR GENE SPERLING

FROM: Jonathan Kaplan

SUBJECT: Education Strategy: Integrating, Not Isolating, Our Proposals

Per our discussion following yesterday's education strategy meeting, you will find attached strategy plans for each of the education initiatives proposed by the President in his State of the Union address. Let's discuss them this weekend. **We should have these in final form for the follow-up meeting on Monday.**

Additionally, I have thought about the issue you raised in the strategy meeting yesterday, and agree that we run the risk of splintering our education initiative by isolating the focus of each event or speech on one of our ten or more specific proposals. I would suggest that we organize our numerous education proposals into four pillars for education -- or *the four cornerstones of the 21st century schoolhouse*.

THE FOUR CORNERSTONES OF THE 21st-CENTURY SCHOOLHOUSE

Building Safe and Sturdy Schools: We need to ensure that our children have safe and sturdy places to learn.

- School construction
- Safe and disciplined schools: curfews, uniforms, truancy enforcement

Empowering Parents: Where the schools are not sturdy, safe, or good enough, we need to give parents choices for their children.

- Public school choice
- Charter Schools

Giving Children the Tools They Need to Reach High and Measure Up: We need to provide all of our children, and their teachers, with the tools they need to reach high and measure up scholastically.

- Educational standards
- Master teachers

- America Reads
- Early learning and Head Start
- Technology literacy

Providing Opportunity to Attend College and Receive Training: We need to ensure that the doors to college -- and to lifelong learning through training and education -- are open to all Americans.

- HOPE Scholarship
- Tuition tax deduction
- IRAs
- Pell Grants
- G.I. Bill for America's Workers/Skill Grants

In this way, our strategy for educational standards, for example, would not focus on the tactic of "doing a standards event" and simply listing the other nine initiatives.

Rather, our strategy will focus on outlining the President's four cornerstones, and calling special attention to standards as one of several tools our children need -- along with America Reads, Head Start, technology literacy, and master teachers -- to reach high and measure up scholastically, so that, ultimately, they can have a more prosperous and productive future.

Attachments

cc: Kathy Wallman
Jake Siewert

SCHOOL CONSTRUCTION STRATEGY

State of the Union Proposal:

"My budget includes a new initiative -- \$5 billion to help communities finance \$20 billion in school construction over the next four years."

This Week:

- Decision memo to POTUS
- NEC Working Group and Legislative Affairs to review Education-drafted legislation and sectional analysis; resolve any outstanding issues
- Secretary Riley testifies on all education proposals on 2/27

This Month:

- Potential Connie Lee event for POTUS in the District
- Submit legislation to Congress
- Outreach to mayors, governors, others

Next Month:

- March 16: Spending speaks to annual legislative conference of Council of the Great City Schools
- Potential events in Alabama and Florida (Sen. Graham)
- Announce submission of legislation and conduct events with Sen. Moseley-Brawn and Rep. Nita Lowey

Next Six Months:

- Release state-by-state data on school construction figures

EDUCATIONAL STANDARDS STRATEGY

State of the Union Proposal:

"To help schools meet the standards and measure their progress, we will lead an effort over the next two years to develop national tests of student achievement in reading and math."

"Every state should adopt high national standards, and by 1999, every state should test every 4th grader in reading and every 8th grader in math to make sure these standards are met."

This Week:

- Highlight issue at ACE speech on 2/24
- Secretary Riley testifies on all education proposals on 2/27

This Month:

- Continue to seek endorsements from key local constituencies to promote national efforts and to promote state and local participation
- Legislative Affairs to consult with bipartisan leadership
- Possible addresses by POTUS to state legislature in Michigan
- Release National Assessment of Education Progress national math scores at event
- Presidential Directive to OSTP, Department of Education and NSF and other agencies to ensure that executive branch resources to support math and science education are focused nationally on preparing students to meet 8th grade math standards
- Presidential Directive to Department of Defense Dependent Schools to participate in NAEP/TIMSS and to begin preparing students to meet those standards

Next Month:

- State endorsement event: visit state or hold meeting at White House with officials from 4-8 states committed to participating in national testing
- Secretary Riley and others begin meeting with editorial boards
- Encourage favorable op-eds from bipartisan opinion leaders (e.g., Ravitch, Price)
- Education Department begins to work with outside groups to develop tests
- Education Roundtable on standards

Next Six Months:

- Possible addresses by POTUS to state legislatures in Montana, North Dakota, and Colorado

- Mobilize math/science community to help prepare for meeting 8th grade math standards
- Continue process of seeking commitment from critical mass of states to participate in 1999 test administration
- Launch test development with teachers advisory committee, test developers

MASTER TEACHERS STRATEGY

State of the Union Proposal:

"My budget will enable 100,000 more to seek national certification as master teachers."

This Week:

- Secretary Riley testifies on all education proposals on 2/27

This Month:

Next Month:

- Major speech by POTUS on teacher quality and standards before teaching organization or program that supports such a policy (local AFT or NEA)
- Challenge states and local districts to use National Board for Professional Teaching Standards (NBPTS) standards and certified teachers
- Education Department conducts events, outreach highlighting effective practices to improve teaching

Next Six Months:

- Need to spotlight the National Board for Professional Teaching Standards by using event to announce the teachers who receive NBPTS certification this spring
- Need to spotlight effective local practices through events, op-eds.
- Education Department develops legislative proposal as part of Higher Education Act Reauthorization

AMERICA READS STRATEGY

State of the Union Proposal:

"[W]e have just launched the America Reads initiative – to build a citizen army of one million volunteer tutors to make sure every child can read independently by the end of the 3rd grade."

"We want at least 100,000 college students to help."

This Week:

- POTUS event in Boston with Jump Start group on 2/19
- POTUS/HRC event at DC public school with 7 area college presidents on tutoring reading and college work study on 2/21
- POTUS speech to ACE conference reissuing challenge on college work study and announcing that over 80 college presidents have already accepted challenge
- Secretary Riley testifies on all education proposals on 2/27

This Month:

- Legislative Affairs develops legislative proposal

Next Month:

- Use event to highlight states or cities with statewide tutoring programs (e.g., Michigan, Delaware, Boston)
- Create event in DC with George Farkus's "one-on-one" group from Texas; invite Rep. Goodling and other members of Congress

Next Six Months:

- Department of Education and Corporation for National Service continue to recruit college presidents that are pledging work study slots for reading tutors
- Build broad grassroots coalition for early literacy through outreach to mayors, governors, educational institutions

EARLY LEARNING STRATEGY

State of the Union Proposal:

"[The First Lady] and I are going to convene a White House Conference on Early Learning and the Brain this spring, to explore how parents and educators can best use these startling new findings."

"[T]his balanced budget expands Head Start to one million children by 2002."

This Week:

- Secretary Riley testifies on all education proposals on 2/27

This Month:

- Select private sector (medical and scientific community) chairs for conference
- Begin list of participants for conference

Next Month:

- Outreach to interest groups, mayors, governors, others for participation in conference
- Plan Head Start events at pre-school programs for principals

Next Six Months:

- Convene White House conference

PUBLIC SCHOOL CHOICE AND CHARTER SCHOOLS STRATEGY

State of the Union Proposal:

"We should also make it possible for more parents and teachers to start charter schools."

"Our plan will help America to create 3,000 of these charter schools by the next century -- nearly seven times as there are in the country today. . ."

This Week:

- Secretary Riley testifies on all education proposals on 2/27

This Month:

- Education Department and NEC/DPC begin tracking charter school creation

Next Month:

- Speech to state legislature on charter schools (e.g., Washington, Missouri)
- Release charter schools grants and reports to focus attention
- Push for larger funding for charter school grants through budget process
- Launch initiative with principal visiting a model charter school

Next Six Months:

- Major POTUS speech clarifying position on charter schools (especially regarding accountability), highlighting effective charter school laws and effective charter schools, and challenging additional states to enact charter schools legislation

SAFE AND DISCIPLINED SCHOOLS STRATEGY

State of the Union Proposals:

"We must teach our children to be good citizens. And we must continue to promote order and discipline, supporting communities that introduce schools uniforms, impose curfews, enforce truancy laws, remove disruptive students from the classroom, and have zero tolerance for guns and drugs in schools."

This Week:

- Secretary Riley testifies on all education proposals on 2/27

This Month:

Next Month:

- Pursue juvenile justice bill in bipartisan leadership meetings

Next Six Months:

HIGHER EDUCATION STRATEGY

State of the Union Proposals:

"I propose America's HOPE Scholarship . . . two years of a \$1,500 tax credit for college tuition, enough to pay for the typical community college. I also propose a tax deduction of up to \$10,000 a year for all tuition after high school; and expanded IRA you can withdraw from tax free for education; and the largest increase in Pell Grant scholarships in 20 years."

This Week:

- Secretary Riley speech in Atlanta on 2/18
- Speech to ACE conference on 2/24
- Speech to Historically Black College conference on 2/24
- Possibly receive endorsements from ACE and community college groups
- Secretary Riley meets with community college presidents and trustees on 2/24
- Secretary Riley testifies on all education proposals on 2/27

This Month:

- Regional op-eds by college presidents on higher education initiatives (Education)
- Release Gov. Zell Miller op-ed on how well HOPE works in Georgia

Next Month:

- March 3: Direct Loan 2000 event for VPOTUS or First Lady to attend
- Event to release letter endorsing higher education initiatives signed by hundreds of college and community college presidents (Education)
- Release state-by-state analysis of Pell Grant and education tax proposals (Treasury and Education)
- Release Summers op-ed on long-term economic benefits of higher ed package

Next Six Months:

- VPOTUS and Secretary Riley conduct telephone press conference with student newspapers across country

LIFELONG LEARNING STRATEGY

State of the Union Proposal:

"My G.I. Bill for America's Workers will transform the confusing tangle of federal training programs into a simple skill grant to go directly into eligible workers' hands. For too long, this bill has been sitting on that desk there without action – I ask you to pass it now."

This Week:

- Secretary Riley testifies on all education proposals on 2/27
- Memo drafted by B. White laying out issues to POTUS

This Month:

- Working group considering how to best propose legislation and relation to HOPE Scholarships
- Group needs to think of fast track link

Next Month:

- Launching of initiative through principal and cabinet events (reinvention event for VP)

Next Six Months:

TECHNOLOGY LITERACY STRATEGY

State of the Union Proposal:

"Last year, I challenged America to connect every classroom and library to the Internet by the year 2000, so that, for the first time in our history, children in the most isolated rural towns, the most comfortable suburbs, the poorest inner city schools, will have the same access to the same universe of knowledge."

This Week:

- Secretary Riley testifies on all education proposals on 2/27

This Month:

- Continue outreach to business, labor, educators, state Departments of Education, elected officials, celebrities, and volunteers to broaden and deepen support for NetDay
- Task Education Department to develop rollout strategy for educational technology grants

Next Month:

- Outreach to two CEO groups formed to meet President's challenge: Corporate Commission on Educational Technology and CEO Forum on Education Technology
- March 5-6: CEO Forum will meet in DC and wants to invite POTUS or VPOTUS; the group is developing metrics for evaluating national progress towards the President's goals
- Hold DC NetDay with First Lady or other high-level White House participation

Next Six Months:

- April 6: Web Access Day; POTUS, VPOTUS, or First Lady at event for children with disabilities
- April 19: NetDay
- May: Final action by FCC on \$2.25 billion on discounts for schools and libraries
- Develop initiatives in teacher training and content, possibly linked to America Reads and "first in the world in math and science"
- Develop event around release of report by PCAST (President's Council of Advisers on Science and Technology) on ed tech; will recommend increasing funding for ed tech research and development

THE WHITE HOUSE
WASHINGTON

April 19, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: FUTURE DIRECTION OF YOUR G.I. BILL FOR AMERICA'S
WORKERS

This memorandum presents options for a decision on the content and structure of the second-term G.I. Bill for America's Workers initiative. The memo contains two parts. The first section provides the relevant background. The second section presents options and recommendations.

I. BACKGROUND

THE INITIAL FY 1996 PROPOSAL. In December 1994, you proposed a Middle Class Bill of Rights to empower working Americans to pursue a lifetime of learning through education and training tax deductions, tax credits for families with children, and expanded IRAs. The fourth point of your Middle Class Bill of Rights was the G.I. Bill for America's Workers. In your 1995 State of the Union message, you articulated your vision:

"The New Covenant approach to governing is as different from the old bureaucratic way as the computer is from the manual typewriter The old way dispensed services through large, topdown, inflexible bureaucracies. The New Covenant way should shift these resources and decision-making from bureaucrats to citizens, injecting choice and competition and individual responsibility into national policy. . . . We should pass a G.I. Bill for America's workers. We propose to collapse nearly 70 federal programs, and not give the money to the States, but give the money directly to the American people: offer vouchers to them so that they can get a voucher worth \$2,600 a year for up to two years to go to their local community college or wherever else they want to get the skills they need to improve their lives. Let's empower people in this way. Move it from government directly to the workers of America."

The actual proposal, as outlined in your FY 1996 Budget, was far more complex. It included significant consolidation, but the workforce development system, while rationalized, retained five discrete parts (see consolidation schematic at Tab A). The budget request for FY 1996, including all elements of the GI Bill was \$14.2 billion (see FY 1996 budget chart at Tab

B).

(1) Adult Workforce System: This component envisioned a Skill grant for non-degree adult training administered by the Labor Department and Pell grants for degree programs administered by the Education Department.

(a) **Skill grants.** The FY 1996 budget requested \$3.6 billion for the Labor Department to implement skill grants of up to \$2,620 for "technical education" for dislocated workers and low-income adults. The skill grant for non-degree training included most adult JTPA programs and added non-degree training funded (then and now) by Pell grants into one program, managed by the Department of Labor. The \$3.6 billion budget request included a \$2.1 billion transfer of Pell grant funds for non-degree skill training from the Education Department to the Labor Department. The FY 1996 budget request was sufficient to serve all dislocated workers whom we expected to want training, and some of the economically disadvantaged adults who needed and wanted training. As a result under the initial proposal, State and local grantees were required to ration Skill grant resources for disadvantaged workers.

(b) **Pell grants.** The FY 1996 budget requested \$4.5 billion for the Education Department budget, to operate Pell grants of up to \$2,620 to defray the costs of associate's and bachelor's degree courses. As mentioned above, the proposal assumed that Pell grants would no longer be used for non-degree training and transferred the \$2.1 billion referred to above to the Labor Department.

(2) One Stop: A grant to States for adult services other than training. The FY 1996 budget requested \$2.7 billion for the Department of Labor budget to support a State and local private sector-led workforce development system of job placement and training-related services (counseling, skills assessment, etc.) provided through one-stop career centers. The proposal also envisioned a limited fund administered nationally for activities such as grants for multi-State mass layoffs and natural disasters, and research.

(3),(4) Two State grants for youth. The FY 1996 budget requested \$2.9 billion for the two State grants for youth. One grant was designed to support vocational education for in-school youth through the Education Department; a second grant for at-risk and out-of-school youth was designed to offer second chance training and work experience through the Labor Department. The FY 1996 proposal called for all activities to be structured within the School-to-Work framework.

(5) A State grant for adult and family literacy. The FY 1996 budget requested \$490 million for the Education Department to provide GED, ESL, and basic skills instruction, as determined by the States.

LEGISLATIVE HISTORY. The Administration decided not to transmit legislation to authorize the G.I. Bill reforms, except for separate bills in May 1995 to reauthorize the vocational and adult education programs of the Department of Education. We chose instead to work informally with the 104th Congress on bills Republicans were moving through both chambers. Our judgment was that specific Administration bill language on categorical program consolidations (which would be seen as terminations) would raise issues our supporters could not accept and would provide fodder for Republicans to criticize our proposal before offering their own. Senator Kennedy supported this approach.

The proposal to transfer the \$2.1 billion in Pell resources for non-degree training to the Labor Department was abandoned almost immediately because it was opposed by the higher education community and many in Congress on both sides of the aisle.

In the Fall of 1995, training reform bills -- known as "CAREERS" (Goodling) and "The Workforce Development Act" (Kassebaum) passed both Houses of Congress with overwhelming bipartisan support (345-79; 95-2). In spite of our opposition to the Kassebaum bill, we felt it was important to keep the legislative process moving forward; thus, the Administration expressed conditional support for both bills, and organized Democratic and interest group support, despite concerns with each. We wanted to keep the issue alive in Congress and looked to conferees to address our concerns. Supporting reform in principle, and not alienating key constituency groups wedded to specific categorical programs, also helped us in the appropriations fight, where we could argue that it made no sense to cut funding deeply with a major reform on the horizon.

Of the two bills, Rep. Goodling's CAREERS was closer to fulfilling your G.I. Bill principles and the Administration's support for the Kassebaum version was essentially a tactic for keeping the reform conversation alive. CAREERS required: vouchers for adult training (with an exception for training run by community-based organizations and allocated as they are under current law -- at the discretion of the local agencies), "report cards" and performance standards for training programs, the one-stop and school-to-work frameworks for adult and youth programs (although it would have repealed the School-to-Work Act), and private sector involvement in workforce development programs. By contrast, the Kassebaum bill did not require skill grants and would have made vouchers available only at State option; authorized a single State grant with one quarter reserved for broadly defined State-determined workforce development activities, which could include supporting company training of the employed; weakened accountability by permitting States to define success in their own terms; and greatly diminished the role of local communities in determining training needs.

The conference process on training reform was swamped by the FY 1996 and then FY

1997 appropriations struggle, and the Administration's reform proposals took a back seat to our efforts to preserve funds for categorical training and education programs (dislocated workers, summer jobs and vocational education) under attack. Although we blocked large cuts in the categorical training programs, both the pressures of negotiations with Congress and the need to rally constituency groups who are indifferent or hostile to vouchers and consolidation, led to a blurring of the Administration's principles for changing the way training gets delivered.

In a May 1996 letter to the conference leadership (attached at Tab C), you called for earmarked funding of at least \$1.3 billion for dislocated workers and "properly targeted" resources for a summer jobs program, adult education, in-school youth, at-risk youth, and the labor exchange. Your original G.I. Bill principles had never explicitly singled out these features as essential components of your reform vision.

Pressured by conservative "family groups" to resist compromise, and for other reasons, Republican conferees excluded the Administration and the minority from the negotiations. The partisan conference produced a bill that resembled Kassebaum's flawed block grant approach, unacceptable because it required only a 50-State training voucher "pilot," failed to ensure that adequate resources would be available for adult training, included weak accountability provisions and repealed School to Work. Former Chief of Staff Panetta made an effort to reopen negotiations. The last effort, a June 17th offer from the Administration representing our "bottom line," (attached at Tab D), received no response from the conferees. Emerging in July 1996, without the support of a single minority conferee or the Administration, the conference bill never reached the floor.

CONSOLIDATION AND OTHER ADMINISTRATIVE REFORMS. As we consider strategy for a new effort, it is important to recall that we already have made some progress toward achieving your G.I. Bill objectives. The Labor and Education Departments have aggressively pursued training and employment reforms through administrative changes and other statutory authorities, separable from fundamental legislative reform. Both Departments have made progress toward your goal of consolidating the tangle of federal employment and training programs.

As you recall, prior to your G.I. Bill announcement, the GAO identified 163 separate employment and training programs in 14 agencies spending nearly \$25 billion in what it called an uncoordinated system.

While the GAO called attention to an important problem, their reports overstated it. Sixty-seven of the 163 programs are targeted at specific non-employment and training problems and do not belong in the education and training system. For example, included in their list of employment and training programs were: the Foster Grandparent and Senior Companions programs (volunteer programs for the low-income elderly); State Legalization Impact Assistance Grants; Women's Business Ownership Assistance, and Health Care for Homeless Veterans.

Of the remaining 96 programs, the administration determined that 70 of the should be consolidated into coordinated system which the G.I. Bill proposal envisioned (see schematic at Tab A). (The 26 programs not targeted for consolidation are aimed at special populations -- e.g. Native Americans -- and are most appropriately administered nationally.)

In spite of legislative obstacles to enactment of the G.I. Bill, the Departments of Education and Labor have consolidated 33 of the 70 targeted programs targeted through administrative reform, appropriations, and other means (see list at Tab E). Another five of the 70 programs have been dropped from our consolidation efforts as a result of policy or other considerations. The Education Department is proposing additional consolidation in vocational and adult education programs.

Other administrative reform successes include:

- **One-stop career centers.** Begun in 1994, this Department of Labor initiative consolidates multiple training and employment programs at the "street level" through competitively awarded State implementation grants. The number of States implementing one-stop systems will grow from 16 currently, to 43 by the end of 1997, to 50 by the end of 1998.
- **America's Job Bank and America's Talent Bank.** These two rapidly expanding Department of Labor Internet websites now provide access to 600,000 job openings and resumes of two million job seekers.
- **School-to-Work opportunities.** Since enactment in May 1994, the School-to-Work Act has provided the "seed capital" to spur State school-to-work systems that connect secondary education to work-based learning, postsecondary training, and career opportunities. Currently 37 States are receiving implementation grants; in 1998, all States are expected to be implementing their School-to-Work systems.
- **Waivers and funding transfers.** With the Administration's support, the FY 1997 appropriation for the Department of Labor provided unprecedented flexibility for State and local employment and training programs. (You had already obtained significant new waiver authority for Education Department programs in 1994.) The Budget which continues this flexibility in FY 1998, includes:
 - **Authority for the Labor Secretary to waive a wide range of JTPA and Wagner-Peyser Act (i.e., Employment Service) statutory and regulatory provisions pursuant to a request submitted by a State, in return for improved performance.**
 - **"Work-Flex" partnership demonstration (modeled on the 1994 "Ed-Flex"), in**

which up to six States are authorized by the Labor Secretary to waive JTPA and Wagner-Peyser provisions, pursuant to a plan describing the local waiver process, outcomes to be achieved, and assurances of fiscal accountability.

Funding transfer authority to permit Governors to approve requests by local programs to transfer up to 20% of funds for the dislocated worker and low-income adults between the two JTPA programs. Since FY 1996, unlimited funding transfers have been permitted between the JTPA Summer Jobs and year-round youth training programs.

G.I. BILL IN THE FY 1998 BUDGET AND 105TH CONGRESS. The FY 1998 Budget reiterates support for the G.I. Bill principles, characterizes training reform as "essential," and anticipates working with the 105th Congress to produce a bill. The FY 1998 Budget proposes an increase of \$274 million over the FY 1996 request for the relevant Labor and Education Department budgets (see Tab F for budget details). (This budget request reflects the appropriations successes we had in FY 1997 and before: doubling funding for dislocated workers since FY 1993, winning \$400 million for the embattled School To Work program and increasing Pell grants by 14% since the low of FY 1995.)

In the 105th Congress, training reform legislation is a priority for the Republican chairmen of the House (Goodling) and Senate (Jeffords) Committees. Both chambers have begun hearings and the House Committee is drafting a bipartisan bill for markup next week. In the Senate, although Chairman Jeffords has not begun drafting legislation, he is planning to report a bill out of Committee by the end of June.

The House bill, introduced by Congressman McKeon (Chair of the subcommittee on Chairman of the Subcommittee on Postsecondary Education, Training and Lifelong Learning) and Congressman Kildee, is similar to last year's bill, but assures that funding for dislocated workers will be maintained and does not repeal School to Work. As it did last year, it requires vouchers for adult training (with an exception for training provided by community-based organizations), "report cards" and performance standards for training programs, the one-stop and school-to-work frameworks for adult and youth programs, and private sector involvement in workforce development programs. And, as was the case last year, it maintains local agencies' discretion in allocating skill grants.

In the Senate, legislation will soon be developed under the leadership of Senator DeWine, who heads the Subcommittee on Employment and Training. While Chairman Jeffords is expected to be less hostile to skill grants than was his predecessor, there is still skepticism among Democrats on the panel.

The House bill is expected to include a title reauthorizing adult education programs, while vocational education will be considered separately. In the Senate, it is unclear whether

vocational and adult education will be addressed separately, or as part of larger workforce development legislation. In an effort to maximize the prospect for reforms and continue to consolidate the myriad programs, and as a hedge against the possibility that training reform legislation stalls again, the Education Department is sending separate reauthorizing legislation to Congress again this year.

Notwithstanding the progress we have made on consolidation, most of your vision of the GI Bill is still alive and achievable given the legislative context described above.

II. OPTIONS

This section of the memo lays out some second-term options for your "GI Bill for America's Workers" initiative.

All of the options and the McKeon bill embrace the following core elements of your GI Bill vision:

- giving trainees the choice of providers (e.g. a skill grant that can be used at a community college, a four year college, a trade school, a union-operated program or a community-based organization, like the Urban League),
- improving accountability by focusing on results and barring bad providers,
- reforming the State and local system by implementing One Stop Career Centers based on your original vision, and
- giving consumers better information about training providers and the labor market.

The key choice for you is how to ration the skill grants, because although we have doubled funding for dislocated workers since FY 1993, the current budget is not sufficient to serve everyone. Option One obviates the need for rationing by relaxing the budget constraint. Option 2 seeks to maintain a purer vision of a \$2600-\$3000 skill grant entitlement, but does so by limiting eligibility to people who have, for example, been dislocated after being at the same job for three years, while allowing local discretion in rationing skill grants opportunities for low-income disadvantaged workers. Option 3 does not restrict eligibility for either disadvantaged or dislocated workers, but instead leaves the rationing for both categories of workers to state and local level.

In considering these options, we must balance the benefits of local flexibility with the benefits of having a more pure skill grant vision, in which workers are automatically eligible for skill grants and can make choices that are not subject to the discretion of government workers. Relative to Option 1, Option 2 keeps a purer vision of skill grants by tightening eligibility. The advantage here, is that for these dislocated workers -- who were the main targets of your skill grant proposal -- they are directly empowered by an entitlement, like a Pell grant -- without having to wait in line at any bureaucracy.

Option 3, on the other hand, allows the local One Stop and JTPA system to exercise some discretion to pick and choose who gets skill grants. Option 3 also does not force arbitrary eligibility restrictions, and would better allow the State and local system of workforce boards and One Stops to target skill grants to those who need them and to respond to large dislocations without having to deny training to certain workers who don't meet the eligibility requirement.

Under all three options there is also the question of whether low-income workers who have not been in the workforce are well-informed enough to make good choices with skill grants. Some argue that we give such personal empowerment to 18 year olds with no experience when we give them Pell grants, so why should it be different here. Others focus on the likelihood that low-income recipients with no work experience would be taken advantage of by cosmetology school or fly-by-night training programs. One approach is to allow local discretion about which low-income workers receive their training through skill grants. A second approach is to accept the risk that in some cases, people will make poor choices -- as we do with Pell Grants. This is the approach taken in Option 1. A third approach -- which could be combined with any of the options -- is to use skill grants for everyone, but have strict requirements that those who get them without prior work experience or significant education go through a counseling course or session to learn which programs have the best track records and where jobs are needed.

SKILL GRANT OPTIONS

Option 1: Dramatically Increased Funding for Universal-Eligibility

All dislocated workers and economically disadvantaged adults (as defined by current JTPA rules) would be eligible for skill grants. As is now the case for Pell grants, discretionary BA would be requested according to best estimates of how many eligibles would actually use the grants, but outlays would be driven by actual use.

This option would be a "pure" model of skill grants in which individuals are truly empowered and automatically eligible for skill grants. To do this would require a dramatic increase in funding, well beyond the current budget request and well beyond that anticipated in the current legislative discussion. Our very rough estimate is that the cost could go from \$1.3 billion to \$4.2 billion. Though this approach would have the benefit of truly embodying the principles of your vision, none of your advisers think this is practical or realistic at this time. We wanted you to be aware of it, in case you feel differently, and as a contingency in case the budgetary context changes.

Option 2: Allocate Limited Skill Grants for Dislocated Workers by Narrowing Eligibility

This option structures eligibility to stay within the \$1.37 billion budget for training under

current rules while giving dislocated workers (who presumably have more labor market savvy) more wide-open choice than disadvantaged adults in how skill grants are used. Under this option eligibility for dislocated workers would be determined at state and local One-Stop centers, offering additional training-related assistance.

There are several ways to tighten eligibility for dislocated workers. One option is to offer skill grants only to workers laid off after 3 years in a job, on the grounds that short-tenure workers have fewer job-specific skills to replace and aren't strictly speaking "dislocated." Another option is to exclude the long-term unemployed, who are often eligible for Pell grants. These two screens would shrink the pool of eligible dislocated workers to 643,000. (Your original G.I. Bill proposed an additional \$1 billion to serve several hundred thousand additional workers.)

For disadvantaged adults, eligibility would be limited by giving state and local agencies discretion to decide which disadvantaged adults can best make use of the available skill grants. (Once in possession of a skill grant, trainees could then use it as they choose.) This approach could be combined with a requirement that disadvantaged workers receive counseling and skills assessment. The combination of local agency discretion and counseling has the advantage of controlling the cost while addressing concerns that a weak attachment to the job market may make people especially prone to bad training choices.

Relative to Option 1, this option represents a strategic compromise. In the face of budgetary limits, and some plausible worries about the uniform workability of a pure voucher approach, it falls back to make the stand for the skill grant principle on the terrain where that principle is strongest -- dislocated workers with labor-market experience. And it preserves the local workforce-development system in its most plausible role -- guiding disadvantaged who may have special problems making good choices on their own.

Relative to Option 3, this option preserves more individual empowerment and a more "pure" vision of skill grants for dislocated workers, while reducing the risk of bad choices among those with the least experience in the labor market, the disadvantaged.

Pros of Option 2:

- For the limited group of eligible dislocated workers, this is a pure empowerment vision, as you originally conceived it.
- For the limited group of eligible dislocated workers, this option replaces reliance on the discretion of local system in allocating scarce training dollars. Some of your advisors, notably Paul Dimond, feel strongly that even a reformed local system should not be given discretion.
- Should the program be successful and popular, we can expect pressure to expand it.
- Lives within current budget estimates.
- Avoids the "new entitlement" charge while delivering training via skill grants.

- Addresses concerns (based on Pell and student loan histories) that the disadvantaged often have trouble making good training choices without guidance.

Cons of Option 2:

- Eligibility screens as the rationing mechanism for training resources reduce State and local elected officials ability to respond to variations in the local labor market. This is likely to be a major concern for governors.
- Replacing discretion with narrowly drawn eligibility screens may reduce the system's responsiveness to individual needs.
- While closer to your initial vision of pure empowerment for dislocated workers than Option 3, this would be a significant change from our willingness to live with skill grants as presented in last year's (and, by extension, this year's) House bill.
- State and local stakeholders (Governors, Mayors, and labor unions) will oppose what they will characterize as federalization of dislocated workers training system and advocates for the disadvantaged will object to be treated differently.

Option 3: Allocating Skill Grants Through Local Discretion

This option does away with new national eligibility rules as the rationing mechanism for disadvantaged and dislocated workers alike, and instead relies on local agencies to allocate skill grants, just as they now allocate JTPA training funds. As with Option 2, skill grants are limited by the amount of funding available. *But the discretion state and local agencies exercise over which disadvantaged workers get skill grants under Option 2 becomes universal here;* One-Stop officials award skill grants based on aptitude, local labor market conditions, and judgments about who can best benefit. Skill grants, once awarded, would still be under individuals' control.

For *disadvantaged* workers, this option is the same as Option 2. The two options differ in the treatment of *dislocated* workers: under this option, local discretion is the rationing mechanism for skill grants for dislocated workers; whereas under Option 2 new federal eligibility screens substitute for that discretion.

This option meets the empowerment model of skill grants by giving people skill grants that they would be able to use at the provider of their choice for the career path of their choice. It also does not automatically exclude people by setting a rigid eligibility rule. On the other hand, having local One Stop centers and JTPA offices decide who gets skill grants in the first place does not encompass the sense of entitlement or clear empowerment seen for eligible dislocated workers in Option 2. Much of this certainly will rest on the strength of the system -- both the workforce board and the One Stops. Some of your advisors feel that putting so much discretion in the hands of the current system -- even if improved -- does entail enough structural reform. Others feel that the boards are improving gradually through our reforms and that allowing local discretion does not significantly reduce your vision but provides for slower,

safer structural reform.

Pros of Option 3:

- Is close to current House bipartisan bill and what many Democratic constituencies can live with, and makes it less likely our efforts for major reform will disrupt Congressional efforts for significant reform consistent with your decisions.
- With skill grants, one-stops, and report cards, this option goes far to your vision even if somewhat compromised by local discretion.
- Avoids arbitrary new eligibility rules that will cut off State and local elected officials' ability to target funds to meet individual needs and respond to variations in the labor market.
- Avoids differential treatment of lower-income disadvantaged workers

Cons of Option 3:

- Does not contain a component that fits more pure empowerment/entitlement options for some dislocated workers.
- Some will feel that reliance on current programs for discretion is counterproductive to need for strong structural reform.

RECOMMENDATIONS

OMB recommends Option 3. They feel it is consistent with the principles the Administration enunciated during the debate last year. Specifically, they feel Option 3 explicitly recognizes the reality of resource constraints, adopts the widely desired guidance and help for disadvantaged adults and dislocated workers who want it, maintains the goal of a thoroughly reformed private-sector-based local service system, and preserves the key skill grant vision of individual control over training providers.

The Labor Department also supports Option 3. Labor Department staff feel that Option 3 allows you to claim victory on the key elements of your GI Bill vision. They are especially concerned that Option 2 would derail the progress made in the House and alienate key constituencies, especially the labor movement.

I feel that while Option 2 would be a better choice, because it would genuinely empower workers while creating a One Stop system based on your reform vision, Option 3 is the practical choice. By choosing Option 3 you would be recognizing the progress that Moderate Republicans and Democrats have made, and bolstering the chance that reform legislation -- which encompasses

your vision of skill grants, one stops, report cards and better accountability -- would pass this year .

Plan of Action: Once you have signed off on a policy, I recommend that we draft for you a set of principles consistent with our policy that we send to the Hill in time for Thursday's mark-up of the McKeon bill. The statement would lay out your vision from 1994 and make clear that you were pleased with the progress made in 1995 and 1996, disappointed by our inability to enact legislation last year, and that you feel it is critical for Congress to pass a training bill that meets your principles. This approach stresses your leadership, and sets up principles that allows us to push Congress in the right direction and claim a Clinton victory if legislation is passed that meets your principles.

Option 1 _____

Option 2 _____

Option 3 _____

Require counseling _____

Let's Discuss _____

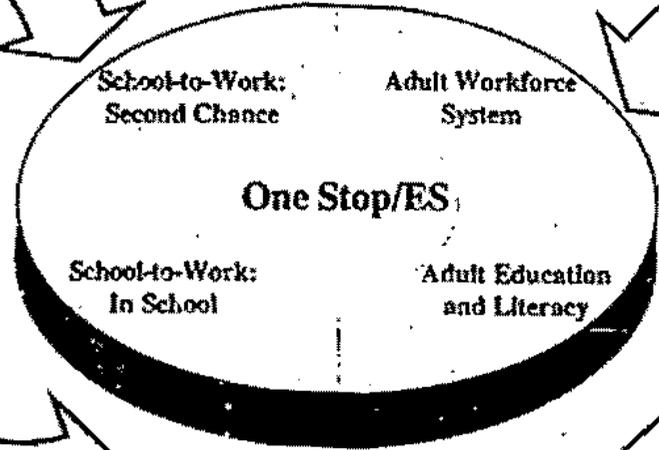
G.I. Bill for America's Work

- School-to-Work Opportunities (DOL/ED)
- ITPA Title III Disadvantaged Youth
- ITPA Title III Youth Service Programs
- ITPA Title III Youth Income Grants
- ITPA Title III - Summer Youth Employment and Training
- ITPA Title III - Summer Job-Training Activities
- YouthBuild
- Youth Fair Chance
- Youth Incentives

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Programs

- ITPA Title IIIA - Adult Training Incentives
- ITPA Title IIIA - Training Programs for Disadvantaged Adults
- ITPA Title IIIA/IIWAA (Governors' JOE Discretionary)
- ITPA Title IIIA/IIWAA (Governors' JOE Discretionary)
- ITPA Employment and Training Policy and Demonstration
- ITPA Clean Air Employment Transition Assistance
- "Employment Services - Governors' Discretionary Funds"
- "Employment Services - Wagner-Peyser State Grants"
- ITPA Defense Conversion Adjustment
- ITPA Defense Demobilization Program
- ITPA Title IIIA - State Education Grants
- ITPA Title IIIA - State Income Grants
- ITPA Title IIIA/IIWAA (SBA Allowance)
- Ford Study Employment and Training
- State Postsecondary Review Program (PELL)
- Labor Market Information
- One Stop Career Centers
- Women in Apprenticeship
- Federal Pell Grant Program
- Federal Loan Program (Direct)
- Federal Loan Program (Family Ed)
- Labor Circulation for Alien Workers
- Increase Job Bank
- ITPA Employment and Training R&D
- American Samoans
- Rural CEFS
- NOICC (DOL/State)

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Programs



- School-to-Work Opportunities (DOL/ED)
- Voc Ed - Programs for Criminal Offenders
- Voc Ed - Cooperative Deconstruction (all Part programs)
- Voc Ed - Opportunities for Indian & Hawaiian Natives
- Voc Ed - Community Based Organizations
- Voc Ed - Demo Centers for Disadvantaged Workers
- Voc Ed - Consumer and Homebuilding
- Voc Ed - State Councils
- Voc Ed - NOICC
- Voc Ed - Smith-Hughes Act
- Workplace transition training for incarcerated youth
- Native Hawaiian Ed. - Community-based Learning Ctr.
- Voc Ed - Basic State Programs
- Voc Ed - Techprep Education
- Voc Ed - Demo for Integration of Voc. and Academic Ling
- Voc Ed - Ed Programs for Fed Correctional Institutions
- Voc Ed - Ed Comprehensive Career Guidance and Counseling
- Voc Ed - Blue Ribbon Voc Ed Programs
- Voc Ed - Model Programs for Regional Training, Skill Trades
- Voc Ed - Business/Educational Labor Partnerships
- Voc Ed - Textile Conversion Post-Sec Voc. Incentives
- Voc Ed - State Programs and Activities
- Voc Ed - Single Parents, Homebuilders, Pregnant
- Voc Ed - Sex Equity

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Programs

- Adult Ed State Administered Basic Grant
- National Adult Education Discretionary Program
- State Literacy Resource Centers
- Nat'l Workplace Literacy Program
- Workplace Literacy Partnership
- Adult Education for the Homeless
- Literacy Training for Homeless Adults
- Literacy for Incarcerated Adults
- Literacy Programs for Prisoners
- Even Start - Migrant Education Agency
- Even Start - Migrant Education
- Library Literacy
- (Transfer from ITPA Title IIIA)

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Programs

Table 1-4. THE G.I. BILL FOR AMERICA'S WORKERS COMBINES 70 PROGRAMS INTO ONE WORKFORCE DEVELOPMENT SYSTEM, AND INCREASES FUNDING \$1 BILLION OVER 1995

(Discretionary budget authority, in millions of dollars)

Sets of Categorical Programs	1995- Enacted	System Components	1996 Proposed
JTPA adult programs	997	Skill and Pell grants to individuals:	
Dislocated worker programs	1,296	Dislocated workers	682
Pell grants	6,247	Low-income persons	3,059
Employment service	912	Pell grants for AA degrees and above	4,480
State postsecondary renew program	20		
Research, evaluation and demonstrations	48	Subtotal, individual grants	8,121
One-Stop Career Centers	120		
JTPA and other youth programs	1,630	State-defined services system:	
School-to-Work (ED and DOL)	250	Adults (including One-Stop)	2,685
Vocational education programs	1,178	Adult and family literacy	490
Adult education and family literacy programs	488	Youth (including School-to-Work)	2,906
Total:		Total:	
Categorical programs	13,166	Better Jobs and Skills System	14,202
Loans for education and training (in millions of dollars)	25,757	Loans for education and training (in millions of dollars)	28,356

The new jobs and skills initiative will allow each State to devise an integrated strategy that unifies all elements of the training and education system. The building blocks are described separately below (though the Federal Government would no longer require States to maintain separate programs).

Helping Adults: The President's proposal would create "Skill grants" for unemployed and low-income workers and job seekers. States would create systems to give individuals the information they need to make informed choices with these grants and ensure that workers are not defrauded by incompetent or unscrupulous providers. The proposal would make 1.6 million more grants and loans available in 1996 than in 1995. (See Chart 1-3.) It also would support State efforts to design new, more flexible, integrated systems that will provide information about jobs and training, counseling, placement assistance, and other services.

- Individuals would get Skill grants or Pell grants of up to \$2,620 a year for training;
- The budget proposes \$3.6 billion in 1996 for Skill grants for technical education and \$4.5 billion for associates and bachelor's degree courses through Pell grants. The

student loan programs will provide another \$28 billion in loan capital to help finance training and higher education;

- Low-income persons would get Skill grants based on family income and cost of education, in the same way they do now under Pell grants; and
- Dislocated workers who need training would qualify for Skill grants without an income test. Adults who lose their jobs and need skill training to get a new one would receive income support.

The proposal would build upon progress underway through "One-Stop Career Centers" to encourage States and localities to design and implement new systems of placement and training-related services within five years.

- It would provide \$2.7 billion, most of it to States to design and operate the new system; and some for Federal activities such as oversight, research, evaluation, and response to multi-State layoffs and natural disasters; and
- It would provide \$490 million for adult and family literacy, which the States could use as they want for basic skills instruc-

April 2, 1997

MEMORANDUM FOR GENE SPERLING

FROM: BOB SHIREMAN

RE: Student Loan Reforms in the Budget

The current structure of the guarantee system encourages inefficiency, provides perverse incentives, delivers poor-quality service to the government (and often to students), and costs taxpayers more than necessary. The President's Budget addresses these problems through a number of reforms saving a total of \$4.4 billion over five years (CBO). We then spend \$1.3 billion to reduce the fees on the loans. The net savings are \$3.1 billion.

The Republicans continue to require CBO to include long-term administrative costs in the scoring of direct loans. This increases the baseline (and therefore the deficit) by \$2.9 billion.

Chairman Goodling and others (including some Democrats) argue that the student loan reforms belong in the reauthorization of the Higher Education Act, not in the reconciliation bill. I do not know where Domenici and Kasich stand on this issue, but someone may propose that if the Administration drops its insistence that student loans be included in reconciliation, then the Republicans will reverse their directed scorekeeping. The result would be nearly a wash.¹

Sen. Domenici is apparently looking at "savers" without including any "costers." In that light, the student loan reforms could potentially save \$5 billion. Therefore, even with the directed scorekeeping, a net of about \$2 billion could be saved if the student savings and other costers are not included.

Our two largest savers are:

1. Reserve funds. The current structure is based on the fiction that the middleman agencies actually "guarantee" the loans. They do not. They simply administer the Federal guarantee. The Budget would recognize this fact, allowing for the return of \$2.5 billion in Federal funds currently held by the agencies.
2. In-school interest rate. Currently, the interest rate on student loans is T-bill plus 3.1 percentage

¹A possible advantage with this approach is that if the budget deal is already done by the time reauthorization is considered, we could insist that a larger portion of the savings go to students. On the other hand, though, our negotiating hand is seriously weakened if this is not addressed in reconciliation.

points during repayment, but it is 0.6 points lower during the in-school period (when the government pays the interest -- on most loans -- and the lender has no servicing costs). In FY 98 (under current law) the interest rate becomes the 10-year bond rate plus one percentage point, with no differential during the in-school period. The Budget would lower the rate during the in-school period by one percentage point (so it would equal the 10-year bond rate), saving \$1.2 billion.

10

6.11 + 3.1
6.0 + 1

April 20, 1997

MEMORANDUM FOR GENE SPERLING

FROM: Bob Shireman

SUBJECT: Student Loan Proposals

The first two columns of the attached table show the CBO estimates of the student loan savings proposals that have been discussed in the negotiations. The table also shows the costs and benefits to the student borrowers of the different proposals. The third column is a possible alternative that would not hurt (or help) student borrowers. **All of the options assume that schools would continue to have the option to choose to participate in either the direct or guaranteed loan program (FFEL).** The options are described briefly below:

Administration

General Approach: The guarantee program would be cheaper and easier to manage if it used *a simple Federal guarantee* and had appropriate financial incentives for preventing defaults. This proposal fundamentally restructures the guarantee system, and uses some of the savings to reduce costs for students.

Guaranty Agencies: By ending the complicated "reinsurance" model, the Federal government can re-claim virtually all of the reserve funds held by 30-odd guaranty agencies. Performance-based agreements would govern the Education Department's relationship with the guaranty agencies. Fees would be more closely related to actual costs, and there would be incentives for reducing costs.

Lenders: Banks and secondary markets would share 5% of the default risk, rather than the current 2%. In addition, the interest rate subsidy during the in-school period would be reduced by one percentage point (to the government's discount rate -- a 10/20 year bond average). The offset fee that Sallie Mae pays on all of its loan holdings would be extended to loans that it securitizes. Lenders would be required to offer flexible repayment options (except income-contingent repayment).

Administrative Costs: Would reduce the amounts set aside under current law for the Federal costs of operating the direct and guaranteed loan programs.

Students: Would reduce student fees from 4% to 2% in the subsidized Stafford loan program (both direct and guaranteed), and reduce fees on other loans to 3%. In addition, as a result of the reduction in the in-school interest rate (see lenders, above), borrowers with unsubsidized loans would pay less interest.

Republican

(This is the package that Bill Hoagland presented last week. He did not provide detail, he only recited the numbers to show that the savings figure was reachable).

General Approach: Consider fundamental reform during reauthorization, *not* in reconciliation. Take a billion in excess guaranty agency reserves, a billion by extending the current interest rate scheme, and most of the rest through administrative savings.

Guaranty Agencies: ^{we expect} Would oppose the take-back of reserves. But otherwise, the cut is minimal.

Lenders: Major gain. Current law calls for the interest rate on student loans to change from an average of the 91-day T-bill plus 3.1 percentage points, to the government's discount rate, which in this program is a meld of the 10- and 20-year bonds plus 1.0 percentage points. Banks complain that not only is the new rate lower, but it is no longer matched to the volatile short-term securities that lenders use to finance student loans. This Republican proposal would cancel this interest rate change.

Administrative Costs: Would reduce the amounts set aside under current law for the Federal costs of operating the direct and guaranteed loan programs.

Students: Would pay higher interest rates than current law calls for.

Alternative

(This is my attempt to find a middle ground).

General Approach: Fundamental reform can wait for reauthorization -- but so can this question of the change in interest rates (it doesn't take effect until July 1998 anyway). Instead of doing either, take a little more from reserves, reduce some guaranty agency payments, and accept the Republican cut in administrative costs.

Guaranty Agencies: Might claim that the changes would be destabilizing for some

agencies. (To the extent that it is, they would by definition be the agencies that are not efficient).

Lenders: No reduction in subsidies, but no "fix" to the interest rate change.

Administrative Costs: Would reduce the amounts set aside under current law for the Federal costs of operating the direct and guaranteed loan programs.

Students: *Status quo.*

Student Loan Proposals for FY 1998 to 2002
(outlays in millions of dollars)

	Administration	Discussion	Alternative
Lender Subsidies	(1,065)		
Guaranty Agencies:			
Reserves	(2,502)	(1,000)	(1,300)
Default prevention incentives	(398)	(73)	(613)
Student Fees (on-budget)	1,296		
Federal Admin	(466)	(629)	(629)
Direct Loans			
\$10/loan fee to schools		(160)	(160)
Cancel interest rate change*		(1,100)	
TOTAL:	(3,135)	(2,962)	(2,702)
Borrower Benefits (Costs):			
Fees	2,600		
Interest (NPV)	1,000	(3,000)	
TOTAL:	3,600	(3,000)	0

The "savings" from canceling the current-law reduction in interest rates brings greater income to the direct loan program (from student payments) but costs the Federal government more in the guarantee program (for in-school subsidies to lenders). The \$1.1 billion shown under direct is a net figure.

NOTE: Estimates are based on CBO figures, except the borrower impacts, which are Administration estimates.

4-23-97

THE WHITE HOUSE

WASHINGTON

April 21, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: PHIL CAPLAN *PCA*

SUBJECT: Options for second-term G.I. Bill for America's Workers

Gene has sent you a lengthy memo asking for a decision on how to proceed on the G.I. Bill for America's Workers. *There is a subcommittee mark-up on Thursday and Gene seeks a decision as soon as possible so that there is time to adequately brief the Hill.* There is consensus among DOL, OMB and NEC on the preferred option -- Option 3.

Background. The Administration did not submit overall GI Bill legislation during the last Congress and instead chose to work with Congress on Republican bills. While those bills ultimately died, the Administration has made some progress toward achieving GI Bill objectives. DOL and ED have consolidated 33 of the 70 targeted programs (5 of the programs have been dropped from consolidation efforts) and we have been successful with such efforts as One-Stop career centers and School-to-Work. In this Congress, training reform legislation is a priority for both Goodling and Jeffords. The Mckeon-Kildee bill to be marked up Thursday is similar to last year's bill but assures funding for dislocated workers and does not repeal School-to-Work. The Mckeon bill and the options for your consideration embrace the core elements of your GI Bill initiative: choice of providers for trainees; improving accountability and barring bad providers; reforming the State and local systems through One-Stop career centers; and giving consumers better information.

Policy choice. The key issue for your decision is how to ration the availability of skill grants given budgetary constraints, and specifically, how to determine which dislocated workers should be eligible for the grants. Three options are presented for your consideration.

Option 1 eliminates the need for rationing by dramatically increasing funding. This approach has no support among your advisers given current budget negotiations, though it would be the closest to most purely implementing your original vision.

Option 2 and *Option 3* are similar in that they both (a) stay within budget; (b) give unlimited choice to both dislocated and disadvantaged workers in how to use their skill grants; and (c) treat disadvantaged workers similarly in that state and local agencies, using local guidelines, would determine which workers are eligible for the grants. *The difference between the two options is how eligibility for dislocated workers is determined.* Under *Option 2*, eligibility for dislocated workers would be determined at One-Stop career centers, using federal guidelines. Given that there is not enough money to train all eligible dislocated workers, the availability of skill grants to dislocated workers would be restricted by new guidelines such as offering grants only to those

workers laid off after 3 years in the same job, or excluding the long-term unemployed, who are often eligible for Pell grants. A detailed pros and cons discussion of Option 2 is on pages 9-10 of Gene's memo, but in short, the strongest argument for this option is that it gives dislocated workers, if they qualify under federal guidelines, the most discretion in choosing how to use their grant. However, this option reduces state and local officials' ability to respond to local labor market variations.

Option 3 is the recommended option. Under this option, eligibility for skill grants for dislocated workers would be determined at One-Stop centers by state and local agencies using state and local guidelines, just as most JTPA funds are now allocated. Given constraints on the availability of funds, it would be local agencies making the determinations rather than federal guidelines. Under this option, One-Stop centers would award skill grants to both dislocated and disadvantaged workers based on the worker's aptitude, local labor market conditions and judgements about who would best benefit. Both categories of workers would still have wide-open choice on how to use their skill grants

Pros: close to House bipartisan bill and many Democratic constituencies can live with it; even with greater local discretion, goes far to your vision because of skill grants, One-Stops and report cards; avoids arbitrary eligibility rules that could cut off State and local officials' ability to target funds and respond to variations in labor market conditions; avoids differential treatment of disadvantaged workers. *Cons:* some will feel that reliance on current local programs for determining eligibility is counterproductive to need for strong structural reform; does not contain a component that fits more pure empowerment/entitlement options for dislocated workers.

There is consensus among DOL, OMB, NEC and [WH staff] on Option 3. OMB notes that this option recognizes resource constraints while reforming the system and preserving the skill grant vision of individual control over training. Gene believes that, while Option 2 would be a better choice because it would more purely empower dislocated workers, Option 3 is the practical choice. *Sylvia supports Option 3 as do Kitty and Alexis.*

Option 1 Option 2 Option 3 Discuss

THE WHITE HOUSE
WASHINGTON

April 19, 1997

'97 APR 19 PM5:08

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: FUTURE DIRECTION OF YOUR G.I. BILL FOR AMERICA'S
WORKERS

This memorandum presents options for a decision on the content and structure of the second-term G.I. Bill for America's Workers initiative. The memo contains two parts. The first section provides the relevant background. The second section presents options and recommendations.

I. BACKGROUND

THE INITIAL FY 1996 PROPOSAL. In December 1994, you proposed a Middle Class Bill of Rights to empower working Americans to pursue a lifetime of learning through education and training tax deductions, tax credits for families with children, and expanded IRAs. The fourth point of your Middle Class Bill of Rights was the G.I. Bill for America's Workers. In your 1995 State of the Union message, you articulated your vision:

"The New Covenant approach to governing is as different from the old bureaucratic way as the computer is from the manual typewriter The old way dispensed services through large, topdown, inflexible bureaucracies. The New Covenant way should shift these resources and decision-making from bureaucrats to citizens, injecting choice and competition and individual responsibility into national policy . . . We should pass a G.I. Bill for America's workers. We propose to collapse nearly 70 federal programs, and not give the money to the States, but give the money directly to the American people; offer vouchers to them so that they can get a voucher worth \$2,600 a year for up to two years to go to their local community college or wherever else they want to get the skills they need to improve their lives. Let's empower people in this way. Move it from government directly to the workers of America."

The actual proposal, as outlined in your FY 1996 Budget, was far more complex. It included significant consolidation, but the workforce development system, while rationalized, retained five discrete parts (see consolidation schematic at Tab A). The budget request for FY 1996, including all elements of the GI Bill was \$14.3 billion (see FY 1996 budget chart at Tab

B).

(1) Adult Workforce System: This component envisioned a Skill grant for non-degree adult training administered by the Labor Department and Pell grants for degree programs administered by the Education Department.

(a) **Skill grants.** The FY 1996 budget requested \$3.6 billion for the Labor Department to implement skill grants of up to \$2,620 for "technical education" for dislocated workers and low-income adults. The skill grant for non-degree training included most adult JTPA programs and added non-degree training funded (then and now) by Pell grants into one program, managed by the Department of Labor. The \$3.6 billion budget request included a \$2.1 billion transfer of Pell grant funds for non-degree skill training from the Education Department to the Labor Department. The FY 1996 budget request was sufficient to serve all dislocated workers whom we expected to want training, and some of the economically disadvantaged adults who needed and wanted training. As a result under the initial proposal, State and local grantees were required to ration Skill grant resources for disadvantaged workers.

(b) **Pell grants.** The FY 1996 budget requested \$4.5 billion for the Education Department budget, to operate Pell grants of up to \$2,620 to defray the costs of associate's and bachelor's degree courses. As mentioned above, the proposal assumed that Pell grants would no longer be used for non-degree training and transferred the \$2.1 billion referred to above to the Labor Department.

(2) One Stop: A grant to States for adult services other than training. The FY 1996 budget requested \$2.7 billion for the Department of Labor budget to support a State and local private sector-led workforce development system of job placement and training-related services (counseling, skills assessment, etc.) provided through one-stop career centers. The proposal also envisioned a limited fund administered nationally for activities such as grants for multi-State mass layoffs and natural disasters, and research.

(3),(4) Two State grants for youth. The FY 1996 budget requested \$2.9 billion for the two State grants for youth. One grant was designed to support vocational education for in-school youth through the Education Department; a second grant for at-risk and out-of-school youth was designed to offer second chance training and work experience through the Labor Department. The FY 1996 proposal called for all activities to be structured within the School-to-Work framework.

(5) A State grant for adult and family literacy. The FY 1996 budget requested \$490 million for the Education Department to provide GED, ESL, and basic skills instruction, as determined by the States.

LEGISLATIVE HISTORY. The Administration decided not to transmit legislation to authorize the G.I. Bill reforms, except for separate bills in May 1995 to reauthorize the vocational and adult education programs of the Department of Education. We chose instead to work informally with the 104th Congress on bills Republicans were moving through both chambers. Our judgment was that specific Administration bill language on categorical program consolidations (which would be seen as terminations) would raise issues our supporters could not accept and would provide fodder for Republicans to criticize our proposal before offering their own. Senator Kennedy supported this approach.

The proposal to transfer the \$2.1 billion in Pell resources for non-degree training to the Labor Department was abandoned almost immediately because it was opposed by the higher education community and many in Congress on both sides of the aisle.

In the Fall of 1995, training reform bills -- known as "CAREERS" (Goodling) and "The Workforce Development Act" (Kassebaum) passed both Houses of Congress with overwhelming bipartisan support (345-79; 95-2). In spite of our opposition to the Kassebaum bill, we felt it was important to keep the legislative process moving forward; thus, the Administration expressed conditional support for both bills, and organized Democratic and interest group support, despite concerns with each. We wanted to keep the issue alive in Congress and looked to conferees to address our concerns. Supporting reform in principle, and not alienating key constituency groups wedded to specific categorical programs, also helped us in the appropriations fight, where we could argue that it made no sense to cut funding deeply with a major reform on the horizon.

Of the two bills, Rep. Goodling's CAREERS was closer to fulfilling your G.I. Bill principles and the Administration's support for the Kassebaum version was essentially a tactic for keeping the reform conversation alive. CAREERS required: vouchers for adult training (with an exception for training run by community-based organizations and allocated as they are under current law -- at the discretion of the local agencies), "report cards" and performance standards for training programs, the one-stop and school-to-work frameworks for adult and youth programs (although it would have repealed the School-to-Work Act), and private sector involvement in workforce development programs. By contrast, the Kassebaum bill did not require skill grants and would have made vouchers available only at State option; authorized a single State grant with one quarter reserved for broadly defined State-determined workforce development activities, which could include supporting company training of the employed; weakened accountability by permitting States to define success in their own terms; and greatly diminished the role of local communities in determining training needs.

The conference process on training reform was swamped by the FY 1996 and then FY

1997 appropriations struggle, and the Administration's reform proposals took a back seat to our efforts to preserve funds for categorical training and education programs (dislocated workers, summer jobs and vocational education) under attack. Although we blocked large cuts in the categorical training programs, both the pressures of negotiations with Congress and the need to rally constituency groups who are indifferent or hostile to vouchers and consolidation, led to a blurring of the Administration's principles for changing the way training gets delivered.

In a May 1996 letter to the conference leadership (attached at Tab C), you called for earmarked funding of at least \$1.3 billion for dislocated workers and "properly targeted" resources for a summer jobs program, adult education, in-school youth, at-risk youth, and the labor exchange. Your original G.I. Bill principles had never explicitly singled out these features as essential components of your reform vision.

Pressured by conservative "family groups" to resist compromise, and for other reasons, Republican conferees excluded the Administration and the minority from the negotiations. The partisan conference produced a bill that resembled Kassebaum's flawed block grant approach, unacceptable because it required only a 50-State training voucher "pilot," failed to ensure that adequate resources would be available for adult training, included weak accountability provisions and repealed School to Work. Former Chief of Staff Panetta made an effort to reopen negotiations. The last effort, a June 17th offer from the Administration representing our "bottom line," (attached at Tab D), received no response from the conferees. Emerging in July 1996, without the support of a single minority conferee or the Administration, the conference bill never reached the floor.

CONSOLIDATION AND OTHER ADMINISTRATIVE REFORMS. As we consider strategy for a new effort, it is important to recall that we already have made some progress toward achieving your G.I. Bill objectives. The Labor and Education Departments have aggressively pursued training and employment reforms through administrative changes and other statutory authorities, separable from fundamental legislative reform. Both Departments have made progress toward your goal of consolidating the tangle of federal employment and training programs.

As you recall, prior to your G.I. Bill announcement, the GAO identified 163 separate employment and training programs in 14 agencies spending nearly \$25 billion in what it called an uncoordinated system.

While the GAO called attention to an important problem, their reports overstated it. Sixty-seven of the 163 programs are targeted at specific non-employment and training problems and do not belong in the education and training system. For example, included in their list of employment and training programs were: the Foster Grandparent and Senior Companions programs (volunteer programs for the low-income elderly); State Legalization Impact Assistance Grants; Women's Business Ownership Assistance, and Health Care for Homeless Veterans.

Of the remaining 96 programs, the administration determined that 70 of the should be consolidated into coordinated system which the G.I. Bill proposal envisioned (see schematic at Tab A). (The 26 programs not targeted for consolidation are aimed at special populations -- e.g. Native Americans -- and are most appropriately administered nationally.)

In spite of legislative obstacles to enactment of the G.I. Bill, the Departments of Education and Labor have consolidated 33 of the 70 targeted programs targeted through administrative reform, appropriations, and other means (see list at Tab E). Another five of the 70 programs have been dropped from our consolidation efforts as a result of policy or other considerations. The Education Department is proposing additional consolidation in vocational and adult education programs.

Other administrative reform successes include:

- **One-stop career centers.** Begun in 1994, this Department of Labor initiative consolidates multiple training and employment programs at the "street level" through competitively awarded State implementation grants. The number of States implementing one-stop systems will grow from 16 currently, to 43 by the end of 1997, to 50 by the end of 1998.
- **America's Job Bank and America's Talent Bank.** These two rapidly expanding Department of Labor Internet websites now provide access to 600,000 job openings and resumes of two million job seekers.
- **School-to-Work opportunities.** Since enactment in May 1994, the School-to-Work Act has provided the "seed capital" to spur State school-to-work systems that connect secondary education to work-based learning, postsecondary training, and career opportunities. Currently 37 States are receiving implementation grants; in 1998, all States are expected to be implementing their School-to-Work systems.
- **Waivers and funding transfers.** With the Administration's support, the FY 1997 appropriation for the Department of Labor provided unprecedented flexibility for State and local employment and training programs. (You had already obtained significant new waiver authority for Education Department programs in 1994.) The Budget which continues this flexibility in FY 1998, includes:
 - Authority for the Labor Secretary to waive a wide range of JTPA and Wagner-Peyser Act (i.e., Employment Service) statutory and regulatory provisions pursuant to a request submitted by a State, in return for improved performance.
 - "Work-Flex" partnership demonstration (modeled on the 1994 "Ed-Flex"), in

which up to six States are authorized by the Labor Secretary to waive JTPA and Wagner-Peyser provisions, pursuant to a plan describing the local waiver process, outcomes to be achieved, and assurances of fiscal accountability.

- **Funding transfer authority** to permit Governors to approve requests by local programs to transfer up to 20% of funds for the dislocated worker and low-income adults between the two JTPA programs. Since FY 1996, unlimited funding transfers have been permitted between the JTPA Summer Jobs and year-round youth training programs.

G.I. BILL IN THE FY 1998 BUDGET AND 105TH CONGRESS. The FY 1998 Budget reiterates support for the G.I. Bill principles, characterizes training reform as "essential," and anticipates working with the 105th Congress to produce a bill. The FY 1998 Budget proposes an increase of \$274 million over the FY 1996 request for the relevant Labor and Education Department budgets (see Tab F for budget details). (This budget request reflects the appropriations successes we had in FY 1997 and before: doubling funding for dislocated workers since FY 1993, winning \$400 million for the embattled School To Work program and increasing Pell grants by 14% since the low of FY 1995.)

In the 105th Congress, training reform legislation is a priority for the Republican chairmen of the House (Goodling) and Senate (Jeffords) Committees. Both chambers have begun hearings and the House Committee is drafting a bipartisan bill for markup next week. In the Senate, although Chairman Jeffords has not begun drafting legislation, he is planning to report a bill out of Committee by the end of June.

The House bill, introduced by Congressman McKeon (Chair of the subcommittee on Chairman of the Subcommittee on Postsecondary Education, Training and Lifelong Learning) and Congressman Kildee, is similar to last year's bill, but assures that funding for dislocated workers will be maintained and does not repeal School to Work. As it did last year, it requires vouchers for adult training (with an exception for training provided by community-based organizations), "report cards" and performance standards for training programs, the one-stop and school-to-work frameworks for adult and youth programs, and private sector involvement in workforce development programs. And, as was the case last year, it maintains local agencies' discretion in allocating skill grants.

In the Senate, legislation will soon be developed under the leadership of Senator DeWine, who heads the Subcommittee on Employment and Training. While Chairman Jeffords is expected to be less hostile to skill grants than was his predecessor, there is still skepticism among Democrats on the panel.

The House bill is expected to include a title reauthorizing adult education programs, while vocational education will be considered separately. In the Senate, it is unclear whether

vocational and adult education will be addressed separately, or as part of larger workforce development legislation. In an effort to maximize the prospect for reforms and continue to consolidate the myriad programs, and as a hedge against the possibility that training reform legislation stalls again, the Education Department is sending separate reauthorizing legislation to Congress again this year.

Notwithstanding the progress we have made on consolidation, most of your vision of the GI Bill is still alive and achievable given the legislative context described above.

II. OPTIONS

This section of the memo lays out some second-term options for your "GI Bill for America's Workers" initiative.

All of the options and the McKeon bill embrace the following core elements of your GI Bill vision:

- giving trainees the choice of providers (e.g. a skill grant that can be used at a community college, a four year college, a trade school, a union-operated program or a community-based organization, like the Urban League),
- improving accountability by focusing on results and barring bad providers,
- reforming the State and local system by implementing One Stop Career Centers based on your original vision, and
- giving consumers better information about training providers and the labor market.

The key choice for you is how to ration the skill grants, because although we have doubled funding for dislocated workers since FY 1993, the current budget is not sufficient to serve everyone. Option One obviates the need for rationing by relaxing the budget constraint. Option 2 seeks to maintain a purer vision of a \$2600-\$3000 skill grant entitlement, but does so by limiting eligibility to people who have, for example, been dislocated after being at the same job for three years, while allowing local discretion in rationing skill grants opportunities for low-income disadvantaged workers. Option 3 does not restrict eligibility for either disadvantaged or dislocated workers, but instead leaves the rationing for both categories of workers to state and local level.

In considering these options, we must balance the benefits of local flexibility with the benefits of having a more pure skill grant vision, in which workers are automatically eligible for skill grants and can make choices that are not subject to the discretion of government workers. Relative to Option 1, Option 2 keeps a purer vision of skill grants by tightening eligibility. The advantage here, is that for these dislocated workers -- who were the main targets of your skill grant proposal -- they are directly empowered by an entitlement, like a Pell grant -- without having to wait in line at any bureaucracy.

Option 3, on the other hand, allows the local One Stop and JTPA system to exercise some discretion to pick and choose who gets skill grants. Option 3 also does not force arbitrary eligibility restrictions, and would better allow the State and local system of workforce boards and One Stops to target skill grants to those who need them and to respond to large dislocations without having to deny training to certain workers who don't meet the eligibility requirement.

Under all three options there is also the question of whether low-income workers who have not been in the workforce are well-informed enough to make good choices with skill grants. Some argue that we give such personal empowerment to 18 year olds with no experience when we give them Pell grants, so why should it be different here. Others focus on the likelihood that low-income recipients with no work experience would be taken advantage of by cosmetology school or fly-by-night training programs. One approach is to allow local discretion about which low-income workers receive their training through skill grants. A second approach is to accept the risk that in some cases, people will make poor choices -- as we do with Pell Grants. This is the approach taken in Option 1. A third approach -- which could be combined with any of the options -- is to use skill grants for everyone, but have strict requirements that those who get them without prior work experience or significant education go through a counseling course or session to learn which programs have the best track records and where jobs are needed.

SKILL GRANT OPTIONS

Option 1: Dramatically Increased Funding for Universal Eligibility

All dislocated workers and economically disadvantaged adults (as defined by current JTPA rules) would be eligible for skill grants. As is now the case for Pell grants, discretionary BA would be requested according to best estimates of how many eligibles would actually use the grants, but outlays would be driven by actual use.

This option would be a "pure" model of skill grants in which individuals are truly empowered and automatically eligible for skill grants. To do this would require a dramatic increase in funding, well beyond the current budget request and well beyond that anticipated in the current legislative discussion. Our very rough estimate is that the cost could go from \$1.3 billion to \$4.2 billion. Though this approach would have the benefit of truly embodying the principles of your vision, none of your advisers think this is practical or realistic at this time. We wanted you to be aware of it, in case you feel differently, and as a contingency in case the budgetary context changes.

Option 2: Allocate Limited Skill Grants for Dislocated Workers by Narrowing Eligibility

This option structures eligibility to stay within the \$1.37 billion budget for training under

current rules while giving dislocated workers (who presumably have more labor market savvy) more wide-open choice than disadvantaged adults in how skill grants are used. Under this option eligibility for dislocated workers would be determined at state and local One-Stop centers, offering additional training-related assistance.

There are several ways to tighten eligibility for dislocated workers. One option is to offer skill grants only to workers laid off after 3 years in a job, on the grounds that short-tenure workers have fewer job-specific skills to replace and aren't strictly speaking "dislocated." Another option is to exclude the long-term unemployed, who are often eligible for Pell grants. These two screens would shrink the pool of eligible dislocated workers to 643,000. (Your original G.I. Bill proposed an additional \$1 billion to serve several hundred thousand additional workers.)

For disadvantaged adults, eligibility would be limited by giving state and local agencies discretion to decide which disadvantaged adults can best make use of the available skill grants. (Once in possession of a skill grant, trainees could then use it as they choose.) This approach could be combined with a requirement that disadvantaged workers receive counseling and skills assessment. The combination of local agency discretion and counseling has the advantage of controlling the cost while addressing concerns that a weak attachment to the job market may make people especially prone to bad training choices.

Relative to Option 1, this option represents a strategic compromise. In the face of budgetary limits, and some plausible worries about the uniform workability of a pure voucher approach, it falls back to make the stand for the skill grant principle on the terrain where that principle is strongest -- dislocated workers with labor-market experience. And it preserves the local workforce-development system in its most plausible role -- guiding disadvantaged who may have special problems making good choices on their own.

Relative to Option 3, this option preserves more individual empowerment and a more "pure" vision of skill grants for dislocated workers, while reducing the risk of bad choices among those with the least experience in the labor market, the disadvantaged.

Pros of Option 2:

- For the limited group of eligible dislocated workers, this is a pure empowerment vision, as you originally conceived it.
- For the limited group of eligible dislocated workers, this option replaces reliance on the discretion of local system in allocating scarce training dollars. Some of your advisors, notably Paul Dimond, feel strongly that even a reformed local system should not be given discretion.
- Should the program be successful and popular, we can expect pressure to expand it.
- Lives within current budget estimates.
- Avoids the "new entitlement" charge while delivering training via skill grants.

- Addresses concerns (based on Pell and student loan histories) that the disadvantaged often have trouble making good training choices without guidance.

Cons of Option 2:

- Eligibility screens as the rationing mechanism for training resources reduce State and local elected officials ability to respond to variations in the local labor market. This is likely to be a major concern for governors.
- Replacing discretion with narrowly drawn eligibility screens may reduce the system's responsiveness to individual needs.
- While closer to your initial vision of pure empowerment for dislocated workers than Option 3, this would be a significant change from our willingness to live with skill grants as presented in last year's (and, by extension, this year's) House bill.
- State and local stakeholders (Governors, Mayors, and labor unions) will oppose what they will characterize as federalization of dislocated workers training system and advocates for the disadvantaged will object to be treated differently.

Option 3: Allocating Skill Grants Through Local Discretion

This option does away with new national eligibility rules as the rationing mechanism for disadvantaged and dislocated workers alike, and instead relies on local agencies to allocate skill grants, just as they now allocate JTPA training funds. As with Option 2, skill grants are limited by the amount of funding available. *But the discretion state and local agencies exercise over which disadvantaged workers get skill grants under Option 2 becomes universal here;* One-Stop officials award skill grants based on aptitude, local labor market conditions, and judgments about who can best benefit. Skill grants, once awarded, would still be under individuals' control.

For *disadvantaged* workers, this option is the same as Option 2. The two options differ in the treatment of *dislocated* workers: under this option, local discretion is the rationing mechanism for skill grants for dislocated workers; whereas under Option 2 new federal eligibility screens substitute for that discretion.

This option meets the empowerment model of skill grants by giving people skill grants that they would be able to use at the provider of their choice for the career path of their choice. It also does not automatically exclude people by setting a rigid eligibility rule. On the other hand, having local One Stop centers and JTPA offices decide who gets skill grants in the first place does not encompass the sense of entitlement or clear empowerment seen for eligible dislocated workers in Option 2. Much of this certainly will rest on the strength of the system -- both the workforce board and the One Stops. Some of your advisors feel that putting so much discretion in the hands of the current system -- even if improved -- does entail enough structural reform. Others feel that the boards are improving gradually through our reforms and that allowing local discretion does not significantly reduce your vision but provides for slower,

safer structural reform.

Pros of Option 3:

- Is close to current House bipartisan bill and what many Democratic constituencies can live with, and makes it less likely our efforts for major reform will disrupt Congressional efforts for significant reform consistent with your decisions.
- With skill grants, one-stops, and report cards, this option goes far to your vision even if somewhat compromised by local discretion.
- Avoids arbitrary new eligibility rules that will cut off State and local elected officials' ability to target funds to meet individual needs and respond to variations in the labor market.
- Avoids differential treatment of lower-income disadvantaged workers

Cons of Option 3:

- Does not contain a component that fits more pure empowerment/entitlement options for some dislocated workers.
- Some will feel that reliance on current programs for discretion is counterproductive to need for strong structural reform.

RECOMMENDATIONS

OMB recommends Option 3. They feel it is consistent with the principles the Administration enunciated during the debate last year. Specifically, they feel Option 3 explicitly recognizes the reality of resource constraints, adopts the widely desired guidance and help for disadvantaged adults and dislocated workers who want it, maintains the goal of a thoroughly reformed private-sector-based local service system, and preserves the key skill grant vision of individual control over training providers.

The Labor Department also supports Option 3. Labor Department staff feel that Option 3 allows you to claim victory on the key elements of your GI Bill vision. They are especially concerned that Option 2 would derail the progress made in the House and alienate key constituencies, especially the labor movement.

I feel that while Option 2 would be a better choice, because it would genuinely empower workers while creating a One Stop system based on your reform vision, Option 3 is the practical choice. By choosing Option 3 you would be recognizing the progress that Moderate Republicans and Democrats have made, and bolstering the chance that reform legislation -- which encompasses

your vision of skill grants, one stops, report cards and better accountability -- would pass this year .

Plan of Action: Once you have signed off on a policy, I recommend that we draft for you a set of principles consistent with our policy that we send to the Hill in time for Thursday's mark-up of the McKeon bill. The statement would lay out your vision from 1994 and make clear that you were pleased with the progress made in 1995 and 1996, disappointed by our inability to enact legislation last year, and that you feel it is critical for Congress to pass a training bill that meets your principles. This approach stresses your leadership, and sets up principles that allows us to push Congress in the right direction and claim a Clinton victory if legislation is passed that meets your principles.

Option 1 _____

Option 2 _____

Option 3 _____

Require counseling _____

Let's Discuss _____

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 6, 1998

REMARKS BY THE PRESIDENT
ON UNEMPLOYMENT REPORT AND JOB TRAINING

The Rose Garden

10:15 A.M. EST

THE PRESIDENT: Good morning. Today we received more good news for our workers and our families. Our economy added another 310,000 new jobs last month. Real wages continued to rise. Unemployment fell to 4.6 percent, the lowest level in a quarter century. And more Americans are sharing in the prosperity. Hispanic unemployment, for example, fell to a record low.

The American economy has now added more than 15 million new jobs since I took office. Inflation has remained low and stable. We continue to have the strongest economy in a generation, the lowest unemployment in a quarter century, the lowest inflation in 30 years, the highest homeownership in history. We're on track to have the longest peacetime recovery in the history of our country. These are good times for America.

But how shall we maintain this momentum? We must first press forward with this new economic strategy. It is working. We must do more also to continue to create high-wage jobs. And finally we must make sure that our people have the skills to fill them.

The new economy is increasingly driven by creativity, innovation, and technology, with high-skill jobs growing at nearly three times the rate of other jobs. In the field of information technology, the hunt for employees with high-tech skills is becoming more and more intense. There are hundreds of thousands of vacancies out there in America right now.

The key to expanding opportunity is education and training. Through our new HOPE Scholarships, the lifetime learning credits, education IRAs, expanded Pell Grant scholarships, better student loans, we've opened the door to college for all people of all ages who are willing to work for it.

Recently we learned that our high school seniors lagged behind the rest of the industrial world in math and science. We must do more there. We must work to raise standards, reduce class size, improve teaching, have people taking more challenging courses, and increase accountability.

But we also, to look at the immediate situation, must do more to reform our job training system. For more than three years I have called on Congress to consolidate the tangle of training programs we have today into a G.I. Bill for workers, to create a network of one-stop career centers, to increase accountability, to ensure results, to empower people to gain the skills that are in greatest market demand. Secretary Herman and Secretary Daley, who are here with me today, are working in particular to address the job

shortage in the information technology area.

Now, last year, a bipartisan majority in the House of Representatives passed a bill that would achieve the goals that I have called for for years now. A similar bill has attracted bipartisan support in the Senate. I'm encouraged by reports that the Senate is likely to take up this legislation. In the wake of these employment numbers, with unemployment low and the crying demand for higher skills and still people in some of our inner-city neighborhoods and rural areas unemployed, I ask the Senate to pass this bill and send it to me so that I can sign it into law. The legislation is essential to help more Americans win in today's economy and to keep our recovery going.

Unemployment is low, job growth is strong, our economy is expanding at a healthy pace. We are uniquely poised now to widen the circle of opportunity for the 21st century. Passing the G.I. Bill for America's workers is one of the best ways we can continue to grow.

Thank you, and thank you to the economic team and congratulations to the American people. Thank you very much.

END

10:20 A.M. EST

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 6, 1998

A G.I. BILL FOR AMERICA'S WORKERS:
REFORMING THE JOB TRAINING SYSTEM

March 6, 1998

"Again, I ask the Congress to continue its bipartisan work to consolidate the tangle of training programs we have today into one single G.I. Bill for Workers, a simple skills grant so people can, on their own, move quickly to new jobs, to higher incomes and brighter futures."

President Clinton
January 27, 1998

With A Vote Scheduled For The Week of March 16th, The President Calls on the Senate to Pass Job-Training Reform. In September 1997, the Senate Labor Committee unanimously approved the bill, S. 1186: Workforce Investment Partnership Act. This bill builds on the President's 1995 proposal for a G.I. Bill for America's workers to reform the web of job training and adult and vocational education programs and help prepare the American workforce for the 21st Century. Senator Lott has indicated that this bill will come to the floor the week of March 16th. Today, the President calls on the Senate to pass this important legislation organized around his four basic principles:

Empowering Individuals. Through Skills Grants, report cards to inform consumers' choices, and universal access to core services like job-search assistance, job training reform will empower individuals, providing adults seeking training or retraining control over their own careers. This customer-driven system replaces the decades-old tradition of making job training decisions for adults through bureaucratic systems. This individual empowerment will make the job training system more responsive to the skill needs of the market.

Streamlining Services. Through the consolidation of myriad individual training programs into a single system and through the nationwide implementation of One-Stop Career Centers (centers that consolidate multiple training and employment programs at the "street level"), this reform effort will streamline the job training system. Over the past few years, the Administration has entered into partnerships with over 40 states to build a One-Stop system, and today, there are over 500 in operation. This reform would expand One-Stops nationwide.

Enhancing Accountability. Through tough performance standards -- for both governors and localities -- and by requiring training providers to be certified by, for example, the Higher Education Act (HEA), this reform enhances accountability. Performance

measures will include rates of job retention, earnings, and job placement.

Increasing Flexibility. Job training reform would provide additional flexibility. For example, the Secretary of Labor will have permanent authority to waive burdensome Federal job training rules in exchange for performance improvements. This will allow states and local areas to implement innovative job-training programs.

A Bill Incorporating These Principles Has Already Passed The House. In May 1997, the House -- with overwhelming bipartisan support -- passed a job training reform bill (H.R. 1385: The Employment, Training, and Literacy Enhancement Act) which incorporates these principles: it allows for individual empowerment through career grants; it establishes a "full-service" employment and training delivery system; it establishes indicators of performance to hold states and localities accountable; and it includes additional flexibility through waiver authority.

Spurling

3-16-98

98 MAR 16 10:00 AM '98

THE WHITE HOUSE
WASHINGTON

March 13, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC WEEKLY REPORT

cc: ERSKINE BOWLES

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Spurling
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page 2
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Bowles

G. I. Bill: We have good news on the job training reform bill. On Friday afternoon (3/13), we reached an agreement among the Governors, local community groups, education groups, AFSCME and Republican Hill staff on changes to the Manager's Amendment of the Workforce Development Act (the Senate version of the G.I. Bill) proposed by the Departments of Labor and Education. (Labor Department did a good job in negotiations with AFL-CIO so that while they will not support it, they will not oppose it either.) We feel it is now possible to bring the bill to the floor this week -- possibly Thursday. If so, we may want you to make a call or two and put out statements to make sure we are identified with the victory. You should know that as the bill goes to conference we will need to ensure we get the \$250 million for Youth Opportunities Act which is in the Senate bill but not in the House.

Handwritten initials

Medicare Buy-In Strategy: In order to show we are seriously pressing to pass the Medicare Buy-In this year, we asked Senator Moynihan and Congressional Democrats to do a public introduction of the bill with you this week. We were originally going to do it as a departure statement on Wednesday, but in the hopes of having Congressman Gephardt participate in the event it is being moved to Tuesday -- perhaps on the Hill. The four members who will definitely participate in the event are Brown, Stark, Moynihan and Daschle. We are also working on a state-by-state analysis to be released on that date, which Members will use during the April recess. This week, we will also work with outside validators like the American Academy of Actuaries, key academics, and the Progressive Policy Institute to get their agreement that this is a sound, responsible policy.

Handwritten initials

Budget Resolution: The Senate Budget Committee is expected to act on a budget resolution next week. Your economic team has been working with Senator Daschle and Democrats on the committee on an alternative which would be your budget slightly modified for CBO scoring purposes. Senator Daschle and others held a press conference on Friday (3/13) to promote the alternative and highlight our priorities. In addition to the alternative, we expect Democrats on the committee to offer targeted amendments to focus on our priorities, such as child care and education, and defects in the Republican resolution, such as their expected exhortation to sunset the tax code.

ISTEA: As you know, on Thursday (3/12) the Senate passed the 6-year ISTEA reauthorization bill by a vote of 96-to-4, and the House plans to take up ISTEA before the Easter recess, in order to send you a bill by May 1. Although the Senate bill provides \$50 billion more in contract authority than you requested, the Administration prevailed on almost all of the policy issued including extending and preserving DOT's Disadvantaged Business Enterprise program, which expands economic opportunity for women and minority-owned firms; lowering the alcohol-blood level to .08; and fending off any adverse environmental riders.

Employment and Training: The NEC has started a policy process to determine ways to leverage existing programs to address the perceived "skills shortage" and to develop new programs to make our job training program more responsive to market-determined skill needs. We are considering a number of proposals, such as regional skills alliances (among employers, training providers, and workers), re-employment zones (that would provide grants to areas suffering from sudden changes in their economic situations to re-employ workers who lose a job through "no fault of their own"), and incentives to businesses to provide current employees job training. You should be aware that while there are estimates of large numbers of vacancies, particularly in the IT industry, there are different views as to both the numbers and the ability of U.S. workers to fill those jobs. Secretary Daley, for example, thinks that much of the shortage is result of labor market inefficiencies and the unwillingness of some companies to retrain U.S. workers. The NEC, Commerce, and Labor strongly believe that we need to stress training of U.S. workers, rather than simply lifting the H1-B caps (which is all that industry is talking about).

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Retirement Savings Summit: We are currently finalizing the list of 100 participants to be appointed by the Administration, in consultation with the Democratic congressional leadership, for the White House Retirement Savings Summit to be held on June 4-5. My staff has worked closely with other White House offices (Presidential Personnel, Public Liaison, Legislative Affairs, others) and several departments -- particularly the Department of Labor -- in developing a strong and diverse list. We are working on a plan to contact our appointees and publicly announce the names of our participants and the date of the summit during the week of March 23, perhaps along with other savings ideas or a possible event while you are in Africa.

Coverdell Bill and School Construction: The Senate next week is expected to act on the Coverdell Bill. We have been working with Senator Daschle to craft a substitute that will be our school construction proposal. The debate will highlight Democratic support for public schools versus Republican efforts to help affluent students attend private schools.

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Bowles

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Additionally, your school construction proposal was introduced last week in the House by Rep. Rangel who was joined by 63 cosponsors (all Democrats, so far). On the Senate side, Sen. Moseley-Braun was joined by Sen. Moynihan and 10 other Democrats. We have been working on endorsements. We now have 50 organizations endorsing, including the Congress of National Black Churches, the National Grange, and several Historically Black Colleges (who see this issue as critical to the pipeline of minority youth).

✓
High Hopes: The legislation was sent to the Hill earlier this week, and Rep. Fattah quickly went to work getting cosponsors for his amendment to the reauthorization of the Higher Education Act, which is scheduled to be marked-up in Committee next Wednesday. With one more cosponsor, we will have a majority of the Committee, including four Republicans so far and we

are going to work with him to do better. We are thinking about ways that we might turn this bipartisan support into publicity and momentum.

America Reads: A panel named by the National Academy of Sciences will be releasing its findings Wednesday on the research on learning to read. We are working with the Education Department to determine whether the findings might be noteworthy enough to merit a statement by you or the Vice President. On the work-study effort, we will likely reach 1000 colleges in the next month or so and I recently got information about a particularly impressive effort: NYU has more than 600 America Reads work-study tutors. We are thinking of ways that you might be able to highlight and praise the NYU success.

Student Loan Interest Rate: In an interesting development, the Postsecondary Education Subcommittee chairman and ranking member have reached an agreement that would provide students with the low rate that the Vice President announced last month. However, they will supplement the rate with Federal payments to the banks, which could cost billions. We will congratulate them for putting the interests of students first, but criticize them for padding bank profits ahead of taxpayers (or other important program spending). We are convening a group of experts from a number of agencies to explore possible market-based mechanisms (such as auctions) for both ensuring student access to loans while keeping any taxpayer subsidy down to the minimum necessary.

Responding to lender threats to withdraw from the program, Education is developing a contingency plan for covering any loan access problem. On Thursday (3/12), Education released a statement critical of the banks' threats, and assuring students that we will not let anyone go without the aid they need and are eligible for. (The Secretary has the authority to call on Sallie Mae and the guaranty agencies to act as "lenders of last resort," and to provide them with the capital if necessary.)

Social Security: Senator Roth joined Representative Kasich this week in putting forward proposals to use the surplus to fund individual accounts. The proposals are still being developed, but they do not appear to be comprehensive Social Security reform plans. In particular, they only deal with individual accounts, and do nothing directly to address the actuarial imbalance in the Social Security system.

Our stance on these proposals is designed to balance two pressures: First, using some of the surplus to fund individual accounts could ultimately form part of a comprehensive reform to Social Security -- and therefore we don't want to ridicule the current proposals. But to signal now that we are actively considering individual accounts could alienate our base -- which would complain that even if individual accounts will have to be part of any eventual real deal, we shouldn't give away the store now. Our position has thus been to stay with our basic message that until we have addressed Social Security reform, no one should drain the surplus. Without doing what's needed to achieve comprehensive Social Security reform there proposal can only be viewed as a tax cut to drain the surplus. (Interestingly, Senator Gregg has been cited in the press as making the same argument: that we should not use the surplus for individual accounts without knowing what the rest of the Social Security package is.)

The Kasich and Roth proposals may be included in some form in the budget resolutions that will be marked up next week, and we are working actively with Treasury and SSA to analyze the specifics of the plans as they come out.

Finally, I spoke at Brookings this week on our Save Social Security First policy. The reception was very positive -- including many leaders in the field, such as Charlie Schultze, Henry Aaron, and Gary Burtless.

Next Generation Internet: On Thursday (3/12), legislation which would authorize your Next Generation Internet initiative passed the Senate Commerce Committee with a unanimous voice vote. Similar legislation has been introduced on the House side. Agencies involved in the NGI are already beginning to demonstrate exciting new applications -- including modeling the impact of El Niño, training troops using virtual reality, cutting the time required to develop new drugs, and allowing cardiologists to provide expert advice to patients in remote rural areas.

Cox-Wyden: The NEC is coordinating the follow-up to your discussions with the Governors on the Internet Tax Freedom Act. The Governors held a press conference, Friday (3/13), to announce a new version of their proposal, which we think moves in the right direction. We have also learned that both the House and Senate versions of the bill will be modified to address some of the concerns of the Governors. Meanwhile, we are refining our view of which are the most important pieces of the legislation and how best to coordinate the study called for in the current bill with a process to address the larger (and more difficult) issue of mail order taxes.

Apparel Industry Partnership: Kitty Higgins and I attended a meeting (3/6) of the Apparel Industry Partnership. Negotiations on forming the Fair Labor Association have come down to two key issues: (1) the frequency and targeting of external monitoring; and (2) whether the Association has the power to decide that compliance is impossible in certain countries, potentially requiring that companies leave that country to remain in compliance. The proposals on the table are unacceptable to the companies, which will respond with counter proposals at the next meeting on March 26th. The remaining issues require some work but are much easier.

Electricity Restructuring: In anticipation of a meeting with you, we have been working with the climate change team to narrow the differences on the one open issue -- authority for a cap and trade program for carbon. We have come very close to an agreement among all the White House players that may satisfy everyone's concerns and enable Secretary Pena to begin responding to criticisms that the administration has not yet provided details of its proposal for reform.

Financial Services Modernization: On Friday (3/13), my staff convened a meeting of Treasury experts and other agencies and White House offices to discuss the House Republican Leadership bill that was unveiled earlier this week. Unlike the Administration's proposal, the Republican version of modernization would materially weaken the national banking system; threaten the safety and soundness of insured financial institutions; limit the Administration's ability to influence financial institution policy; and, equally important, reduce the effectiveness of CRA and consumer protection that are an important part of our proposal. Treasury is preparing a letter indicating strong opposition, which will be sent early next week after consultation with Democratic members.

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Product Liability Reform Legislation: Activity has picked up in the Senate, and Senators Rockefeller and Gorton asked for (and had) a meeting with Erskine Bowles on Friday (3/13). The purpose of the meeting was to go through a long list of so-called "technical changes" that Senator Gorton was proposing. My staff coordinated a review of Gorton's proposals with some of the agencies and White House personnel, including Bruce Lindsey. Our approach was to accept a few that are truly technical but reject the majority. The meeting with the Senators went well, and Senator Rockefeller was very appreciative of the Administration's efforts to work with him. Senator Gorton was also appreciative, but expressed concern that he might not be able to sell the package to his Republican colleagues.

Regulatory Reform Legislation: With your guidance, we prepared and sent a letter to Senators Levin and Thompson specifying the changes we need to be able to support their legislation. On Tuesday (3/10), the Committee marked up the bill and voted it out 8-4 (Senators Levin and Glen joining all the Republicans). Our changes were not offered or incorporated in the bill. The prospects for Senate floor action are highly uncertain, with Lott sending mixed signals about his support.

Securities Litigation: The NEC was asked to convene a meeting to review the status of the current legislative effort and next steps. As you may recall, Senators Dodd and Gramm have a bill supported by the Uniform Standards Coalition, a group of companies, accountants, and attorneys led by the High Tech industry. The bill seeks to create a uniform national standard for certain securities fraud cases. Its proponents argue that, without federal standards, few companies will take advantage of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Last fall, you indicated that you would support this new legislation.

✓ The SEC has been working with Senator Dodd's staff and the Uniform Standard's Coalition to address concerns about the legislation's overbreadth. Progress is being made. There was consensus at our meeting that the White House should be clear that we expect the Hill to satisfy the SEC's concerns, and that there needs to be an appropriate record (by colloquy form key Senators or otherwise, that, if the cases progressing through the courts do not ultimately reaffirm the Second Circuit pleading standard and recklessness as a basis of liability, they will work with the SEC and the Administration to legislate that result.

April 22, 1998

FOR: GENE
FROM: CECI AND BOB
SUBJECT: KENNEDY MEETING ON GI BILL

Attached is a memo crafted by the Department of Labor at our request. (We've also attached a list of some of the School-to-work activities that would be prohibited under the bill as drafted.)

The top part of the first page lays out our legislative preferences. We would prefer that the Ashcroft amendment be dropped all together. But, recognizing that dropping it is extremely unlikely, the next best option would be language along the lines of the provisions under number 2 (on the first page). Unless we get something along the lines of the options under number 2, we are in veto territory.

The "second level" issue with School-to-work arose in discussions over the Ashcroft amendment. For some time there has been a provision that no funds shall be used to carry out activities that duplicate federally funded activities available to youth in the local area. The Departments of Labor and Education had not been concerned about this provision because they did not interpret it to prohibit the use of title III funds for School-to-work projects. However, it turns out that Senator DeWine does interpret this provision to prohibit the use of funds for School-to-work. (In fact, because DeWine interprets this provision so broadly, he does not believe that the Ashcroft amendment is threatening; he thinks that School-to-work activities are already precluded through the non-duplication provision.) We could live with this provision (particularly since our interpretation is viable), however it would be best if the language were clarified to not prohibit the use of title-III youth funds as part of School-to-work activities.

In addition to stating the Administration's position, you should emphasize a few key points:

- School-to-work activities are part of the "Administration legacy" and therefore we cannot sign a bill that could potentially kill them in the future.
- Many of the "School-to-work" activities that would be prohibited are common sense programs. (See the attached list.)
- Ask Kennedy what would be the best strategy for getting some legislative "history" on the issue. Should he be silent on the floor? Should he do a colloquy stating either his belief that school-to-work activities are not precluded in this bill or that he believes the bill accomplishes integrating school-to-work with the other training programs? Or should he make one of those two points part of his opening or closing statement?
- We need to get a clear commitment from Senators DeWine and Jeffords to deal with this in conference.
- This bill has been crafted as part of a bipartisan effort and we would like to see it continue in that fashion.

POTENTIAL HARMS OF ASHCROFT AMENDMENT

- In order to prevent a veto of this bill, one of the following needs to happen before the bill comes out of conference:
 1. The Ashcroft amendment is dropped; or
 2. One of the alternative provisions that have been developed by the administration needs to be incorporated.
 - "None of the funds made available under this act may be awarded under the School-to-Work Opportunities Act of 1994.", or
 - "All of the funds made available under this Act shall be awarded in accordance with the requirements of this Act. None of the funds made available under this Act may be awarded under the School-to-Work Opportunities Act of 1994."
- A related issue in this bill that we will need to address is a clarification that the non-duplication provision in section 316(d)(2) of the bill does not prohibit the use of title III youth funds as part of School-to-Work projects.

Background:

- Senator Ashcroft's amendment prohibits the use of funds provided under S. 1186 to carry out activities authorized under the School-to-Work Act. This prohibition could have several harmful effects:
 - First, since there is significant overlap between the activities authorized under S. 1186 and under the School-to-Work Act, (e.g. job training, mentoring, and working academic and occupational learning), read literally, the amendment could prohibit such overlapping activities from being carried out under S. 1186 even if there is no connection to the School-to-work Act programs. While the Departments would not construe the amendment so broadly, the language would allow legal challenges to such activities.
- This also raises a questions regarding the operation of School-to-Work programs after the School-to-Work Act terminates on September 30, 2001. By prohibiting the carrying out of activities "authorized" under the School-to-Work Act, the amendment casts doubts over whether S. 1186 funds could be used to continue to carry out many of the functions of the School-to-Work Act programs after termination of the Act. While the Departments would not construe the prohibition to apply so broadly, and would argue that any prohibition terminates with the Act, the amendment could give rise to legal challenges to efforts to carry out such activities.

HERE WE GO AGAIN

Senate Republicans led by Mr. Ashcroft of Missouri have an amendment to the Workforce Investment Partnership Act that would, in the name of addressing the fears of the far right about School-to-Work, prevent the use of funds to:

- Create partnerships between employers and schools
- Provide for mentors for at-risk and disabled students in the workplace
- Recruit employers to provide work-experience opportunities for students
- Provide child care, transportation, or other support services necessary to help students participate in work experience
- Integrate school-based and work-based learning
- Conduct in-depth labor market analysis to identify high-demand, high-wage careers
- Assist small and medium size businesses to develop work-based learning
- Promote training for teachers and school counselors at the worksite
- Design curricula at the local level to integrate academic and work-based learning
- Conduct technical assistance based on successful models

These would be excluded.

Alternative: mix and match -----

THE FAR RIGHT HAS GONE TOO FAR

For over two years the far right has been waging an attack on the idea that states and communities should help students make smooth transitions from high school to college and into the workplace.

The latest in the series of silly and misguided efforts comes in the form of an amendment to legislation to improve job training, adult education and vocational education programs.

Senator Ashcroft's amendment prohibits the use of funds from these programs for school to work activities. It comes at a time when a new study of the post-secondary outcomes of the school-to-work initiative in Boston, a collaboration of the Boston Public Schools and 75 employers in seven major industries, reports that students graduating school-to-work programs:

- attend college in a higher proportion
- erase the remaining gap between white and African American students attending college and equalize the rate of attendance
- are more likely to have remained in college and complete a post-secondary certificate or degree; 20% higher than their peers
- are more likely to have jobs; 12% higher than their peers
- have a mean hourly wage is higher than their peers

A study comparing 12th grade students in the Philadelphia School-to-work program versus Philadelphia school district:

- have a dropout rate of 0.6% compared to 9%
- graduate at a 98% rate compared to 86%

The school-to-work initiative focuses on ensuring that all students can meet challenging academic standards and be prepared for college. It give students opportunities to explore careers, have mentors, have internships, and learn to apply knowledge and skills in real situations in the classroom, community and workplace. It makes school work relevant and motivates students to stay in school.

The far right has created phony issues to discredit school-to-work. At a time when more than 90% of parents say they want their children to have the opportunity to go to college, and parents say they are worried that their children aren't getting the education they need to compete in today's economy, the far right attacks a program designed to do just that.

4/21/98

THE WHITE HOUSE

WASHINGTON

May 1, 1998

98 MAY 4 AM 11:00

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC WEEKLY REPORT

cc: NSW NE BOWLES

5-6-98

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

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

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

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

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

George

CC: HRC

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

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

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

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

CR/JO

June 23, 1998

MEMORANDUM FOR GENE SPERLING

FROM: CECILIA ROUSE
JON ORSZAG

SUBJECT: Training Ideas

Need to work on the following: designing our strategy clear route to Americans: if lose jobs, you have here is how to access them.

There are a number of job training ideas that we've have been kicking around. You should know that none of these are "big" training ideas that could possibly be a centerpiece of the next budget (although you never know...):

- An information campaign to make workers, employers, and others aware of their training options. For example, employers could be required to hang a poster informing employees about the various financial aid opportunities available.
- Making our financial aid instruments (Pell grants, student loans, etc.) more "friendly" towards older individuals (including workers). Many of these programs were designed with the "traditional" student in mind -- ie, one who is dependent on their family, is enrolled full-time, and does not have others to support. We could, possibly, think of ways of easing some of these constraints to make community college (for example) more affordable for older individuals.
- The employment service has recently come under pressure to privatize some of their services. We could begin an inter-agency process to determine the main weaknesses in the employment service and to see if there are any regulatory changes that would make it more efficient and thereby more responsive to the concerns that spawn these privatization initiatives. (This could follow from the memo that you'll receive shortly from Karen Tramontano regarding principles the Administration should follow when thinking through issues on privatization.)
- Resurrect the Section 127 training tax credit for small businesses. While Treasury and CEA were opposed to this the last time around, NEC, SBA, and Labor were supportive.

Let's press ourselves to be innovative. Also - stay with RSA + Emp 200 GS a/hv

Program

Develop more "regional skills alliances" (i.e., along the lines of the DC, VA, MD Metro-tech demonstration project). The advantage of this is that a) we've already developed a regional skills alliance concept and b) DOL has experience in setting something like this up. The downside is that this program, at least the Metro-tech version, is quite categorical (dislocated workers and high-tech jobs) while the Administration's philosophy over the past 5 years has been to move away from categorical programs.

- Subsidize loans to (small?) businesses to provide training for their workers.

- A public employment program (a "CCC") for disadvantaged youth and adults in inner-cities. This idea has been considered in both the community empowerment and the employment and training working groups and while there is some interest, there are also some reservations.
- DOL is working up a concept of "re-employment zones." This may potentially have some implementation pitfalls that we may not be able to overcome, but we will continue developing options within the next few weeks.

7-13-98 98 JUL 11 PM 1:16

THE WHITE HOUSE
WASHINGTON

July 10, 1998

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MEMORANDUM FOR THE PRESIDENT

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

John

Inflation-Protected Savings Bonds: On Wednesday (7/8), the Vice President, Secretary Rubin, and Deputy Secretary Summers announced the first issuance of inflation-protected savings bonds and that eight distinguished Americans -- Helen Keller, Dr. Hector Garcia, Dr. Martin Luther King, Jr., Chief Joseph, Gen. George C. Marshall; Albert Einstein, Marian Anderson, and Spark Matsunaga -- would appear on the bonds. As you may recall, you announced in September, 1996 that Treasury would begin offering these type of bonds this year. Inflation-protected savings bonds are considered to be good investments for those people who want a fixed, secure rate of return because (1) they protect investors from inflation; (2) they are exempt from state and local income taxes; (3) federal taxes can be deferred until the bond is redeemed or stops earning interest at 30 years; and (4) all or part of the interest earned may be tax exempt if used for college tuition and fees at eligible post-secondary educational institutions. You should know that the *New York Times*, *Wall Street Journal*, *Associated Press*, CNN, and CBS News all ran positive stories on the Vice President's announcement.

IRS Reform: As you know, the Senate passed the IRS Reform bill Thursday (7/9) by a vote of 96-2. We put out a statement from you -- which led to a front-page headline in the *USA Today* -- in strong support of the bill and expressing your eagerness to sign it. We are preparing for a signing ceremony for later this month, depending on when Congress sends us the bill.

Budget Resolution-Reconciliation: The Republicans have still not agreed to a budget resolution. While still very fluid, the likely scenario at this point appears to be for them to pass a bare bones budget resolution before the August recess that would instruct the tax committees to pass a deficit neutral tax cut. The tax committees would then have the option of financing the tax cut through entitlement cuts, some corporate tax raisers, or by spending the surplus. While the Senate may live up to that instruction for a modest tax cut we expect that the House may call for a larger tax cut that seeks to hide the fact that it spends the surplus with gimmicks and dynamic scoring. To prepare for the upcoming debate, we are working on several fronts. First, working with Public Liaison, Jack Lew, Larry Stein, and I are going to brief a wide range of outside groups next Friday (7/17) to deliver a strong message that priority programs (e.g., Medicaid, EITC) are at risk as Republican scramble to pay for a tax cut. Second, in preparation for your lunch Monday with Leaders Daschle and Gephardt, we are developing illustrative tax cut packages that House and Senate Democrats could offer in the fall as part of our strategy against the Republican tax cut.

7-13-98

Higher Education Act Reauthorization: On Thursday night (7/9), the Senate passed its version of the Higher Education Act reauthorization by a vote of 96-1. You should know that there are budget and policy issues that still need to be worked out; for example, it is still not paid for under OMB scoring, and cuts into some funding needed for running the student aid programs. However, you issued a statement in which you generally praised the bill because of the number of significant successes:

✓

\$11 billion in interest-rate savings for students. Both the House and the Senate adopt the student rate proposed by the Vice President in February. The bill, though, still includes a subsidy for lenders that we do not support, and which is not fully paid for under OMB scoring.

✓

Incorporating elements of the High Hopes proposal. While a few changes are still needed, the bill moves a long way toward establishing a High Hopes effort and we expect differences between the House and the Senate bills to be worked out in conference (the House bill includes the Administration program as proposed).

✓

Promoting high-quality distance learning. The Senate bill authorizes the Learning Anytime Anywhere program you proposed to support distance learning pilot projects. The bill also provides the Secretary of Education some authority to expand student-aid eligibility at degree-granting institutions that offer on-line courses.

✓

Improving teacher recruitment and training. The Senate bill incorporates the Administration's "Recruiting New Teachers for Underserved Areas" proposal and many components of the "Lighthouse Partnership for Teacher Preparation" proposal.

✓

Creating the government's first-ever performance-based organization (PBO). Adopting a concept developed by the Reinventing Government effort, a PBO would be created within the Education Department for the delivery of student aid. A Chief Operating Officer will be hired and held accountable for results in the administration of the programs (the hiring process for a COO is already well under way).

✓

Other Notable Provisions. Other provisions in the bill, which we have not had enough time to fully analyze and take a position on, include: (1) a Wellstone amendment to allow college attendance to count as work for up to two years under welfare reform (opponents argue that this provision opens a large loophole, threatening the success of welfare reform); (2) a Bingaman amendment to require States to pay greater attention to the quality of teacher training programs in their States; (3) a Feinstein amendment to allow Pell Grants -- which are now limited to undergraduates -- to be used for one year of post-baccalaureate education for teacher training programs; and (4) other provisions to address alcohol abuse on campus, combat violence against women, require states to provide voter registration forms for college students, and create a student loan ombudsman at the Education Department.

Technology for Americans with Disabilities: The NEC staff has created a working group to develop policies that would increase the availability of information technology that is usable by persons with disabilities. For example, "text-to-speech" technology can help people who are blind and speech recognition technology can help people who are unable to use a keyboard.

Product Liability: As you know, the Republicans declared the product liability bill "dead" this week, after a cloture petition was defeated in a party-line vote on Thursday (7/9). Even ardent bill supporters like Senators Rockefeller and Dodd voted against cloture, when the vote became entangled in a Democratic effort to force Senator Lott to allow a vote on the Patients' Bill of Rights as an amendment to this or some other measure. Republicans blamed Democratic loyalty to the trial lawyers; Democrats blamed Republican unwillingness to allow votes on the Patients Bill of Rights and an exemption from the bill for gun manufacturers that the NRA opposed. Senator Daschle also blamed Senator Lott for slipping in the Baxter amendment to help his constituent, while blocking consideration of other amendments. Senator Rockefeller's staff think that the bill still might be brought back to the floor if time agreements are reached on other key Democratic agenda items. You should know that, we told Senator Lott that we would not veto the bill over his amendment--as it was part of the Biomaterials title and not the core Product Liability bill. Press reports say the leadership expects to move the biomaterials title separately, but since the Baxter amendment involved that title, others doubt Lott will want to draw attention to the issue again.

Bankruptcy: Larry Stein and I are scheduled to meet with Senators Durbin and Grassley on Monday (7/13) to discuss the Administration's bankruptcy reform proposal and how to ensure that the Senate bill is not moved closer to the House version during Senate floor consideration, tentatively scheduled for the week of July 20-24. Preliminary reaction to our proposal from staff has been favorable, with a number of Democrats eager to advance the proposal and Senator Grassley's office liking a number of pieces and finding the package constructive.

Credit Unions: The Credit Unions will be holding a rally on Capitol Hill with key supporters in Congress on Tuesday (7/14) in advance of Senate floor consideration of the credit union bill on Friday (7/17) and Monday (7/20). It remains unclear whether a floor fight will ensue on Senator Shelby's proposal to exempt small banks (80% of all banks) from CRA. It is widely believed that you would not hesitate to veto the credit union bill, if the CRA "poison pill" were included. Senator D'Amato (who has thus far successfully blocked the CRA amendment) has asked us not to issue a veto threat unless necessary on the eve of the vote, as it might further inflame partisan tensions in the Senate and make defeat of the CRA amendment more difficult, not less. Another amendment on Federal Home Loan Bank legislation, supported by Senator Hegel and Federal Housing Finance Board Chairman Bruce Morrison, but opposed by the Treasury Department, may also be contentious, although is not a veto issue.

H-1B Visas: Discussions on H-1B legislation continue among Republicans in the House and Senate and between Republicans and the business community. Reports indicate that they may be close to reaching an agreement that would not satisfy our stated concerns that any raising of the H-1B cap be accompanied by new funds for training and adequate protections for American workers. Following the discussion you and I had and some subsequent NEC meetings, we have decided to have tough, private discussions to raise the veto possibility if adequate training and protections for U.S. workers are not provided. If this is not effective, we may want to issue a public veto threat.

G.I. Bill: Progress continues on the conference on the G.I. Bill; Senate and House members are planning to meet next Thursday to begin wrapping up the final issues. We continue to be cautiously optimistic that we will have a bill before the end of the summer. You should know that Senator Abraham has threatened to hold up the bill if the Administration does not respond to Governor Engler's desire to privatize Michigan's employment service. The Michigan issue is an extremely delicate situation and we will continue to work with the Labor Department to craft a suitable compromise as quickly as possible.

Reverend Jackson's Trillion Dollar Roundtable: Next Wednesday (7/15), I will be traveling to New York for Reverend Jackson's Trillion Dollar Roundtable event. The overall purpose of the Trillion Dollar Roundtable effort is to recruit CEOs for the mission of increasing the flow of capital, particularly equity capital, to underserved areas and groups. The NEC, Treasury, SBA, OMB and other agencies have been meeting with Reverend Jackson and others active in his effort for the past several weeks to discuss how the Administration can support the undertaking. We have also met internally to explore potential new proposals, but we have explained to the Reverend that we will not be ready to make any announcements of new policy on July 15, and that such an announcement could in any event impede our attempts to secure funding for our FY99 community empowerment budget proposals. We did, however, agree to continue meeting with him and his group through the fall as part of an overall effort to explore new ideas that could be announced in the next budget cycle. We also agreed to do a video hook-up between the Reverend and the Vice President--since the Vice President's Empowerment Zone conference is the same day--which Reverend Jackson was very pleased with.

The Trillion Dollar event seems likely to consist of a number of panels on aspects of this issue (e.g., current government programs that channel capital to disadvantaged areas, private venture capital vehicles that could accomplish this goal, new ideas for government action). Rep. Gephardt, Sen. Rockefeller, Frank Raines of Fannie Mae, Leland Brendsel of Freddie Mac, Jack Smith of GM, Hugh McColl of NationsBank are expected to participate in panels. Sandy Weill of Travelers may co-open the event with Rev. Jackson. I may be participating in the "new government ideas" panel. If so, I will take the opportunity to describe the relevant new initiatives in your FY 99 budget.

Japan: On Thursday, I held an NEC principals meeting to discuss strategy for getting the Japanese to take additional action on the economy in preparation for the Japan state visit. Your advisors -- Sandy Berger, Madeleine Albright, and Erskine Bowles, Bob Rubin, myself and others -- expressed concern that this weekend's election could weaken Hashimoto's ability to take action and thus we agreed that you should send a letter to Hashimoto expressing the importance of taking action on fiscal and financial elements immediately following the election in order to set the stage for a successful U.S.-Japan Summit. This message will also be reinforced by Fed Chairman Greenspan who will be in Tokyo this weekend.

8-3-98

THE WHITE HOUSE

WASHINGTON

July 31, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING^{W340}
RE: NEC WEEKLY REPORT
cc: ERSKINE BOWLES

G.I. Bill: After 3½ years of hard work, Congress finally passed job training reform -- based upon your G.I. Bill for America's Workers. Your last minute phone call to Senator Harkin was critical in him lifting his hold on the bill over a state formula issue. We also worked closely with Secretary Herman -- who should be commended for her skillful negotiations -- to reach an agreement with Gov. Engler over his reform of the Michigan employment service. We hope that ~~we will get the bill for a Friday signing ceremony.~~

Privacy: On Friday (8/31) the Vice President held an event, coordinated by the Vice President's office and the NEC, highlighting the Administration's commitment to strengthen the protection of Americans' privacy. The specific policy announcements were developed under an NEC/DPC process, and included actions and calls for legislation on medical records, children's privacy, financial records, profiling, and identity theft. This announcement received very good press coverage; the *Wall Street Journal* and the *Washington Post* both ran positive stories, as did CNN and ABC News.

Individual Development Accounts: On Monday (7/27), the Senate passed by voice vote the Human Services reauthorization bill which reauthorizes Head Start, the Community Services Block Grant (CSBG), and the Low-Income Home Energy Assistance Program (LIHEAP) for five years. This bill includes the Coats-Harkin Individual Development Account (IDA) proposal which we support. On Wednesday (7/29), the House Education and Workforce Committee adopted a Souder (R-IN) amendment by voice vote to include the Coats-Harkin IDA bill on their version of the Human Services reauthorization bill. This bill will likely come to the House floor in September and should face no serious threats to passage, unless Republicans try to reattach their controversial Head Start voucher proposal (which they recently separated from the bill).

Homeownership: The U.S. housing market continues to set new records. On Thursday (7/28), new home sales hit an all-time high in June, rising from 901,000 in May to 935,000 in June. And last week, the Census Bureau reported that the homeownership rate rose to its highest rate in American history, rising from 65.9 percent in the first quarter to 66.0 percent in the second quarter. Since you took office, more than 6.5 million American families have become homeowners. While this quarter's data showed declines among minorities and those with lower incomes, these groups have seen tremendous growth over the past several years: 628,000 African-American households and 588,000 Hispanic families have become homeowners since the end of 1994. Secretary Cuomo put out statements on both releases highlighting your strong record on the economy and homeownership.

Handwritten mark

Handwritten note: "All good" with an arrow pointing to the IDA section.

Surplus and Tax Cuts: On Wednesday (9/29) I met with about 20 members of the House Democratic Budget Group, chaired by Rep. Pomeroy, to advance our goal of strengthening their resolve for "Saving Social Security First." Congressman Cardin opened with a discussion which was very much in sync with our position. I passed out an excerpt of your remarks at the IRS signing and drove home the point that your commitment to reserving the surplus is unwavering. I also walked them through Kasich's proposal. You should know that Kasich has proposed to set aside the "cash" component of Social Security -- that is, the difference between annual Social Security revenues and annual benefit payments -- for comprehensive Social Security reform. Kasich would then use the interest received by the Social Security trust fund to, in effect, pay for tax cuts. In other words, he makes his tax cut equal to the amount of Social Security interest combined with the deficit/surplus in the rest of the non-Social Security budget. At the conclusion of the meeting the Members of the group were leaning towards not offering an alternative and sticking with a clean message of Social Security first versus tax cuts.

School Modernization Day: In order to kick off September with a major national event that sets Democrats apart from Republicans on education, we have set aside September 8 as School Modernization Day. Working with the Democratic leadership on the Hill as well as mayors, local elected officials, and numerous education organizations, we are organizing media events at schools across the country that would amplify the message you will be delivering at a school in the Washington area. You will release the third annual "Baby Boom Echo" report, providing new state-by-state data on record enrollment increases. This will be your first message event after you return from Russia, and with the House of Representatives returning that week and the back-to-school focus in the Nation, there is real potential for this effort to give us momentum on the education funding issues over which we will be fighting with Congress.

Higher Education Act Reauthorization: Bob Shireman, on my staff, joined Secretary Riley and others for meetings Wednesday through Friday (8/29-8/31) with Chairmen Goodling and McKeon [scheduled for this afternoon], Chairman Jeffords, Senators Kennedy and Dodd, and the Democratic House conferees (Reps. Clay, Kildee, Martinez, and Andrews). Goodling made it clear that he wants to have a fight over Master Teachers, and that he is not pleased with the reduced interest rate on direct consolidation loans. To save Master Teachers, we are going to need the Senate, and Jeffords and Kennedy seemed willing to help. DPC is holding a strategy session on that issue this afternoon. On the overall bill, Secretary Riley will send a letter early next week; our current inclination is to include a veto recommendation based on several issues. While the wide margin of support for the bills in Congress gives a threat little credibility, we are hopeful that the Senate Democrats, at least, will echo the message that Republicans must be cooperative if they want to get this bill done this year.

Hispanic Education: With the help of OPL and DPC, Bob Shireman held a meeting this week with a coalition of groups interested in Hispanic Education issues. In addition to informing them of our plans on bilingual education, we shared information about congressional action on the Hispanic-investments that are a part of your FY 99 Budget. We also discussed the Hispanic Caucus's request that the White House sponsor a "Dropout Summit." We have some concerns about this idea and will provide you with more information in preparation for your meeting with the Hispanic Caucus next week.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

August 7, 1998

REMARKS BY THE PRESIDENT
AT SIGNING CEREMONY FOR THE
WORK FORCE INVESTMENT ACT OF 1998

Rose Garden

11:04 A.M. EDT

THE PRESIDENT: Thank you very much, and good morning. Thank you very much. Mr. Antosy, to Benny Hernandez -- examples of what we come here to celebrate and enhance today. Thank you, Secretary Herman, for your leadership on this bill which was so essential to its passage. Chairman Goodling, Senator DeWine, Congressman Clay, Congressman McKeon, Congressman Kildee, many other members of the House of Representatives who are here. To Senator Jeffords and others who are not here who, along with Senator DeWine, worked on the passage in the Senate.

I'd also like to thank the representatives of the National Association of Counties and other local groups who are here. And I will say more about all of you in a moment.

I hope you will understand why I feel the need to comment on the fact that early this morning bombs exploded outside two of our American embassies in Africa. An explosion in Nairobi, Kenya killed and wounded scores of people. We have reports that several Americans are among the dead. Another explosion in Dar Es Salaam, Tanzania also caused many casualties. At this time there are no reports that any Americans were killed in that attack, although our embassy appears to have been the target.

Both explosions caused large-scale damage to our embassies and to surrounding buildings, as you may have already seen from the pictures coming in. Though the attacks appear to have been coordinated, no one has yet claimed responsibility for them.

As I speak, we have dispatched Defense Department and State Department-led emergency response teams to the region. The teams include medical personnel, disaster relief experts, criminal investigators, counterterrorism specialists. We have taken appropriate security measures at our embassies and military facilities throughout the region and around the world.

These acts of terrorist violence are abhorrent; they are inhuman. We will use all the means at our disposal to bring those responsible to justice, no matter what or how long it takes. Let me say to the thousands and thousands of hard-working men and women from the State Department and from our other government agencies who service abroad in these embassies, the work you do every day is vital to our security and prosperity. Your well-being is, therefore, vital to us and we will do everything we can to assure that you can serve in safety.

To the families and loved ones of the American and African victims

of these cowardly attacks, you are in our thoughts and prayers. Out of respect for those who lost their lives, I have ordered that the American flag be flown at half staff at all government buildings here at home and around the world. We are determined to get answers and justice.

Thank you very much.

Now, we are here to do something very important for America's long-term future today. I mentioned the Congressmen and Senators who played a leading role who are here. I'd like to also acknowledge those who are out there whose names I have, and if I make a mistake, stand up and be recognized. (Laughter.) If I say you're here and you're not, just let it go. (Laughter.)

In addition to Senator DeWine and Chairman Goodling and Mr. Clay and Mr. McKeon, Mr. Kildee, we have here Congressman Barrett, Congressman Chakah Fattah, Representative Sheila Jackson Lee, Representative Dennis Kucinich, Representative Carrie Meek, Representative Dan Miller, Representative Patsy Mink, Representative Louis Stokes, Representative Steve LaTourette, Representative George Brown, Representative Paul Kanjorski, Congressmen Bruce Vento, Congressman Donald Payne; and Congressman Tim Roemer with a his own version of America's future in his lap. (Laughter.)

I'd also like to thank, again, Alexis Herman and Erskine Bowles and all the people on my staff for their role in this. But one person above all who has been with me since 1991 and who shared my dream of consolidating this blizzard of government programs into one grant that we could give a person who was unemployed or under-employed so that they could decide, as Mr. Antosy did, what to do with the help we were giving them on the theory that they would know their own best interest and be able to pursue it -- and that is Gene Sperling, who has worked on this for years and years, This is -- his heart is in this bill. And I want to thank him as well as all the staff people in Congress. (Applause.)

As Secretary Herman said, this bill fulfills principles for reform of our work force training program that I outlined in my first campaign for President over six years ago, and that the Vice President set out in our National Performance Review. It is a model of what we should be doing, and also the way we did it is a model of how our government ought to work. It was a truly bipartisan, American effort.

This morning, we received some more good news about our economy. Even though the latest economic reports shows the effects of the now-settled GM strike, we still see that over the past year wages have risen at more than twice the rate of inflation -- the fastest real wage growth for ordinary Americans in 20 years. This past month our unemployment rate held firm, in spite of the GM strike, at 4.5 percent. For nearly a quarter century, not once had our nation's unemployment rate gone below 5 percent; it's now been below 5 percent for 13 months in a row. We have low unemployment, low inflation, strong growth and higher wages.

But to maintain this momentum we must continue to change and move forward. Over the long run, in the face of daily new challenges in the global marketplace, we simply must press forward with the economic strategy outlined five and a half years ago: fiscal discipline, expanded trade, investment in our people and communities. To maintain fiscal discipline we must save every penny of our surplus until we save the Social Security system. To maintain exports we must immediately support the international efforts to stabilize our customers in Asia to reform and lift their economies.

In recent weeks we have clearly seen that the crisis in Asia is

having an impact on our economy. You can talk to any American grain farmer who will tell you that. For our economy to remain strong, therefore, we must pay our dues to the International Monetary Fund. To invest in our people we have to give all our people access to world-class education and training, beginning with our children before their school years and ending with people who have access to education throughout a lifetime.

The story Mr. Antosy told is a moving and heartening story. There are a lot of people in his position. In a dynamic global economy more and more people, even if they stay with the same employer, will have to change the nature of their work several times over the course of a lifetime. It is, therefore, very important that every person who is willing to work hard to make the most of his or her own life should be able to become the success stories we celebrate with Benny Hernandez and James Antosy.

Therefore, we have to do more than we have been doing, even though we have been making progress. The vast majority of corporate managers say the number one prerequisite for continued prosperity is finding a way to fill all our high-skill jobs.

I'm telling you today, there are -- even with the unemployment rate as low as it is, there are hundreds of thousands of jobs which are going begging that are high-wage, high-skill jobs, undermining the ability of our free enterprise economy to maximize its benefits to all our people, to reach into all the urban neighborhoods and the rural communities and the places that it has not yet reached. Therefore, giving all Americans the tools they need to learn for a lifetime is critical to our ability to continue to grow.

We are making progress in building an America where every 8-year-old can read, every 12-year-old can log on to the Internet, every 18-year-old can go on to college. And today we celebrate a big step forward in making sure that every adult can keep on learning for a lifetime; where no disadvantaged child, no displaced worker, no welfare parent, no one willing to learn and work is left behind.

This is the crowning jewel of a lifetime learning agenda -- the Work Force Investment Act to give all our workers opportunities for growth and advancement. It, as Mr. Goodling said and Mr. Clay said in specifying what was in the bill, has many things that will help millions of workers enhance our nation's competitive age.

Let me just mention some of the things that are most important to me. It empowers workers, not government programs, by offering training grants directly to them, so they can choose for themselves what kind of training they want and where they want to get it. There was a time, decades ago, when Congress actually needed to pass specified training programs with specific purposes and mechanisms to implement them. But that time has long since passed. Almost every American is within driving distance of a community college or some other mechanism of advanced training. And almost every American has more than enough sense to decide what is in his or her best interest, given a little good helpful advice on the available alternatives.

The law streamlines and consolidates a tangle of training programs, therefore, into a single, common sense system. And it also expands our successful model of one-stop career centers so people don't have to trot around to one -- different agency after another when they find themselves in the position that Mr. Antosy found himself in. It enhances accountability for tough performance standards for states and communities and training providers, even as it gives more flexibility to the states to develop innovative ways to serve our working people

better.

It helps to create opportunities for disadvantaged youth. And I think that is terribly important. Everybody is concerned about the juvenile crime rate; we need to be concerned, therefore, about the number of juveniles that are out here on the street, out of school, not doing what could be done to give them a more constructive future.

And, finally, it does two more things that I think are quite important. It has a real emphasis on helping people with disabilities prepare for employment and it gives adults who need it literacy support to move ahead. You cannot train for a lot of these programs if you cannot read at an adequate level. And I think that is terribly important.

What all this amounts to is that we get to celebrate Labor Day a month early this year. At long last, we're giving our workers the tools they need to move quickly to 21st century jobs, higher incomes, and brighter futures. I thank all those on this stage, all those in this audience, and those who could not be here who have worked and waited for this day.

Let me also say that just a couple of minutes ago I had the chance to sign another bill that helps all Americans share in our prosperity -- the Credit Union Membership Access Act. Credit unions serve a vital and unique purpose; they make sure financial services and credit are available to people of modest means. The law I signed strengthens them, helps them to withstand hard economic times, clarifies who can join and ensures that those who are in credit unions now won't ever get locked out. It will help extend greater credit to those who need it most. It is also good for the economy.

Both these bills are bipartisan bills. They passed with overwhelming bipartisan majorities. They show what can happen when we can put our differences aside and put progress ahead of partisanship and people ahead of politics. That's a good thing because our plate is still full. In the few days remaining in this legislative session, we must still work together to save Social Security first, secure funding for the International Monetary Fund to stabilize our own economic growth, to pass a strong patients' bill of rights, a very crowded education agenda built on excellence and opportunity, and an important element of our environmental agenda to preserve our environment and grow the economy.

We can do all these things. And, as we see today on this very happy occasion, when we do it, we strengthen our country and the future of the children over there with Congressman Roemer and all the others like them throughout America.

Thank you very much. (Applause.)

END

11:18 A.M. EDT

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

August 7, 1998

THE WORKFORCE INVESTMENT ACT OF 1998
SIGNING CEREMONY

August 7, 1998

President Clinton Has Pushed For Reform of America's Job Training System Since 1992. In *Putting People First*, candidates Bill Clinton and Al Gore outlined a vision to retrain America's workers, stating that workers should be "able to choose advanced skills training, the chance to earn a high school diploma, or the opportunity to learn to read. And we will streamline the confusing array of publicly funded training programs." Three and a half years ago, President Clinton proposed a G.I. Bill for America's Workers to reform our employment and training system for the 21st-century economy by empowering individuals, streamlining services, enhancing accountability, and increasing flexibility. For over three years, President Clinton has repeatedly pressed Congress to pass job-training reform based on his original proposal.

Today, President Clinton Signs The Bipartisan Workforce Investment Act. After three years, Congress passed -- with overwhelming bipartisan support -- legislation that incorporates the principles articulated in the President's original job training reform proposal. Led by Senators Jeffords (R-VT), DeWine (R-OH), Kennedy (D-MA), and Wellstone (D-MN), the Senate version of the bill passed on May 5, 1998 by a vote of 91-7. Nearly a year earlier, Representatives Goodling (R-PA), McKeon (R-CA), Clay (D-MO), and Kildee (D-MI) led the House in passing their version of the bill by a vote of 343-60. This important legislation reforms America's job training system so that it works better for today's workers and is more responsive to America's rapidly changing economy.

How Legislation Changes The Job Training System:

Empowers Individuals. Through "Individual Training Accounts" or skill grants, performance reports to inform consumers' choices, and universal access to core services like job search assistance, this bill empowers individual workers.

Individual Training Accounts. Individual Training Accounts -- based on President Clinton's Skill Grants proposal -- will allow adults to have more control and choice over their training or retraining. This customer-driven system replaces the decades-old tradition of making job training decisions for adults through bureaucratic systems. Individual Training Accounts will make job training more responsive to individual interests and the skill needs of the labor market.

Performance Reports to Inform Consumers' Choices. So that workers can make informed decisions about which job training program would be best for them, this bill requires that training providers report the performance of their "graduates" in terms of job placement, earnings, and job retention.

Universal Access to Core Services. Core labor market services

-- such as job search and placement assistance, career counseling, labor market information identifying job vacancies, information on skills necessary for occupations in demand, an initial assessment of skills and needs, and follow-up services to assist in job retention -- would be available on a universal basis with no eligibility requirement.

Streamlines Services. This bill streamlines job training services by consolidating a tangle of individual programs into a simple system and creating a nationwide network of One-Stop Career Centers.

Consolidating Tangle of Individual Programs. Currently, there are dozens of individual training programs run by the Federal government. This bill consolidates this tangle of programs into three separate grants.

Nationwide Network of One-Stop Career Centers. Over the past few years, the Clinton Administration has entered into partnerships with over 95 percent of states to build One-Stop Career systems. These One-Stop centers consolidate multiple training and employment programs at the "street level." Today, there are more than 800 One-Stops in operation. This bill requires each local area to have at least one One-Stop center that includes job training, employment service activities, unemployment insurance, vocational rehabilitation, adult education, and other assistance. One-Stop centers would also provide universal access to the core services described above.

Enhances Accountability. Through tough performance standards for states, localities, and training providers, and by requiring training providers to be certified under the Higher Education Act, the National Apprenticeship Act, or a State-prescribed procedure, this bill enhances accountability.

Performance Measures. The bill identifies core measures of performance -- including job placement rates, earnings, and retention in employment -- that States and local areas would have to meet. Failure to meet the performance levels would lead to sanctions, while exceeding the levels would qualify for receipt of incentive funds.

Ensures Quality Job Training Providers. To ensure against waste, fraud, and abuse, the bill requires training providers to be certified under the Higher Education Act, the National Apprenticeship Act, or under a State procedure used by the local Workforce Investment Boards. In addition, each training provider must meet levels of performance established by States and communities to remain in the program and be eligible to receive Federal job-training funds.

Increases Flexibility. The Workforce Investment bill allows for increased flexibility so that states can innovate and experiment with new ways to train America's workers better.

Simpler System for Waivers. Currently, the Secretary of Labor can provide waivers to states or local areas on an annual basis only. This bill provides the Secretary permanent authority to waive rules in exchange for performance improvements, thereby allowing states and local areas to implement innovative, new job-training programs. The bill would also expand the Work-Flex authority for the provision of workforce training and employment activities, which is limited to six States. All States would be eligible for Work-Flex, which grants Governors the authority to

approve local requests for waivers of statutory and regulatory provisions.

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PRESIDENT CLINTON'S SIX-YEAR SUPPORT FOR JOB TRAINING REFORM

"I am pleased that both houses of Congress have now passed a comprehensive bill to give Americans new opportunities and choices to train for the jobs of the future... Modeled on my GI Bill for America's workers, this new training bill streamlines the vast array of existing job programs and empowers individuals to learn new skills with a simple grant. It will make sure that job training helps Americans meet the demands of a rapidly changing economy, and I look forward to signing it into law."

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July 31, 1998

FOR SIX YEARS, PRESIDENT CLINTON HAS SUPPORTED MAKING AMERICA'S JOB TRAINING SYSTEM WORK BETTER FOR WORKING AMERICANS. In the 1992 book, *Putting People First*, candidates Bill Clinton and Al Gore outlined a vision to retrain America's workers. Since then, the President has repeatedly pushed Congress to pass initiatives geared toward retraining America's workers -- culminating in the final passage of job training reform by Congress last week.

1992: BILL CLINTON AND AL GORE OUTLINED VISION FOR WORKER RETRAINING INITIATIVE. In the 1992 book, *Putting People First*, candidates Bill Clinton and Al Gore outlined their vision for an initiative to retrain America's workers: "Workers will be able to choose advanced skills training, the chance to earn a high school diploma, or the opportunity to learn to read. And we will streamline the confusing array of publicly funded training programs." [*Putting People First*, 1992]

MARCH 1994: PRESIDENT CLINTON INTRODUCED REEMPLOYMENT ACT OF 1994. President Clinton formally introduced the Reemployment Act of 1994, a plan that would replace an array of programs operated at the state and federal levels with one program that offers job counseling and allows workers to apply for jobless benefits and sign up for training programs all in one place. [*Associated Press*, 3/9/94]

March 15, 1994: President Clinton Urged Congress For "Prompt And Favorable Consideration" Of Reemployment Act. President Clinton in a letter to Congress: "I urge the Congress to give this legislation prompt and favorable consideration so that Americans will have available a new, comprehensive reemployment system that works for everyone." [*Public Papers of the President*, 3/15/94]

June 4, 1994: President Clinton Said He Is "Fighting" For Reemployment Act.

President Clinton during a radio address: "Now we have to fix our broken unemployment system to replace it with a reemployment system so that when someone loses a job, he or she can find a good new job as quickly as possible. I am fighting for Congress to pass this reemployment act this year, too." [Public Papers of the President, 6/4/94]

June 21, 1994: President Clinton Called Reemployment Act "Very, Very Important." President Clinton on the Reemployment Act: "I want Congress to enact that this year. This is very, very important." [Public Papers of the President, 6/21/94]

DECEMBER 1994: PRESIDENT CLINTON UNVEILED CONCEPT OF G.I. BILL IN MIDDLE CLASS BILL OF RIGHTS. The fourth point of President Clinton's Middle Class Bill of Rights became the G.I. Bill for America's workers. In an address to the nation, the President told Americans his plan: "Since every American needs the skills necessary to prosper in the new economy -- and most of you will change jobs from time to time we should take the billions of dollars the Government now spends on dozens of different training programs and give it directly to you, to pay for training if you lose your job or want a better one." [Public Papers of the President, 12/15/94]

JANUARY 1995: PRESIDENT CLINTON ARTICULATED VISION OF G.I. BILL FOR AMERICA'S WORKERS. Building on his prior proposals, President Clinton in his 1995 State of the Union Address articulated his vision of a G.I. Bill for America's Workers -- an initiative consolidating an array of federal job-training programs, while providing individuals with Skill Grants to purchase training services. [Public Papers of the President, 1/24/95]

January 24, 1995: President Clinton Said "We Should Pass" G.I. Bill. In his 1995 State of the Union Address, President Clinton called for passage of a G.I. Bill for America's workers: "We should pass a GI bill for America's workers...Let's empower people in this way, move it from the Government directly to the workers of America." [Public Papers of the President, 1/24/95]

October 13, 1995: President Clinton Said We Should "Support" and "Properly Fund" G.I. Bill. President Clinton pushed the G.I. Bill during his remarks to the Business Council in Virginia: "It's a very important idea, and we ought to stick with it and support it and properly fund it." [Public Papers of the President, 10/13/95]

January 23, 1996: President Clinton "Challenge(d)" Congress To Pass G.I. Bill. President Clinton in his 1996 State of the Union Address: "I challenge Congress to consolidate 70 overlapping, antiquated job-training programs into a simple voucher worth \$ 2,600 for unemployed or underemployed workers to use as they please for community college tuition or other training. This is a "GI bill" for America's workers we should all be able to agree on." [Public Papers of the President, 1/23/96]

March 8, 1996: President Clinton Called G.I. Bill "Important." President Clinton on the G.I. Bill during his remarks to business employees in California: "I believe it's an important thing." [Public Papers of the President, 3/8/96]

January 9, 1997: President Clinton Said He Is "Determined" To Pass G.I. Bill. President Clinton on the G.I. Bill during a speech in the Oval Office: "One of our other proposals that I've had on the table in Congress for 4 years now, which I am determined to get passed in this next Congress, is the "GI bill" for America's workers." [Public Papers of the President, 1/9/97]

February 4, 1997: President Clinton Said G.I. Bill Was Sitting For "Too Long." In his 1997 State of the Union Address, President Clinton called for congressional action on the G.I. Bill: "For too long, this bill has been sitting on that desk there without action. I ask you to pass it now. Let's give more of our workers the ability to learn and to earn for a lifetime." [Public Papers of the President, 2/4/97]

January 27, 1998: President Clinton Called On Congress To "Continue Its Bipartisan Work." In his 1998 State of the Union Address, President Clinton reinforced his support for the G.I. Bill: "Again, I ask the Congress to continue its bipartisan work to consolidate the tangle of training programs we have today into one single "GI bill" for workers, a simple skills grant so people can, on their own, move quickly to new jobs, to higher incomes, and brighter futures." [Public Papers of the President, 1/27/98]

March 6, 1998: President Clinton Asked Senate "To Pass This Bill." President Clinton speaking about the G.I. Bill during his remarks on the national economy: "But we also...must do more to reform our job training system. For more than 3 years, I have called on Congress to consolidate the tangle of training programs we have today into a "GI bill" for workers...Now, last year a bipartisan majority in the House of Representatives passed a bill that would achieve the goals that I have called for years now. A similar bill has attracted bipartisan support in the Senate...I ask the Senate to pass this bill and send it to me so that I can sign it into law." [Public Papers of the President, 3/6/98]

May 1, 1998: President Clinton Said He Has Tried To Pass G.I. Bill "For Five Years." President Clinton on the G.I. Bill during a roundtable discussion with business employees in California: "I've been trying for 5 years to pass this -- the "GI bill" for America's workers." [Public Papers of the President, 5/1/98]

PRESIDENT CLINTON'S AND VICE PRESIDENT GORE'S RECORD ON JOB TRAINING AND LIFELONG LEARNING

Since 1993, President Clinton and Vice President Gore Have Worked To Strengthen America's Workforce Development System And Promote Lifelong Learning. The Clinton-Gore Administration has undertaken a number of significant initiatives to strengthen America's job training system and promote lifelong learning. These efforts -- both legislative and administrative -- have sought to provide more access to job training and skill development for adult workers and to make the job training system work better for working Americans.

Dislocated Worker -- More Than Doubled Funding. President Clinton has more than doubled funding for dislocated workers, increasing it from \$517 million in 1993 to \$1,351 million in 1998. This year, the program will assist over 600,000 workers, almost double the number in 1993. The President's 1999 budget increases dislocated worker funding by another \$100 million, so that we would nearly triple the funding compared to 1993.

Tax Incentives To Increase Skills. In an effort to provide adults increased opportunity to get job training and obtain the skills they need for the new economy, President Clinton has put in place tax incentives to make community college universally available and to give workers the chance to go back to school and upgrade their skills. These tax provisions include:

HOPE Scholarship Tax Credit. President Clinton proposed and signed into law a \$1,500 HOPE Scholarship Tax Credit to help make the 13th and 14th grades as universal as a high school diploma is today.

Lifetime Learning Tax Credit. This tax credit is targeted to adults who want to go back to school, change careers, or take a course or two to upgrade their skills, and to college juniors, seniors, graduate and professional degree students. The 20-percent Lifetime Learning Tax Credit will be applied to the first \$5,000 of a family's qualified education expenses through 2002, and to the first \$10,000 thereafter.

Section 127 Extension. The 1997 tax relief act extends Section 127 of the tax code for three years. Section 127 allows workers to exclude up to \$5,250 of employer-provided education assistance from their income. The assistance must be for undergraduate courses beginning prior to June 1, 2000.

Penalty-Free Withdrawal from Individual Retirement Accounts (IRAs). The 1997 tax relief act allows penalty-free IRA withdrawals for undergraduate, post-secondary vocational, and graduate education expenses. Additionally, taxpayers are given the opportunity to deposit \$500 into an education IRA. Earnings would accumulate tax-free and no taxes will be due upon withdrawal for an approved purpose.

One-Stop Career Centers. Using implementation grants from the Department of Labor, more than 95 percent of states have built a One-Stop Career Center; in fact, more than 800 One-Stop Centers have been established around the country. The One-Stop Career Center is at the heart of the Clinton Administration's efforts to encourage state and local governments to reinvent themselves, focusing on customer satisfaction by consolidating service delivery at the "street level". Instead of an array of services provided at different locations, One-Stops bring together -- for the benefit of the customer -- job and career resource rooms (e.g., computers, faxes, telephones), job listings (including those on America's Job Bank); job referral and placement; information on education and training programs; initial screening for training eligibility; testing and assessment; job search skills; and assistance in filing UI claims.

America's Labor Market Information System. An integral part of the One-Stop concept is labor market information and at the center of the Labor Department's efforts is America's Labor Market Information System (ALMIS), which provides all American workers and businesses with information necessary to exercise informed choice in their workforce decisions.

America's Job Bank. America's Job Bank is the largest and most frequently visited job bank on the Internet, with 700,000 job openings posted daily. Job Bank daily "hits" or access have increased each month to well over 6 million job searches in July 1998 alone.

America's Talent Bank. America's Talent Bank allows registered employers to search a database of electronic resumes to find suitable candidates for their job openings. This service was fully integrated with America's Job Bank in May 1998. As of late July 1998, a total of 112,000 resumes had been posted on the service.

America's Career InfoNet. America's Career InfoNet offers resources including employment trends, wage data, training requirements, and other economic information. This month, this service will be updated to include state and local information and will be directly linked to America's Job and Talent Banks.

Allowing States to Innovate Through Increased Waivers. Using new authority, the Secretary of Labor has waived legal and regulatory requirements, allowing state and local reforms in return for higher performance. Thirty-one states have been granted -- and have implemented -- a variety of waivers. Moreover, the Secretary has designated six states to participate in the five-year Work-Flex demonstration, which grants Governors the authority to approve local requests for waivers of statutory and regulatory provisions.

\$3 Billion Welfare-to-Work Jobs Initiative. The Clinton Administration fought for and secured a \$3 billion Welfare-to-Work jobs initiative, as part of the Balanced Budget Act. The Administration provided these grants directly to both cities and states for additional resources to help long-term, hard-to-serve welfare recipients find and keep jobs.

Created the School-to-Work program in 1994. In 1994, President Clinton created the School-to-Work program, which is enabling states and communities to help students meet high academic standards, prepare for college and careers, and create alternative learning systems for youth who have dropped out or are about to leave school. As of the end of July 1998, 42 states (and Puerto Rico) and more than 1,000 local community partnerships have received School-to-Work grants. The remaining states are expected to receive implementation grants this September.

Pell Grants -- Maximum Grant Over \$500 Higher Today Than in 1996. President Clinton has increased the Pell Grant maximum grant amount from \$2,470 in 1996 to \$3,000 in 1998. The President's 1999 budget proposes \$249 million more for Pell Grants, which would help increase the maximum by another \$100 to \$3,100 -- the highest ever. This would reach 3.9 million low- and middle-income undergraduates. If the President's budget were enacted, the maximum grant would be 25-percent higher than in 1996.

Job Corps -- Expanded One-Third Since 1992. Job Corps is a residential training program for severely disadvantaged young people aged 16-24, assisting young people in gaining the education and skills they need to become more responsible, employable and productive citizens. Since 1993, Job Corps funding has increased by one-third, from \$937 million in 1992 to \$1,246 million in 1998. In 1996, almost 68,000 new students enrolled in the program. As part of the Job Corps expansion, the Department is adding five new Job Corps centers or satellites of existing Job Corps centers.

OPTIONS FOR ENHANCING FEDERAL GUARANTEE TO ALL AMERICANS TO INVEST IN POST-SECONDARY EDUCATION AND TRAINING THEY CHOOSE

1. Baseline Package of Federal Resources for Families and Individuals

- \$2900 Pell Grants -- with actual amount based on family income, savings. Difficult or arbitrary use in practice adversely affects three groups: independent students, dislocated workers b/c no prospective income test, and non-degree training. Also, subject to vagaries of annual appropriations, which means that amount of grant falls behind median tuition costs when not the highest priority of a sitting President who can enforce his will on Congress.
- Student Loans -- much more conveniently available, with more affordable repayment, including a Pay-As-You-Earn option. [N.B.: We should take credit for all reforms in practice -- including the savings and increasing competitiveness and convenience of GSLs -- of Direct Lending.]
- Dol Training -- a hodgepodge of federal-, state- and local-contracted training programs for dislocated and low-income workers. President in G.I. Bill for America's Workers has already argued that this crazy-quilt of training programs doesn't work and all of the adult training dollars should be consolidated into an individual Skill Grant of \$2600 so that dislocated and "underemployed" workers who can't find new jobs with their current skills can invest in learning the skills they choose to find new and more rewarding work.

2. Current Package of Proposals

- \$1500 refundable Hope Scholarship, \$10,000 Education and Training Tax Deduction and Expanded IRA. However, refundability of Hope Scholarship presents problems in coordinating with Pell Grant, doesn't get cash into hands of family until year after family spends money on tuition, and doesn't add much purchasing power for low- and moderate income persons compared to Pell Grants; and Hope Scholarship does not solve limitations in Pell Grants described in 1 above.
- \$2600 Skill Grant in G.I. Bill for America's Workers for Underemployed and Unemployed Workers. However, last year the House and Senate authorizing committees and Conference Report rejected individual Skill Grants and substituted devolution to states of DoL adult training dollars, with each state having discretion to use state-local contracting for training services or individual skill grants designed as state chooses. Authorizing committees offered no federal guarantee of any kind for enhanced purchasing power of education or training for individual families and are unlikely to be any more supportive this year -- *unless the President finds a way to elevate the issue in a new and major way.*

3. **New Proposed Package for enhancing Federal Guarantee of support for families to invest in education and training they choose.** Budget Premise=use \$5.5 billion in 5-year budget savings from eliminating refundability and simplifying Hope Scholarship; and move all of the individual purchasing power of Pell Grants and most of DoL adult training appropriations to mandatory side of the Budget. There is also an additional \$2 billion in

budget savings from Student Loan reforms, for a total of \$7.5 billion in available savings.

- Expanded and More Flexible Pell Grants:

Increase Proposed FY98 Discretionary Amount from \$2900 to \$3000, the median cost per year of college). *Net Budget Increase Cost = \$1.5B.*

Solve "Independent Student" issue. *Net Cost=\$3.9B*

Solve "Prospective Income" issue for dislocated workers. *Net Cost=\$1.0B*

Solve "Non-Degree" training issue. *Cost=\$5.0B* (although this is very uncertain b/c we don't have a handle on the extent to which this would be used). This cost could be entirely offset by moving a portion of JTPA training \$\$ to mandatory side (just as we are proposing for Pell Grants!) *Net Cost=\$0*

- Dislocated Worker Hope Skill Credit or Hope Skill Grant of \$3,000:

The impact of this net increase in purchasing power would be limited to class of workers actually dislocated from paying jobs by their employers whose "prospective income" is still too high for Pell Grant and who can't find a new job after 12 weeks of job search as certified by U.I. or One-Stop; and for most of this limited class, net increase in cost would be a maximum of \$1500 per person. *Cost=\$3.5B* (although this is a little indeterminate b/c interaction with Pell Grant and Hope Scholarship is not yet entirely clear) This cost could be entirely offset by moving JTPA training \$\$ for such dislocated workers to mandatory side (just as we are proposing to do with Pell Grants!) *Net Cost=0.*

Total Net Budget Cost= \$6.4B less Net Budget Saving of \$7.5 yields

Net Budget Cost=\$0 or savings!

4. Pros vs. Cons

- Pro: This will guarantee for a generation to come that President's promise of federal support for every family, worker, and student to invest in education and training they choose -- not just for first two years of college, but also for all post-secondary lifelong learning -- is embedded in a balanced budget reconciliation agreement. In so doing, it will *also* implement the President's proposal for a G.I. Bill for America's Workers *without having to seek any legislation from reluctant if not hostile authorizing committees!*

Con 1: This is a new entitlement that will explode the deficit in the out-years.

Con 2: This will require cuts elsewhere in Budget.

Con 3: This will put existing DoL training programs or POTUS-proposed Skill Grants at risk.

Discussion: This is a fight well worth making. First, the chances for a major victory -- for POTUS and for all Americas -- *in the context of a budget that actually balances on CBO scoring* -- are quite high if POTUS wants to fight for this priority. In fact, this proposal

would substantially enhance POTUS hand: (a) by elevating this issue to a paramount Presidential priority and highest national visibility and (b) by building support among virtually all D's (and, behind the scenes, at least, maybe even moderate R's who want to assure investment in post-secondary education and training) and major constituencies (including organized labor, entire education community, and much of enlightened business leadership) who will join with POTUS to fight for this federal guarantee of post-secondary education and training in the context of balancing the budget. The President's own balanced budget proposal, his actions in achieving a balanced budget agreement, and his commitment to whatever Bi-Partisan Commission he may convene to deal with "longer-term" Social Security and Medicare/Medicaid issues will make clear that the President is committed to a budget framework that will work to achieve balance -- and not explode the deficit -- for a generation to come. *Establishing such a new balanced budget framework -- including the federal guarantee to all American families, students and workers of resources to invest in the post-secondary education and training they choose -- provides the substance for a powerful Second Inaugural Address: the President's vision for empowering ordinary Americans to lead an extraordinarily rewarding crossing to a new age of discovery and renewal.*

Second, the President will be submitting a complete new budget that balances and then bargain for a balanced budget agreement in the context of many variables that are not included in his proposed budget (e.g., C.P.I., size of economic bonus for balancing the budget, additional revenues within budget window from capital gains cut and further eliminations of "corporate subsidies," and other proposed restraints on growth in Medicare, Medicaid, and SSI and Disability). Any "con" of requiring "cuts" elsewhere in our budget is, therefore, largely irrelevant at this stage of consideration: this is the type of choice that POTUS should have before him when he makes decisions on major presidential priorities (which this surely is) and budget trade-offs. *But the budget trade-offs here are not total \$\$ nor trade-offs between competing Presidential priorities; here the actual budget trade-offs are of two different kinds: (1) refundable tax credits v. mandatory grants; and (2) mandatory investment v. discretionary appropriations. This proposal is "budget-neutral."*

Third, the DoL discretionary appropriation for training programs is already at risk: in our G.I. Bill proposal, the President has already led the charge in arguing that the current crazy patchwork of DOL programs with federal-state-local contracting of training is just plain wrong-headed and that the \$\$ should all be consolidated into purchasing power directly in the hands of individuals through a \$2600 Skill Grant. *Therefore, what's really at risk if we don't include "skill grants" for training in our proposed mandatory package is the President's whole proposal of individual Skill Grants before unfriendly authorizing committees. In fact, this proposal to tie education and training together as mandatory investments actually strengthens our hand on any negotiations on similar changes to Pell Grants and to fight for the President's real G.I. Bill for America's Workers if we lose with the Congress on this issue in Budget Reconciliation and are forced back bargaining with the authorizers and appropriators on the discretionary side!* And, if the mandatory proposal succeeds in the Budget Reconciliation, then DoL can concentrate on building the foundation for labor market information and exchange (Job Bank, Talent Bank, Labor Market Information System, Interactive Training Network and One-Stops) that permit job-seekers, employers looking for workers, and job placement intermediaries to find and add their own value -- *without the*

need for any additional authorizing legislation at all!

[N.B.: Of course, any such consolidation through individual grants -- like the consolidation through devolution proposed by Congressional authorizers last year -- puts most of the employees at DoL's ETA at risk of being "downsized": but we are in no position to argue that is a con rather than a pro. Indeed, the VP joined in major support of the President's proposed consolidation through individual Skill Grants as one of his most important and visible examples of real REGO.]

[N.B.: There is a very creative proposal for out-of-school-youth and young adults who don't have high school diplomas or are functionally illiterate that DOL could put into play on the authorizing side *with the support of governors and mayors*: a \$500 federal incentive to the State/locality for each such young person recruited to go back to a state/locally approved provider offering learning leading to high school diploma, marketable job skills and a real job upon completion, with another federal \$500 reward to State for every such person placed in a job for one year after completion. This could be modeled -- much like the School-to-Work transitional grants -- as a challenge competition to States (and localities/school districts) that elect to participate by putting up the rest of the \$\$ for such work-based learning leading to employment upon graduation. It is not necessary, however, to decide what if anything to propose with respect to DoL out-of-school youth/young adult training programs in order to decide this proposal for *post-secondary education and training*. The DoL out-of-school youth issues should be reviewed and considered in the context of the complementary proposal from DoEd for reforming the Perkins Act through the pending reauthorization: *Ken and Barry should advise the timing and nature of any budget issues on DoL out-of-school youth and Perkins reauthorization that need to be resolved.*]

- Pro: This will assure that individual grants are provided up-front to low- and moderate-income families, students and workers who choose to invest in education and training without the administrative, tax policy and six- to 18 month delay in receiving "refundable tax credit."
Con: ? [I don't think there is a "con" here, except possibly a tacit admission that "refundability" of tax credits generally is mandatory "spending" rather than a "tax cut" (which might hurt our rhetoric, but does it really hurt the budget scoring and budget terminology for EITC?)]
- Pro: This will assure that all American families, students and workers know that they will have federal guarantee of support not only for first two years of college, but also for all post-secondary education and training they choose.
Con: This may dilute message of making "first two years of college" or "years 13 and 14 of schooling as universal as K-12 public schooling" by extending federal guarantee of support (a) to all lifelong learning and (b) including training for dislocated, "underemployed" workers, and low- and moderate-income families -- as well as college education -- for "learners" of all ages.

[Discussion: I just don't "get" this con at all. Someone else will have to put together the arguments on this.]



**THE WORKFORCE INVESTMENT
ACT OF 1998
SIGNING CEREMONY**

**TRAINING AMERICANS
FOR THE JOBS OF THE FUTURE**

PRESIDENT WILLIAM J. CLINTON

AUGUST 7, 1998

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SIGNING CEREMONY

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President Clinton Has Pushed For Reform of America's Job Training System Since 1992. In *Putting People First*, candidates Bill Clinton and Al Gore outlined a vision to retrain America's workers, stating that workers should be "able to choose advanced skills training, the chance to earn a high school diploma, or the opportunity to learn to read. And we will streamline the confusing array of publicly funded training programs." Three and a half years ago, President Clinton proposed a G.I. Bill for America's Workers to reform our employment and training system for the 21st-century economy by empowering individuals, streamlining services, enhancing accountability, and increasing flexibility. For over three years, President Clinton has repeatedly pressed Congress to pass job-training reform based on his original proposal.

Today, President Clinton Signs The Bipartisan Workforce Investment Act. After three years, Congress passed -- with overwhelming bipartisan support -- legislation that incorporates the principles articulated in the President's original job training reform proposal. Led by Senators Jeffords (R-VT), DeWine (R-OH), Kennedy (D-MA), and Wellstone (D-MN), the Senate version of the bill passed on May 5, 1998 by a vote of 91-7. Nearly a year earlier, Representatives Goodling (R-PA), McKeon (R-CA), Clay (D-MO), and Kildee (D-MD) led the House in passing their version of the bill by a vote of 343-60. This important legislation reforms America's job training system so that it works better for today's workers and is more responsive to America's rapidly changing economy.

HOW LEGISLATION CHANGES THE JOB TRAINING SYSTEM:

- **Empowers Individuals.** Through "Individual Training Accounts" or skill grants, performance reports to inform consumers' choices, and universal access to core services like job search assistance, this bill empowers individual workers.
 - *Individual Training Accounts.* Individual Training Accounts -- based on President Clinton's Skill Grants proposal -- will allow adults to have more control and choice over their training or retraining. This customer-driven system replaces the decades-old tradition of making job training decisions for adults through bureaucratic systems. Individual Training Accounts will make job training more responsive to individual interests and the skill needs of the labor market.
 - *Performance Reports to Inform Consumers' Choices.* So that workers can make informed decisions about which job training program would be best for them, this bill requires that training providers report the performance of their "graduates" in terms of job placement, earnings, and job retention.
 - *Universal Access to Core Services.* Core labor market services -- such as job search and placement assistance, career counseling, labor market information identifying job vacancies, information on skills necessary for occupations in demand, an initial assessment of skills and needs, and follow-up services to assist in job retention -- would be available on a universal basis with no eligibility requirement.

- **Streamlines Services.** This bill streamlines job training services by consolidating a tangle of individual programs into a simple system and creating a nationwide network of One-Stop Career Centers.
 - *Consolidating Tangle of Individual Programs.* Currently, there are dozens of individual training programs run by the Federal government. This bill consolidates this tangle of programs into three separate grants.
 - *Nationwide Network of One-Stop Career Centers.* Over the past few years, the Clinton Administration has entered into partnerships with over 95 percent of states to build One-Stop Career systems. These One-Stop centers consolidate multiple training and employment programs at the "street level." Today, there are more than 800 One-Stops in operation. This bill requires each local area to have at least one One-Stop center that includes job training, employment service activities, unemployment insurance, vocational rehabilitation, adult education, and other assistance. One-Stop centers would also provide universal access to the core services described above.

- **Enhances Accountability.** Through tough performance standards for states, localities, and training providers, and by requiring training providers to be certified under the Higher Education Act, the National Apprenticeship Act, or a State-prescribed procedure, this bill enhances accountability.
 - *Performance Measures.* The bill identifies core measures of performance -- including job placement rates, earnings, and retention in employment -- that States and local areas would have to meet. Failure to meet the performance levels would lead to sanctions, while exceeding the levels would qualify for receipt of incentive funds.
 - *Ensures Quality Job Training Providers.* To ensure against waste, fraud, and abuse, the bill requires training providers to be certified under the Higher Education Act, the National Apprenticeship Act, or under a State procedure used by the local Workforce Investment Boards. In addition, each training provider must meet levels of performance established by States and communities to remain in the program and be eligible to receive Federal job-training funds.

- **Increases Flexibility.** The Workforce Investment bill allows for increased flexibility so that states can innovate and experiment with new ways to train America's workers better.
 - *Simpler System for Waivers.* Currently, the Secretary of Labor can provide waivers to states or local areas on an annual basis only. This bill provides the Secretary permanent authority to waive rules in exchange for performance improvements, thereby allowing states and local areas to implement innovative, new job-training programs. The bill would also expand the Work-Flex authority for the provision of workforce training and employment activities, which is limited to six States. All States would be eligible for Work-Flex, which grants Governors the authority to approve local requests for waivers of statutory and regulatory provisions.

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FOR SIX YEARS, PRESIDENT CLINTON HAS SUPPORTED MAKING AMERICA'S JOB TRAINING SYSTEM WORK BETTER FOR WORKING AMERICANS. In the 1992 book, Putting People First, candidates Bill Clinton and Al Gore outlined a vision to retrain America's workers. Since then, the President has repeatedly pushed Congress to pass initiatives geared toward retraining America's workers -- culminating in the final passage of job training reform by Congress last week.

1992: BILL CLINTON AND AL GORE OUTLINED VISION FOR WORKER RETRAINING INITIATIVE. In the 1992 book, Putting People First, candidates Bill Clinton and Al Gore outlined their vision for an initiative to retrain America's workers: *"Workers will be able to choose advanced skills training, the chance to earn a high school diploma, or the opportunity to learn to read. And we will streamline the confusing array of publicly funded training programs."* [Putting People First, 1992]

MARCH 1994: PRESIDENT CLINTON INTRODUCED REEMPLOYMENT ACT OF 1994. President Clinton formally introduced the Reemployment Act of 1994, a plan that would replace an array of programs operated at the state and federal levels with one program that offers job counseling and allows workers to apply for jobless benefits and sign up for training programs all in one place. [Associated Press, 3/9/94]

- **March 15, 1994: President Clinton Urged Congress For "Prompt And Favorable Consideration" Of Reemployment Act.** President Clinton in a letter to Congress: *"I urge the Congress to give this legislation prompt and favorable consideration so that Americans will have available a new, comprehensive reemployment system that works for everyone."* [Public Papers of the President, 3/15/94]
- **June 4, 1994: President Clinton Said He Is "Fighting" For Reemployment Act.** President Clinton during a radio address: *"Now we have to fix our broken unemployment system to replace it with a reemployment system so that when someone loses a job, he or she can find a good new job as quickly as possible. I am fighting for Congress to pass this reemployment act this year, too."* [Public Papers of the President, 6/4/94]
- **June 21, 1994: President Clinton Called Reemployment Act "Very, Very Important."** President Clinton on the Reemployment Act: *"I want Congress to enact that this year. This is very, very important."* [Public Papers of the President, 6/21/94]

DECEMBER 1994: PRESIDENT CLINTON UNVEILED CONCEPT OF G.I. BILL IN MIDDLE CLASS BILL OF RIGHTS. The fourth point of President Clinton's Middle Class Bill of Rights became the G.I. Bill for America's workers. In an address to the nation, the President told Americans his plan: *"Since every American needs the skills necessary to prosper in the new economy -- and most of you will change jobs from time to time we should take the billions of dollars the Government now spends on dozens of different training programs and give it directly to you, to pay for training if you lose your job or want a better one."* [Public Papers of the President, 12/15/94]

JANUARY 1995: PRESIDENT CLINTON ARTICULATED VISION OF G.I. BILL FOR AMERICA'S WORKERS. Building on his prior proposals, President Clinton in his 1995 State of the Union Address articulated his vision of a G.I. Bill for America's Workers -- an initiative consolidating an array of federal job-training programs, while providing individuals with Skill Grants to purchase training services. [[Public Papers of the President, 1/24/95](#)]

- **January 24, 1995: President Clinton Said "We Should Pass" G.I. Bill.** In his 1995 State of the Union Address, President Clinton called for passage of a G.I. Bill for America's workers: "*We should pass a GI bill for America's workers...Let's empower people in this way, move it from the Government directly to the workers of America.*" [[Public Papers of the President, 1/24/95](#)]
- **October 13, 1995: President Clinton Said We Should "Support" and "Properly Fund" G.I. Bill.** President Clinton pushed the G.I. Bill during his remarks to the Business Council in Virginia: "*It's a very important idea, and we ought to stick with it and support it and properly fund it.*" [[Public Papers of the President, 10/13/95](#)]
- **January 23, 1996: President Clinton "Challenge(d)" Congress To Pass G.I. Bill.** President Clinton in his 1996 State of the Union Address: "*I challenge Congress to consolidate 70 overlapping, antiquated job-training programs into a simple voucher worth \$ 2,600 for unemployed or underemployed workers to use as they please for community college tuition or other training. This is a "GI bill" for America's workers we should all be able to agree on.*" [[Public Papers of the President, 1/23/96](#)]
- **March 8, 1996: President Clinton Called G.I. Bill "Important."** President Clinton on the G.I. Bill during his remarks to business employees in California: "*I believe it's an important thing.*" [[Public Papers of the President, 3/8/96](#)]
- **January 9, 1997: President Clinton Said He Is "Determined" To Pass G.I. Bill.** President Clinton on the G.I. Bill during a speech in the Oval Office: "*One of our other proposals that I've had on the table in Congress for 4 years now, which I am determined to get passed in this next Congress, is the 'GI bill' for America's workers.*" [[Public Papers of the President, 1/9/97](#)]
- **February 4, 1997: President Clinton Said G.I. Bill Was Sitting For "Too Long."** In his 1997 State of the Union Address, President Clinton called for congressional action on the G.I. Bill: "*For too long, this bill has been sitting on that desk there without action. I ask you to pass it now. Let's give more of our workers the ability to learn and to earn for a lifetime.*" [[Public Papers of the President, 2/4/97](#)]
- **January 27, 1998: President Clinton Called On Congress To "Continue Its Bipartisan Work."** In his 1998 State of the Union Address, President Clinton reinforced his support for the G.I. Bill: "*Again, I ask the Congress to continue its bipartisan work to consolidate the tangle of training programs we have today into one single 'GI bill' for workers, a simple skills grant so people can, on their own, move quickly to new jobs, to higher incomes, and brighter futures.*" [[Public Papers of the President, 1/27/98](#)]
- **March 6, 1998: President Clinton Asked Senate "To Pass This Bill."** President Clinton speaking about the G.I. Bill during his remarks on the national economy: "*But we also...must do more to reform our job training system. For more than 3 years, I have called on Congress to consolidate the tangle of training programs we have today into a 'GI bill' for workers...Now, last year a bipartisan majority in the House of Representatives passed a bill that would achieve the goals that I have called for years now. A similar bill has attracted bipartisan support in the Senate...I ask the Senate to pass this bill and send it to me so that I can sign it into law.*" [[Public Papers of the President, 3/6/98](#)]
- **May 1, 1998: President Clinton Said He Has Tried To Pass G.I. Bill "For Five Years."** President Clinton on the G.I. Bill during a roundtable discussion with business employees in California: "*I've been trying for 5 years to pass this -- the 'GI bill' for America's workers.*" [[Public Papers of the President, 5/1/98](#)]

PRESIDENT CLINTON'S AND VICE PRESIDENT GORE'S RECORD ON JOB TRAINING AND LIFELONG LEARNING

Since 1993, President Clinton and Vice President Gore Have Worked To Strengthen America's Workforce Development System And Promote Lifelong Learning. The Clinton-Gore Administration has undertaken a number of significant initiatives to strengthen America's job training system and promote lifelong learning. These efforts -- both legislative and administrative -- have sought to provide more access to job training and skill development for adult workers and to make the job training system work better for working Americans.

- **Dislocated Worker – More Than Doubled Funding.** President Clinton has more than doubled funding for dislocated workers, increasing it from \$517 million in 1993 to \$1,351 million in 1998. This year, the program will assist over 600,000 workers, almost double the number in 1993. The President's 1999 budget increases dislocated worker funding by another \$100 million, so that we would nearly triple the funding compared to 1993.
- **Tax Incentives To Increase Skills.** In an effort to provide adults increased opportunity to get job training and obtain the skills they need for the new economy, President Clinton has put in place tax incentives to make community college universally available and to give workers the chance to go back to school and upgrade their skills. These tax provisions include:
 - *HOPE Scholarship Tax Credit.* President Clinton proposed and signed into law a \$1,500 HOPE Scholarship Tax Credit to help make the 13th and 14th grades as universal as a high school diploma is today.
 - *Lifetime Learning Tax Credit.* This tax credit is targeted to adults who want to go back to school, change careers, or take a course or two to upgrade their skills, and to college juniors, seniors, graduate and professional degree students. The 20-percent Lifetime Learning Tax Credit will be applied to the first \$5,000 of a family's qualified education expenses through 2002, and to the first \$10,000 thereafter.
 - *Section 127 Extension.* The 1997 tax relief act extends Section 127 of the tax code for three years. Section 127 allows workers to exclude up to \$5,250 of employer-provided education assistance from their income. The assistance must be for undergraduate courses beginning prior to June 1, 2000.
 - *Penalty-Free Withdrawal from Individual Retirement Accounts (IRAs).* The 1997 tax relief act allows penalty-free IRA withdrawals for undergraduate, post-secondary vocational, and graduate education expenses. Additionally, taxpayers are given the opportunity to deposit \$500 into an education IRA. Earnings would accumulate tax-free and no taxes will be due upon withdrawal for an approved purpose.
- **One-Stop Career Centers.** Using implementation grants from the Department of Labor, more than 95 percent of states have built a One-Stop Career Center; in fact, more than 800 One-Stop Centers have been established around the country. The One-Stop Career Center is at the heart of the Clinton Administration's efforts to encourage state and local governments to reinvent themselves, focusing on customer satisfaction by consolidating service delivery at the "street level". Instead of an array of services provided at different locations, One-Stops bring together -- for the benefit of the customer -- job and career resource rooms (e.g., computers, faxes, telephones), job listings (including those on America's Job Bank); job referral and placement; information on education and training programs; initial screening for training eligibility; testing and assessment; job search skills; and assistance in filing UI claims.

- **America's Labor Market Information System.** An integral part of the One-Stop concept is labor market information and at the center of the Labor Department's efforts is America's Labor Market Information System (ALMIS), which provides all American workers and businesses with information necessary to exercise informed choice in their workforce decisions.
 - *America's Job Bank.* America's Job Bank is the largest and most frequently visited job bank on the Internet, with 700,000 job openings posted daily. Job Bank daily "hits" or access have increased each month to well over 6 million job searches in July 1998 *alone*.
 - *America's Talent Bank.* America's Talent Bank allows registered employers to search a database of electronic resumes to find suitable candidates for their job openings. This service was fully integrated with America's Job Bank in May 1998. As of late July 1998, a total of 112,000 resumes had been posted on the service.
 - *America's Career InfoNet.* America's Career InfoNet offers resources including employment trends, wage data, training requirements, and other economic information. This month, this service will be updated to include state and local information and will be directly linked to America's Job and Talent Banks.
- **Allowing States to Innovate Through Increased Waivers.** Using new authority, the Secretary of Labor has waived legal and regulatory requirements, allowing state and local reforms in return for higher performance. Thirty-one states have been granted -- and have implemented -- a variety of waivers. Moreover, the Secretary has designated six states to participate in the five-year Work-Flex demonstration, which grants Governors the authority to approve local requests for waivers of statutory and regulatory provisions.
- **\$3 Billion Welfare-to-Work Jobs Initiative.** The Clinton Administration fought for and secured a \$3 billion Welfare-to-Work jobs initiative, as part of the Balanced Budget Act. The Administration provided these grants directly to both cities and states for additional resources to help long-term, hard-to-serve welfare recipients find and keep jobs.
- **Created the School-to-Work program in 1994.** In 1994, President Clinton created the School-to-Work program, which is enabling states and communities to help students meet high academic standards, prepare for college and careers, and create alternative learning systems for youth who have dropped out or are about to leave school. As of the end of July 1998, 42 states (and Puerto Rico) and more than 1,000 local community partnerships have received School-to-Work grants. The remaining states are expected to receive implementation grants this September.
- **Pell Grants -- Maximum Grant Over \$500 Higher Today Than in 1996.** President Clinton has increased the Pell Grant maximum grant amount from \$2,470 in 1996 to \$3,000 in 1998. The President's 1999 budget proposes \$249 million more for Pell Grants, which would help increase the maximum by another \$100 to \$3,100 -- the highest ever. This would reach 3.9 million low- and middle-income undergraduates. If the President's budget were enacted, the maximum grant would be 25-percent higher than in 1996.
- **Job Corps -- Expanded One-Third Since 1992.** Job Corps is a residential training program for severely disadvantaged young people aged 16-24, assisting young people in gaining the education and skills they need to become more responsible, employable and productive citizens. Since 1993, Job Corps funding has increased by one-third, from \$937 million in 1992 to \$1,246 million in 1998. In 1996, almost 68,000 new students enrolled in the program. As part of the Job Corps expansion, the Department is adding five new Job Corps centers or satellites of existing Job Corps centers.