Urban Policy

AUG 10 1995

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

August 9, 1995

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WEINSTEIN
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MEMORANDUM FOR: President Bill Clinton

FROM: Henry G. Cisneros / Henry Cisneros

SUBJECT: President's Urban Strategy

At our first Cabinet meeting, you said that if Cabinet Officers ever had an urgent message which we felt you should see that we should put it in a memo and you would review it. Knowing of the immense demands on your attentions I have tried not to abuse that privilege, but I want now to convey to you in the strongest terms that the time is now or never for a Presidential urban strategy.

I am not making a self-serving plea for budget or programs; this is not a call for a HUD urban strategy. I believe it is time for a Presidential strategy which either takes the form of a definable White House effort or which combines the urban initiatives of several Departments in a cohesive way. I am acutely aware of budget and Congressional barriers, but there are overarching reasons why a Presidential initiative is urgent:

1. <u>The cities are hurting badly and the nation will pay the consequences for many years:</u>

The effects of the Congressional budget cuts further erode urban conditions that were already dangerously deteriorated. Economic vitality and jobs have been sapped from city after city. Daily we lose more of our inner city children to drugs, gangs, and guns. We must draw deeply on our experiences and determine the two or three most important things that can make a difference. I have outlined some suggestions herein.

2. <u>We are about to be flanked by the Speaker:</u>

As hard as it may be to believe in light of the unconscionable House cuts, Speaker Gingrich, on the sheer strength of rhetorical flourish, publicity gymnastics, and the energy to start a dialogue with unlikely activists, is working to end run our agenda. What he has done in the District of Columbia is a foretaste of what he can do nationally and is in fact preparing to do.

His think tank, the Progress and Freedom Foundation, is now meeting with Democratic Mayors concerning a Contract with America's Cities. It will have attractive ideas and could capture the high ground of the public's imagination even as his Congressional allies decimate urban programs.

3. We are running out of time:

The 1997 budget you will prepare this Fall is the last one this term in which you can offer a credible urban package.

4. There is always room in the budget for Presidential priorities of reasonable size:

If you decide early in the budget process that an urban program is needed, it will be a factor throughout the entire budget process instead of an afterthought that cannot be accommodated because it would push out other spending late in the game.

5. We do not have enough to stand on in the cities:

Empowerment Zones in 12 cities are simply not a broad enough program to stand on. We have to have something cooking that is more broadly based and hopeful to more cities.

6. We can be caught flat-footed by the violent outbreaks which will stem from the anger in the cities:

There have been three contained outbreaks of civil unrest in recent weeks - Indianapolis, Coconut Grove outside Miami, and Los Angeles (see attached descriptions and a column from the Boston Globe.) Many local leaders are worried that it won't take much to set off wider disturbances. We do not want to be caught flat-footed if civil unrest occurs, which increasing numbers of local leaders feel is inevitable.

Mr. President, for all of these reasons I recommend that you consider one or a combination of the following kinds of urban initiatives as a centerpiece of the 1997 budget, with an announcement as soon as possible that you intend to do it. The central theme of these suggestions is that they expand economic opportunities for residents of distressed communities and put people to work:

### A. Building Competitive Cities: Connecting People to Work

1. Draw private investment to the cities by lowering the business tax burden:

The challenge is to get the capital markets to respond to the cities. A commercial revitalization tax credit for distressed communities would replicate the success of the low-income housing tax credits. Tax credits could spur private investment to generate jobs as well as provide needed community amenities, such as neighborhood shopping districts.

One approach would be to pursue a second round of empowerment zones matched to tax strategies, such as:

- capital gains relief to businesses that reinvest gains in an EZ business asset;

- a portable tax credit, allowing businesses outside the zones credit for hiring residents who live in these communities; and

- a welfare-to-work credit for businesses who hire EZ residents who currently receive AFDC benefits.

The Vice President's involved leadership on the first round of zones has spurred an unprecedented level of community organization and strategic planning. The zones are proving their ability to leverage substantial private capital. (Lead Agency: Treasury)

OR

2. Prime the pump with smart public investment:

The most flexible and successful tools available to local officials for local economic development are HUD's Section 108 and Economic Development Initiative. In FY 1995 alone, the combination of these two programs has helped 70 communities create or retain over 70,000 jobs. The assistance has leveraged billions in public and private investment and has supported such key efforts as the creation of small business revolving funds and the location of inner-city supermarkets. The Mayors describe it as the most effective federal money to use for local economic development, though Commerce's EDA funds are also very effective.

The House Appropriations bill drastically curtails these programs, reducing the limitation on Section 108 loan guarantees from $2.05 billion to $1 billion and eliminating the $350 million Economic Development Initiative completely. These were the kind of funds used to make possible the Los Angeles CD bank. A wide variety of local job generation strategies can be built on expansion of these programs. (Lead Agencies: HUD and Commerce)

<u>OR</u>

3. <u>Spur Community Development Banks modeled on the Los Angeles Community Development Bank:</u>

This initiative deals with a critical linkage connecting people to work -- increasing access to job-creating debt capital in the inner city through the creation of CD banks. It builds upon a successful model pioneered in Los Angeles by Mayor Riordan. Vice President Gore has called the Los Angeles community development bank "a model of innovation and creativity for the rest of the nation." If the CDFI appropriation remains mired (it was reduced to $50 million as a result of the FY 1995 rescissions bill and receives no funding in the FY 1996 appropriations bill) it should be remembered that the Los Angeles bank was the result of HUD's Economic Development Initiative and Section 108 programs. They can be a vehicle for putting some banks in place now. (Lead Agency: Treasury and HUD)

<u>OR</u>

4. <u>Reclaim environmentally unsafe central city land and provide training and jobs in clean-up and redevelopment:</u>

One of the most challenging problems facing cities is the clean-up and clearance of old industrial sites that in their existing condition are barriers to redevelopment. Contaminated land represents more than 40 percent of Cleveland, more than 20 square miles of Philadelphia, and thousands of acres of Detroit.

Cities need land that is cleared and free of environmental hazards before they can begin to make businesses or housing strategies work. Capital grants to clean-up "brownfields" can be matched to training funds to employ central city residents in environmental clean-up activities. Available land and ready capital will form a powerful combination to help cities exploit their competitive economic advantages and attract back middle-income homeowners. The scale of this effort should be to clear sites of hundreds of acres so that large scale business developments and subdivisions of up to a thousand homes for homeownership can be built. (Lead Agencies: EPA and Labor).

**OR**

5. Expand the Bridges-to-Work Demonstration to a National Scale:

"As I try to show in my own work, decades of poverty concentration and job suburbanization have isolated the poor residents of many inner cities from the areas of greatest employment opportunity in their metropolitan regions. While efforts to reduce poverty concentration and to reverse job suburbanization remain important national priorities (e.g. fair housing enforcement and empowerment zones, respectively), Bridges-to-Work would test a third and complementary approach: directly connecting inner city residents to job opportunities outside their local communities." (William Julius Wilson, in letter to Secretary Cisneros, June 15, 1995.)

The Bridges-to-Work demonstration (BtW) is an exciting initiative that directly connects inner-city residents to job opportunities outside their local communities. Five national foundations (Ford, Rockefeller, MacArthur, Casey and Pew) are supporting Public/Private Ventures (PP/V) to design this 8-site national demonstration. During the course of two years of intensive development work, PP/V has assembled an impressive set of eight potential sites including metropolitan Chicago, Philadelphia, St. Louis, Baltimore, Denver, Milwaukee, St. Paul and Newark. These eight partner sites have formed planning collaboratives representing interests from throughout their regions and have developed detailed Bridges-to-Work projects that are ready to be implemented.

William Julius Wilson calls Bridges-to-Work the "single most important anti-poverty R+D initiative underway in the Administration." FY 1997 is the time to expand Bridges-to-Work to a national scale by providing modest federal planning grants to metropolitan planning collaboratives across the country, enabling them to replicate the accomplishments of the demonstration sites. (Lead Agency: Labor)

## B. Express Our Commitment to our Children and Youth

1. Create a Network of "Empowerment Schools" and "Fresh Start Academies"

Despite all our current efforts, we stand in jeopardy of losing a large proportion of inner-city youth to the streets. The statistics are grim and unrelenting. Drop-out rates in inner-city high schools typically approach 50 percent. One-half of all African-American male school dropouts under age 25 are now under criminal justice supervision. The employment rate of such dropouts is less than 40 percent.

If any urban strategy is to be successful, we need to address these problems head-on, building upon the lessons of the efforts to date. Two ideas have emerged which, I believe, hold great promise.

The first is to create a network of "empowerment schools" that would stimulate community-wide collaborations and comprehensive strategies for supporting parents, children and youth. As in the successful empowerment zones, communities (including private business) would be challenged to offer integrated solutions that cross agencies and disciplines. Communities would be given the latitude and flexibility to combine existing programs as well as compete for new funding. The possibilities for marrying what are now disparate and unconnected federal funding streams -- public housing, Head Start, school-to-work, summer jobs -- are endless.

The second idea, which is complementary, is to offer a fresh start to troubled youth by providing them with disciplined, structured environments. One approach is to support a network of "Fresh Start Academies" that could offer four years of quality education and vocational training in an environment of character-building discipline. Graduates could be guaranteed college scholarships. There is great potential for the use of retired military personnel in such an effort. (Lead Agency: Education)

## C. Linking the Cities to the Momentum of the Information Age

1. Convert public housing complexes to campuses for learners:

Public housing complexes can be restructured as learning campuses, as universities for the residents, as homes to communities of learners. The housing units become dormitories which support the classrooms and computer rooms nearby for residents of all ages - developmental day care for children, public schools adjacent to the campus for youth, training and college curricula for adults, and self-improvement classes for seniors.

Classes are held everyday on-campus, given by faculty who commute there or live there.

Every residential apartment can be wired to offer the computer connnections necessary to make self-paced learning possible at all hours. The information highway need not bypass distressed neighborhoods or poor people.

The psychological difference between public housing as it is and this concept of communities of learners is that, like at a university, residents at the "learning campus" is not viewed as permanent but for as long as the educational program takes. The ever-present expectation is self-improvment and the quest for eventual self-sufficiency. For all but seniors, residential tenure is limited to no more than four years, consistent with the duration of the curriculum. (Lead Agency: HUD)

<u>OR</u>

2. <u>Seed inner cities with a network of "electronic villages":</u>

In the same way that the interstate highway system bypassed poor and disadvantaged communities accelerating their economic and social decline, the information superhighway could bypass and further isolate distressed communities and their residents from the social and economic mainstream.

The theory behind this initiative is that by providing residents of lower income neighborhoods with the primary tools of access to today's information economy, barriers will fall and positive economic results will begin to accrue. This initiative will help fund a network of learning-oriented inner-city neighborhood centers which connect residents, businesses, service providers, and government in a community network. It would build upon and expand FHA's current initiative in the Edgewood community in NE Washington, and upon efforts to train residents in computer literacy and create resident-owned businesses based upon computer technology. Tremendous economic gains would result, for example, by amending CRA to give leaders CRA credit for subcontracting a small fraction of their back-office data processing operations to resident-owned firms.

Pushing the envelope on electronic villages and the broader concept of electronic community development would require the close coordination of HUD, Commerce, Education and Labor -- each of which is experimenting with how to bring the benefits of 21st century technology to inner cities. This initiative builds on the Vice-President's interests in the information super highway and is a win-win initiative for all concerned. (Lead Agencies: Labor, Education, Commerce, HUD)

## CONCLUSION

Mr. President, it is obvious that government alone cannot solve the problem of the cities. We will change the course of inner city life only if the nation commits both private and public energies, talent and resources. Churches, family, involved adults, volunteerism, boys and girls clubs - these are the real means for reweaving the social fabric in our distressed communities.

This issue offers you an opportunity to have a sober conversation with the nation on the American future and potential. It places you in a position above party and above individual gain. You are at your best - national service, the Memphis speech, the Affirmative Action decisions - when you lift the national dialogue to a higher, even spiritual, level where you encourage and exhort individuals and communities to fulfill a higher purpose.

Again, I am not advocating for any one of these proposals individually so much as making the case that you and the nation need an urban message. I would like to back-up this case with the opportunity to speak to you and expand upon the urgency of the nation's urban condition.

Indianapolis, Indiana

A protest against alleged police brutality turned into a four square block "mini-riot" as termed by Indianapolis, Indiana Mayor Stephen Goldsmith on July 26, 1995. The incident involved approximately 90-100 protestors and more than 100 police. Twelve people were arrested on this first night of problems and eleven people were injured including one police officer and a television cameraman. At least a dozen police cars were damaged by rocks and bottles.

The incident stemmed from arrest by a white Indianapolis Police Department (IPD) Sergeant of a black individual as a part of a narcotics investigation. The Subject sustained injuries some of which were alleged to have been inflicted by the police officer during the arrest. According to the Police Sergeant, the Subject ran from police and was later located and arrested. The Subject allegedly ran again and was then knocked to the ground by the officer. The Subject was charged with resisting and fleeing arrest. After being released, the subject was joined by several neighborhood residents in an "informal protest" regarding his arrest outside the Northside District station of the Indianapolis Police Department. As a disturbance developed, IPD called in available officers to manage the disturbance. Over a three hour period, approximately 100 police officers used tear gas, K-9 units, and armored riot vehicles to disperse the crowd.

On the following day, July 28, 1995, another disturbance occurred in the same vicinity resulting in the looting of a drug store and the attempted looting of a pawn shop. This rally began as a protest of IPD's handling of the recent arrest and the previous night's confrontation with protestors. At least 100 police officers used tear gas and arrested 27 people for disorderly and other unlawful behavior. Approximately two to three dozen cars were attacked with stones, bricks, and glass bottles.

Police agencies involved include IPD, Marion County Sheriff's Department, and the Indiana State Police.

Indianapolis Police Chief James Toler has ordered and internal investigation into allegations the IPD officer beat the Subject while handcuffed. Toler also requested a separate U.S. Justice Department investigation. No problems have occurred in the following days since the two consecutive nights of disturbances noted above.

The disturbances did not involve Public Housing property or occur in close proximity to such property. The neighborhood involved is the near North side of Indianapolis, and economically poor neighborhood. Residents of this neighborhood have recently requested additional police help to combat drug trafficking problems.

Coconut Grove, Florida

On the night of July 27, 1995, in Coconut Grove, Florida, police responded at 10:15 p.m. to a large crowd gathered for a block party at Douglas Road and Day Avenue. The police told the Disc Jockey he needed a permit for the party which was broken up. Dozens of young people, as a group, began breaking windows, setting fires, attacking motorists and flipping dumpsters. One hour later white police officers arrested two black robbery suspects in the 3500 block of Day Avenue and at that time, two blocks away, the first rocks and bottles were thrown.

In Coconut Grove on July 18, 1995, a white police officer stopped Torrey Jacobs, a black male, for questioning. Jacobs was wearing a ski mask and had a replica pistol. Jacobs tried to flee and dropped the replica pistol. When Jacobs tried to pick up the replica pistol the police officer shot and killed him. The individuals in the disturbance on July 27, 1995, were wearing pillow cases and t-shirts over their faces with the eyes cut out, similar to what Jacobs was wearing.

That was the second disturbance in Coconut grove since May 1995 when white police officers arrested 17 year old Jimmy Tucker, a black male, on charges that he threw a rock through the window of a car. Witnesses claimed the police roughed up Tucker and people took to the streets to protest. That disturbance was larger than the one on July 27, 1995.

The residents have requested police sweeps of drug dealers and a police substation at the corner of Douglas and Grand. There is a history of drug activity in this area of Coconut Grove based on conversations with Metro Dade Police Department. These incidents occurred near public housing developments.

Los Angeles, CA

On Saturday, July 29, 1995, two uniformed Los Angeles Police, assigned to "gang" investigations, responded to a call in the Lincoln Heights area, and spotted Antonio Gutierrez, 14, crossing the street with a pistol. When officers confronted the youth, at Eastlake Avenue and George Street in the Lincoln Heights area of Los Angeles, he allegedly turned his weapon upon the officers. Before the youth had an opportunity to fire, the officers fired, killing the youth. Allegedly, officers recovered a TEC-9, (9mm semiautomatic pistol) from the body. Friends of Gutierrez, who witnessed the shooting, contend that he was carrying a flashlight, or was in fact carrying the weapon but tossed it away when confronted by the officers. Within an hour of the incident, a crowd, demanding "justice", gathered and became unruly.

Approximately 100 officers were called in to control the crowd, with three men subsequently being arrested. There were no subsequent injuries.

On Sunday, July 30, friends of Gutierrez confronted police to show that they believed the shooting incident was wrong. Police and Gutierrez's friends reached an agreement in order that a "carwash" could be held in order to raise funds for his funeral. However, at about 5 p.m., police returned after local motorists complained that youths were disrupting traffic and throwing rocks at passing cars. Police responded and arrested about 10 teenagers who were sitting on curbs awaiting transport when a crowd began to grow. The crowd became unruly, throwing bottles and setting fires while shouting at police.

Approximately 100 officers were dispatched to the area and began to chase down protesters, who kept running into local stores and returning to throw bottles. A total of about 25 people were arrested on assault and disturbing the peace charges.

The area of disturbance was North Broadway Street and Eastlake Avenue. None of the locations of the violence are in or close to any public housing development.

Los Angeles Police are investigating the incidents, including the shooting of Antonio Gutierrez.

# Program-gutting Congress tosses fuel on inner-city fires

DERRICK Z. JACKSON

The smoke of rage was all too visible last week. Three cities had disturbances. All started with a charge of police brutality.

In Indianapolis, 39 people were arrested in two nights of unrest. At one point, police fired tear gas into a crowd to stop some minor looting. The trouble began, witnesses said, after a handcuffed Danny Sales, 21, an African-American, was knocked to the ground and had a racial epithet shouted at him by a white narcotics officer as he was being dragged into custody. Sales was charged with resisting and fleeing arrest.

In the Coconut Grove section of Miami, a band of about 30 youths wearing pillowcases over their heads threw rocks and bottles at cars. There were no arrests or major injuries. The incident came a week and a half after Torrey Devan Jacobs, 17, was shot and killed by police. Police said Jacobs ran when he was approached by an officer, who said Jacobs was acting suspiciously. Jacobs dropped a chrome-plated object.

When Jacobs tried to pick it up, Officer Chris Griffin opened fire. Jacobs was fatally wounded in the chest. The object was a cigarette lighter shaped like a gun. Police said Jacobs wore a ski mask and carried marijuana. Neighbors described him as a church-going junior deacon. At a candlelight vigil for Jacobs, Rev. Willie Sims, assistant director of the Metro-Dade office of black affairs, said he saw young men crying and fainting.

"They're hurt," Rev. Sims said. "I've never seen young men act like that before. I perceive a sense of hopelessness that's starting to build."

In Los Angeles, youths and young adults threw bottles for two nights in Lincoln Heights. The disturbance was triggered by the fatal police shooting of 14-year-old Antonio Gutierrez. The police said they fired six shots at Gutierrez when the boy pointed a gun at them. Police said they recovered a Tec-9 semiautomatic pistol at the scene.

Gutierrez, according to an 18-year-old friend, had earlier agreed to carry the Tech-9 to another teen-ager. "He didn't even know how to use it," the teen said. "Yet."

But the friend said Gutierrez threw away the gun when he saw police. At the moment of the shooting, friends and relatives said Gutierrez was only carrying a flashlight.

"The police should be around to protect us, not to shoot us," said resident Mario Sanchez, 21. "They're always pointing guns at us. They want this kind of thing to happen."

**With this gasoline, the only question is which city will be lit up next.**

Julie Noriega, 23, said, "It takes one shot in the leg, maybe two shots, to get a little boy down. It doesn't take nine shots.... They didn't even say 'Freeze.'"

It is hard to say "Freeze" when the streets are hot. These are the streets created by two decades of noninvestment and being squashed even further by an education-cutting, social-program-gutting Republican majority and a go-along White House. While the white youth unemployment rate is 17.1 percent, African-American youth unemployment is the same as it was when Martin Luther King was marching: about 40 percent. The Latino youth unemployment rate is 27.5 percent.

Then add the illegal drug trade, which the United States has never seriously tried to stop. Then add guns, which, thanks to our gun-loving popular culture, flood our streets. With this gasoline, the only question to ponder is which city will be lit up next.

Since most education and job proposals in peaceful political channels have been rejected as too costly, the discouraged appear to be desperate enough to once again risk their lives in costly, attention-seeking behavior. Anyone will tell you that the daily riot of black folks killing black folks claims far more lives than the cops do. But rebellions against police brutality remain important to the restless because they are the only time the white world asks why they are so restless.

No one wants to see a rebellion. They do not do much to beautify the neighborhood. But neither does the inner city deserve the assault on its aspirations by our politics and economy. For young people to be so thoughtless as to provoke police fire by reaching for objects of any kind indicates the ultimate hopelessness of having nothing to lose.

In Miami, Police Chief Donald Warshaw tried to downplay the connection of the bottle-throwing to the Jacobs shooting. "They probably did it because they had nothing better to do," he said. That is precisely the problem. Miami social worker Sylvia Jordan, who may face cuts for her federally funded crime prevention program, said, "Kids here feel pretty shafted."

The smoke is rising up the shaft. The kids of the inner city cry for water. They get only gasoline. The only time the nation pays attention to them is when there is a fire. Three separate disturbances, all within a week, ought to tell you that they are tired of being ignored. Think about it. They were nice this time. They threw only bottles and rocks. They did not spray passing motorists with a Tec-9. Yet.

*Derrick Z. Jackson is a Globe columnist.*

Urban Policy

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

14-Sep-1995 05:13pm

TO: (See Below)

FROM: Julia E. Chamovitz
National Economic Council

SUBJECT: Meeting Notice

September 14, 1995

MEMORANDUM FOR SECRETARY RUBIN
CHIEF OF STAFF PANETTA
SECRETARY BROWN
SECRETARY REICH
SECRETARY CISNEROS
SECRETARY PENA
SECRETARY SHALALA
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OMB DIRECTOR RIVLIN
ADMINISTRATOR LADER
CEA MEMBER BAILY
CEA MEMBER-DESIGNATE MUNNELL
HAROLD ICKES
ERSKINE BOWLES
CAROL RASCO
JACK QUINN
KATIE MCGINTY
BO CUTTER
GENE SPERLING
BRUCE REED
GEORGE STEPHANOPOULOS

FROM: LAURA D'ANDREA TYSON

SUBJECT: URBAN POLICY MEETING

The President has requested that we meet with him to discuss Urban Policy as it relates (a) to the pending Budget Reconciliation and (b) to the shape of the President's proposed FY97 Budget. We are trying to schedule a meeting with the President and the Vice-President for the week of September 25.

To sharpen the issues and options for discussion at this meeting, there will be two pre-meetings:

? Monday, September 18 from 1:00 to 3:00 P.M. in 476 OEOB (You should identify an appropriate deputy or Assistant Secretary, plus one additional policy person if essential). If you need clearance into the complex, please call Julia Chamovitz at 456-2800.

? You will be contacted shortly about a Principals level meeting that will be held next week.

An agenda is attached for Monday's meeting.

If you have any questions, please do not hesitate to call Paul Dimond at 456-5368.

AGENDA

URBAN POLICY AND THE BUDGET
September 18, 1:00-3:00 P.M.

I. Introduction: 5 minutes

II. Overview of FY96 Budget and Impact of Proposed Republican Cuts: 10 minutes

III. FY96 Budget Reconciliation Options for Urban Areas: 60 minutes

IV. Policy Framework for Developing FY96 Budget: 40 minutes

V. Assignments and Preparation for September 20 Principal's Meeting: 5 minutes

Distribution:

TO: Debbie B. Bengtson
TO: Erskine Bowles
TO: Laura Capps
TO: W. B. Cutter
TO: Paul R. Dimond
TO: Janice A. Enright
TO: Harold Ickes
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TO: Gene B. Sperling
TO: George Stephanopoulos
TO: John O. Sutton
TO: Daniel Taberski

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TO: FAX (93667952,Secretary Pena)
TO: FAX (96220073,Linda McLaughlin)
TO: FAX (93956958,Martin Baily)
TO: FAX (93956958,Chairman Stiglitz)
TO: FAX (96906166,Katie Scanlin)
TO: FAX (92600279,Denise Schwarz)
TO: FAX (93956947,Alicia Munnell)
TO: FAX (94820052,Dalia/Connie)
TO: FAX (92197659,Katherine)
TO: FAX (94010048,Regan Burke)
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TO: Robert C. Vandermark
TO: Dena B. Weinstein
TO: Chantale Wong

Urban Policy

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| Bob Litan | OMB | 395-3120 | 395-4639 |
| Mark Mazur | CEA | 395-5147 | 395-6809 |
| ~~Mike Stegman~~ | HUD | 708-1600 | 619-8000 |
| Bruce Katz | HUD | 708-2713 | 708-2476 |
| Mike Barr | Treasury | 622-0016 | 622-0073 |
| Mike Smith | Education | 401-3389 | 401-3095 |
| Peter Edelman | HHS | 690-8157 | 690-7595 |
| Larry Parks | Commerce | 482-6055 | 482-4636 |
| Grace Mastilli | Justice | 514-4606 | 514-8639 |
| Jack Donahue | Labor | 219-6331 | 219-5693 |
| Bruce Reed | DPC | 456-6515 | 456-7028 |
| Paul Weinstein | DPC | 456-5577 | 456-7028 |
| Sheryll Cashin | OVP | 456-5369 | 456-2223 |
| Kumiki Gibson | OVP | 456-7020 | 456-6429 |
| Gene Sperling | NEC | 456-5804 | 456-2878 |
| Paul Dimond | NEC | 456-5367 | 456-2223 |

Enclosed is a revised draft of Chapter 4 of the urban policy report. Please review and fax specific revisions to Mike Stegman and Paul Dimond by 12 noon Wednesday.

Stegman fax number is 619-8000
Dimond fax number is 456-2223

## CHAPTER 4: EXPANDING ACCESS TO OPPORTUNITIES

> Our job is to work together to grow the middle class, to shrink the underclass, to expand opportunity and to shrink bureaucracy, to empower people to make the most of their own lives. We can't give any guarantees in this rapidly changing world, but we can give people the capacity to do for themselves. And we must do that -- all of us must do it. (Remarks by President Clinton to the National League of Cities, March 13, 19995, Washington Hilton)

A stable and expanding national economy, though essential to the revitalization of distressed urban communities, is not sufficient. The Clinton Administration's policies to establish fiscal integrity, grant middle class tax relief, and open the world to U.S. products are creating jobs and economic opportunities for Americans. However, not all Americans are able to take advantage of these expanding opportunities. Too many people and too many neighborhoods today are disconnected from economic opportunity -- cut off by the combined barriers of poor education, low skills, distance, discrimination, and work disincentives in the existing system of social supports. We cannot expect to end the isolation of distressed inner city communities without forceful action to lower these barriers and to build bridges that allow families to overcome them.

The Federal government has an essential role to play in these efforts.[40] Therefore, in conjunction with its successful initiatives to stabilize and expand the economy as a whole, the Clinton Administration is working to reconnect poor people and distressed communities to economic opportunities. By re-entering the world of work and responsibility, residents of distressed neighborhoods can rebuild their lives and their communities. And by building upon their unique competitive advantages, America's cities can regain their historic position as vital centers of innovation, investment and

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[40] John J. DiIulio, Jr. and Donald F. Kettl, *Fine Print: The Contract with America, Devolution, and the Administrative Realities of American Federalism*, Washington, D.C.: Brookings, CPM Report 95-1, March 1995.

economic progress."[41]

This chapter describes the Clinton Administration's agenda for empowering people and communities to overcome the barriers to opportunity that perpetuate the isolation and despair of many inner city neighborhoods. This component of the Community Opportunity Agenda includes policies that focus explicitly on distressed urban neighborhoods -- "place-based" initiatives that expand access to credit and foster job creation. But it also encompasses policies that are universally available to all Americans and policies directly targeted to poor people, empowering and encouraging them to get jobs and achieve self-sufficiency. Many of these "people-oriented" initiatives will have their greatest impact in distressed places even though they are not spatially targeted themselves, and will enable residents to rebuild their neighborhoods into healthy, vital communities.

As discussed in Chapter 1, all of these initiatives share a common objective -- linking people to job and opportunities. Although this objective may be simple, the linkages required to achieve it are many and complex. It would be futile to focus myopically on removing one set of barriers to opportunity, while numerous others remain in place, thwarting the best efforts of people and communities. Therefore, the Community Opportunity Agenda encompasses six broad categories of linkages, all of which support and reinforce one another:

- Initiatives that link poor people to entry-level jobs in the private market by **rewarding work and making work pay.**

- Universal initiatives that enable people to prepare for higher wage jobs and upward mobility by **investing in human capital.**

[41] Michael E. Porter.

- Place-based initiatives that support private sector investment and job creation by restoring **access to financial capital** in the inner city.

- The Administration's coordinated initiatives for **attacking crime and violence,** which is designed to remove a major deterrent to economic activity in central city neighborhoods and to economic opportunity for inner city youth.

- Initiatives that link poor families to jobs, housing, education, and other opportunities outside the neighborhoods in which they live by **expanding access to metropolitan opportunities.**

- Initiatives that reward savings and investment and rebuild stable residential neighborhoods by **expanding homeownership opportunities.**

All of these critical linkages come together in the Empowerment Zones and Enterprise Communities Program, which targets Federal resources and capacity building to some of the Nation's most distressed urban communities.

Given the realities of today's severe Federal budget constraints, many of these initiatives are currently being tested on a relatively small scale. Nevertheless, they represent critical first steps in the right direction. And when government is effective in lifting barriers and eliminating disincentives, the productive energies of individual Americans as well as the private and non-profit sectors are unleashed at relatively little cost.

**Rewarding Work and Making Work Pay**

A fundamental tenet of the Clinton Administration is that all Americans must assume responsibility for the well-being of their families and that people who work full-time should be able to lift themselves and their children out of poverty and dependency.

Tragically this basic principle seems to have lost its meaning for many Americans today. When people perceive that working at an entry-level or low-skill job will not lift them out of poverty, they are less likely to step onto the first rung of the employment ladder. Instead, they remain disconnected from the economic opportunities that exist around them, dependent upon welfare or on illegal activities.

Even among the vast majority of Americans who work hard and play by the rules, a growing number must struggle to provide for themselves and their families in jobs that do not pay a living wage. Since the early 1970s, the relative wages of lower skilled workers have fallen in real terms.[illegible] By 1993, 16.2 percent of all full-time, year-round workers earned too little to lift a family of four above the poverty line, and 11.4 percent of families with a working parent nevertheless lived in poverty.[illegible] In addition to violating our basic sense of justice and fair play, these realities create strong disincentives for people with limited skills or experience to join the labor market. And they make it difficult for people attempting to escape from poverty and dependency to stay in an entry-level job long enough to build their skills and credentials.

The Clinton Administration's strategy for linking poor people to the expanding employment opportunities of the future begins with three key initiatives that make work pay and encourage people to take the first steps out of dependency toward self-sufficiency. The Earned Income Tax Credit and the President's proposed increase in the minimum wage directly increase wages for people at the bottom of the employment ladder. And the Administration's welfare reform proposals would create strong

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[illegible] Sheldon Danziger and Daniel Weinberg, eds, *Fighting Poverty: What Works and What Doesn't*, Cambridge MA: Harvard University Press, 1986; and Sheldon Danziger, Gary D. Sandefur and Daniel Weinberg, eds, *Confronting Poverty: Prescriptions for Change*, Cambridge MA: Harvard University Press, 1994.

[illegible] Sharon Parrott, *How Much Do We Spend on Welfare?* Washington, D.C.: Center on Budget and Policy Priorities, March 1995.

incentives for people to make the transition to the world of work, without creating unreasonable hardships for children and young mothers.

The expansion of the Earned Income Tax Credit in the Omnibus Budget Reconciliation Act of 1993 effectively provides a pay raise for America's working poor. For a family with two children, the Earned Income Tax Credit makes a $4.25-per-hour job pay the equivalent of $6.00 an hour, allowing a full-time worker to lift his or her family out of poverty, and strengthening the incentives for non-working parents to take a low-paying job and assume responsibility for their families' support. The expanded Earned Income Tax Credit now totals about $20 billion per year, a substantial investment which can be expected to draw non-working Americans back into the labor force and encourage low-skill and entry level workers to climb up the opportunity ladder.

Today, fully 2.5 million Americans work at minimum-wage jobs. At $4.25 per hour, the minimum wage will sink to its lowest real value in 40 years if it is not increased in 1996. President Clinton has proposed a 90-cent increase in the minimum wage (to $5.15 per hour) to be implemented over the next two years. In conjunction with the Earned Income Tax Credit, this increase will enable Americans in entry-level and low-skill jobs to better support themselves and their families. And, like the Earned Income Tax Credit, a higher minimum wage creates strong incentives for welfare recipients to rejoin the world of work and responsibility. Although economists differ on the secondary impacts of an increase in the minimum wage, several recent studies indicate that the net effect of a modest increase will benefit American workers (particularly in today's expanding economy) without costing jobs.[64]

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[64] Isaac Shapiro, "Assessing a $5.15-An-Hour Minimum Wage", press release from the Center on Budget and Policy Priorities, February 3, 1995. See also Shapiro, "Four Years and Still Falling: The Decline in the value of the Minimum Wage", analysis from the Center on Budget and Policy Priorities, January 11, 1995.

The third component of the Clinton Administration's strategy for rewarding work is its commitment to welfare reform, which would further strengthen incentives for poor Americans to make the transition from welfare to self-sufficiency. The current welfare system creates too many unintended disincentives for work. For example, in most States, Aid to Families with Dependent Children (AFDC) imposes more stringent program requirements for families with both parents present than for single-parent families. When AFDC recipients return to work, they quickly lose cash benefits, and their automatic receipt of Medicaid health coverage ends after twelve months.[43] Residents of federally assisted housing must absorb rent increases as soon as their incomes rise and may even lose their subsidies long before they have achieved any real measure of stability and security.

Since taking office, President Clinton has vigorously advocated an end to welfare as we know it. He has proposed in its place a system that offers meaningful opportunities for people to move from welfare to work as quickly as possible, providing only temporary benefits to help them make the transition to self-sufficiency. The President's welfare reform principles recognize that these benefits impose an obligation on recipients in return, requiring them to move toward resuming their responsibility for supporting themselves and their families.

In fact, contrary to the popular stereotype, welfare offers most recipients the temporary "helping hand" it was intended to provide. Most people who enter the welfare rolls do not continue to receive benefits over many consecutive years. It is much more typical for recipients to move on and off the welfare rolls: two out of every three people who enter the welfare system leave within two years, and fewer than one in ten receives benefits for eight or more consecutive years. However, half of those who leave welfare return within two years, and three of every four return at some time in the future.

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[43] After twelve months of employment, parents generally lose their eligibility for Medicaid, although poor children can retain eligibility even when a parent is employed.

Moreover, even though long-term welfare recipients are a relatively small share of people who enter the system, they are a large proportion of those receiving benefits at any given time.

The Clinton Administration's welfare reform principles require that people work as a condition of assistance.[46] To help people make the transition from welfare to work, job training would be available for welfare recipients who lack skills and experience, and child care would be provided so that mothers could return to the workforce without neglecting their children. People unable to find a job would perform work assignments in the public, private, and nonprofit sectors in return for their welfare benefits. Welfare reform proposals that do not create meaningful opportunities for work or that fail to ensure the safety and well-being of dependent children, may appear to save the Federal government money in the short-term, but they will not be effective in moving welfare recipients toward lasting self-sufficiency.

In addition, the Clinton Administration's vision for welfare reform strengthens child support enforcement to ensure that noncustodial parents assume responsibility for the financial support of children they bring into the world. Today, less than half of all custodial parents receive any child support, and among mothers who have never married, the rate is dramatically lower -- only 15 percent receive support. Therefore, the Clinton Administration advocates reforms to the existing child support enforcement system that would establish support awards in all cases where children are born out of wedlock, ensure that award levels are fair, and ensure that custodial parents actually collect the awards they are owed.

As part of the Administration's overall approach to welfare reform, the Department of Housing and Urban Development (HUD) has incorporated work

[46] Exceptions would be made for people facing very serious barriers to employment, including physical disabilities.

incentives into its proposed reinvention of housing assistance programs for very low-income renters. Local housing authorities are authorized to give preference to working families on their waiting lists and to temporarily "disregard" increases in income -- thereby holding rent payments fixed -- when an unemployed resident goes back to work. Moreover, assisted families who do not work will be required to perform at least eight hours of community work per month. These reforms will help reward work and make Federal housing assistance a stable base from which assisted families can move toward self-sufficiency.

**Investing in Human Capital**

American workers need to improve and upgrade their skills in order to meet the challenges of today's rapidly changing economy. Fewer and fewer low-skill jobs pay decent wages, making it increasingly difficult to earn a good living without high-level skills. Investments in education prepare Americans for the world of work and help build the skills they need for the jobs of the future. Studies show that each year of post-secondary education or job training -- whenever it occurs in the course of a career -- boosts earning power by 6 to 12 percent on average. Investments in skill-building also pay off for employers. A recent employer survey found that a ten percent increase in worker education is associated with an 8.6 percent increase in productivity -- well over twice the payoff from investments in physical capital.[47] Initiatives that improve the quality of public education and expand training opportunities -- though not necessarily targeted to poor people or distressed communities -- play a critical role in linking people to jobs, self-sufficiency, and upward mobility.

Federal policy must strengthen the crucial ties between learning and productivity.

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[47] National Center on Educational Quality of the Workforce, *The Other Shoe: Education's Contribution to the Productivity of Establishments*, U.S. Department of Education, 1995.

It is essential that our system of public education equips all our children for work in a highly competitive global economy. Efforts to prepare the Nation's workforce for the challenges and opportunities of tomorrow must span the entire educational continuum – from pre-school to college. Therefore, the Clinton Administration has proposed a 1996 budget of $27.7 billion for its Lifelong Learning Agenda, an increase of 23 percent over Federal spending on education and training in 1993. And President Clinton's plan for balancing the budget by 2005 sustains his commitment to priority investments in education and training, investments that empower individual Americans to make the most of the economic opportunities of the future and to achieve self-sufficiency and prosperity for their families and communities.

The first prerequisite is that all children start school ready to learn, and the expansion and reform of the Head Start preschool education program passed by the Clinton administration provides that foundation. But preparing preschoolers to learn is not effective if their elementary and secondary schools cannot deliver an education for the 21st century. Therefore, the Administration's Goals 2000 Educate America Act, enacted by Congress in 1994, supports State and local efforts to achieve National Education Goals. This bipartisan Act provides a framework for States, communities, and local schools to set challenging content and world-class performance standards for what all students should know and be able to do in science, mathematics, history, English, geography, civics, foreign language, and the arts. Under Goals 2000 the responsibility for change in educational systems is properly assigned to States and local communities, which will develop and implement their own plans for achieving the National Education Goals and maximizing student performance.

Many central city schools face special challenges as they attempt to prepare an increasingly diverse student body for the job opportunities of the next century. Nearly 40 percent of the Nation's African American children, 32 percent of Latino children, and 36 percent of students with limited English proficiency are being educated in just 47 big-city school systems. Many of these young people emerge poorly prepared for the world of work, as reflected in high rates of functional illiteracy and school dropouts.[44] Therefore, in conjunction with Goals 2000, the Improving America's Schools Act targets funds to raise the educational achievement of children in low-income areas. This Act focuses on ensuring access to a quality education for our most disadvantaged students so that they can learn the basics and achieve challenging academic standards. It promotes proven strategies to improve teaching in more than 50,000 schools and benefits five million children in high poverty areas. It will set the same high standards for these children as for those in more affluent communities, and it will hold their schools accountable for making progress toward these standards. In addition, the Clinton Administration's increased investment in education includes $20 million for Charter Schools that will eliminate excessive regulations and enhance parental choice, and will condition funding on achieving higher student performance.

Historically, American public education has not done an effective job of assisting most young people with the critical transition from school to work. For the first time, the School-to-Work Opportunities Act addresses this often precipitous leap. This initiative, jointly administered by the Departments of Education and Labor, brings together local partnerships of employers, educators, and others to develop new programs of work-based learning, apprenticeships, and internships. These linkages between learning and work experience are particularly beneficial for students isolated in inner-city schools, and will help prepare all young people for high-skill, high-wage jobs and a life-time of learning.

The Clinton Administration is also committed to helping more of America's high school graduates attend college. In 1994 the Administration proposed and Congress authorized a program of direct college loans that will reduce bureaucracy and make financial assistance more accessible to students of all ages. It will offer a range of

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[44] Committee for Economic Development, Rebuilding Inner-City Communities: A New Approach to the Nation's Urban Crisis, New York, 1995.

repayment options including a "pay-as-you-earn" plan that will enable every American to invest in learning new skills. In addition, the Administration's Americorps national service initiative enables young people to earn money towards a college education while volunteering in such critical community-based institutions as schools, hospitals, neighborhood centers, and parks. For example, Americorps volunteers will work in inner city schools, mentoring, tutoring, and helping youngsters from poor neighborhoods take advantage of School-to-Work opportunities. In 1995, approximately 20,000 young people are participating in Americorps, and President Clinton has proposed to more than double this number in 1996.

> Opportunity Skyway combines private, corporate, and government funding to develop a vocational and technical program to train non-college-bound high school students for aviation careers. Based in Georgetown, Delaware, Operation Skyway gives students hands-on experience in everything from piloting to maintenance. Recently, as part of the 4-year $1.2 billion School to Work program, Opportunity Skyway has been expanded to serve students in six states.
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> Source: Ruth Marcus, "Clinton Pushes Training for High School Students: Job Preparation for Those Not College-Bound," *The Washington Post*, December 4, 1993, p. A4; and Paul Bedard, "Apprenticeship Program Gets Boost," *The Washington Times*, September 4, 1993, p. A4.

Even after Americans finish school, they must continue to adapt and learn if they are to succeed in today's rapidly changing global economy. Today, job changes are far more common than in the past, and it is normal for workers to hold several jobs in the course of a career. Skill requirements change rapidly, even for workers who stay in the same jobs. Thus, fewer and fewer workers can prosper for twenty or thirty years on the same set of skills they started out with. Federal job training programs represent a critical component of the Clinton Administration's Lifelong Learning Agenda, enabling adults to enhance their job skills, weather temporary job losses, and advance up the opportunity ladder. Today's patchwork of Federal job training and placement programs grew up over the course of more than 60 years. Although each element was designed in response to a specific need, the resulting system does not respond effectively to today's challenges. Therefore, President Clinton has proposed to consolidate 70 Federal job training programs into a flexible program of grants to individuals and simultaneously to increase total funding levels by $1 billion. The President's proposal would provide "skill grants" to unemployed and low-income workers and job seekers, empowering them to choose the training programs that best meet their needs.[*]

**Access to Financial Capital**

Central cities throughout the United States need to create conditions conducive to private sector business development and job creation. And central city residents need more job opportunities in close proximity to their neighborhoods in order to rejoin the world of work and responsibility. As discussed in Chapter 2, the high density of central city business districts can offer important competitive advantages for the knowledge-based businesses that will fuel the future economic health of whole metropolitan regions. Moreover, inner cities can capitalize on their regions' unique clusters of inter-related companies that compete nationally and even globally. These competitive clusters create opportunities for the formation of new businesses that deliver specialized supplies, components, and support services. Finally, inner-city consumers -- who are woefully underserved -- represent an immediate market for entrepreneurs and new businesses.[*] Federal policy must help create conditions that enable and encourage private businesses to take advantage of the unique opportunities cities offer, and to bring investment and jobs back to central city neighborhoods.

One of the most critical impediments to business creation and job growth in

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[*] States would be responsible for providing information people need to make effective choices, and to ensure that workers are not defrauded by incompetent or unscrupulous providers.

[*] In Los Angeles, for example, retail penetration per resident in the inner city compared with the rest of the city is 35 percent in supermarkets, 40 percent in department stores, and 50 percent in hobby, toy and game stores. Michael E. Porter.

central city areas is the lack of private investment capital. The Federal government can help cities realize their competitive advantage by improving their access to capital. Therefore, the Clinton Administration has placed high priority on initiatives that attract private capital back to our central cities, where it can fuel the expansion of economic opportunities that directly benefit distressed communities and their residents.

The Administration's Community Development Banks and Financial Institutions Act, which Congress enacted in 1994, will create a network of community development banks whose primary mission is to lend, invest, and provide basic banking services in low- and moderate-income communities. This initiative will encourage the private sector to extend capital to neighborhoods that have long been underserved. The President's 1996 budget proposes $144 million in funding for these community-based institutions. By catalyzing matching investments from local community development agencies and the private financial sector, this new funding can leverage several billion dollars in capital for a nation-wide network of local community development financial institutions. These intermediaries will, in turn, issue up to ten times this amount in loans to entrepreneurs, growing businesses, homebuyers, and community redevelopment projects. Equally important, these local financial intermediaries will connect communities to mainstream financial sources and unleash the private sector to help rebuild communities that want to help themselves.

Reforms to the Community Reinvestment Act (CRA) will further expand access to private credit in distressed urban communities. The original purpose of CRA (enacted in 1977) was simple -- to extend credit where credit is due, by requiring lending institutions to serve the needs of credit-worthy borrowers in the communities where they are located. At the direction of President Clinton, Federal banking regulators have rewritten the regulations that implement CRA to reduce regulatory burden, increase access to credit, and advance economic development. Under the new regulations, banks will be judged on performance -- actual lending, investments and basic banking services -- rather than paperwork. This reform is expected to unleash billions in new credit to distressed urban communities.

In conjunction with its efforts to return private financial capital to distressed central citiy communities, the Clinton Administration is targeting Federal resources to place-based initiatives that will catalyze private investment. These economic development efforts leverage private capital and create conditions that foster private-sector job creation and business formation:

- The Economic Development Administration (EDA) works in partnership with States, local governments, and private and public nonprofit organizations to promote long-term recovery in economically distressed communities. EDA helps fund community initiatives and infrastructure investments that generate and save jobs and support commercial and industrial growth. Many urban communities use EDA grants and loans to stimulate community-based revitalization strategies. For example, Los Angeles County is now implementing a defense adjustment strategy -- developed with grant funds from EDA and the Department of Defense -- which brings together the resources of the private sector, the academic and research community, and the public sector to plan for job retention and job growth. Increasingly, EDA is reforming its programs to take advantage of local public and private intermediaries and to capitalize revolving loan funds, which leverage private resources and subject economic development investments to the discipline of the marketplace.

- The Federal Transit Administration's Liveable Communities Initiative strengthens the link between transit and the communities it serves. It recognizes that transit programs can be instrumental in shaping the nature of community development and are important tools for enhancing the vitality of urban neighborhoods. This initiative provides cities with the flexibility to use FTA Capital funds for transit-oriented initiatives that have not traditionally been considered eligible, such as day-care centers adjacent to transit facilities.

- Low-income communities often lack the depth of entrepreneurial experience and financial expertise needed for small businesses to grow and flourish. The Small Business Administration (SBA) proposes to address this problem by establishing One-Stop Capital Shops that will provide business and technical support, as well as assistance in obtaining capital for new and existing businesses. Shops in up to 12 economically disadvantaged areas will each provide access to the full range of SBA-sponsored programs, including small business investment and lending companies, micro-enterprise lending, and technical assistance. Over the next 5 years, a total of $3.2 billion in capital and business assistance will be made available through the One-Stop Capital Shops.

In many cities, abandoned, environmentally contaminated industrial sites called "brownfields" represent another severe impediment to economic development. These sites, which cannot be redeveloped without significant environmental cleanup, often pose so much risk and uncertainty that they remain unused, blighting the surrounding community. The Comprehensive Environmental Response, Compensation, and Liability Act -- known as CERCLA or the Superfund law -- holds all current and past owners of contaminated sites, as well as governments and lenders who hold liens on the property, potentially liable for the cost of cleaning up environmental hazards. Many financial institutions are no longer willing to assume the potential liability that comes with financing a project on a previously contaminated site. As a result, older industrial sites often stand vacant, robbing cities of potential jobs and tax revenues, and blighting the surrounding neighborhoods.

Increasingly, Federal, State, and local agencies are recognizing this as a serious economic development issue, as well as an environmental health issue. The General Accounting Office estimates that between 130,000 and 425,000 sites throughout the

Nation contain some contamination. For example:[71]

* The State of Illinois has estimated that it has 5,000 abandoned or inactive sites within its boundaries, with as much as 18 percent of Chicago's potential industrial acreage unused.

* A study of Union County, New Jersey, identified 185 contaminated sites amounting to 2,500 acres.

* Pennsylvania's Monongahela Valley contains hundreds of acres of land filled with vacant steel mills and other manufacturing facilities.

The Environmental Protection Agency (EPA) recently launched a Brownfields Redevelopment Program that will demonstrate ways to return unproductive and abandoned urban sites to productive use. As part of this initiative, 25,000 sites that no longer pose environmental hazards have been removed from the Superfund inventory. In addition, EPA is working actively with local governments and the private sector -- clarifying liability issues, streamlining review and decision procedures, and developing cleanup methods -- to address barriers to private sector reinvestment in and redevelopment of contaminated sites. And finally, EPA is providing up to $200,000 for each of 50 local brownfields redevelopment projects. With this money, cities will be able to conduct the extensive planning and analysis necessary to develop economic development strategies that will work locally. They will also receive direct assistance from the Federal Government in overcoming regulatory barriers to investment and risk-taking.

The Community Opportunity Fund, which would receive $4.8 billion in 1996, is

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[71] *Superfund: Extent of Nation's Potential Hazardous Waste Problem Still Unknown*, GAO/RCED-88-44, December 1987.

further evidence of the Clinton Administration's commitment to providing flexible Federal resources for community development investments that benefit low- and moderate-income people. It consolidates a wide range of existing program activities and initiative into two basic components: the Community Development Block Grant (CDBG) component and a new performance bonus pool for job creation initiatives. This consolidation builds upon the successes of the existing CDBG program, with a heightened emphasis on economic empowerment, job creation and brownfields redevelopment. The $250 million performance bonus pool will be used to award competitive grants for job creation and brownfields reuse projects too large to be funded from the community's regular formula allocation.

In Chicago, a partnership of local businesses and State and local government agencies is successfully redeveloping the Santa Fe railroad yard, a 32-acre brownfields site adjacent to Chinatown. This site, used for over a century as a factory and railrad yard, was seriously contaminated with PCBs, underground storage tanks, and cleaning solvents. Environmental investigations and clean-up negotiations took almost three years. The final agreement involved cost-sharing by the developer and the Santa Fe Railroad and long-term deed restrictions to ensure that environmental guidelines are followed if further contamination is discovered in the future. The city of Chicago established a tax-increment financing district, which has issued $5.5 million in bonds. A retail center has now opened on the site, residential development is underway, and future projects include additional retail space, more housing, a small hotel, and an Asian trade center. This redevelopment effort is expected to generate over $120 million in new development.

**Freedom from Fear**

Crime and violence are terrorizing many of America's urban neighborhoods and commercial districts, destroying the lives of families and young people and robbing their communities of any chance for reinvestment and revitalization. Businesses and homeowners cannot be expected to risk their capital in neighborhoods where drug dealers are doing business on street corners, gangs control housing projects, and random bullets keep residents living in fear. Moreover, in neighborhoods where few other opportunities are evident, drugs and gangs may appear to young people to offer the best route to economic and social advancement, luring them into criminal activities that further isolate them from mainstream opportunities.

To address the crisis of violent crime in America, President Clinton introduced, and Congress passed, the Violent Crime Control and Enforcement Act of 1994. This crime bill sets in motion a four-part strategy. First, it provides funding to put more police on the street to directly attack crime and violence at the neighborhood level through community policing. Second, it imposes tougher penalties for violent crime and provides funding to build more prison space so that violent, career criminals can be incarcerated. The third element of this strategy is to keep guns out of the hands of criminals. In 1993 Congress passed the Brady Bill to require a 5-day waiting period and background check for prospective handgun buyers.[72] The 1994 legislation adds a ban on the 19 deadliest assault weapons, the weapons of choice for drug dealers and gangs. The need to control the weapons that destabilize and destroy neighborhoods is recognized by the business community. In a recent urban policy statement, the Committee for Economic Development urged vigorous enforcement of existing gun control laws, as well as new legislation that would impose "substantially broader restrictions on weapons and ammunition."[73]

Finally, the Clinton Administration's anticrime strategy focuses on youth crime and violence, which is at the heart of America's current crime crisis. Although overall crime rates have been dropping, the incidence of youth crime -- including violent crime -- has risen. So the crime bill sends a strong message to young criminals: it bans handguns for

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[72] The Brady bill also helps local law enforcement by ensuring that criminal records are shared among jurisdictions.

[73] Committee for Economic Development, p. 10.

juveniles, imposes stiff penalties for gang members who commit crimes, establishes Boot Camps and Drug Courts to discipline first-time offenders. At the same time, it invests in prevention programs that offer at-risk youth (especially in distressed neighborhoods) positive alternatives to criminal activities. Moreover, the Safe and Drug Free Schools Program responds to the continuing crisis of drugs and violence in our schools by supporting comprehensive school- and community-based drug abuse and violence prevention programs. These anticrime initiatives are critical components of the Clinton Administration's overall effort to promote work and responsibility and to rebuild economic opportunities in distressed neighborhoods. President Clinton's proposed strategy for achieving a balanced budget expands the Federal government's vigorous attack on violent crime.

> Project PACT is a Federal initiative designed to help communities fight crime more effectively. The project initially targets four geographic areas — metropolitan Denver, the State of Nebraska, metropolitan Atlanta, and Washington, D.C. — where the Federal government will vigorously support broad-based, fullycoordinated anti-violence strategies to make communities safer. These strategies will remove barriers between levels of government, and ensure that all Federal agencies join together to form strong partnerships with cities, counties, and States.

**Access to Metropolitan Employment Opportunities**

As discussed in Chapter 2, urban Americans today are more likely to find employment in the suburbs of our great metropolises than in the central cities. Many employers can be attracted back to central cities by the availability of investment capital, by the redevelopment of brownfields, and by progress in combatting crime and violence. But in addition to rebuilding employment opportunities in the central cities, Federal policy must help establish functional linkages between the people who live in the inner city and the expanding opportunities to be found in the suburbs.

Choice is the keynote of this Administration's policy. President Clinton is committed to ensuring that people are not trapped and isolated in predominantly poor neighborhoods, for lack of options. Both economic efficiency and simple fairness require that all Americans, including those with low incomes, be free to live and work wherever they choose.

Currently, Federal job training programs (funded under the Job Training Partnership Act) are implemented by individual jurisdictions, with strong incentives for placing participants in jobs within the jurisdiction from which they applied for assistance.[34] This limits the ability of central city residents to train for and find jobs in areas where employment opportunities are expanding fastest. As a part of the President's proposed G.I. Bill for America's for Workers, a network of One-Stop Career Centers will be created to serve the entire labor market within each local region. These Centers will strengthen connections between employers, schools and colleges, and workers and students throughout the metropolitan area. Good information on what skills are being rewarded with what jobs, what job openings and career opportunities are available, and how effectively schools and colleges deliver education, training and skills will be provided. These One-Stop Career Centers will offer the essential connection to link inner-city residents to available jobs and learning opportunities throughout the local region.

The Bridges-to-Work initiative, which is scheduled to be implemented as a demonstration beginning in 1996, will test the feasibility and impacts of helping inner-city residents who are unemployed find jobs in suburban areas where employment opportunities are expanding. One component of Bridges-to-Work focuses on the job placement link. In addition, however, workers commuting from the central city to the suburbs face other barriers, especially if -- like almost 60 percent of black residents in

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[34] Mark Alan Hughes with Julie E. Sternberg, The New Metropolitan Reality: Antipoverty Strategy Where the Rubber Meets The Road, Washington, D.C.: The Urban Institute Press, 1992.

high-poverty urban areas -- they do not have access to cars.[33] The Bridges-to-Work initiative will address each of these barriers explicitly, tailoring a program for each participant that forges an effective and lasting linkage to suburban employment. Participating workers will receive assistance with transportation to their suburban jobs and with other impediments, particularly child care.

This initiative -- and others like it that are being implemented by individual communities -- has the potential not only to link individuals to suburban jobs, enabling them to start the climb out of poverty, but also to revitalize distressed neighborhoods. As participants find jobs and begin to earn higher incomes, they will spend some of it in neighborhood shops and restaurants; they will provide role models for their neighbors; and they will acquire information on suburban employment centers that may enable their neighbors to find jobs as well. Thus, individual linkages between unemployed central city residents and suburban employers have the potential to replenish the resources of inner city neighborhoods and to forge more extensive connections between distressed neighborhoods and the metropolitan labor market as a whole.

For some poor families, the most promising path toward self-sufficiency is to move from distressed, high-poverty neighborhoods to areas that offer better educational and employment opportunities. "In the United States, residential location helps define opportunity... School quality, personal safety, and job access all tend to increase as neighborhood income rises, at least from poverty levels to the middle-income range."[34] Evidence from the court-ordered Gautreaux Assisted Housing Program in Chicago has shown that -- with proper assistance -- the opportunity to move to a lower poverty

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[33] John D. Kasarda, "Inner City Concentrated Poverty and Neighborhood Distress, 1970 to 1990," Housing Policy Debate 4 (1993): 253-302.

[34] George E. Peterson and Kale Williams, "Background Paper for the First National Conference on Housing Mobility as an Anti-Poverty Strategy," The Urban Institute, Washington, D.C., August 1994.

neighborhood can lead to economic independence for poor families. For example, young people whose families moved to the suburbs were more likely than their central city counterparts to stay in high school, choose college track courses, attend college, find jobs, and earn more than the minimum wage.[77]

The first step in ensuring all Americans free and fair choice about where to live is to aggressively attack housing discrimination. As discussed in Chapter 2, the persistence of discrimination in urban housing markets discourages minority families from moving to neighborhoods of their choice. The Clinton Administration is vigorously attacking discrimination against minority families by aggressively enforcing Federal fair housing laws. Support for non-profit organizations and State and local agencies that help enforce fair housing laws has increased three-fold. and HUD offices across the country have been reorganized to accept and investigate fair housing complaints quickly and effectively.

The Federal government has a special responsibility to ensure that free and fair housing choice is a reality for families who receive subsidized housing. Historically, Federal housing assistance for the poor has provided subsidies for the construction of housing projects -- including both public housing and privately owned subsidized projects. Most of these projects provide high quality, affordable housing and are an asset to their communities. But in too many cases, subsidized housing has been inappropriately sited, badly constructed, and poorly managed. Large projects in poor neighborhoods have often exacerbated racial segregation, contributed to the concentration of poverty, and

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[77] James E. Rosenbaum, "Changing the Geography of Opportunity by Expanding Residential Choice: Lessons from the Gautreaux program", in Housing Policy Debate, 6 (1995). See also Rosenbaum "Closing the Gap: Does Racial Integration Improve the Employment and Education of Low-Income Blacks?" in Lawrence B. Joseph (ed.), Affordable Housing and Public Policy, Chicago: University of Chicago Press, 1993.

blighted their surroundings.[78] Nevertheless, housing needs among poor renters are so severe that the waiting lists for these projects are often several years long.

> Arletta Jackson used to live in Ida B. Wells, one of the grim public housing projects that march for miles along Chicago's South Side. When Arletta Jackson lived at Ida B. Wells, she did not have a job; there were no jobs in the vicinity. She used to fear for her son's life each time he went outside to play. Every time she heard a car backfire, she would rush to the window, thinking it was gunfire and fearing that her son had been shot. Today, with the assistance of HUD's housing certificate program, Ms. Jackson and her son live in Hoffman Estates, a safe suburban community where there are good schools and job opportunities. Ms. Jackson has a job and is self-supporting. And her son, Jason, plays the flute in the school band.

In its *Reinvention Blueprint*, HUD proposes to transform its low-rent housing programs so that they provide subsidies to people rather than to projects. The current system of project-based subsidies provides public housing agencies and private housing providers with guaranteed capital and operating subsidies, and relies on complex rules and regulations to manage their performance. Under the new system, families will be empowered decide for themselves whether the projects in which they currently live offer the opportunities they need.

Existing projects for which there is little or no demand will be demolished if they cannot be modernized cost-effectively. But most of today's public and assisted housing projects will remain in use, providing low- and moderate-income families with modest housing at affordable rents. As current residents -- almost all of whom have very low incomes -- exercise their option to move, affordable housing will become available for moderate-income families, who are not eligible for Federal subsidies but nevertheless need modestly priced housing. The ultimate result will be greater income diversity in projects that are currently occupied almost exclusively by the poor. Thus, by opening up opportunities for very low-income families to move away from high-poverty

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[78] Michael H. Schill and Susan M. Wachter, The Spatial Bias of Federal Housing Programs, Research Impact Paper #3, Philadelphia, PA: Wharton Real Estate Center, December 1994.

developments, the HUD's reinvention also promises to bring working families back to distressed urban neighborhoods.

HUD's proposed Housing Certificate Fund (HCF), which builds upon the existing Section 8 Certificate and Voucher programs, will empower assisted families to choose moderately priced housing in the locations that offer them opportunities for upward social and economic mobility. Tenant-based assistance of this kind is less likely than project-based programs to concentrate needy households in high-poverty neighborhoods. Data collected by the General Accounting Office (GAO) for four metropolitan areas indicate that fewer than 10 percent of Section 8 recipients live in high poverty neighborhoods (where more than 30 percent of residents are poor), compared with 44 percent of public housing residents. Moreover, recent experience indicates that tenant-based housing assistance can be effectively supplemented by landlord outreach and housing search assistance to expand opportunities for choice and mobility.[9] The Housing Certificate Fund will not require assisted families to move and will not limit their neighborhood choices. However, public housing agencies (PHAs) will have an affirmative obligation to reach out to property owners and to assist families in searching for rental housing throughout their market area. And HCF will create strong incentives for PHAs throughout a metropolitan housing market to collaborate in making the widest possible range of opportunities available to certificate holders. In addition, HCF will eliminate burdensome requirements that have discouraged some landlords from participating in the existing Section 8 program. Specifically, HCF does away with the "take one, take all" rule and the prohibition against lease terminations for other than good cause. Moreover, HCF families who are evicted for serious lease violations will lose their eligibility for assistance, creating a strong incentive for responsible behavior by program beneficiaries.

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[9] John Goering, Helene Stebbins, and Michael Siewert, Promoting Housing Choice in HUD's Rental Assistance Programs, Washington, D.C.: U.S. Department of Housing and Urban Development, Office of Policy Development and Research, April 1995.

HUD's reinvention of Federal housing programs is already changing the landscape of distressed central city neighborhoods. Over the past two years, HUD has been working to transform some of the Nation's most severely distressed public housing projects. In recent months, projects in New Orleans, Philadelphia, and other cities that were blighting neighborhoods and the lives of children have been demolished. Other projects are undergoing comprehensive revitalization through the HOPE VI program, which provides both flexibility and funding for local strategies that combine "bricks and mortar" improvements with community-based employment training and job creation, as well as social and community investments. The goal of these revitalization strategies is to transform public housing projects into communities of opportunity, where residents receive the shelter and support they need to move forward with their own lives.

In Charlotte, North Carolina, the local housing authority is undertaking the comprehensive transformation of the 409-unit Earle Village project, where only one-quarter of the households have any earned income, the average family income is under $6,000, and more than half the population is under 18 years of age. The plan for Earle Village includes a significant reduction in density; a total of 164 units will be demolished, to be replaced with new construction elsewhere in the city, including scattered site developments. Seventy-five units will be made available for purchase by first-time homebuyers, drawing working-class families into the community and encouraging existing residents to strive toward homeownership. Thus, the Earle Village transformation will convert a blighted public housing project into an asset to its community even as it expands residents' opportunities for mobility and choice.

**Expanding Homeownership Opportunity**

Families who save and are prepared to invest in their communities should be able to achieve the American dream of homeownership. For most Americans, homeownership provides a pathway to wealth accumulation and long-term economic security. In fact, home equity accounts for more than half of the average American homeowner's net wealth.[60] Thus, access to homeownership represents an important link to longer term economic opportunity. Homeowners also have both a financial and emotional stake in the future of their communities, which encourages them to maintain their housing, collaborate with their neighbors, participate in community organizations, and promote the security and stability of their neighborhoods.[61]

Today, however, the dream of homeownership is out of reach for many American families, especially minorities and those who are self-employed, have modest incomes, or live in inner cities. For example, among married couples with children between the ages of 35 and 44, only 52 percent with incomes under $20,000 are homeowners, compared to 94 percent of those whose incomes exceed $80,000. And at every income level, minorities have significantly lower rates of homeownership than whites.[62] During the 1980s, the national homeownership rate fell from a historic high of 65.6 percent in 1980 to 64.2 percent in the first quarter of 1995. Although this decline may appear modest in percentage terms, it represents 1.4 million renters who otherwise would have become homeowners. Moreover, the drop in the rate of homeownership was even more precipitous for lower income people, young families and minorities.

To reverse this trend, President Clinton has directed HUD Secretary Henry G.

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[60] Ann Mariano, "Action Urged to Keep Public Housing Units Available to Poor", in the Washington Post, July 13, 1995.

[61] Peter H. Rossi, and Eleanor Weber, " The Social Benefits of Homeownership: Empirical Evidence from National Surveys", presented at Fannie Mae Annual Housing Conference, May 1995. William R. Rohe and Leslie Stewart, "Homeownership and Neighborhood Stability", presented at the Fannie Mae Annual Housing Conference, May 1995.

[62] Frederick J. Eggers and Paul E. Burke, "Simulating the Impact on Homeownership Rates of Strategies to Increase Ownership by Low-Income and Minority Households," presented at Fannie Mae's annual housing conference, May 1995.

Cisneros to work with leaders in the housing industry, representatives of nonprofit organizations, and officials at all levels of government to develop a National Homeownership Strategy that combines private and public sector resources and commitments to expand homeownership opportunities for populations and communities too often excluded from the American Dream. The strategy includes initiatives to cut the costs of homeownership, including financing, production, and transactions costs. It will increase choice and remove barriers to homeownership for all Americans. And it will raise public awareness and knowledge about available homeownership opportunities. The goal of the National Homeownership Strategy is to raise the national homeownership rate to as high as 67.5 percent by the year 2000, creating as many as 8 million additional homeowners.

The commitment to expanded homeownership opportunity has revitalized the Federal Housing Administration (FHA). Today, FHA is back in business as a major supporter of homeownership for working families. In 1993 and 1994, FHA insured nearly 2.3 million single-family home loans, half million more than in any previous years in its 60-year history -- and 36 percent of those loans were for first-time buyers. FHA has reduced its up-front mortgage insurance premium, and reformed the Nation's escrow rules. These actions are expected to save homebuyers an average $250 at closing and $750 over the life of the average mortgage. FHA's 203(k) rehabilitation mortgage loan insurance program, recently simplified by the Clinton Administration, has the potential to be a particularly valuable tool for stabilizing older urban neighborhoods. Under this program, a family can roll the costs of buying and fixing up an existing home into a single first mortgage. The 203(k) program was created 34 years ago, but it was so complicated that very few lenders or borrowers used it. Today, investors and homebuyers -- including many first-time buyers -- are using 203(k) loans to rehabilitate older homes and revitalize neighborhoods.

FHA is working substantially better today than it has in the recent past. Nevertheless, after 61 years, it needs a major overhaul. FHA is a Fortune 100-size insurance company with a $380 billion portfolio. But instead of operating like the insurance company it is, it works like a lumbering bureaucracy. Its procedures are cumbersome and its ability to adjust to changing market conditions is severely constrained by statutes, rules and regulations. HUD's *Reinvention Blueprint* proposes to transform FHA into a government corporation that would incorporate the best practices of private mortgage insurance companies and work more effectively with localities, States, and the private market to expand affordable housing and homeownership. This new corporation will work more closely with communities and the private sector to increase the flow of mortgage capital to low- and moderate-income families in underserved communities.

The Federal government also has a vital role to play in ensuring that qualified families are not excluded from homeownership opportunities by illegal discrimination. Recent data on mortgage lending patterns indicate that blacks are twice as likely to be denied a mortgage loan as whites at the same income levels, and that loan officers more readily assist white applicants in correcting flaws in their credit reports.[*] The Clinton Administration has formed an Interagency Task Force on Fair Lending to combat such potential discrimination in home mortgage lending. The ten Federal agencies with responsibilities for fair lending have agreed upon a consistent set of policies that will apply to all private lenders. This agreement brings the full weight of the Federal Government to bear to ensure fair lending for all Americans.

In conjunction with its enhanced fair housing and fair lending enforcement efforts,

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[*] The 1993 data collected under the Home Mortgage Disclosure Act (HMDA) showed that the rejection rate for whites was slightly under 11 percent, while blacks were rejected almost twice as often (22.5 percent). Note that differential rejection rates are probably explained in part by discriminatory treatment, but that disparate impacts of underwriting criteria as well as differences in minority wealth and credit history may also play a role. See Alicia H. Munnell, Lynn E. Browne, James McEneaney, and Geoffrey M. B. Tootell, "Mortgage Lending in Boston: Interpreting HMDA Data" Working paper series, Federal Reserve Bank of Boston, 1992.

HUD is reaching out to the real estate and mortgage lending industry to adopt voluntary "best practices" accords and compliance agreements. Through these agreements, HUD seeks to develop a "best efforts" standard with individual companies. The accords spell out practices that affirmatively promote access to housing opportunities for low-income and minority renters and would-be homebuyers. An historic best practices agreement has been signed with the Mortgage Bankers Association of America, and this umbrella agreement has led to individual accords with several of the Nation's largest mortgage companies.

Historically, housing finance markets have failed to adequately serve lower income and minority neighborhoods. Lack of capital for home purchases and renovations can contribute to a downward spiral of neighborhood disinvestment and distress. Aggressive enforcement of Federal laws prohibiting lending discrimination constitutes a critical first step in reversing neighborhood disinvestment. But fair lending enforcement alone is not enough. Lower income whites, as well as minorities, need better access to housing finance. The Clinton Administration is committed to expanding the flow of mortgage financing to qualified borrowers in underserved neighborhoods. In accordance with oversight authority granted under the Federal Housing Enterprises Financial Safety and Soundness Act, HUD has established performance goals for 1993 and 1994 for Fannie Mae and Freddie Mac, the two Government-sponsored enterprises (GSEs) that provide secondary market resources to the private housing finance sector. In 1994 the GSEs increased their purchases of mortgages on homes for low- and moderate income families by 489,000 over 1992. Significant improvements were also shown in GSE performance with regard to very low-income families, low-income families in low-income areas, and properties located in central cities.

Finally, in order to extend homeownership opportunity to families who could not otherwise afford it, HUD's proposed new Affordable Housing Fund establishes a loan guarantee authority that would give States and localities an additional source of financing for large-scale development of affordable homes. Moreover, HUD will allow very-low income families to use tenant-based housing assistance to make the transition from renting to first-time homeownership. This empowers families already receiving rental assistance to "graduate" to assisted homeownership as their incomes rise, creating a powerful incentive for responsible behavior and progress toward economic self-sufficiency. It reflects the Clinton Administration's fundamental reorientation of social welfare policy toward initiatives that help people gain access to upward mobility opportunities, rather than requiring them to remain poor in order to get help.

**Empowerment Zones and Enterprise Communities**

For the Nation's most severely distressed urban communities, President Clinton's Empowerment Zones (EZ) and Enterprise Communities (EC) Program will help rebuild all of the linkages encompassed by the Community Opportunity Agenda. The EZ/EC initiative provides the tools communities need to bring capital back to the central city, create jobs within distressed neighborhoods, invest in human capital, and link residents to economic opportunities throughout the metropolitan region.

This initiative, enacted in 1993, targets an estimated $2.5 billion in tax incentives and $1.3 billion in flexible grants to 105 severely distressed urban and rural areas over ten years. Urban Empowerment Zones (EZs) are receiving $100 million each in flexible block grant funding that can be applied to a broad range of activities, including social services and physical improvements. To encourage hiring, businesses located in these zones receive a tax credit of up to $3,000 annually per employee for the costs of wages and training for zone residents. Zone businesses also receive "expensing" tax credits for investments in qualified zone properties and access to tax exempt facility bond financing. Areas designated as urban Enterprise Communities (ECs) will receive $2.95 million in flexible block grant funds and tax-exempt facility bond financing. In addition to these resources, all of the EZs and ECs are receiving priority consideration for existing Federal programs and special assistance from the President's Community Empowerment

Designated EZs and ECs receive preferences for Federal funding for over 115 categorical programs. These

Board in removing bureaucratic red tape and regulatory barriers that prevent innovative uses of existing Federal funds.

In order to be designated as an EZ or EC, communities were asked to submit a comprehensive strategic plan for revitalization that was developed with the input of a wide range of partners, including community residents, State and local agencies, and the private and non-profit sectors. The public-private partnerships created by the EZ/EC planning process leveraged substantial additional investment. In Baltimore, $8 in outside resources were leveraged for every $1 of Federal funds, including a pledge by seven area foundations to commit 1 percent of their assets for the next five years to the EZ. In Detroit, more than $2 billion in private-sector commitments were pledged. And the Detroit EZ has begun to spur new business activity. The Chryssler Corporation recently announced that it will invest $750 million in a new engine plant and General Motors announced plans to invest $200 million to expand and improve an existing assembly plant in the zone..

The EZ/EC planning process also resulted in comprehensive strategies that integrate traditional economic development with human development and community building. Most EZ/EC strategic plans combine job creation, job training and linkages for community residents, physical redevelopment, community policing, and integrated social services into a coherent plackage that promises to rebuild community infrastructure. Both the Baltimore and Atlanta EZs are opening Village Centers in zone neighborhoods that will serve as the distribution point for human service activities and the ongoing vehicle for involvement of

> Many urban EZs and ECs have embarked on ambitious plans to consolidate human services and provide access to economic opportunities in centralized locations. The Louisville EC, for example, recently opened Neighborhood Place, an integrated human service center that will link health programs, educational services, family financial assistance, and job training and placement in one location. In order to make the 30,000 residents of the area full partners in the effort, the center will be staffed and overseen by community residents.

URBAN POLICY

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

October 24, 1994

**MEMORANDUM**

TO: The President

FROM: Peter Edelman PBE

SUBJECT: Youth Opportunity and Responsibility Strategy

You suggested when we talked briefly at Hillary's birthday party that I follow up in writing. I had not realized when we talked that you had dealt with this exact subject in your press conference that day. You talked about "a concerted effort that starts with parents, churches and community groups and private business people and people at the local level." Exactly. You talked in Albuquerque, as you have on other occasions, about the values issues. I admire that greatly. But, as you have said, young people also have to have something to say yes to. That is a job or the possibility of going to college. As you said at your press conference, "The federal government cannot be the salvation of that." Again, exactly. As you said in your press conference, we need both an alteration of values and a change in the availability of economic opportunity, and the federal government cannot do either of these things by itself.

Here is the idea. Inspire the incorporation nationally of a nonprofit entity to pursue a youth opportunity and responsibility strategy in every community in America, just as President Kennedy did when he challenged the legal community to create what turned out to be the Lawyers Committee for Civil Rights. The national entity, which would have a blue ribbon board drawn from business, labor, philanthropy, religion, civic sources, minorities, sports, entertainment, and youth, would be charged with stimulating local efforts everywhere to create opportunities for young people who will accept responsibility for preparing themselves to accept the opportunities.

Federal policy would be supportive. You would propose a youth employment, youth development, and job linkage strategy with some new money and some reorganization and redeployment of existing JTPA, Youth Fair Chance, school-to-work, and other relevant programs, including the prevention parts of the Crime Act. (I see this as following up on the Crime Act, very explicitly.) A working group under the supervision of Carol Rasco and Bob Rubin is working on this part of the effort right now. Their work product will be coming to you shortly.

The President
Page Two

The configuration of the national corporation and the finding of the funds to staff it are not simple, of course, but I think can be dealt with. If you called personally on the major foundations to put money into staffing it, I think the money would come fairly easily.

You would then make this a major part of your efforts for the next two years. Your leadership in pressing local communities to act could make a major difference, I believe. I have spent a lot of time these past two years going around the country and seeing the situation in city after city. There is massive discrimination against young people of color as they try to enter the labor market. There is no system for helping those young people who are most at risk, especially those who come from areas of concentrated poverty, to find a pathway through adolescence to get to the labor market or to college. That is one reason, though not the only one, for the gangs and the violence and the drugs and the teenage births. The business community gets modestly involved in the schools or in helping install a Boys and Girls Club in public housing, but they do not face up to the central question of opportunity and how they can promote it.

Again, this is not simple. The major hiring of high school graduates is not done by large corporations (although banks, insurance companies, and others in the services sector do some of it, as do manufacturing firms). The behavior of large numbers of smaller businesses needs to be altered, and that is not an easy task. Nonetheless, I believe that if we are going to have any chance of altering the values of young people that are leading to so much of the violence, we have to alter the current equation of hope, and to do that we need to get every community in America to commit itself.

You could make this a campaign. Working with the national blue ribbon nonprofit entity, you could go around the country, convening civic and neighborhood and youth leadership to talk about how they are going to, with federal partnership, create a youth opportunity and responsibility strategy in their community. This has the added value of not having success measured solely by getting legislation enacted, which, it appears, is going to be more difficult in the next Congress. It represents a new role and stance for the federal government, neither dictating nor abdicating, but acting in partnership. It is a 1990s synthesis -- if the 60s were about big government and the 80s were about no government, the 90s should be about a partnership between public policy and private action, with neither being sufficient and both being essential.

I believe this can make a difference. With your leadership and commitment to it, I strongly believe it can make a

The President
Page Three

difference. I have greatly admired your speeches in Memphis, the State of the Union, New Orleans, and Albuquerque. But these have been episodic. I hope you will strike the themes of values and responsibility much more often, and I strongly suggest that you couple them with a national campaign, to which you devote much of your personal time, for youth opportunity and responsibility.

I hope this is of some help, and if you see it before you leave for the Middle East, my prayers are with you for success in moving that process along further. As you know, I have some personal stake and interest in that as well.

Please let me know what I can do to help.

Urban Policy

Draft: 11/9/94 **URBAN POLICY OPTIONS — Executive Summary**

## I. CONSENSUS PROPOSALS — Next Steps Recommended by Sub-Group Co-Chairs

**A. Message Strategy.** Develop a sustained communications strategy, and move forward with the Welfare Reform proposal to foster a private entity that would spearhead a national mobilization to prevent teen pregnancy.

**B. Full Funding of Existing Priorities.** Seek full funding of signature community empowerment priorities (i.e., CDFI, EZ/EC, Lifelong Learning agenda, Police and Crime Prevention) at existing proposed levels.

**C. Provide a Sourcebook and Improved Coordination of Community Development Programs.**

**D. Continue the capital access agenda.** Continue working through the DPC-NEC Credit-Access Working Group to substantially increase mainstream financial sector participation in distressed communities through off-budget means.

UP

## II. NO-COST REINVENTION OPTIONS

**Option A [Modest]: Youth Opportunity Challenge.** Packaging/Coordination to the maximum extent feasible under current statutes of key crime prevention and youth programs to provide *extra* incentives for communities that develop comprehensive strategies for the education and development of youth in high poverty and crime areas.

DOWN

**Option B [Bold]: Legislative Waivers.** Use the hundreds of waivers sought by EZ/EC applicants to build support for statutory authority for greatly enhanced waivers, to provide state/local flexibility *with* accountability for performance. (New legislation.)

**Option C [Bolder]: Legislative consolidations.** Consolidation and elimination of certain youth programs to free local communities from the constraints of narrow categorical programs and to emphasize accountability for performance. (New legislation.)

STOP

## III. OPTIONS REQUIRING NEW OR REALLOCATED RESOURCES

**Option A: Round II of EZ/ECs.** Seek nine additional urban and rural empowerment zones from among the first round of EC designees, offering flexible grants and/or tax incentives. (New legislation.)

GO

**Option B: Additional Resources for the Youth Opportunity Challenge.** Discretionary and tax incentive options for private-sector wage subsidies to attract a consortium of employers to make hiring commitments for inner-city youth and/or to support school-to-work strategies. (No new legislation for discretionary option; TJTC Reauthorization for tax incentive.)

BE

NOT to BE

**Option C: Urban Brownfields / Economic Development Initiative.** To overcome uncertainty, liability, and cost obstacles to redevelopment of urban brownfields, provide a package of low cost reinvention incentives (comfort letters, simplified evaluation standards, etc.). To encourage private sector investment, offer substantial patient capital for economic development (discretionary) or allow expensing over a three-year period (tax incentive). (Requires Superfund Reauthorization and/or a budget reconciliation bill.)

OMB

**Option D: Flexible Competitive Funding to Leverage Accountability and Reinvention.** In 1996, a national competition would be held, similar to the EZ/EC competition but with requirements for: (1) *reinvention* -- program coordination and consolidation; (2) *accountability* for acheivable goals addressing youth development, crime reduction, and job creation; (3) *leveraging* of private and voluntary efforts; and preferably (4) metropolitan-wide participation. A pot of *flexible* grant funding would serve as "glue" money, and new flexibility would be available with existing federal funds for multi-year awards to 6-12 applicants per year. A higher cost option would include tax-favored or other mandatory-side subsidies for either targeted job creation or infrastructure/brownfields development. (New legislation.)

OM NOT TO BE

"FLEXIBLE POT OF GLUE MONEY"

GLUE POT OF FLEXIBLE MONEY

MONEY POT OF FLEXIBLE GLUE

GLUE, POT, MONEY – FLEXIBLE

BOB - TED - CAROL - ALICE

"WHY ARE WE HERE?"

NPR

BOLD IDEAS TO DRIVE THE DEBATE

* CUT - INVEST (or payroll tax cut)
* ABOLISH ____ DEPT.
* FREE TV
* CONG REFORM
* CITIZEN SUMMIT
* TEEN PREGNANCY CAMPAIGN (OTHER VALUES INITIATIVE)

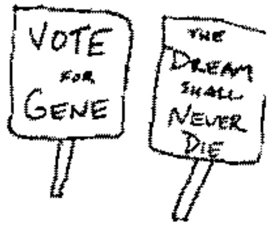
THEMES

INITIATIVES

THEME: CONSOLIDATION

PROPOSAL: DOCTOR-ASSISTED SUICIDE

CITIES SUBURBS FARMS




EXIT POLL '94

IIII MEET

卌 卌 NOT TO MEET

卌 II MAKES NO DIFFERENCE

| <u>THEME</u> | <u>OPTION</u> |
|---|---|
| · CONSOLIDATION | SURRENDER |
| · FLEXIBILITY | GIVE UP |
| · ACCOUNTABILITY | PACK IT IN |

Top Issue.

CONSENSUS PROPOSALS.
TALK + TALK + TALK

NO-COST REINVENTION OPTIONS.
STOP TALKING

BOLD OPTIONS
DON'T START TALKING IN 1ST PLACE

Urban Policy

THE WHITE HOUSE

WASHINGTON

November 8, 1994

A MEMORANDUM FOR CAROL RASCO
BILL GALSTON
BRUCE REED

FROM: GAYNOR McCOWN

SUBJECT: YOUTH CONSOLIDATION OPTION

CC: JEREMY BENAMI

In preparation for our 8:15 a.m. Urban Policy meeting tomorrow, I'm attaching a copy of our memorandum recommending the option of consolidating youth programs. Gene Sperling and Sheryll Cashin, who will be writing the options memorandum for the meeting with the Principals on Thursday, also have a copy. It is our hope that this memorandum will:

- Reiterate that this bold reinvention plan - to create a single funding mechanism called a Youth Development Fund - should be included. As Alice Rivlin said, it is important to push the envelope with a "break the crockery" proposal as we consider what options to present to the President.

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

- Open up the possibility for further discussion on the connection between a "National Campaign for Youth" and the Youth Development Fund. More specifically, we may want to explore relationship between violence prevention; helping prepare young people to make the transition between school and work; and the teen pregnancy components of welfare reform.

I hope this is helpful!

November 8, 1994

A MEMORANDUM FOR SHERYLL CASHIN

FROM: JEREMY BENAMI
BELLE SAWHILL
GAYNOR McCOWN

SUBJECT: SINGLE YOUTH DEVELOPMENT GRANT FUNDING

cc: CAROL RASCO
BRUCE REED
BILL GALSTON

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

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

In line with the key principles of the Administration's "reinventing government" philosophy, this single funding mechanism would encourage mission driven programming through a strong emphasis on results. By setting forth guidelines and rewarding creativity, the federal government would be empowering local communities to define their own goals and develop strategies to achieve them. Following are some examples of the potential advantages of a consolidated youth program:

- *Less red tape and better services to youth.*

- *Rather than creating a new government bureaucracy, a single funding mechanism would build on the strength of existing community-based development organizations.*

- *The consolidation of programs would encourage collaboration and healthy competition among service providers.*

- *The most sweeping of bold options could restructure dozens of programs involving hundreds of millions of dollars.*

- *A single funding mechanism would encourage the leveraging of federal funds with private resources.*

- *The elimination of programs could significantly decrease the number of people it would take the federal government to run the programs, and those savings could be added to program dollars available.*

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

- *Congressional reaction from committees and members who have created and now oversee the range of categorical programs will not be favorable.*

- *Advocacy groups that represent grantees currently funded by categorical programs may not be pleased.*

- *There may be question about whether or not youth services is the area in which the Administration should use its political capital to promote one truly bold reinvention strategy.*

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

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

- *Programs targeted to youth in distressed communities -- "at risk" and disadvantaged youths.*

- *Programs that have new grantees every one or two years as opposed to programs that have on-going grantees.*

- *Programs geared toward "positive development" and personal responsibility.*

- *Programs that are not included in major legislation, recently enacted such as School to Work, ESEA, etc....*

- *Non-school programs.*

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

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

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

Similarly, JTPA 11C - Year-Round Youth Program - is designed to improve the long-term employability of youth; enhance the educational, occupational, and citizenship skills of youth; encourage school completion or enrollment in alternative school programs; increase the employment and earnings of youth; reduce welfare dependency; and assist youth in addressing problems that impair them from making successful transitions from school to work, to apprenticeships, the military, or postsecondary education and training. JTPA 11C provides job training and educational services to economically disadvantaged youth ages 16 through 21. It is also important to note that under the current legislation, not less than 50 percent of those served under JTPA 11C must be out-of-school (different from those who have dropped out of school); and participants who are school dropouts under the age of 18 must attend a school, or program such as a high school equivalency program.

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

| PROGRAM/AGENCY | TARGET YOUTH POPULATION/ELIGIBILITY | FUNDING |
|---|---|---|
| **HHS** | | |
| Comm. Partnership Demo Grant | Youth At-Risk for Substance Abuse | $ 105.1 |
| High-Risk Youth Demo Program | Youth At-Risk for Alcohol, Tobacco, or Other Drug Use / Abuse / 5-20 | $ 56.4 |
| Target Cities | Adolescents, Minorities, Residents of Public Housing | $ 30 |
| Critical Populations | Youth 10-21, Minorities, Residents of Public Housing | $ 29 |
| Youth Gang Drug Prevention | Determined Annually / Under 18 | $ 10.64 |
| National Youth Sports Program | Low-Income Youth / 10-16 | $ 9.5 |
| Minority Male Initiative | Youth At-Risk of Substance Abuse, Dropping Out, Unemployment, Fatherhood | $ 5.0 |
| Demonstration Partnership Program | Young Minority Males, Teen Parents, At Risk School-Aged Youth, and Low-Income Families | $ 3.8 |
| CSAP Programs Nat'l Significance | Disadvantaged Youth | $ 3.2 |
| Disadvantaged Youth | Disadvantaged Youth | $ 2.5 |
| Youth Opportunities Unlimited | Youth in High Poverty Areas | $ 1 |
| **DOE** | | |
| Talent Search | Counseling services for 12-27 Year Olds to Complete High School and Pursue Post-Secondary Education; Activities to Encourage Drop-Outs to Return to School | $ 65.5 |
| Student Literacy and Mentoring Corps | Promote Community Literacy and Mentoring Programs | $ 5.3 |
| School, College and University Partnership | Skill Improvement and Preparation of Low-Income Youths for Continued Education or Employment | $ 3.9 |
| Eisenhower Leadership Program | Development of Student Leadership | $ 3.5 |

**DOL**

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

**HUD**

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

**DOA**

| | | |
|---|---|---|
| Youth At-Risk | Prevention and Intervention Activities for Youth At-Risk | $ 10 |

Urban Policy

November 7, 1994

MEMORANDUM FOR BILL GALSTON
BRUCE REED

FROM: PAUL DIMOND

SUBJECT: MEMO TO PRINCIPALS ON ETR AND URBAN POLICY

CC: PAUL WEINSTEIN, JEREMY BEN-AMI

We are at a cross-roads with respect to decisions on policy and political strategy for urban areas and adult education, training and reemployment. I do not believe that a general debate about the process and form of governmental relationships in our federal system is the right framework for making these decisions. As the President has repeatedly noted in his speeches over the past month, "Government should be an instrument to create opportunity in the private sector...to empower people and firms, and then challenge them to assume both individual and community responsibility, because that's where most of the action is in America today." It's time to address how we can do precisely that for adult ETR and urban policy.

1. **The Principle of "Consolidating Federal Programs and Devolving Responsibility for Implementation to the States" will not help make decisions on Urban or ETR Policy.** We need to move beyond a debate over the merits of the principle of "making government work better" through consolidating federal programs and devolving responsibility for their implementation to the States in exchange for "accountability" and "performance measures." Only if the memo is written at such a high level of generality that its actual operation cannot be understood will this principle withstand meaningful scrutiny as applied to urban policy and adult education, training and reemployment. Consider:

- No Metric. In both of these substantive areas, there is no "metric" for measuring short-term performance for governmentally run programs. For example, some of the initial OMB suggestions for measuring the success of education and training programs are so myopic that if applied to the GI Bill in 1950, they would have suggested we should have killed off the federal government's single most successful program of investing in people in the history of the Republic.

- No Goals or No Standards. In contrast to Goals 2000 for K-12 public schooling, there is no national consensus on the goals for urban policy. In fact, the PADS at

OMB have suggested that we need to engage the country in dialogue over urban goals precisely because of this lack of consensus. In the absence of agreed goals, it is difficult to conceive what accountability standards are going to be applied that have any respect, let alone any teeth. In the absence of goals and standards, consolidation and devolution become just another re-run of the prior fetish for block grants and revenue sharing.

- <u>The Wrong Lever for Change</u>. In both of these substantive areas, the primary lever for change rests with better equipping families and firms with the tools they need to engage the private sector more fully in increasing opportunities, jobs, skills and growth for more Americans. In contrast to Goals 2000 where we have a public system of education, urban development and adult ETR depend primarily on the choice and work of families and firms, not on the decisions of state and local public school officials, administrators and teachers. For example, as Bill Galston wrote in the first chapter of the Urban Report with Sheryll, Paul W. and me, the goal of urban policy must be to enable "the private sector [to] assume its rightful role as the driver of economic growth...[The] principal challenge of urban policy is to provide an environment that encourages the return of the private sector to America's inner cities." [N.B.: Even in the context of K-12 public schooling, we know that governmental action is not enough: we ask parents to take greater responsibility for their children's education; we ask the private sector to join in making School-to-Work work; we seek broad participation from all sectors in developing standards; and we seek to provide some competitive leverage with support for Charter Schools and public school choice in ESEA. In the area of urban policy, governmental deregulation may be a more important key to economic growth than governmental action.]

- <u>Political Shortcomings</u>. The proposed "newer federalism" principle is even more lacking in political terms: its legislative enactment will cause at most a yawn among most voters who could care less about revenue-sharing, block grants or consolidation-devolution. Even worse, most of the community- based organizations (and many of the Mayors) whom OMB touts as supporters of "flexibility and coordination" will go nuts if we try to tell them that they are to be held accountable now to states (many of whose governors are open opponents of the community-based organizations and none too friendly to the big-city mayors). That's why the "challenge" approach for the EZ/ECs was crafted so carefully and has played out so successfully compared to OMB's proposed consolidation and devolution: although the Governors and Mayors sign the EZ/EC application, neither the states nor the cities even get in the front door unless the community is fully involved in the planning and implementation <u>and</u> the private sector is a major co-investor in the proposed plan. Let's not throw away what we've learned from an EZ/EC process that has worked so well in a rush to "consolidation and devolution" that will gain us few friends and many enemies.

- <u>Flawed Message</u>. The message of "consolidation and devolution" to the states in the area of urban policy and Adult ETR will boomerang against us. We'd basically be saying: "Federal programs don't work very well in these two areas, and we can't figure out what to do. But we still care about doing something -- so we'll just tie a ribbon around the money and send it to the States and ask them to do better, rather than just cut the deficit or give the middle class a tax cut." Although I am no defender of the quality of many federal urban and adult ETR programs, we can't afford to take this nihilist approach to federal policy -- particularly when there is no evidence that the states have done or will do any better.

- Purpose of Memo and Principal's Meeting. At best, then, a memo focussing on the real pros and cons of the proposed "better government" principle for urban policy and adult ETR will provide the opportunity for Secretaries Reich, Cisneros, Shalala and Riley (through Mike Smith) to derail this "newer federalism" train before it causes a wreck -- with important constituencies, the Congress or the voters. Such a memo and meeting might serve some purpose, but I don't think it will get us any closer to making the real decisions about how to proceed. In the next three sections, I therefore offer an approach to how the memo might be constructed: what the fundamentals of our domestic policy are; and how we can build on this foundation with respect to urban policy and adult ETR.

**2. We should build off the basic policy choices that we've already enacted: safe streets, good schools, continuous learning, and enabling the private sector to generate jobs and growth are the foundation pillars of the President's domestic policy.** Amidst all of the noise about the budget, Whitewater and health care, we have built a solid policy foundation for a new majority in the country through (a) the crime bill, (b) Goals 2000 and School-to-Work for K-12 education, (c) Individual Education Accounts for lifelong learning, and (d) a national economic plan to spur private sector job-creation and growth. These are the lead lines of any policy, the substance of what we are about. These provide the platform for a strategy to enable the USA to lead all nations in the new globally competitive economy and for more of our families and firms to prosper in the years ahead.

- Responding to Public Cynicism and Anxiety. The response to the cynicism and fears of middle Americans revealed in Stan Greenberg's polls or in Secretary Reich's speeches on the "anxious class" surely is not to be found in saying that the federal government is going to turn over responsibility to State government to help you find a successful path into the future. A governor might want to preach such a new federalism doctrine: but the people expect something more from their President. What we should say is that in public safety and public schooling, the Clinton Administration is going into partnership with families, communities, schools, the private and voluntary sectors, localities and states to make sure that every American family can live in safety and that all children have the opportunity to learn to the world class standards that will enable them to compete and to prosper in the globally competitive economy of the 21st century. But continuous learning for adults and continuing job creation and growth are not going to be promoted by such a governmentally led partnership: its going to be led by enabling firms and families to take responsibility for continuous learning, learning the skills they need, and seizing the increasing opportunities and meeting the challenges of the new economy.

- Putting Republicans in a Domestic Policy Corner. Republicans have almost nowhere to go with such strategy: they can either claim (a) they will do a better job of implementing some or all of the four parts or (b) they offer something different on one or more of the four parts (e.g., vouchers for K–12 rather than Goals and School–to–Work; or less assistance to enable families or firms to gain higher skills.) The first sounds like "me, too," and the second will drive the Republicans back to the right and a very narrow base on the religious right and supply side, free marketeers.

- National Implementation Campaign. Whatever we choose to do on urban policy and adult ETR, therefore, I believe that it is essential that it (a) build off of the four pillars of the Clinton Administration domestic policy that have already been enacted and (b) fit with a concerted public and private campaign to implement each of the four parts as fully as we can. My previous proposal for the President to lead a year–long campaign to implement Goals 2000 and lifelong learning provides one example of how to do so: such a campaign will include all Americans, but each constituency can tailor the campaign (as suggested by Hugh Price, for example) to build support in their respective communities.

**3. Urban Policy is an integral component of all four parts of the President's basic domestic policy.** Safe streets, good schools, continuous learning, and private sector job creation and growth are also the key elements of our urban policy. We must now move rapidly and effectively to implement these policies for urban (as well as suburban and rural) areas:

- Youth Challenge as Key Component of National Implementation Campaign. We can bring together the cops, crime prevention, Goals 2000 and School–to–Work foundations to promote safe streets and good schools. The national campaign to implement these goals can be started in January and supported by the announcement of a coordinated, one stop application process for federal support, supplemented by a challenge that will enable local communities to bring the support of the voluntary, higher education, and private sectors, and National Service, together to provide youth with mentors and clear pathways to success in school, to a transition from school–to–work or college, and to a job and the ability to support and nurture a family rather than to dropping out, crime and drugs, or kids making babies they can't support. There can be two tiers to this challenge, and communities should be free to apply for the cops and crime prevention programs separately or bundle them together in response to the challenge. The first Challengecriteria for selection should be the extent to which the private and higher educations sectors agree to participate in school–to–work apprenticeships and to provide a job or college to those who play by the rules and achieve in school.

- Starting Youth Challenge in January 1995. It is essential to announce this campaign to implement the Crime Bill and Goals in January. This will preempt any Republican effort to repeal any portion of this program: communities all across the country will begin planning on a scale like the EZ/EC challenge –– except all schools and communities, not just targeted areas will be gearing up. In the face of such grass roots planning and support all across the country, we will be in a position to undercut any Republican attack in Congress before it even gets started. It is far more important that we start this youth challenge in January than proposing new legislation that will delay the campaign and give the Republicans time to attack the crime bill and Goals.

- Role-out of EZ/ECs is Critical to National Implementation Campaign. With respect to engaging the private sector to promote jobs and economic growth for the central and inner cities, we should first take the offensive in announcing the EZ/EC designees and in implementing the CDFI bill and CRA reform in cooperation with all segments of the financial industry. With respect to EZ/ECs, in particular, we should announce four big winners of economic development support ($100 million each), in addition to the 9 EZ's: we should demonstrate that we are responding with major co-investments to the strategic plans that have already generated BILLIONS of dollars of investment from the local regions; each agency should co-invest in a major way in the parts of plans in a number of additional ECs that are particularly promising and innovative; and we should package the hundreds of statutory waivers and drop them on the lap of the incoming Congress with a bill asking for flexibility to permit real top-down support for bottom-up reform. This will mean that our first round of EZ/ECs accomplishes everything that Secretary Cisneros and the VP have been asking for in a second round.

- Propose new economic development legislation for 1996 Challenge. We should also make a legislative proposal for unleashing the private sector even more broadly to provide jobs and growth in urban areas. This should be a legislative package and build around a challenge to begin in January 1996. The point of including this package is that we will gain the support of the Mayors and community groups for reelection in 1996 even if the legislative package does not pass. If it does pass, we have another tool to build the momentum for private sector change. I would recommend the following elements for the package: a combined Brownfields-economic development package with (a) tax incentives, (b) HUD-Commerce-EPA discretionary support and (c) deregulation (federal, state, and local) for sustainable development. This package will have broad appeal to suburbs and rural areas, too. A capped wage credit to connect inner-city youth to school-to-work and young adults to jobs throughout the local region would help to provide jobs to inner-city residents and further demonstrate the need to connect inner-cities to the mainstreams of regional economic growth. [Note: Such economic development could also be supported by any State Infrastructure Bank proposal.]

**4. Adult ETR policy should be an integral component of the continuous learning and private sector growth pillars of the President's domestic policy.** Adult ETR policy should --first and foremost -- build off of and contribute to our basic policy: enabling all persons and firms to increase their skills so that they become more productive and more competitive, create more jobs with low inflation, and EARN higher wages and more profits because of higher value added and greater productivity. This means that our basic message and theme must focus on the vast bulk of incumbent workers and firms:

- IEA (and its relatives) as the Centerpiece. The Individual Education Account should be the starting point because it is designed to enable all Americans to invest in increasing their own skills and then repaying through a small portion of their future earnings. I am advised that Secretary Reich will propose complementary tax incentives for education and training (e.g., allowing withdrawal of funds from pension plans for purchasing education and training so that they become, in effect, individual training as well as retirement accounts); with massaging Treasury may well go along with such proposed changes. Secretary Reich is also exploring with DoEd what marketing or substantive changes are appropriate to make the Individual Education Accounts better serve incumbent workers. In sum, I believe that the Secretary will recommend expanding the opportunity for adults to buy the education and training they want from community colleges and the increasing number of four-year colleges and universities that are providing mid-career courses for skill upgrading and career advancement.

- <u>Campaign with Firms to Build Skills.</u> We should also establish a concerted campaign with industry representatives and leaders of small and medium business to encourage firms and networks of suppliers to join in providing continuous skill upgrading and embedding learning in higher performance, more competitive workplaces. A new award, procurement policies (ISO 2000, federal certification), broadening the mission of the NCMS extension centers, and encouraging States and firms to invest jointly in customized training in medium and small firms may all be considered. In addition, as Goals 2000 provides, we should work with industry to assure the development of skills standards that are useful to firms and workers and are sufficiently open and flexible to drive the campaign to upgrade workforce skills to compete and win in the 21st century.

- <u>Dislocated Workers</u>. I believe that Secretary Reich will also propose that dislocated workers be given more control over the education and training resources in EDWA so that they can choose the courses they want at community colleges, universities, and other providers that they know and trust. As a part of this proposal, I believe that Secretary Reich will caution against any grand consolidation of federal dislocated and disadvantaged programs in order to avoid the political squabble over the role of the employment service as a monopoly supplier in local consortia of job counseling, networking and/or training services. I believe the Secretary has become convinced that the future of such intermediary labor market functions should be left open to future development rather than cast now in the concrete of a monopoly consortia model built around the ES and PICs. I believe, therefore, that the Secretary will place more emphasis on building better labor market information now with the goal that over time he will be able work with the UI and ES to make this their primary -- and vitally important — public function.

- <u>Disadvantaged Adults</u>. That leaves only the federal programs for the disadvantaged at issue. Excluding HHS' JOBS program (which has its own separate caseworker bureaucracy, politics, and proposal for reform as a part of the Welfare plan), that means for disadvantaged adults only $1.1Billion in JTPA would be at issue. I agree with the critics that the results here are mixed, but we ought not even be thinking of a grand scheme of consolidation and devolution of all adult ETR based on this relatively minor program. Consider: four-year public colleges and universities expend over $60 Billion; private colleges and universities another $40 Billion; Community colleges another $15Billion; Pell Grants and Student Loans support over $30 Billion in individual choices of education and training; firms expend another $50 Billion in contracted education and training (as well as substantial matching support for individuals to take courses of study at college and increasing support for embedding learning right in the job of the high performance workplace). Virtually all of these expenditures are made in the context of individuals and firms making their own choices of what education and training they want, not what the States or the federal government say they should or must do. There is absolutely NO WAY that a $1.3 Billion issue relating to less than 1% of the users of continuous learning should drive us toward any form of devolution and consolidation of adult ETR to the States. Indeed, even the few successful JTPA programs for the disadvantaged don't rely on the Employment Service (which is owned, operated and run by the states) for job networking to place disadvantaged adults in jobs: the successful providers (like CET) mirror private sector placement firms (e.g., Manpower) and become the job developers who network with private firms to place their customer job-seekers in jobs with their customer firms seeking workers. [Note: There are legitimate "gatekeeping" issues for proprietary providers who rip-off Pell and student loan recipients without providing any benefit, and we need to address those concerns. But there are far larger concerns in higher education -- which has successfully fought for its autonomy from Governors and State Legislatures for over a century. The answer to the "Gatekeeping" issues, therefore, is not to be found in consolidation and devolution to the states either.]

- Programs for Disadvantaged Youth. Both Secretaries Reich and Riley will propose that the two major programs (Perkins Vocational Ed Reauthorization and JTPA) for disadvantaged youth should both be used to implement Goals 2000/School-to-Work: that is the President's key program and message for K-12 public schooling, and that should drive the Perkins and JTPA youth programs -- not any principle of consolidation and devolution to the states. Nevertheless, I believe that we will have to confront the Hill politics of consolidation of JTPA for disadvantaged youth and adults (and a host of other consolidation claims brought on by the Republicans in Congress). To get ahead of these outcries over the relative ineffectiveness of federal ETR programs for the disadvantaged, we should propose elimination of a host of small programs and gratefully accept the solution offered by Senator Kennedy for JTPA: send it off to a commission for a two-year study, while we proceed vigorously with the business of implementing Goal 2000 (including Goal 6 and its objectives) and continuous learning for most American students, workers, and firms!

I think that we owe the President a set of strategic options for adult ETR and urban policy that attempts to implement his presidential vision for using government as a lever to create opportunity in the private sector for individuals and firms. We can do so if we will build off of the four pillars of domestic policy -- safe streets, good schools, IEAs for lifelong learning, and a national economic plan that promotes private sector job creation and economic growth.

Urban Policy

THE WHITE HOUSE

WASHINGTON

OCTOBER 31, 1994

A MEMORANDUM TO BILL GALSTON
BRUCE REED
PAUL WEINSTEIN
KATHI WAY
JEREMY BENAMI
MICKEY LEVITAN

FROM: GAYNOR McCOWN

SUBJECT: YOUTH DEVELOPMENT GRANT

CC: CAROL RASCO

As you all know, the Domestic Policy Council has submitted a proposal to Sheryll Cashin, co-chair of the Youth Development sub-group, for a bold new legislative option that would call for sweeping consolidation of all youth programs. This new legislation - a "Youth Development Fund" - would involve the restructuring of dozens of categorical youth programs into a single youth development funding mechanism.

You may recall that in our October 21 memorandum (copy attached) to Sheryll, we included three alternatives to the option of sweeping consolidation of all youth programs. The second alternative supports a limited reallocation of funds from existing programs for an initial stage of flexible block grants. An example of this is the Youth Development Block Grant (YDBG), a proposed $400 million per year federal initiative to expand community-based youth development programs for 6-19 year olds, sponsored by Senators Kassenbaum and Dodd and Representatives Payne and Morella.

On Tuesday, we will begin discussions with the chairs and co-chairs of the entire Urban Policy Working Group to decide what options we want to pursue. Therefore, I thought it would be helpful for you to have more information about some work that has already been done on the reallocation of funds from existing youth programs. If we do proceed with the option of sweeping consolidation or one of the alternatives, it makes no sense to reinvent the wheel in order to reinvent government; particularly when the efforts underway have been developed by youth serving organizations.

I am attaching a copy of the Youth Development Block Grant Bill, along with a summary of the bill and estimated allocations to the states. (Please note that the original proposal was for $2 billion per year but the actual bill called for the reallocation of $400 million per year.) YDBG would send money to the states, by formula, and they in turn would allocate it to localities based on a county's school-age youth population and the percentage of that population living in poverty. This bill -developed by the National Collaboration for Youth (NCY) - has already been introduced to the House (HR4086) and the Senate (S1746). NCY members are:

American Red Cross
Association of Junior Leagues
Big Brothers/ Big Sisters of America
Boy Scouts of America
Boys and Girls Clubs of America
Camp Fire Boys and Girls
Child Welfare League of America
4-H Extension Service
Girls Scouts of the USA
Girls Incorporated
National Network of Runaway and Youth Services
The Salvation Army
WAVE, Inc.
YMCA of the USA
YWCA of the USA

The key features of the YDBG are:

- **AN EMPHASIS ON POSITIVE YOUTH DEVELOPMENT AND PREVENTION** -- Like the entire Youth Development sub-group, the YDBG proposal focuses on positive youth development and prevention. Rather than waiting until the crisis occurs, the YDBG would fund programs that help children and youth develop the values and life skills they need to succeed.

- **FUNDS GO DIRECTLY TO THE COMMUNITIES** -- 95% of the funds go directly to local communities; 4% would go to states, primarily to fund technical assistance to local providers.

- **TARGETS LOW-INCOME COMMUNITIES** -- Allocation is based on both a county's total school-age youth population, and the percentage of that population living in poverty. Therefore, priority will be given to communities with the highest concentration of low-income youth.

- **COMMUNITY FLEXIBILITY TO DEFINE LOCAL PRIORITIES** -- YDBG funds would support local initiative and an inclusive community planning process by allocating funds through a Local Youth Development Board. YDBG also encourages comprehensive planning and integration of services.

- **BUILDS ON THE STRENGTH OF YOUTH SERVING COMMUNITY-BASED ORGANIZATIONS** -- The majority of youth development programs are provided not by community-based organizations such as the members of NCY. The YDBG proposal builds on their strength, credibility and expertise by allowing them a leadership role in both the planning and delivery of services for young people. At least 85% of the funds would go to expand programs of community-based youth development organizations and CBO representatives would comprise of a majority of the policy-making boards at the local, state and federal level.

- **LEVERAGES FEDERAL FUNDS WITH PRIVATE RESOURCES** -- The YDBG would capitalize on the ability of community-based organizations to leverage federal funds with private resources by requiring YDBG grantees match federal funds at up to 75 cents on the dollar.

The information I have submitted here does include how the funds would be allocated and distributed under the Youth Development Block Grant. However, the YDBG proposal does not include a list of the specific programs that would be affected by the reallocation of funds.

I hope this is helpful!

October 21, 1994

A MEMORANDUM FOR SHERYLL CASHIN

FROM: JEREMY BENAMI
MICKEY LEVITAN
GAYNOR McCOWN
KATHI WAY

SUBJECT: SINGLE YOUTH DEVELOPMENT GRANT FUNDING

CC: CAROL RASCO
BRUCE REED
BILL GALSTON

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

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

Following are some examples of the potential outcomes of a consolidated youth program:

- <u>Less red tape and better services to youth.</u>

- The most sweeping of bold options could restructure dozens of programs involving hundreds of millions of dollars.

- The elimination of programs could significantly decrease the number of people it would take the federal government to run the programs, and those savings could be added to program dollars available.

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

- Congressional reaction from committees and members who have created and now oversee the range of categorical programs will not be favorable. A similar proposal by HUD to consolidate McKinney categorical homeless programs ran into difficulty this year partly due to the particular structure proposal.

- Advocacy groups that represent grantees currently funded by categorical programs may not be pleased. Also, if the funds turn out to be too small and spread too thinly when consolidated, the effort could be seen as an abandonment of youth services.

- There may be question about whether or not youth services is the area in which the Administration should use its political capital to promote one truly bold reinvention strategy.

The GAO recently completed a report on the overlap of programs that target youth for employment and training assistance. They determined that for fiscal year 1994, 16 programs had the combined federal funding of over $4 billion to help youth make the transition into the workforce. This is positive to the extent that it is indicative of Congress' recognition that many non-college bound youths are not ready for the workplace but there is clearly some question as to the effectiveness of the employment training programs. Many of these 16 programs - to enhance the ability of youth to become productive members of the workforce - serve the same groups and provide similar services. For example, all 16 programs serve youth between the ages of 16 and 19 and almost all of the programs specifically target youths who are economically disadvantaged or "at risk." Despite the similarities among the programs, they are administered by five federal agencies - the Departments of Education, Health and Human Services, Housing and Urban Development, Labor, and the Office of Personnel Management. One program - School-to-Work - is jointly administered by Education and Labor.

The employment programs are just one example of the need for a major overhaul and consolidation of youth programs into a Youth Development Fund. The redundancies in goals, clients, services, and service delivery mechanisms foster inefficiency and make it difficult to determine the effectiveness of individual programs or the system as a whole.

However, being aware of the problem is only the first step toward change. There are hundreds of youth programs in education, employment, training, housing, health, social services, and recreation. Should we decide to pursue the bold reinvention plan, it would require a complete inventory of the categorical programs serving youth in order to determine which programs should be consolidated. Furthermore, it would be necessary to make some decisions concerning participant eligibility.

There are also several alternatives to the most sweeping of the bold options. They are:

- A more long term assault on replication and lack of coordination. We could begin with an effort to consolidate youth services in recent or pending federal legislation such as the Crime Act, EZ / EC, Welfare, etc...

- A limited reallocation of funds from existing programs for an initial stage of flexible block grants. An example would be a Youth Development Block Grant Bill sponsored Senators Kassenbaum and Dodd and Representatives Payne and Morella that would reallocate $400 million to expand and coordinate youth development programs for youth 6-19. Using a funding formula targeted to low-income communities, the bill would direct about 95 % of the funds to local boards comprised of community-based organizations, schools, churches and government.

- Start with specific programs (e.g., employment training programs) or simply fewer programs and approach this on an "opt in" or "opt out" basis by state or as demonstrations.

In summary, we want to reiterate the that this bold reinvention option should be included in the memo to the Deputies being prepared this week. Meanwhile, we will begin working to collect information that will form the basis of a complete inventory of youth programs.

# Summary of the Youth Development Block Grant

## OVERVIEW

The Youth Development Block Grant (YDBG) is a proposed $2 billion per year federal initiative to expand community-based youth development programs for six to 19 year olds.

## KEY DEFINITIONS

*Youth Development Program:* All YDBG program funds would go to "youth development programs" -- that is, non-academic programs that employ active and experiential learning methods to help youth age six to 19 develop social, moral, emotional, physical, and cognitive competencies. Examples of such programs include youth clubs, sports and recreation, mentoring, leadership development, and community service.

*Rationale:* The central goal of the YDBG is to promote positive youth development. Rather than waiting until young people are in crisis, the YDBG would fund developmental programs that help children and youth develop the values and life skills they need to succeed. The YDBG reflects the belief of leaders in the field of youth development, including the Carnegie Council on Adolescent Development and the Center for Youth Development and Policy Research, that youth programs should address the development of social, moral, emotional, physical, and cognitive capacities. Likewise, the YDBG reflects the strong consensus among youth development experts that programs should not segregate so-called "high-risk" youth, and should use participatory, experiential methods to engage youth in learning and help them acquire critical life skills.

*Community-based Youth Development Organization:* The YDBG gives a central role, both in planning and delivery of services, to "community-based youth development organizations," defined as tax-exempt 501(c)(3) youth-serving organizations with a major emphasis on providing youth development programs as defined above.

*Rationale:* Most existing youth development programs are provided not by government agencies but by community-based organizations like the members of the National Collaboration for Youth. The YDBG builds on the strength, credibility, and expertise of these community-based organizations (CBOs) by giving them a leadership role in both the planning and delivery of YDBG-funded services. The YDBG distinguishes these youth development organizations from other youth-serving organizations that focus primarily on credentialling (e.g. education) or treatment.

FUNDING:

*Total Funding:* $2 billion in FY 1994, and "such sums as necessary" in subsequent Fiscal Years.

*Rationale:* There is a broad and growing consensus among youth policy experts on the importance of increased investment in positive youth development programs. For example, in major recent studies, both the Chapin Hall Center for Children at the University of Chicago and the Carnegie Council have concluded that if youth are to succeed, there must be a well-developed infrastructure of youth development services in their communities. While community-based youth development organizations are providing critical services to millions of youth, millions more go unserved or underserved without a major infusion of federal funds into the youth development field.

The proposed $2 billion in annual funding reflects the conviction of the National Collaboration for Youth and other youth policy experts that the federal government must go beyond small demonstration programs and make a major investment in strengthening community-based youth development programs. By way of comparison, the proposed $2 billion in annual funding is comparable to federal funding for Headstart ($2.8b) and markedly less than the Chapter 1 education program for disadvantaged children ($6.7b).

*Source of Funding:* The National Collaboration for Youth (NCY) believes that even if there is no new funding available for the YDBG, the bill can and should be funded through reallocation of existing federal resources. Indeed, under the Budget Enforcement Act (BEA), such reallocation is the only feasible means of financing the YDBG.

*Rationale:* Given America's growing social problems and the limited resources available to the federal government to address those problems, it is now more important than ever to shift federal resources from unproductive programs to new initiatives that promise a higher return on investment. The NCY believes that no program offers a higher return than investment in the positive development of America's children and youth, and that there are many far less productive federal programs which could be cut to provide resources for the YDBG.

*Allocation of Funding:* 95% of YDBG funds would be allocated to the county level and administered by Local Youth Development Boards; 4% would be allocated to the states; and 1% would remain at the federal level.

*Rationale:* The principal purpose of the YDBG is to make quality youth development programs available to as many children and youth as possible. Consistent with this objective, to the maximum extent possible, YDBG funds should go directly to the local level to support the expansion of youth development programs.

*Allocation Formula:* Funds would be distributed to counties based on a formula that gives equal weight to the size of the youth population age six to 19 and the proportion of the youth population living below the poverty line.

> *Rationale:* The allocation formula balances two objectives: the need to strengthen positive development programs in all communities, and the need to give priority in funding to youth in disadvantaged communities.

## LOCAL YOUTH DEVELOPMENT BOARD:

*Local Board Composition:* The chief elected officer of the county will determine the size of the Board -- between nine and 18 members. Two-thirds of the members will be representatives of community-based youth development organizations actively working in the community. The remaining third of the board will represent other key stakeholders, including government, business, schools, parents, and youth.

The YDBG defines a "national youth development organization" as an organization whose purpose and activities are national in scope, and which, either directly or through its local affiliates, provides youth development programs in at least seven states.

> *Rationale:* Communities have traditionally relied on community-based organizations -- not government -- to provide non-school-based youth programs. As a result, these community-based organizations have the experience, expertise, and credibility with the community to play the lead role in defining community youth development priorities.

*Selection of Local Board:* The two-thirds of the board representing community-based youth development organizations would be selected annually by the organizations themselves; the remaining third of the board would be selected by the chief elected officer of the county.

> *Rationale:* For the reasons outlined above, two key goals of the YDBG are to strengthen the role of community-based organizations in the development of a comprehensive community youth development plan and to encourage those organizations to work together more closely and effectively to implement that plan. As a key first step in accomplishing both goals, representatives of all community-based youth development organizations in the community would come together annually to select representatives to the Local Youth Development Board. The carefully balanced composition of the Board, as well as term limits on individual members, would prevent any organization or interest from dominating the Board's deliberations, and would thus ensure that the YDBG remains responsive to the broad interests of the community.

*Responsibilities of Local Board:* The Board would conduct a community needs assessment, define a set of youth development goals, establish a grant application process, coordinate the distribution of funds to local providers, monitor and evaluate funded programs, and submit a Youth Development Plan to the State Commission.

> *Rationale:* In most communities youth development efforts are both fragmented and under-funded, and no process exists through which key groups regularly come together to develop a comprehensive youth development strategy. Without such a mechanism for coordination, existing "single-problem" federal programs (e.g., substance abuse, gang, and AIDS prevention programs) may even compound the fragmentation problem by working against development of a comprehensive youth development program.
>
> Youth policy experts like the Chapin Hall Center for Children agree that the primary impetus for effective integration of services must come from the local community. Local communities -- not state or federal governments -- are in the best position to determine the needs of their own youth and families, the most productive way of addressing those needs, the best means of leveraging additional local resources, the most effective way to coordinate existing program efforts, and the best way to increase the accessibility of community services.
>
> The YDBG promotes local initiative and combats fragmentation of services in two ways. First, it provides local communities with flexible youth funding that can be targeted to what the community views as its priorities, without the constraints of traditional categorical programs. Second, it mandates an inclusive planning process, administered by the Local Youth Development Board.

*Administrative Costs:* A Board may use up to 5% of the funds received for planning, administration, coordination, evaluation, and expenses of the Fiscal Agent.

> *Rationale:* To maximize funds available for program delivery, the YDBG establishes a stringent limit on administrative expenses of local boards.

## LOCAL YOUTH DEVELOPMENT PROGRAMS:

*Eligible Grantees:* At least 85% of YDBG funds would be awarded to community-based youth development organizations; the remaining funds could be awarded to partnerships of youth-serving organizations and governmental entities conducting youth development programs.

*Rationale:* The most effective means of meeting the youth development needs of America's children and youth is to expand the existing network of community-based youth development programs -- not to create a new system of government agencies and programs. Accordingly, at least 85% of YDBG program funds will go to community-based organizations.

The YDBG does, however, recognize that under certain circumstances communities may want to support the creation or expansion of youth development programs by government agencies or community groups that do not qualify as youth development organizations. Accordingly, up to 15% of YDBG program funds may go to these groups.

*Program Requirements:* All YDBG-funded programs must address community youth development priorities as defined by the Local Board, recognize the role of the family in youth development, involve parents, youth, and community leaders in the program, coordinate services with other programs in the community, establish process and outcome objectives, be open to all youth, meet the matching funds requirement, and devote between 5 and 10% of grant funds to staff training.

*Rationale:* The YDBG attempts to balance the need for providing local communities with broad flexibility to define local youth development priorities and programs with the need to ensure that all funded programs incorporate certain characteristics that research and experience have demonstrated are crucial to program effectiveness. The foregoing list of YDBG program requirements has been developed based on a review of the literature and discussions with experts in the field of youth development, including the Carnegie Council on Youth Development and the United Way of America.

*Matching Funds Requirement:* A private nongovernmental match of 25% in the first year of funding, 50% in the second year, and 75% in the third year and subsequent years of funding is required of all funded programs. In-kind contributions are restricted to no more than 25%.

*Rationale:* Just as the Headstart program has stimulated a host of state and locally-funded early childhood programs, a key goal of the YDBG is to use federal resources to leverage increased community investment in youth development. The matching funds requirement is the key to accomplishing this goal.

The matching funds requirement will also protect the YDBG from opportunists who might otherwise be tempted to create youth development organizations simply to receive YDBG funds. Only organizations with solid community support will be able to meet the matching funds requirement.

*Administrative Costs:* Grantees may use up to 10% of their funds for planning, administration, and coordination. Evaluation expenses shall be treated as program expenditures, and shall not exceed 5% of the funds received by the grantee.

> *Rationale:* While it is important to provide organizations with enough funding to properly administer their programs, it is important to set a stringent limit on administrative costs in order to maximize funding for service delivery.

*Training Costs:* Grantees must devote not less than 5% and not more than 10% of grant funds to pre-service and in-service training and educational materials and services for staff.

> *Rationale:* Leaders in the youth development field agree that staff development and training is vitally important and inadequately addressed in most youth development programs. To ensure the quality of adult leadership in youth development programs, both the Carnegie Council and the Center for Youth Development and Policy Research recommend that programs expand greatly the availability of appropriate training and other forms of staff development for all adults who work with young people. This training should focus on helping staff develop the ability to act as a guide and facilitator, respect for youth, and the ability to empower youth to make good decisions and to encourage individual self-determination.

## STATE YOUTH DEVELOPMENT COMMISSION:

*Commission Composition:* The Governor would determine the size of the composition -- between nine and 18 members, equally divisible by three -- and would select its members. Like the Local Board, two-thirds of Commission members would be representatives of community-based youth development organizations; the remaining third would represent government agencies and other community groups interested in youth development.

> *Rationale:* For the same reasons outlined above with respect to the composition of Local Youth Development Boards, it is equally appropriate to give community-based youth development organizations a leadership role in implementing the YDBG at the state level.

*Responsibilities of Commission:* The Commission's primary responsibilities would be to distribute funding to Local Boards, based on a review of their Youth Development Plans, monitor and provide technical assistance to Local Boards, recommend to the Governor a set of State Youth Development Objectives, and submit to the National Commission an annual report.

> *Rationale:* Creation of the State Youth Development Commissions would encourage states to make youth development a priority, and would establish a state-level resource to assist local communities in developing comprehensive youth development strategies..

NATIONAL YOUTH DEVELOPMENT COMMISSION:

*Commission Composition:* The National Commission would have 21 members. The composition is the same as for the Local Board.

> *Rationale:* For the same reasons outlined above with respect to the composition of Local Youth Development Boards, it is equally appropriate to give community-based youth development organizations a leadership role in implementing the YDBG at the national level.

*Responsibilities of Commission:* The primary responsibilities of the National Commission would be to promulgate regulations, monitor and evaluate local programs, coordinate efforts with other federal agencies, establish an information clearinghouse, provide technical assistance to states and counties, and submit an annual report to Congress.

> *Rationale:* To be in a position to strengthen state and local youth development networks, develop appropriate regulations and evaluation materials, and raise the level of awareness among national leaders of the needs of youth, the Commission must be a free-standing, single-focused governmental entity. Such a structure ensures that the Commission will have the expertise, prominence, and support to successfully focus the nation on youth.

Draft 4/14/93

# Youth Development Block Grant

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## Youth Development Block Grant

### Sec. 1 Short Title

This Act may be cited as the "Youth Development Block Grant Act of 1993."

### Sec. 2 Findings

(a) In an increasingly complex and competitive world economy, America's "human capital" is its most important resource. Yet too many of America's young people are reaching adulthood unprepared to be productive workers, effective parents, or responsible citizens. America cannot remain strong unless the nation ends this tragic waste of human potential.

(b) Over the past decade, public concern related to young people has focused primarily on improving academic performance and combatting youth problems like substance abuse and juvenile delinquency. The federal government has established ambitious "National Education Goals" and declared a "War on Drugs," and government investment on both fronts has increased dramatically.

(c) However, it is becoming increasingly clear that America will neither achieve the nation's education goals nor make significant progress on problems like substance abuse and delinquency unless the nation addresses the broader developmental needs of our children and youth. Young people who lack self-confidence, self-discipline, respect for others, and a sense of connection to their families and communities, are unlikely to be successful in school, and far more likely to engage in high-risk behaviors.

(d) Parents have primary responsibility for the physical, emotional, moral, social, and intellectual development of their children. However, tremendous social and demographic changes during the last 30 years have had a significant effect on family life and youth development, creating the need for programs to strengthen the family unit and help parents meet their children's social, moral, emotional, physical, and cognitive needs.

(e) The nation expects too much of its schools if it asks them single-handedly to meet these broader youth development needs in addition to accomplishing their basic educational mission. Only a strong partnership among families, schools, local government, religious institutions, community-based youth- and family-serving agencies, business, and labor can create a community environment that truly supports the nation's children and youth in reaching their highest potential.

(f) Nonschool-based youth development programs, including youth clubs, sports and recreation programs, mentoring, and leadership development and community service programs, make a major contribution to helping children and youth develop the life skills and moral values that will prepare them for the challenges of adolescence and the independence and responsibilities of adulthood.

(g) Participation in positive youth development programs can lead to a reduction in high-risk behaviors, including school failure, teenage pregnancy, use of alcohol and drugs, and juvenile delinquency. However, youth from low-income, at-risk communities, who would greatly benefit from such programs, are least likely to have access to them.

(h) Community-based youth-serving organizations are an effective resource in developing and implementing community youth development strategies, both because of their responsiveness to local community values and concerns, and their ability to mobilize community resources. For example the 15 member organizations of the National Collaboration for Youth collectively serve over 25 million children and youth, and mobilize over 4 million volunteers to provide these services.

(i) Notwithstanding these efforts, in most local communities youth development efforts are so fragmented and under-funded that millions of youth go unserved, and no process exists through which key groups regularly come together to develop a comprehensive youth development strategy. Without a mechanism for coordination, narrowly focused federal programs compound this problem.

(j) Increased Federal investment in Headstart and other early childhood development programs signal an encouraging shift toward a long-term, holistic, investment-oriented strategy in promoting the healthy development of America's young children.

(k) It is critical that the federal government adopt this same comprehensive investment strategy in promoting the positive development of older children and youth, and encourage and empower communities to develop and implement a comprehensive youth development strategy.

Sec. 3 Purposes

It is the purpose of this Act to expand community-based youth development services, and to support communities in designing youth development strategies that:

(a) Give priority to prevention through youth development.

(b) Support the primary role of the family in positive youth development.

(c) Support community-based organizations in expanding youth development opportunities.

(d) Promote increased community coordination and collaboration in meeting the developmental needs of children and youth.

Sec. 4 Definitions

(a) Youth Development Program.

(1) A youth development program is a program that:

(A) helps youth age 6 to 19 develop the following competencies that will enable them to deal successfully with the challenges of adolescence and prepare them for the independence and responsibilities of being parents, workers, and citizens:

(i) Social competencies, such as: work and family life skills, problem-solving, and communication skills.

(ii) Moral competencies, such as: establishing personal values and ethics, developing a sense of responsibility and citizenship (including participation in civic life and community service) and respect for diversity.

(iii) Emotional competencies, such as: developing a sense of personal identity, self-confidence, autonomy, and the ability to resist negative peer pressure.

(iv) Physical competencies, such as: improving physical conditioning and endurance, and developing an appreciation for and strategies to achieve lifelong physical health and fitness.

(v) Cognitive competencies, such as: expanding one's knowledge, reasoning ability, and creativity, and establishing a life-long commitment to learning and achievement.

(B) conducts activities with a primarily non-academic focus; and

(C) employs primarily active and experiential learning methods.

(2) The following group and one-to-one mentoring activities are vehicles through which the social, moral, emotional, physical, and cognitive competencies may be promoted: youth clubs, sports and recreation, mentoring, arts, values education, leadership development, crime and delinquency prevention, community service/volunteerism, child care, career counseling, job skills training, life skills training, health education including drug and alcohol prevention, parenting skills, camping, environmental education, ethnic/cultural enrichment, tutoring, and academic enrichment.

(b) Community-based Youth Development Organization.

(1) A youth development organization is a youth-serving organization with a major emphasis on providing youth development programs as defined in subsection (a)(1).

(2) For the purposes of this Act, a youth development organization will be considered "community-based" if it is tax-exempt under section 501(c)(3) of the Internal Revenue Code and is not a governmental entity.

(c) Community-based Youth-Serving Organization.

(1) A youth-serving organization is an organization with a primary focus on providing medical, educational, special education, psychological, vocational and training, rehabilitative, or housing services to youth.

(2) For the purposes of this Act, a youth-serving organization will be considered "community-based" if it is tax-exempt under section 501(c)(3) of the Internal Revenue Code and is a not a governmental entity.

(d) **National Youth Development Organization.** A national youth development organization is an organization whose purpose and activities are national in scope, and which, either directly or through its local affiliates, provides youth development programs in at least seven states.

(e) **State.** The term state means any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the Territories of American Samoa, Guam, and the Virgin Islands.

Sec. 5 Allocation and Distribution of Funds

(a) **Authorized funding.** Authorized funding for this Act shall be $2 billion for Fiscal Year 1994, and, in subsequent fiscal years, such sums as shall be necessary to carry out the purposes of the Act.

(b) Allocation and distribution of funds to Local Youth Development Boards.

(1) **Total Local Allocation.** In each fiscal year, 95 percent of the funds appropriated for the purposes of this Act shall be allocated for use by Local Youth Development Boards for the purposes defined in section 6.

(2) **Allocation for each Local Youth Development Board.** Subject to the requirements of paragraph (3), the Local Youth Development Board in each county shall receive an amount equal to the total Local Allocation, multiplied by a fraction, the numerator of which is the sum of the county's population of children and youth between the ages of 6 and 19 plus the county's population of children and youth between the ages of 6 and 19 living in families with incomes below the poverty level, and the denominator of which is the sum of the national population of children and youth between the ages of 6 and 19 plus the national population of children and youth between the ages of 6 and 19 living in families with incomes below the poverty level.

(3) **Special rule for fiscal years in which the Act is funded at less than $500 million.** In any fiscal year in which the total funds appropriated for the purposes of this Act are less than $500 million, the allocation of funds to Local Youth Development Boards shall be made under the provisions of this paragraph, rather than under paragraph (2). In such years, the State commission shall make grants on a competitive basis to Local Boards based on submission by Local Boards of Community Youth Development Plans meeting the requirements of section 6(i). No such grant shall be for an amount less than the amount the Local Board would receive under the allocation formula established by paragraph (2) for a year in which total appropriations under the Act equalled $500 million. All grants awarded under this paragraph shall be renewed for at least two subsequent years, unless a Local Board receiving such a grant substantially fails to implement its Community Youth Development Plan, or because, as a result of a reduction in funding under this Act, the State Commission is required to reduce the number of grants awarded under this paragraph.

(4) Distribution of Local Allocation.

(A) **Initial distribution to State Youth Development Commissions.** Upon submission by the State Youth Development Commission of a statement certifying that the State Commission is prepared to administer the funds in compliance with all the requirements of this Act, the National Commission shall distribute to the State Commission an amount equal to the sum of the allocations for each Local Youth Development Board in the state.

(B) Distribution to Local Youth Development Boards.

(i) Distribution of planning funds. As soon as the Local Youth Development Board is established, the Board may apply to the State Youth Development Commission for distribution of five percent of its Local Allocation to fund planning, administration, coordination, evaluation, and expenses of the Fiscal Agent. The Board's application must include: a list of the members of the Board, including sufficient information about their organizational affiliations to demonstrate compliance with the membership requirements of section 6(d);

(ii) **Distribution of program funds.** Upon submission by a Local Youth Development Board of a plan meeting the requirements of section 6(i), the State Youth Development Commission shall distribute to the Board the balance of its Local Allocation, as defined in paragraph (2).

(c) **Allocation and distribution of funds to State Youth Development Commissions.**

(1) **Total State Allocation.** In each fiscal year, four percent of the funds appropriated for the purposes of this Act shall be allocated for use by the State Youth Development Commission for the purposes defined in Section 7.

(2) **Allocation and distribution of State Allocation.** The Total State Allocation shall be distributed among the states in the same proportion as the Total Local Allocation (see section 5(b)(2)). These funds shall be distributed to each State Youth Development Commission concurrently with the distribution of the state's local allocation as provided by paragraph (4)(A).

(d) **Allocation of funds to National Youth Development Commission.** In each fiscal year, one percent of the funds appropriated for the purposes of this Act shall be allocated to the National Youth Development Commission for the purposes defined in Section 8.

(e) **State Reallotment.** In any fiscal year in which a state does not receive funding under this Act, the National Commission shall make available the allotment of that state to other states as the National Commission may determine appropriate.

(f) **County Reallotment.** In any fiscal year in which a county does not participate in programs under this Act, the National Commission shall make available the allotment of that county to other counties in that state as the National Commission may determine appropriate.

(g) **Funds Must be Obligated Within Two Years of Receipt.** Funds transferred to Local Youth Development Boards and State Youth Development Commissions must be obligated for expenditure within two years of receipt or returned to the entity from which the funds were received.

Sec. 6 Local Youth Development Board

(a) **Establishment of Board.**

(1) **In general.** To be eligible to receive a grant under this Act, a county, or comparable regional governmental entity, must establish, or designate an existing local entity that meets the requirements of this section, to serve as a Local Youth Development Board.

(2) **Establishment of multi-county Board.** The Chief Elected Officers of two or more counties may agree to establish, or designate an existing entity that meets the requirements of this section, a multi-county Local Youth Development Board to administer the funds provided under this Act on a joint basis for their respective counties. If such a multi-county Board is established, all duties assigned by this section to the Chief Elected Officer of a county shall be discharged jointly by the Chief Elected Officer of each participating county.

(b) **Number of seats on the Board.** The Chief Elected Officer of the county shall determine the total number of seats on the Board. The total number of seats must be between nine and 18, and must be equally divisible by three.

(c) **Composition of Board.**

(1) **Representatives of Youth Development Organizations.**

(A) **In general.** Two-thirds of the members shall be representatives of community-based youth development organizations as defined by section 4(b).

(B) **Special rule for less populated counties.** In the case of a county with a population of 100,000 or less, if the Chief Elected Officer of the county determines that, because of the absence of community-based youth development organizations, the county cannot establish a Board meeting the requirements of paragraph (1), representatives of community-based youth serving organizations may participate on the Board on the same basis as representatives of community-based youth development organizations.

(2) **Other Community Representatives.** One-third of the members shall be representatives of the community, such as: youth-serving organizations, local government, educational institutions, adult service organizations, business, labor, private funding organizations, parents, or youth.

(d) **Selection of Board members.**

(1) **Representatives of youth development organizations.**

(A) **Initial members.** The Chief Elected Officer of the county shall provide public notice to community-based youth development organizations providing services within the county to send a representative to an organizational meeting. At the organizational meeting, the representatives of the organizations shall elect individuals from among their number to fill the seats designated for these organizations.

(B) Successors. During the month prior to the expiration of the terms of Board members representing youth development organizations, the Chairperson shall convene an annual meeting for the purpose of electing new members of the Board. The Chairperson shall provide public notice to community-based youth development organizations providing services within the county to send a representative to the meeting.

(C) Special rule for less populated counties. In the case of a less populated county in which the Board is constituted under subsection (c)(2), all community-based youth serving organizations in the county shall be eligible to participate on the same basis as community-based youth development organizations in the selection process established under subparagraphs (A) and (B).

(2) Other Community Representatives. The Board members not representing youth development organizations shall be appointed by the Chief Elected Officer of the county.

(3) Term of Office. Each Board member shall serve for a term of 2 years, except that the Chairperson shall designate half of the initial members of each of the three categories of members to serve for a term of one year. Members may not serve more than three consecutive terms.

(4) Vacancies. If a member leaves the Board prior to the expiration of the member's term, the Chairperson shall appoint a new member to serve the remainder of the term. Such appointment may not cause the Commission to fail to comply with the requirements of subsection (d).

(5) Age of members. At least two of the members of the Board appointed by the Chief Executive Officer of the county shall be under the age of 20 at the time of such appointment.

(6) Background of Members. The membership must fairly represent urban and rural populations as well as reflect the racial, ethnic, and gender composition of the county population.

(e) Duties of Board.

(1) Election of Chairperson. The members of the Board shall elect one of the members of the Board to serve as Chairperson. The Chairperson shall perform the duties defined in subsection (g).

(2) Appointment of Fiscal Agent. The Board shall appoint a Fiscal Agent to perform the duties defined in subsection (h).

(3) Determination of community youth development goals and objectives.

(A) **Community youth development goals.** Based on an assessment of conditions that support or hinder the healthy development of youth and families, and the availability of existing youth and family services, including the coordination of these services, the Board shall define a set of community youth development goals, and determine how the funds provided under this Act shall be allocated among these goals. The Board shall perform a needs assessment at least every three years.

(B) **Community youth development outcome objectives.** With respect to each community youth development goal, the Board shall establish one or more measurable community outcome objectives which will enable the Board to measure progress toward achieving the goal. These community outcome objectives shall be defined in terms of changes in competencies or changes in the incidence of positive or negative behaviors amount children and youth in the community.

(4) **Administration of grant application process.** The Board shall establish and administer a grant application process meeting the requirements of subsection (i), through which the Board shall award grants to eligible grantees to provide programs or services addressing the community youth development priorities established under paragraph (3).

(5) **Assistance to applicants and grantees.** The Board shall provide assistance to applicants and grantees in the development and implementation of youth development programs.

(6) **Submission of Community Youth Development Plan to State Youth Development Commission.** Prior to the release of any funds under this Act, (except for those specified in section 5(b)(3)(B)(i)), the Board shall prepare and submit to the State Youth Development Commission an annual Community Youth Development Plan meeting the requirements defined in subsection (j).

**(A) The State Youth Development Commission must review and approve this plan, as provided in section 7(c)(1) before funds (except for those specified in section (5)(b)(3)(B)(i)) can be released to the Local Youth Development Board; and**

**(B) In the event that a State Youth Development Commission does not approve a Local Youth Development Board's Community Youth Development Plan, the Local Board may, pursuant to regulations to be established by the National Commission, appeal the denial to the National Commission.** The Local Board must file its appeal within 60 days of receipt of the notice of denial from the State Commission, and the National Commission shall render a decision on the appeal within 60 days of the filing of the appeal.

(7) Monitoring and evaluation of funded programs and community priorities. The Board shall be responsible for regularly reviewing the reports provided by the Fiscal Agent on each grantee's use of grant funds. The Board shall also be responsible for establishing monitoring and evaluation procedures, consistent with such requirements as may be established by the National Commission, to assess grantees' progress in achieving program objectives and addressing community priorities.

(8) Submission of annual report to State Youth Development Commission. Within 60 days following the end of the fiscal year, the Local Youth Development Board must submit to the State Youth Development Commission an annual report on the programs funded during the prior year under this Act. The annual report must meet the requirements defined in subsection (l).

(f) Duties of Chairperson. The Chairperson shall:

(1) Convene and chair meetings of the Board.

(2) Make appointments to fill vacant seats on the Board.

(3) Appoint individuals to such staff positions as the Board may deem necessary to assist it in fulfilling its duties.

(g) Duties of Fiscal Agent. The Fiscal Agent shall receive, disburse, and account for all funds received by the Board under this Act, and discharge such other duties as the National Commission may, by regulation, prescribe.

(h) Process for awarding grants.

(1) Request for Proposals. The Board shall issue a request for proposals which sets forth the community youth development priorities, as determined by the Board pursuant to subsection (f)(3), and invites community-based youth development organizations and partnerships of youth-serving organizations and governmental entities conducting youth development programs to apply for funding for youth development programs that address one or more of the community youth development priorities. The request for proposals shall include the requirements for grant applications, as stated in paragraph (8).

(2) Eligible grantees. At least 85 percent of the grant funds awarded by the Board shall be awarded to community-based youth development organizations. The remaining grant funds may be awarded to one or more partnerships of youth-serving organizations and governmental entities conducting youth development programs.

(A) The Local Board must establish a procedure, pursuant to regulations to be established by the National Commission, for certifying organizations as community-based youth development organizations as defined in Section 4(b).

(B) In the event that a Local Youth Development Board does not certify an organization to be a community-based youth development organization as defined in Section 4(b), the organization may, pursuant to regulations to be established by the National Commission, appeal the denial to the National Commission. The organization must file its appeal within 60 days of receipt of the notice of denial from the Local Youth Development Board, and the National Commission shall render a decision on the appeal within 60 days of the filing of the appeal.

(3) **Requirements for all funded programs.** All programs funded under this Act must:

(A) address one or more of the community youth development goals established by the Board;

(B) incorporate components that promote the social, moral, emotional, physical, and cognitive competencies of youth;

(C) recognize the primary role of the family in positive youth development and seek to strengthen the family unit;

(D) promote the involvement of youth, parents, and other community members in the planning and implementation of the program;

(E) coordinate services with other youth and family services in the community, and help participants access these services;

(F) establish measurable process and outcome objectives, as defined by paragraph (5), for evaluating program effectiveness;

(G) be open to all youth regardless of race, sex, creed, social or economic background, ethnicity or disability, provided, however, that nothing in this Act shall preclude a program from targeting a population defined on the basis of one or more of these factors if such targeting is necessary to remedy the effects of past discrimination against or to combat the perpetuation of archaic stereotypes associated with the targeted population or from limiting participation in the program to members of the targeted population if necessary to enable them to achieve their full potential;

(H) demonstrate how the grantee will meet the matching funds requirement as defined in paragraph (7); and

(I) devote not less than five percent and not more than 10 percent of grant funds to provide pre-service and in-service training and educational materials and services for staff.

(4) **Additional criteria for evaluating grant proposals.** The Board shall give

preference to grant applications that most fully satisfy the following additional characteristics of effective youth development programs:

(A) exposes youth to a variety of adult role models and mentors;

(B) encourages youth leadership and civic involvement;

(C) seeks to establish a long-term relationship with participating youth;

(D) employs strong outreach efforts to low-income youth and their families;

(E) is based on effective program models; and

(F) is age-appropriate.

(5) **Process and Outcome Objectives.** The following criteria apply for the purposes of paragraph (3)(F).

(A) **Process Objectives.** Process objectives are program objectives that relate to the manner in which the program is carried out. These objectives may be defined in terms of variables such as: the degree to which the program is reaching its intended target population; the number, age, gender, and ethnicity of the youth involved; the degree to which the services delivered are consistent with the intended program model; and the cost of delivering program services.

(B) **Outcome Objectives.** Outcome objectives are program objectives that relate to the impact of the program on the participants or the community. These objectives may be defined in terms of such variables as: changes in the competencies of individual participants or changes in the incidence of positive or negative behaviors among program participants and/or among children and youth in the community as a whole.

(6) **Minimum funding period.** All grants awarded by the Board shall be for one year and may be renewed. In determining whether to renew funding, the Board shall give substantial weight to program performance as measured by the process and outcome objectives defined under subsection (f)(3).

(7) **Matching funds requirement.** Each program receiving grant funds must have private nongovernmental support equal to at least 25 percent of funding under this Act in the first year of funding, at least 50 percent in the second year of funding, and at least 75 percent in the third and subsequent years of funding. Nongovernmental support includes both financial and in-kind contributions, such as contributions of facilities, equipment, personnel, and services from nongovernmental sources. Not more than 25% of the private nongovernmental match shall be from in-kind contributions.

(8) **Grant applications.** Each grant application must provide the following information:

(A) A statement of the applicant's qualifications as a community-based youth development organization (as defined in Section 4 (a)(1)), and, if so, sufficient information to substantiate this claim;

(B) How the program will meet the requirements of paragraph (3);

(C) The extent to which the program satisfies the additional criteria established by paragraph (4); and

(D) A proposed budget for the program, including the amount (up to 10% of the grant allotment) that will be used for planning, administration, coordination, and evaluation expenses.

(i) **Community Youth Development Plan.** To be eligible to receive funds under this Act (except for those specified in section 5(b)(3)(B)(i)), a Local Youth Development Board must submit to the State Youth Development Commission a Community Youth Development Plan setting forth the following information:

(1) A list of the members of the Board, including sufficient information about their organizational affiliations to demonstrate compliance with the membership requirements of subsection (c) (including, in the case of Boards constituted under subsection(c)(2), a statement by the Chief Elected Officer of the county setting forth the reasons why the county was unable to constitute the Board in accordance with the provisions of subsection (c)(1));

(2) The community youth development priorities established by the Board, and a description of the needs assessment process through which the Board developed these priorities as defined in subsection (f)(3).

(3) A statement that the Board has completed a grant application process that complies with the requirements of subsection (i);

(4) A description of the youth development programs which the Board proposes to fund;

(5) A statement that the funds received under this Act will be used to supplement, not supplant, existing government expenditures for youth services, with sufficient supporting documentation to substantiate this statement;

(6) The name and address of the Fiscal Agent selected by the Board; and

(7) A proposed budget for the Board, including the amount of funds to be used for planning, administration, coordination, evaluation, and expenses of the Fiscal Agent.

(j) **Annual reports from grantees.** Each grantee receiving funding under this Act must submit to the Board within 45 days following the end of the Board's fiscal year, an annual report containing the following information:

(1) A detailed financial statement showing the program's income and expenses for the year;

(2) The grantee's most recent financial statement;

(3) A description of the outreach efforts used to bring low-income youth and families into the program;

(4) The number of program participants, specified by age, gender, economic background, race, ethnicity, and disability;

(5) An assessment of program effectiveness based on the process and outcome objectives established under subsection (i)(5); and

(6) A discussion of any problems, delays, or adverse conditions that have affected or will affect the attainment of program objectives.

(k) **Annual report to State Youth Development Commission.** Within 60 days following the close of the Board's fiscal year, the Board shall submit to the State Youth Development Commission an annual report containing the following information:

(1) A detailed accounting for all funds received under this Act during the prior year;

(2) A detailed accounting of the number of program participants in the county, specified by age, gender, economic background, race, ethnicity, and disability;

(3) A summary description of the programs and services funded under this Act;

(4) An assessment of the extent to which funded programs did, or did not, meet the process and outcome objectives established under subsection (i)(5); and

(5) An assessment of the extent to which funded programs did, or did not, have an impact on community priorities established under section 6(f)(3);

(6) A statement that the funds received under this Act were used to supplement, not supplant, existing government expenditures for youth services, with sufficient supporting documentation to substantiate this statement; and

(7) Copies of the annual reports submitted by each of the grantees receiving support under this Act.

(l) **Planning, administration, coordination, evaluation, and Fiscal Agent expenses.** The Local Youth Development Board may use up to five percent of the funds received under this Act for planning, administration, coordination, evaluation, and expenses of the Fiscal Agent. The grantees may use up to 10% of the funds received under this Act for planning, administration, and coordination. Evaluation expenses incurred shall be treated as program expenditures rather than administrative expenditures, but shall not exceed 5% of the funds received by the grantee under this Act.

Sec. 7 State Youth Development Commission

(a) **Establishment of Commission.** To be eligible to receive funding under this Act, a state must establish, or designate an existing entity to serve as, a State Youth Development Commission.

(b) **Relationship to Independent State Body established under the Young Americans Act.** To provide improved coordination of public and private services for youth and their families, the Commission shall:

(1) Consult with the Independent State Body established under the Young Americans Act, P.L. 101-501, sec. 930, in the development of the State Youth Development Plan;

(2) Consult with the Independent State Body in developing and implementing strategies for improved coordination between programs funded under the Act and other public and private services for youth and their families; and

(3) Submit to the Independent State Body, concurrently with its submission to the National Commission, a copy of the annual report required under paragraph (d)(6).

(c) **Size, composition, and appointment of Commission.**

(1) **Number of seats.** The Governor shall determine the total number of seats on the Commission. The total number of seats must be between nine and 18, and must be equally divisible by three.

(2) **Composition of Commission.**

(A) **Representatives of Nationally-affiliated Youth Development Organizations.** One-third of the members shall be representatives of community-based youth development organizations that are affiliated with national youth development organizations, as defined in section 4(c).

(B) **Representatives of Non-affiliated Youth Development Organizations.** One-third of the members shall be representatives of community-based youth development organizations which are not affiliated with national youth development organizations.

(C) **Other members.** One-third of the members shall be appointed from among representatives of youth-serving organizations, state or local governments, educational institutions, business, labor, private funding organizations, parents, or youth.

(D) **Age of members.** At least two of the members appointed to the Commission shall be under the age of 20 at the time of their appointment.

(E) **Background of Members.** The membership must fairly represent urban and rural populations as well as reflect the racial, ethnic, and gender composition of the state population.

(F) **Local Board Representation.** At least two of the members appointed to the Commission shall be members of separate Local Youth Development Boards from within the state at the time of their appointment.

(3) **Appointment by the Governor.** The members of the Commission shall be appointed by the Governor.

(4) **Term of office.** Each Commission member shall serve for a term of two years, except that the Governor shall designate at least half of the initial members of each of the three categories of members to serve for a term of one year. Members may be reappointed, but may not serve more than three consecutive terms.

(5) **Vacancies.** If a member leaves the Commission prior to the expiration of the member's term, the Governor shall appoint a successor to serve the remainder of the term. Such appointment may not cause the Commission to fail to comply with the requirements of subsection b(2).

(6) **Chairperson and Vice Chairperson.** The members of the Commission shall annually elect a Chairperson and Vice Chairperson from among the membership.

(d) Powers and duties of Commission.

(1) **Review of Community Youth Development Plans.** Pursuant to regulations promulgated by the National Commission, within 30 days of the submission by a Local Youth Development Board of the Community Youth Development Plan required by section 6(j), the Commission must either approve the plan and disburse to the Board its allocation of funds or notify the Board of the additional steps which must be taken to bring its plan into compliance with this Act. The Commission shall ensure that the composition of the Local Board is representative of the diversity of the youth development organizations present in the county (including those affiliated and not affiliated with national youth development organizations).

(2) **Monitoring operations of Local Youth Development Boards.** The Commission shall have primary responsibility for ensuring that the Local Youth Development Boards operate in compliance with the requirements of this Act. The Commission shall review the annual reports submitted by Local Youth Development Boards, and shall take such other steps to ensure compliance with this Act as the National Commission may, by regulations, prescribe.

(3) **Coordination with Independent State Body Established Under the Young Americans Act.** In addition to the annual report required under subsection (b)(3), the Commission shall provide information obtained from the annual reports submitted by the Local Youth Development Boards to the Independent State Body, including a detailed accounting of the number of participants in programs funded under this Act, specified by age, gender, economic background, race, ethnicity, and disability.

(4) **Technical assistance to Local Youth Development Boards.** The Commission shall provide technical assistance to Local Youth Development Boards, grantees, and applicants for development and implementation of Community Youth Development Plans.

(5) **State Youth Development Goals, Objectives and Plan.**

(A) **State youth development goals.** Based on a review of community youth development goals, the Commission shall recommend to the Governor a set of State Youth Development goals.

(B) **State youth development objectives.** With respect to each state youth development goal, the Board shall establish one or more measurable state outcome objectives which will enable the Commission to measure progress toward achieving the goal. These state outcome objectives shall be defined in terms of changes in competencies or changes in the incidence of positive or negative behaviors among children and youth in the state.

(C) **State youth development plan.** Based on a review of community youth development plans, and an independent assessment of the effect of state and local policies and programs on youth development, the Commission shall recommend to the Governor a state youth development plan designed to achieve the state's youth development goals and objectives.

(6) **Annual Report to National Commission.** Within 90 days following the close of the State Youth Development Commission's fiscal year, the State Commission shall submit to the National Commission an annual report containing the following information:

(A) A detailed accounting for all funds received under this Act during the prior fiscal year;

(B) A summary description of the local programs and services funded under this Act, including information on the number of program participants, specified by age, gender, economic background, race, ethnicity, and disability;

(C) A description of the technical assistance services provided by the State;

(D) A summary of the extent to which the Local Boards did, or did not, have an impact on the community priorities established pursuant to section 6(f)(3);

(E) A statement that the funds received under this Act were used to supplement, not supplant, government expenditures for youth services, with sufficient supporting documentation to substantiate this statement; and

(F) Copies of the State Youth Development Objectives and Plan established pursuant to subsection (c)(4).

(7) **Commission staff.** The Chairperson shall appoint individuals from the state government to fill such staff positions as the Commission may deem necessary to assist it in fulfilling its duties.

Sec. 8 **National Youth Development Commission.**

(a) **Establishment of National Youth Development Commission.** There is established a National Youth Development Commission that shall administer all programs funded under this Act.

(b) **Relationship to Federal Council on Children, Youth, and Families established under the Young Americans Act.** To provide improved coordination of public and private services for youth and their families, the Commission shall:

(1) Consult with the Federal Council on Children, Youth, and Families established under the Young Americans Act, P.L. 101-501, sec. 918, in developing and implementing strategies for improved coordination between programs funded under the Act and other public and private services for youth and their families; and

(2) Submit to the Federal Council, concurrently with its submission to the National President and the Congress, a copy of the annual report required under paragraph (d)(10).

**(c) Size, composition, and appointment of Commission.**

(1) **Number of seats.** The Commission shall have 21 members.

(2) **Composition of Commission.**

(A) **Representatives of Nationally-affiliated Youth Development Organizations.** One-third of the members shall be representatives of National Youth Development Organizations, as defined in section 4(c), or their affiliates.

(B) **Representatives of Non-affiliated Youth Development Organizations.** One-third of the members shall be representatives of community-based youth development organizations which are not affiliated with national youth development organizations.

(C) **Other members.** One-third of the members shall be appointed from among representatives of youth-serving organizations, state or local governments, educational institutions, religious organizations, business, labor, private funding organizations, parents, or youth.

(D) **Ex-officio members.** The Secretary of Health and Human Services, Secretary of Education, Secretary of Labor, Secretary of Housing and Urban Development, Secretary of Agriculture, and the Attorney General, or their designates, shall serve as ex-officio members of the Commission.

(E) **Age of members.** At least one of the members appointed to the Commission shall be under the age of 20 at the time of such appointment.

(F) **Background of Members.** The membership must fairly represent urban and rural populations as well as reflect the racial, ethnic, and gender composition of the nation's population.

(3) **Appointment of Commission.** The members of the Commission shall be appointed by the President, with the advice and consent of the Senate. Seven members shall be appointed from among individuals nominated by the Speaker of the House, and seven members shall be appointed from among individuals nominated by the Majority Leader of the Senate. The President shall make the appointments within 90 days of the enactment of this Act.

(4) **Term of Office.** Members of the Commission shall serve for a term of three years, except that the Chairperson shall designate at least half of the initial members of each of the three categories of members to serve for a term of two years. Members may be reappointed, but may not serve more than two consecutive terms.

(5) **Vacancies.** If a member leaves the Commission prior to the expiration of the member's term, the President shall, with the advice and consent of the Senate, appoint a successor to serve the remainder of the term. Such appointment may not cause the Commission to fail to comply with the requirements of subsection (b)(2).

(6) **Chairperson and Vice Chairperson.** The Commission shall elect a Chairperson and Vice Chairperson from among its membership.

(7) **Staff.** The Commission shall have an Executive Director and Assistant Director who shall be employees of the Commission, selected by the Commission and serving at its pleasure. In addition, the Commission shall have the authority to enter into agreements with other Executive Branch agencies under which employees of such agencies are assigned to serve as staff to the Commission.

(d) **Powers and duties of Commission.**

(1) **National Youth Development Goals, Objectives and Plan.**

(A) **National youth development goals.** Based on a review of community youth development goals, the Commission shall recommend to the President and the Congress a set of National Youth Development goals.

(B) **National youth development objectives.** With respect to each national youth development goal, the Commission shall establish one or more measurable national outcome objectives which will enable the Commission to measure progress toward achieving the goals. These national outcome objectives shall be defined in terms of changes in competencies or changes in the incidence of positive or negative behaviors among the nation's children and youth.

(C) **National youth development plan.** Based on a review of state youth development plans, and an independent assessment of the effect of national, state, and local policies and programs on youth development, the Commission shall recommend to the President and the Congress a national youth development plan designed to achieve the national youth development goals and objectives.

(2) **Regulations.** The Commission shall promulgate all regulations necessary for the administration of this Act, including interim regulations governing the first fiscal year of operation under this Act, which shall be issued within 120 days of appointment of the Commission.

(3) **Monitoring and evaluation.** The Commission shall establish a system for monitoring and evaluating the effectiveness of programs funded under this Act. As part of this system, the Commission shall review the annual reports submitted by State Youth Development Commissions to ensure compliance with the requirements of this Act.

(4) **Appeals from Local Youth Development Boards.** The Commission shall rule on appeals filed by Local Youth Development Boards pursuant to section 6(f)(6)(B).

(5) **Appeals from community-based organizations.** The Commission shall rule on appeals filed by community-based organizations pursuant to section 6(i)(2)(A).

(6) **Coordination.** The Commission shall consult with appropriate federal agencies to ensure effective coordination of programs funded under this Act with other federal programs serving youth and families.

(7) **Clearinghouse.** The Commission shall operate, directly or through contract with another organization, an information clearinghouse on youth development issues, including program information, sources of funding, and methods of evaluation.

(8) **Training and technical assistance.** The Commission shall provide, directly or through contract with one or more nonprofit organizations that have experience in youth development programs, training and technical assistance to State Youth Development Commissions and Local Youth Development Boards.

(9) **Certification of National Youth Development Organizations.** The Commission shall establish a process for certifying that an organization qualifies as a National Youth Development Organization, as defined by section 4(c), and shall annually publish a list of such organizations.

(10) **Annual report.** Within 120 days following the close of the fiscal year, the Commission shall submit to the President and the Congress a report describing the programs and services funded under this Act, and an assessment of the effectiveness of these programs.

**ESTIMATED YOUTH DEVELOPMENT BLOCK GRANT STATE ALLOCATIONS**
**(Based on $2 Billion Appropriation Level)**

| | | | |
|---|---|---|---|
| Alabama | 36.0M | Missouri | 41.5M |
| Alaska | 4.9M | Montana | 7.3M |
| Arizona | 31.2M | Nebraska | 13.1M |
| Arkansas | 21.3M | Nevada | 8.6M |
| California | 237.1M | New Hampshire | 7.8M |
| Colorado | 26.1M | New Jersey | 53.0M |
| Connecticut | 21.6M | New Mexico | 15.3M |
| Delaware | 4.8M | New York | 133.9M |
| District of Columbia | 3.7M | North Carolina | 50.3M |
| Florida | 89.5M | North Dakota | 5.6M |
| Georgia | 55.3M | Ohio | 88.4M |
| Hawaii | 8.2M | Oklahoma | 27.6M |
| Idaho | 9.8M | Oregon | 22.4M |
| Illinois | 91.8M | Pennsylvania | 86.4M |
| Indiana | 45.0M | Rhode Island | 6.7M |
| Iowa | 22.4M | South Carolina | 30.0M |
| Kansas | 20.2M | South Dakota | 6.4M |
| Kentucky | 32.7M | Tennessee | 39.8M |
| Louisiana | 43.8M | Texas | 160.4M |
| Maine | 9.5M | Utah | 19.2M |
| Maryland | 33.6M | Vermont | 4.3M |
| Massachusetts | 39.9M | Virginia | 45.1M |
| Michigan | 77.4M | Washington | 38.2M |
| Minnesota | 34.9M | West Virginia | 15.8M |
| Mississippi | 27.6M | Wisconsin | 39.7M |
| | | Wyoming | 4.3M |

September 1, 1993

Urban Policy

**MAKING GOVERNMENT WORK**
**A New Approach to Helping Communities and Individuals**

Oct. 28, 1994

DRAFT

## CONTENTS

# INTRODUCTION

This paper outlines an approach for the federal government to better allocate its resources in three areas: community empowerment, education and training, and infrastructure. It is designed to help fulfill President Clinton's promise to make government work for ordinary Americans.

The federal approach each area suffers from similar problems. In each, the government funds or administers hundreds of programs, many of which simply do not work very well. Rather than mobilize the resources of states and communities, this hodge-podge of programs serves only to frustrate them. Rather than help people, these programs present obstacles to people who seek to help themselves.

The result? Urban development does little to erase urban blight; schools do not provide the education that parents seek for their children; job training programs prepare only some workers for jobs; and infrastructure programs do not adequately address the problems of congestion on our nation's roads. Such shortcomings, of course, serve to exacerbate the profound cynicism that taxpayers now express about their government in general and today's leaders in particular.

Moreover, the fiscal outlook necessitates that we find a new approach. Demands for resources far exceed what's available. The 1993 budget agreement imposes tight limits on discretionary spending, while its pay-as-you-go requirements severely restrict proposals to cut taxes or expand entitlements. Political imperatives also require that the Administration keep the lid on spending. Voters are increasingly skeptical about government's ability to wisely use tax dollars.

## The solution

We need to rethink our traditional approach towards our multitude of programs. We must approach our problems more creatively, relying more on partnerships with states and localities, businesses, non-profit organizations, and other entities. We must leverage resources, rather than simply allocate taxpayer dollars. And we must insure that voters understand the connection between how we spend their money and what they are getting for it.

We should formulate a new approach -- that is, a framework -- around a few important themes:

**1. Federal consolidation:** Our hundreds of federal programs force state and local governments and other providers to waste their time and energy filling out forms, learning differences in eligibility criteria, and dealing with other red tape. They also confuse beneficiaries, who must traipse from office to office, some far apart from one another, to take advantage of the funds and services that government is providing.

We should consolidate our programs into few, larger funding streams, thus reducing red tape and providing better service for customers. For example, the Administration already has proposed, as part of the Reemployment Act, consolidating six programs for dislocated workers. We could go much further and consolidate major federal employment and training programs into a single grant to each state (with an incentive structure that rewards performance).

**2. State/local and personal flexibility:** We must devolve decision-making to the state, local, community, and individual levels, putting it in the hands of leaders and citizens who are most attuned to local conditions and who can make their own choices.

On the state and local level, the Administration should continue its efforts to provide broad waiver authority -- allowing lower levels of government to use resources with fewer strings attached -- and also more aggressively use the waiver authority it now has, such as under ESEA and School-to-Work. Federal regulations should clarify program objectives and outcomes, not interfere with the programs themselves.

By developing a federal sourcebook on all relevant federal programs, we also could help states and localities better tap those resources as part of their community revitalization efforts.

On the personal level, we might try a "GI bill"-style approach to job training, giving individuals vouchers to enroll in approved programs. We also might think about a low-cost "urban brownfields" initiative that would ease enforcement against new property owners who did not contribute to contamination.

**3. Leveraging:** In education, state and local governments play a far larger role than the federal government. In job training, it's the private sector which takes the lead. In these cases and others, the federal government should work with these other players not so much to provide funds as to leverage other funds.

In infrastructure, we could capitalize State Infrastructure Banks (SIBs) and require that they finance projects worth, say, four times what the federal government has invested.

In community empowerment, we could continue efforts to tap the private sector, such as with new tax incentives designed to bring commercial development and jobs to troubled neighborhoods. Also, we could create a public/private entity to launch a high-profile campaign for youth development. In thinking about communities, we should try not just to tap local resources but also those of the large metropolitan region, which has a stake in inner-city areas.

**4. Accountability:** After years of broken promises, the public is demanding that we stop wasting tax dollars for programs that deliver very little. As enunciated by the National Performance Review and enacted in the Government Performance and Results Act, we must put a high premium on results -- that is, that programs actually produce the kinds of outcomes that we desire (better educated children, fewer teen births, less crime). No longer can we distribute money for a program and ignore the question of whether it is working.

In pursuing this approach, we would make future funding contingent upon the achievement of actual goals. That is, no program that had fallen short of tangible, measurable agreed-upon outcomes would receive all, or perhaps any, of the funds once allocated.

The three short sections that follow each apply this framework and its four elements to one of the three initiatives under discussion: community empowerment, education and training, and infrastructure.

## COMMUNITY EMPOWERMENT

In this section, we apply the framework to the proposed redesign of federal efforts to address the growing concentrations of poverty and their increased isolation from surrounding metropolitan areas.

Building on our success in developing Empowerment Zones and Enterprise Communities, we would now begin to pull together the disparate, fragmented, overlapping array of "urban" programs that several agencies administer. We would consolidate and coordinate those existing programs, give communities and individuals more flexibility to use federal resources, leverage those resources to help increase public and private efforts, and seek greater accountability for the results achieved.

Thus, we would encourage communities to develop their own comprehensive strategies to address these pressing needs. We would not rely on one "magic bullet" intervention; we have learned all too well that reviving distressed urban neighborhoods is more complicated than that. And we have learned not to impose one "top-down" federal model. Rather, we seek to empower communities and individuals in a results-oriented atmosphere.

With regard to existing programs, we would:

1. Coordinate Crime Bill prevention programs with existing resources or the proposed teen pregnancy prevention initiative, using the resulting funds to challenge communities to design their own strategies for youth development;

2. Strongly encourage communities to make use of the waiver authorities granted in recently-passed education and training legislation, such as School-to-Work and the ESEA reauthorization;

3. As part of a "brownfields" initiative, coordinate federal efforts (e.g., those of Justice, EPA) to eliminate barriers to development by using "comfort letters" and other tools; and

4. In a more ambitious option, propose several statutory consolidations and even broader flexibility -- all within a framework of goal-setting and results-oriented accountability.

We would change our criteria for distributing discretionary grants, applying our themes of consolidation, flexibility, leverage, and accountability. We would, thus, choose recipients from communities that best:

* "Reinvent" by coordinating programs strategically;
* Involve the private sector;
* Demonstrate community involvement in planning and implementation;
* Challenge youth to "play by the rules;" and
* Include metropolitan linkages, both intergovernmental and public-private.

These options would require little, if any, net additional resources. Instead, they rely on applying our framework to the Administration's priorities of youth development, public safety, and jobs.

We could, of course, add new resources to give communities stronger incentives to address their own needs. Additional resources, for instance, would help communities leverage funds from the business and non-profit sectors. We have at least three options for applying those resources:

**1. Infrastructure Bank:** With a network of State Infrastructure Banks, we could give states the option of creating a special "Metrobank Window," with a deeper subsidy for qualifying projects in participating jurisdictions. We might judge projects based on such criteria as the potential for job creation, brownfields redevelopment, and a nexus to a regional economic development strategy. (For more on the Infrastructure Bank proposal, please see the last section of this paper -- **INFRASTRUCTURE.**)

**2. Jobs Credit:** We could propose changes to the Targeted Jobs Tax Credit or a new capped tax credit similar to the Low Income Housing Tax Credit. We would allocate a new credit in proportion to the needy population in participating jurisdictions. These jurisdictions, in turn, would serve as intermediaries to broker employment and training opportunities with private employers. We could design the credit broadly or narrowly. Broadly, we could give states and local governments great discretion to establish their own criteria for credit recipients. Narrowly, we could impose training requirements or even target the credit to specifically increase hiring through such programs as School-to-Work and Youth Fair Chance.

**3. Development Credit/Subsidy:** We could provide a capped tax credit for qualifying business development activity that's not limited to employment. Some argue, for instance, that tax subsidies for capital and site preparation are more important than wage subsidies in promoting development. Alternatively, we could propose a capped increase in the use of private-purpose tax exempt bonds for qualifying development activities. (Private-purpose bonds also are a possible tool for State Infrastructure Banks; here, though, we could use them more broadly and without the Bank as an intermediary.)

## EDUCATION AND TRAINING

The Administration's "ETR" initiative to reinvent employment and training programs could include any of three broad options. To varying degrees, each option employs the four themes of our framework.

The main federal programs that we address in these options are:

* Job Training and Partnership Act (JTPA)
* Employment Service
* Perkins Vocational Education (postsecondary portion)
* Adult Education
* Pell Grants (vocational portion)
* Student Loans (vocational portion)
* AFDC/JOBS

**Option 1: Voucher-centered system**

Under this option, we would replace most traditional grants to states and other intermediaries with payments to individuals who, with better information, could make their own choices about services and training. We would continue to subsidize most heavily education and training for the disadvantaged. A central administrative body would perform eligibility screening and provide information on training providers and labor markets.

A voucher-centered system would maximize **individual** flexibility by eliminating some federal programs and much of the bureaucracy associated with them. Were the system properly designed, the market would provide the requisite accountability. That is, well-informed individuals could choose among the providers of education and training services with the best track records.

**Option 2: State Flexibility**

Under this option, we would convert the major federal programs into a single grant to each state which, in turn, then could decide how best to provide services and benefits. In return for maximizing state flexibility, we would require that states meet performance standards and continue serving disadvantaged populations. We also would build an incentive structure that rewards those that do best. Finally, we would aggressively use the new waiver and joint funding authorities enacted in recent education and training legislation, such as School-to-Work and ESEA.

This option takes advantage of states' abilities to react quickly to the modern economy's shifting labor demands. States will be able to better coordinate training programs with their economic development efforts, to the benefit of both.

**Option 3: Reemployment Act (II)**

This option, which the Labor Department is still developing, would build on the Administration's employment and training reform legislation that it sent to Congress, the REA.

To streamline access to DOL (and perhaps other) training programs, this proposal likely will seek to consolidate some dislocated worker programs at Labor and authorize One-stop career centers for employment services. It also will probably include an entitlement for dislocated worker income support. Generally speaking, the proposal will only affect DOL programs.

Thus, REA II probably will offer a more modest consolidation of programs and, through the One-stops, some state and local flexibility.

* * *

We are discussing other proposals to better leverage private resources in job training -- but separately from the three main options listed above. Nevertheless, we can pursue them in tandem with those options. These proposals include:

* Greater technical assistance;
* Recognition (through awards) of firms with best practices;
* Loans or loan guarantees to cover training costs; and
* Business participation in program decisions (as JTPA and School-to-Work allow).

## INFRASTRUCTURE

All agencies agree that we could restructure federal infrastructure programs to provide better incentives for states and localities to invest more efficiently in infrastructure. In its FY 1996 budget process, the Administration will consider how to design a distinctive, "Clintonian" approach to infrastructure and whether the budget should include new resources to fund it.

One option is to capitalize "State Infrastructure Banks" (SIBs), through which we could apply our framework and its four themes.

**Consolidation**

In creating SIBs, we would supplement existing federal infrastructure funds with one tool that would serve as a more flexible version of Clean Water State Revolving Funds. We would allow them to:

* Make below-market loans for local public infrastructure investment;
* Provide loan guarantees or other credit enhancements for local public infrastructure debt;
* Use the federal grants as a reserve against which the SIB would borrow added funds;
* Make subordinate loans in local private projects;
* Provide development risk insurance for private projects; and
* Accept funds from state entities;

**State and Local Flexibility**

SIBs would give states greater flexibility to use federal funds. The SIBs, themselves, would have more discretion over the type of infrastructure to be built, and the subsidy required to build it. Thus, compared to current programs, SIBs could better tailor solutions to fit local problems.

In the notion of a "federal priorities window," we could use SIBs to support other purposes:

* **Community Empowerment.** We could require SIBs to allocate a specified share of subsidies to projects in designated urban areas. Similarly, we could enable SIBs to make below-market loans to private entities that need to clean up "brownfields."
* **Congestion.** We could require SIBs to use a portion of subsidies for qualifying congestion relief projects.

**Leveraging**

SIBs would leverage federal funds far more than our current programs do. We could require that SIBs finance, from public and private sources, infrastructure projects worth four times the initial federal grants. In most current infrastructure programs, each dollar in federal spending generates only an additional $0.25 in infrastructure investment.

By providing shallow subsidies, the SIBs would offer incentives to fund only the most productive investments. Currently, federal programs cover an average of 80 percent of project costs. By contrast, SIB loans and credit enhancements would provide subsidies that, on average, were economically equivalent to about 25 percent of project costs. Because the SIBs would tailor each loan or other subsidy to fit local conditions, subsidies could range between zero and 50 percent of project costs.

In addition, SIBs would increase private investment in infrastructure. Currently, the public sector undertakes the vast majority of infrastructure investment. We would allow SIBs to join with private firms that wished to invest. The greater private investment would, in turn, lead to competition between public and private providers; greater competition would, then, generate a more rapid adaptation to changes in demand and technology, and would free public resources for other infrastructure projects.

**4. Accountability**

SIBs would reduce the need for taxpayers to fund infrastructure investments. Currently, financing for much infrastructure comes from taxpayers in general, rather than those who use the infrastructure. The SIBs' shallow subsidy, along with the explicit requirement that beneficiaries pay, would work to channel SIB subsidies to self-supporting projects.

**Themes Matrix**

| THEME | Community Empowerment | ETR | INFRASTRUCTURE |
|---|---|---|---|
| **Consolidation** | X | | |
| **Flexibility** | | | |
| **Leveraging** | | | |
| **Accountability** | | | |

Urban Policy

October 25, 1994

DRAFT: FOR DISCUSSION ONLY

MEMORANDUM FOR BILL GALSTON
BRUCE REED
GENE SPERLING

FROM: Paul Dimond
Paul Weinstein

SUBJECT: **Recommendations of the Urban Economic Development Subgroup**

CC: Sheryll Cashin
Chris Edley
Kumiki Gibson
Belle Sawhill

Over the past three weeks, the Urban Economic Development Subgroup -- comprised of Commerce, EPA, HUD, OEP, OMB, Transportation, Treasury, and SBA -- has met to discuss a variety of proposals. The Subgroup focused on three areas during its review of policy initiatives: tax incentives, investments, and reinventing government. Our main goal has been to determine what can be done to engage -- even unleash -- the private sector to better connect inner and central cities to the main streams of future economic growth. All the proposals were, therefore, evaluated against the following criteria:

- Promote sustained economic development?
- Assist urban communities utilize their competitive advantages and develop market niches?
- Good public policy?
- Attractive to the private sector?
- Easy to understand?
- Appeal to urban constituents?
- Appeal to mainstream America?
- Implement without congressional approval? or if Congressional approval required, appeal to bi-partisan coalition?

**Based on our review of over one hundred tax, investment, and reinvention proposals submitted, the co-chairs of the Subgroup conclude that only a coordinated "Brownfields" agenda meets all of the above criteria. A major Brownfields initiative that combines tax incentives, a small discretionary investment of approximately $100 million, and a series of reinvention proposals would be widely applauded by mayors,**

**environmental groups, community organizations, and the private sector. During the campaign, President Clinton criticized those who perpetuated the false choice between the environment and economic growth. Cleanup of Brownfields is the best example of how false a choice it is. Our recommended set of proposals would spur the private sector to cleanup these sites in urban centers -- rather than building on greenfields -- by directly dealing with the issues of cost, liability, and uncertainty. By focusing on the private sector and utilizing market incentives to cleanup the environment, this series of proposals is clearly "New Democrat." At the same time, by dealing directly with a major urban economic development problem, the Brownfields initiative will be supported by a core democratic constituency. Finally, the Superfund Reauthorization legislation and a tax/budget reconciliation bill provide legislative vehicles on which to attach the portions of these proposals that require Congressional action.**

**Combined with some type of urban youth development initiative, we believe a Brownfield's initiative will complement the President's major initiatives that provide a platform for urban development -- safe streets (Crime Bill), good schools (Goals 2000, School-to-work), and community empowerment (CDFI Fund, CRA reform, EZ's and EC's.**

However, since the working group has not yet achieved consensus on this approach, we offer four options for tax incentives (one Brownfields) and three for reinvention (including high-cost option for Brownfields would include a tax incentive). As you will see the options are not mutually exclusive but are complementary. [As Co-chairs, we put our own personal recommendations in brackets and **bold** following discussion of the pros and cons of each option. Except as noted, we do not know the positions of the agencies and, therefore, do not know their position on our personal recommendations.]

**I. Tax Incentives**

President Clinton has consistently argued that the only way to rebuild our cities is for the private sector to lead the way. Tax incentives, despite significant drawbacks, remain one method to encourage -- and to highlight the importance of -- private sector investment in inner cities. The working group looked at a range of tax incentives, including credits, expensing, deductions, dividend exclusions and deferral of gains. We focussed on three approaches:

- a capital incentive for clusters of commercial and business development (to complement our capital and credit initiatives like the CDFI Fund and CRA Reform and to implement Michael Porter's vision of exploiting the untapped comparative advantages of inner cities)

- an incentive to encourage employers to join networks to mentor and to hire inner-city youths on an on-going basis

- a clarification of the tax treatment of cleaning up Brownfields to permit expensing

Our sub-group did not achieve consensus on recommending tax incentives for any of these approaches: Treasury opposed all proposals on tax policy grounds, while Commerce, EPA, and HUD supported active consideration of all three. We therefore summarize the best options for each, with pros and cons.

In addition, we also considered tax incentives that might be useful for a second round of EZ/ECs or another challenge grant with some geographic limits. The tax incentive options under each of the three approaches could be limited to the targeted geographic areas designated in such a challenge process. If the TJTC is reformed along the lines recently described by Secretary Reich and Maurice Foley of Treasury on behalf of the Administration before the House Ways and Means Subcommittee, we could also propose to add residents of the designated geographic areas as a category eligible for the credit.

## A. Option 1: Use low-income housing tax credit to subsidize certain retail facilities

**Proposal:** Permit the low-income housing credit to apply fully to projects in qualified census tracts if not more than 20 percent of the eligible basis of the project consists of retail facilities. For example, in a $1 million building that consists of a $200,000 retail facility and apartments that are entirely rented to low-income tenants, the credit would have a present value equal to 91 percent of $200,000.

**Pros:**

- The proposal expands on an existing, relatively successful program for affordable housing to achieve the narrow goal of providing a subsidy to retail businesses locating in urban areas. It may be easier to enact this type of change than it would be to create a new tax credit program. The proposal would not have the appearance of creating a new tax shelter.

- In 1993, Congressman Rangel proposed that community service facilities in LIHTC projects in qualified census tracts fully qualify for the credit if used predominantly for tenants. Treasury, however, did not support this proposal.

- Because the amount of the LIHTC in each state is limited under existing tax laws, the cost of expanding the LIHTC to cover certain retail facilities could be kept relatively low (i.e. by not increasing the current annual LIHTC limits).

**Cons:**

- Because the proposal limits the credit to a minor portion of a housing project, it does not provide much, if any impetus, for the development of retail, commercial or business clusters that may have sufficient critical mass --

including for safety and security --- to realize the potential comparative advantages of inner-city buying power.

- Because the percentage of the retail facility's cost qualifying for the credit would increase as the percentage of low-income units in the building increased, the proposal would result in most projects being entirely rented to low-income tenants.

- In general, Treasury opposes creating any new credits because they are an inefficient method of providing a subsidy when compared with other, more direct subsidies. In large part, this is attributable to the fact that a significant portion of the subsidy is lost to syndication fees.

- The LIHTC is a housing program, not an investment tax credit for retail facilities. The proposal could result in up to 20 percent of the amounts available under the LIHTC being used to subsidize retail facilities, which the low-income housing industry could strongly oppose.

- The LIHTC was created at a time when most other real estate tax shelters were being eliminated and is unique in that investors can use passive losses from these projects to offset other income. The LIHTC is one of the few remaining tax shelters. Moreover, the LIHTC operates poorly at preventing the "oversubsidization" of projects. This leads to investments being made without regard to the real economics of a project and without regard to whether the best choice is being made in delivering a federal subsidy.

*[Our personal recommendation: oppose. It's not worth the struggle because it doesn't address the basic issue, inner-city areas being underserved in retail, specialty, and commercial services.]*

**B. Option 2: Tax Credit for Commercial and Economic Development.**

**Proposal:** Provide a tax credit (e.g. 5% per year for five years) for non-residential project costs (including equipment purchases) in high-poverty areas so long as the project remains at least 50% occupied. The credit would be sunset so that no new projects would qualify after five years.

**Pros:**

- The credit would provide an easily understood incentive for investors to invest in business development in high-poverty areas. The requirement that the credit would be earned only so long as the project remains 50% occupied might encourage the types of retail and business clusters to scale that could exploit the potential comparative advantage of many high-poverty neighborhoods.

- Such an economic development credit would be supported by many of the community groups, mayors and financial intermediaries who have been most supportive of the low-income housing tax credit.

- The total cost of the credit could be capped (as with the LIHTC) in order to control budget costs; this might also provide a means to encourage alliances (like those created by LISC and the Enterprise Foundation) to connect businesses and retailers with investors and community groups to locate in strategic areas for revitalization.

- Relies primarily on the private sector, both for investment and for redevelopment. The sunset would allow time to determine whether it worked to demonstrate the economic viability of particular types of business developments in high-poverty areas.

**Cons:**

- The specter of a new credit haunts Treasury and all other tax reformers who believe that such investor incentives line the pockets of syndicators and middlemen (lawyers, accountants, brokers) and then provide tax shelters to the wealthy and corporations to avoid paying taxes without any proven public benefit.

- Such a capital incentive may be ineffective in stimulating net new investment; and even if effective in stimulating net new investment, may not be not as targeted as a direct subsidy toward the types of business and retail clusters that do have competitive advantages.

*[Our personal recommendation: Serious questions about the effectiveness of this tax incentive, however you may want to keep on table for consideration by POTUS. Such a capped credit, with a sunset, would be used by intermediaries like LISC to develop the types of retail and business clusters touted by Michael Porter.]*

**C. Option 3: Capped Wage and Training Credit modelled after LIHTC**

**Proposal:** Provide a wage and training credit (e.g., 25% of second $5,000 in wages over one-year, with an appropriate youth modification for summer, after-school or school-to-work ) to employers who pre-certify for programs to hire and train residents of low-income areas. Dollar volume cap, and could be limited to qualifying high-poverty areas designated through challenge grant process (for youth development and/or economic development).

**Pros:**

- This wage and training credit would eliminate windfalls and could serve to encourage private employers to join in networks to mentor, hire, and train inner-city youth and young adults.

- It would be most effective if made a part of competitive challenge grant to sign up employers in advance to participate in plan to create employer networks to connect inner–city youth and young adults to jobs, OJT, and opportunities for next jobs and continuous learning.

**Cons:**

- Unless limited to a reward for youth or economic development challenge competition, this wage and training credit might be viewed as a competitor or replacement of the TJTC, which we have agreed to work with Congress to renew, but only if we eliminate windfalls, encourage OJT, and avoid churning in low–wage jobs.

*[Our personal recommendation: keep on the table as possible alternative reward for youth/economic development challenge. Such a wage subsidy for regions that succeed in creating effective employer networks for at–risk youth and adults in the inner–city would at least rely on private sector in contrast to any public works–jobs program; it might even be possible to structure demonstrations within a region to show that it is the network, mentoring, and connections to labor market rather than the wage subsidy that matters the most.]*

**Option 4: Expensing the Costs for Cleaning up Brownfields. [See discussion below at p.12 on "High–Cost" Brownfield's initiative].**

**Investments and Reinvention**

In reviewing the long list of possible new investments offered by the agencies, the working group was impressed by the diversity of programs –– mostly small –– available across agencies. However, the group quickly recognized that political realities would make a major investment package unlikely to pass muster unless the new spending was tied to a new Democrat approach to economic development in urban America. In New York, for example, Republican Mayor Rudy Giuliani and Democrat Public Advocate Mark Green both have proposed reducing the 800 business licenses and certificates required by the City of New York, which combine with 1,400 state licenses and permits to create a hidden tax on the time of the business people who try to navigate the maze of contradictory rules and requirements. These rules and regulations put urban centers at a competitive disadvantage. This sort of local reinvention fits hand–in–glove with the types of coordination, rethinking regulation, and support for private sector initiative that has been the hallmark of our proposals to date for CDFIs, CRA reform, Empowerment Zones/ Enterprise Communities and Reinventing Government. We have, therefore, focussed on three complementary options to encourage the private sector to get back to work in inner cities:

- effectively implementing and creatively coordinating our existing capital and credit access initiatives, while fully exploring the extent to which they may be extended without additional federal budget support

- developing a one-stop, interagency sourcebook and application for urban economic development,

- developing a consolidated HUD, Commerce, EPA urban initiative focussing on clean-up and development of Brownfields .

**A. Option 1: Increasing Effective Access to Credit and Capital**

In the area of increasing access to capital, credit, and basic banking/financial services, the Administration has made major advances through the President's initiatives to create a network of Community Development Banks and Financial Institutions (CDBFI legislation), the pending Community Reinvestment Act reform (CRA), microenterprise and Individual Development Accounts proposals, SBA One-Stop Capital Shops, Fair Lending, etc. However, much more can still can be accomplished -- without additional legislation and without additional budget expenditure.

With respect to institutional factors, non-regulated providers of financial services have become significant competitors of insured depository institutions, yet they do not have any community investment obligations comparable to those under the CRA for insured institutions. For example, whereas insured banks and thrifts accounted for as much as 66 percent of the total assets held by major financial intermediaries in 1950, their market share has declined to about 36 percent currently. Representative non-regulated institutions that compete with banks are insurance companies, money market funds, mortgage bankers, and finance companies. With respect to social factors, discriminatory lending practices in some sectors of the market appear to remain of sufficient concern to merit examination.

There are essentially six possible options with respect to community investment obligations for non-insured financial institutions: (1) maintain the status quo; (2) voluntary disclosure; (3) mandatory disclosure or mandatory reporting; (4) voluntary community investment obligations; (5) mandatory community investment obligations; and (6) increasing the effectiveness of existing anti-discrimination laws. Some or all of these options may also be consistent with major voluntary campaigns to encourage the non-regulated financial industries and the GSEs to join with banks and thrifts in supporting complements to the CDFI network to connect communities in need through effective intermediaries to main-stream financial capital, lending, and business development and technical assistance services.

***Recommendation: Direct the DPC-NEC working group on Credit and Insurance to develop a set of recommendations by March 15, 1995.***

**B. Option 2: One-Stop/Streamlined Application/Inter-Agency Urban Economic Development Sourcebook**

**Proposal: Develop a One-Stop/Streamlined Application/Inter-Agency Urban Economic Development "SourceBook":** There are a myriad of economic development programs across agencies but the actual total funding level is relatively small. Using the Guidebook Of Federal Programs developed by the Enterprise Board for the Empowerment Zone/Enterprise Community Initiative, we would direct Commerce, Small Business Administration, HUD, EPA, HHS (CDCs), Treasury (CDFI Fund), and perhaps DOT to put together a SourceBook of federal economic development programs for urban communities. The SourceBook would include a description of programs, a list of contacts at agencies with numbers and addresses, streamlined applications for all the programs. In addition, for communities interested in submitting a coordinated, strategic economic development plan, the agencies would provide an expedited and coordinated decision-making process. In return, applicants would be required in their plans to specify how they will make their communities more hospitable for business/private sector investment, e.g., by reducing duplicative, outmoded local/state regulations, permits, licenses, and processing time that hinder the urban centers from developing market niches and exploiting their competitive advantages.

*[Recommendation: Direct Commerce, SBA, HUD, EPA, HHS, and Treasury to develop the SourceBook.]*

**[Note: HUD, Commerce, EPA, and SBA also worked on a challenge program -- Competitive Cities -- to consolidate a number of economic development initiatives to invest in cities that develop strategic plans with the community and with the private sector throughout a region to invest (a) in clusters of industries or business that will exploit the comparative advantage of the city and region, (b) in neighborhood revitalization that will seek to realize the comparative advantage of neighborhoods, and (c) in cleaning up and redeveloping Brownfields. We commend this reinvention effort to combine federal economic development initiatives from the agencies to leverage additional private sector support. But we recommend that each of these agencies determine how it can reconfigure its budget authority within the current caps to engage in such a coordinated program of economic development to unleash the private sector. We do not believe that we can afford to announce a new discretionary spending program -- no matter how effectively coordinated and leveraged -- unless it fits a politically compelling vision of a whole agency and Administration budget that consolidates programs and sets new priorities. Given the FY96-2000 crisis in budgeting for HUD, in particular, this may present an opportunity to explore bold new options for reinventing housing policy as a prelude to considering the extent to which a greater portion of HUD's annual budget and activity should be focussed on economic development. Pending completion of such a major budget reorganization, however, we recommend focussing on a coordinated basis as discussed below.]**

### C. Option 3: Urban Brownfields Initiative

In all of our conversations with mayors, local and community leaders, urban specialists, and the private sector, no issue has been more consistently raised as an impediment to economic development than the difficulty of developing so-called Brownfields. In recent years, city advocates and the private sector have come to appreciate the tremendous dampening effect the Brownfield's problem poses for inner city redevelopment and the urban tax base. The nation's mayors cite Brownfields as their primary environmental and economic issue. Brownfields are frequently located in distressed and high poverty neighborhoods, and thus block locally based employment creation for the populations that are most in need. To the extent that uncertainty, liability, and cleanup costs add to the cost of doing business in cities, they also operate to increase pressures to develop metropolitan fringes.

To help overcome uncertainty, liability, and cost obstacles, EPA, Commerce, and HUD have developed the following proposals. The first are a series of no/low–cost options that directly deal with the uncertainty and liability issues and would encourage the redevelopment of Brownfields that present the least environmental hazard given the proposed use or are the easiest to clean–up. The later is a higher–cost tax incentive to encourage redevelopment of Brownfields.

**Proposal: Indemnification Initiative** –– 1) Structuring a New Indemnification Program: To reduce the concern about financial liability for new owners for past site contamination, the city, state, and federal governments would jointly agree to partially indemnify a private insurer of a new owner for any past contamination. In practice, the risk of paying this indemnification would be minimized because each layer of government would agree at the same time not to enforce liability against the new property owner as a precondition.

The most feasible structure would greatly depend on the requirements of the existing program being utilized. The following implementation issues, among others, will need further investigation. Indemnification might be implemented as a special coverage addition to an existing private sector environmental insurance policy. Or, coverage might be offered through an existing federal program with the economic benefit being delivered to the new property owner at a reduced price or through a straight, no direct–cost guarantee. Coverage would need to be structured to avoid moral hazard/adverse selection issues. For example, the new owner could still be liable for some portion of the groundwater cleanup costs beyond the initial amount insured, or on a proportional share for the total costs (with a deductible and possibly with a cap).

2) New Owner Enforcement Exemption Policy: Federal authorities would establish a policy modeled on the Administration's Superfund Reform Bill, to not pursue new owners of Brownfields if they had not contributed to past contamination. State and local government would also agree, as a policy matter, to forego enforcement against new owners in specific geographic areas, perhaps under the condition that all other specified remediation efforts were undertaken. As a part of any application, communities seeking indemnification would have to show that the site would be cleaned up for an identified development activity. (The working group understands that such agreements are feasible and legal; however, this critical point needs to be confirmed.)

Even with such policies, third party suits remain a liability uncertainty (current law provides that a party subject to a government Superfund suit may sue other parties defined as potentially responsible under the law). However, it appears likely that a new owner has a strong equitable argument against liability if the new owner did not discharge the contaminants in question and government elects not to pursue them as a public policy matter.

**Pros**

- Reduces concerns about liability, thus encouraging redevelopment of Brownfields.
- Encourages private investment and economic development through private market.
- Partially implements an Administration legislative initiative administratively.
- Involves cooperation and collaboration among several government agencies to address the problem.

**Cons**

- Not all the issues with this option have been fully resolved.
- May require some new investment (approximately $100 million).

**Proposal: Encourage Development of Effective State Voluntary Cleanup Programs** -- Ultimately, states need to have the capacity to expeditiously review and approve cleanup plans for most Brownfield sites. Between 10 and 20 of the states already have effective state voluntary cleanup programs (but these programs probably cover less than a third of the contaminated Brownfield properties). EPA should help fund the creation and expansion of effective state voluntary cleanup programs. EPA will need $25 million per year to fund state grants and federal assistance.

**Pros**
- Encourages cleanup of Brownfields by partially solving liability issue.
- Does not create large new federal bureaucracy.
- Addresses environmental justice issues.

**Cons**
- Does not solve cost problem.
- This establishes a minimal program; does not create federal capacity to deal with cost, technical, nor legal/liability aspects of Brownfields cleanup.

**Proposal: Clarify CDBG Fund-Use for Brownfields** -- Localities have not effectively utilized CDBG funds for Brownfields. Under this proposal, HUD would clarify that CDBG funds can be used to assess, investigate, and/or cleanup "brownfield" sites in communities.

**Pros**

- Encourages cleanup of Brownfields by addressing cost issue.
- Addresses environmental justice issue.

**Cons**

- Does not solve liability problem; creates pressure on state and federal regulatory agencies.

**Proposal: EPA and DOJ could provide "Comfort Letters" for sites which have had approved (state or federal) cleanup plans:** For owners of sites that have been through state voluntary cleanup programs that have gotten a federal approval, EPA can send letters indicating that further federal Superfund action is unlikely. Lenders and prospective developers will have some further assurance that their liability is limited. In addition, an actuarial history will begin to develop that will allow lenders, insurers, and prospective purchasers to better assess the liability associated with a piece of property. This initiative will require $5 million a year in additional funds.

**Pros**

- Encourages cleanup of Brownfields by partially addressing liability issue.
- Addresses environmental justice issues.

**Cons**

- Increases size of federal program.
- This is a minimal program, does not create a federal capacity to deal with cost, or technical aspects of Brownfields cleanup.
- Reduces incentives for states to adopt voluntary cleanup program.

**Proposal: To encourage effective state voluntary cleanup programs, EPA and DOJ could endorse and offer "Comfort Letters" only for those cleanups that have been through them:** After some initial period (1 to 3 years), EPA could limit its "Comfort Letters" to only those sites that have been through effective state voluntary cleanup programs. This would give states an incentive to adopt these programs.

**Pros**

- Encourages cleanup of Brownfields by partially addressing liability issue.

**Cons**

- Does not solve cost problem.

**Proposal: To reduce the costs and uncertainty associated with cleanup, EPA could develop different cleanup standards based on future land use (e.g., residential, commercial, industrial):** EPA could develop various standards for site cleanup based on future land use. This would allow sites to be used for industrial purposes to have a less stringent and less expensive cleanup. This initiative will require $10 million a year in additional EPA funding for 3 years.

**Pros**

- Encourages cleanup of Brownfields by partially addressing cost and uncertainty issues.
- Minimal expansion of a federal program.

**Cons**

- Does not solve liability problem.

*[Recommendation: Agree to all of the above proposals and introduce as a package of urban a brownfields initiatives. You will want to coordinate such a Brownfield's initiative with whatever reforms the Administration may wish to propose for SuperFund.]*

**High-Cost Proposal: To provide tax incentive for encouraging redevelopment of Brownfields:** Clarify that the costs of cleaning up and redeveloping a Brownfield's site may be expensed over a three-year period. This will cost approximately $2 to $4 billion dollars over five years.

**Pros**

- Will defray some of the costs of cleaning-up Brownfields through providing a tax incentive for private sector development that will put the Brownfield to economic use.

**Cons**

- Will cost money (and undercut IRS position in tax cases that Brownfield Clean-ups should be entirely capitalized in project costs rather than expensed)
- Will tend to encourage clean-up of projects that are least hazardous and most economical to develop given intended use, rather most toxic sites.

*[Recommendation: Keep this option on the table. More than any other tax option, it would have broad appeal throughout the country; and it would operate to encourage redevelopment of sites with best ratio of economic potential divided by cost of cleaning up hazard. If you want a Brownfield's initiative that will engage the private sector through a tax cut and make the mayors jump for joy, this is a real plus if the revenue side of the budget can afford this tax cut and this type of tax cut is viewed more favorably than others. You may also wish to explore whether clean-up of Brownfields could be included as an additional permissible use in the existing State-Clean Water Revolving loan funds or in any network of infra-structure banks: Clean-up of Brownfields for economically viable developments provide a good source of cash flow and capital value to repay any loan or to provide a return on any equity investment from such loan funds or banks.]*

Urban Policy

THE WHITE HOUSE

WASHINGTON

October 4, 1994

MEMORANDUM FOR YOUTH DEVELOPMENT SUB-GROUP

FROM: SHERYLL CASHIN, NEC

SUBJECT: Draft Options Paper and MEETING Reminder

Attached is a rough first draft of options for discussion at our next meeting on Thursday, October 6. Please note that the meeting time has been moved to 5:30 p.m. (instead of 6 p.m.). I expect the meeting to last until no longer than 7:30. The Room is 476 OEOB. If you have not already done so, please contact Julia Chamovitz on 456-2800 to confirm your attendance.

If you have any comments or strong concerns about the draft, I would prefer to receive them in advance of the Thursday meeting. Thank you for your continued input and participation in this project.

# YOUTH DEVELOPMENT AND EMPLOYMENT SUB-GROUP OPTIONS PAPER

## EXECUTIVE SUMMARY

This paper presents options for youth development and employment which appear to have fairly broad support or reflect the suggestions of a number of members of the Sub-group. It is not intended to be a compendium of all the ideas initially offered by members of the group. Rather, it sets out possible options in four strategic directions where their appears to be consensus for further consideration. The options can be summarized as follows:

**I. BOLD REINVENTION OF EXISTING YOUTH DEVELOPMENT PROGRAMS.**

**A. No New Legislation or Additional Spending Option -- Strong Coordination through the Ounce of Prevention Council.** A number of steps could be taken to provide strong coordination of all new and existing youth development programs and truly one stop access for local communities through the Ounce of Prevention Council.

**B. New Legislation Options**

**1. Waivers and Flexibility.** A strategy to provide communities with greater flexibility to provide seamless youth development services and combine fragmented federal funding streams could be achieved through legislation similar to the Local Flexibility Act which we have been working to pass this year.

**2. Consolidation --- Single Youth Development Grant Funding.** The Administration could propose bold, new legislation to consolidate categorical youth programs into a single federal youth development funding mechanism (a "Youth Development Fund"). Alternatively we could announce a longer term strategy that begins with an interim consolidation approach that focuses on a limited number of programs (or redirects a limited amount of funds from existing programs).

**II. COMMUNITY BUILDING / COMMUNITY SCHOOLS --- Building the youth development infrastructure for early, sustained interventions with at-risk youth.**

**A. School-Linked Youth Development Teams or Centers.** A performance-based, competitive challenge for Community Schools that mirrors the community-based planning and collaboration fostered by the EZ/EC process. The objective would be stimulating the creation of school-linked youth development centers in approximately 5000 high poverty schools through mobilization grants supported by <u>existing</u> Crime Bill prevention, National Service and other initiatives or through limited new investment in these programs. These youth centers would focus on (1) early interventions for youth development; and (2) job linkage and pathways to higher education to reward youth for working hard and completing school.

**B. Broader Investment Alternative -- "Empowerment Schools" or "Education Empowerment Zones".** The CEA and the Department of Education advocate a broader initiative that focuses on stimulating community-wide collaborations and comprehensive strategies for supporting parents, children and youth (ages 0-18). DoED advocates funding at $4.5 billion to $7 billion a year targeted to approximately 100 to 150 "Education Empowerment Zones" -- i.e., inner-city, low-income school attendance areas (of 5000 to 20,000 students). The CEA would require a focus on improving school governance and setting strict performance standards. The Treasury Department advocates a focus on children ages 0-3, which could be achieved in this initiative.

## III. JOB LINKAGE

**A. TJTC Amendment / Wage Credit Option.** DOL and Treasury officials will be working together over the next few months to develop options for improving the TJTC. Amendments the Youth Development Group might consider include (1) extension to economically disadvantaged individuals participating in approved "School-to-Work" programs; and (2) extension to individuals that live in an EZ or EC.

**B. Direct Investment / Reinvention Options for Job Linkage**

**1. Options for Out-of-School Disadvantaged Youth.**

**a. JTPA IIC Reinvention Option -- Investing in the CET Model:** DOL proposes reinventing JTPA IIC as the Second-Chance Component of School-To-Work Opportunities Act for Out-Of-School Youth. In other words they would redirect all JTPA IIC funds for out-of-school youth (approximately $360 million) to investments in CET job developer models.

**b. (Simultaneous) Job Corps Expansion Option:** The Job Corps could be expanded ahead of current pace and provide more opportunities for inner-city youths to benefit from its comprehensive, residential program. DOL proposes an increase of $200 million.

**2. Option for In-School Disadvantaged Youth -- Building on the School-to-Work Model.** The Administration is moving forward with efforts to strengthen the School to Work ("STW") program by proposing to increasing STW grants to high poverty areas and by working to include in the upcoming Perkins VocEd Reauthorization a new strategy to require or encourage States to use Perkins funds to support their STW opportunities reforms and school reform under Goals 2000. The Group should consider building on these efforts, for example, by determining how STW principles could augment a community schools effort.

## IV. DIRECT JOB CREATION

**A. Resurrecting the YES Proposal.** DOL and HUD propose an initiative that builds on the YES model. It would provide grants of up to $10 million a year to 30 target areas to fund public and private sector programs to increase youth employment. The goal would be to boost employment rates from 40% to 80% and, in the process, make neighborhood norms about employment more positive.

**B. Building on HUD and Commerce Apprenticeship Demonstrations with Labor Unions.** Although this option has not been developed, we should consider whether the lessons from these demonstrations can be applied more universally to stimulate a scores of Inner City Apprenticeship programs or Construction Corps nationwide. This might be done, for example, through a reinvention option that requires such apprenticeship efforts with all future disaster or emergency relief or construction funding.

**C. Youth Conservation Corps.** Modelled on the Civilian Conservation Corps of the 1930s and modern revivals like that run by the state of California, this would be a new program, tied to National Service or the National Guard's Youth Corps and other demonstrations, in which inner-city youths would work on public projects (such as National Park maintenance) while receiving remedial educational training, if needed.

## I. BOLD REINVENTION OF EXISTING YOUTH DEVELOPMENT PROGRAMS.

**A. No New Legislation or Additional Spending Option -- Strong Coordination Through the Ounce of Prevention Council.** A number of steps could be taken to provide strong coordination of all new and existing youth development programs and truly one stop access for local communities through the Ounce of Prevention Council ("OPC"). The following are examples of the types of steps that might be taken to assure such coordination. The Chair and the Vice Chair of the OPC would have to be involved in developing the specifics for implementing a strong coordination strategy.

- **Presidential Directive.** POTUS issues a presidential memorandum directing all agencies represented on the OPC to coordinate new crime prevention programs through the ounce of prevention council to the maximum extent permitted by law. Agencies are also be directed to coordinate other relevant youth development programs through the Council as well.

- **Single Application Form.** OPC issues a single application form for new youth development programs that requires applicants to submit a youth development strategy for at-risk youth that builds on existing community infrastructure (e.g. schools), has a private-sector match, and meets general goals, such as those stated below.

  - Raising high school completion rates in inner-city schools and promoting achievement of Goals 2000.

  - Socializing at-risk children early, before they reach rebellious adolescent years, to enable them to be ready for the world of college, contextual skills training or work and to keep them from falling into second chance programs.

  - Improving parenting skills and strengthening the ability of families to raise and socialize children.

  - Putting a caring, consistently available adult in the life of every at-risk child.

  - Giving kids a tangible reason to do the right thing by helping to guarantee that a job, relevant skills training or a college scholarship will be available if they work hard and play by the rules.

  - Attacking the problem of the lack of access to the informal networks that lead to jobs and negative employer perceptions.

  - Raising employment rates for ages 16-25 in a cost-effective manner.

- **Identical or Common Regulations.** Agencies on the Council issue regulations for the new crime prevention youth development programs that reflect identical broad goals and selection criteria. To the maximum extent possible, all new regulations should be identical.

– **Clearinghouse Function.** Ounce of Prevention Council develops a manual on all existing federal, private–sector and non–profit youth development and employment programs; establishes a user–friendly electronic database on such programs; and provides planning grants, technical assistance and outreach to promote use of best practices, aggregation and leverage of federal, private and non–profit resources.

– **Cooperation with Private Entity.** The Welfare Reform Plan included a proposal to foster the creation of a private, non–partisan entity to lead a national campaign for youth opportunity and responsibility. Assuming this goes forward, the OPC could collaborate with the private entity to leverage governmental resources with private sector commitments and spearhead a national mobilization to establish community– (and/or school–based) youth development partnerships in every high poverty neighborhood. (Private individuals and foundations such as Quincy Jones and the Annenberg Foundation have expressed an interest in participating in such a partnership).

**Advantages:**

- Maximizes likelihood of numerous fragmented federal "youth" programs being implemented in a coherent, effective manner by setting universal implementation goals that reflect the existing knowledge about what works. In particular, maximizes the public benefit by orienting youth development programs toward preparing youth for the world of work and lifelong learning.

- Provides a single focus for youth development and builds a permanent national infrastructure for sustained attention to the problem, regardless of political cycles.

- Focuses public and private resources on one of the most dramatic long–term problem in inner–cities –– the increasing absence of socialization functions (strong families, after–school programs, etc.) for youth.

**Disadvantages**

- Funding commitments for existing proposals may not materialize and will be subject to competing priorities of the Administration and Congressional appropriators.

- Not all crime prevention programs are targeted at youth or youth development infrastructure and we may draw the ire of Congress if we focus exclusively on this problem.

- Achieving true agency coordination without some legislative changes may be be difficult.

## B. New Legislation Options

### 1. Waivers and Flexibility

A strategy to provide communities with greater flexibility to provide seamless youth development services and combine fragmented federal funding streams could be achieved through legislation similar to the Local Flexibility Act which we have been working to pass this year. That bill would have provided statutory and regulatory waiver authority in a number of substantive areas including children, youth, training and education programs. It was limited to regulatory (as opposed to statutory waivers) in 60 demonstration areas and attached as an amendment to S.4. Passage does not appear likely this year.

The Community Reinvention Sub-Group is considering broad waiver/flexibility proposals that go beyond, but would include youth development programs. Given the difficulty of passing waiver legislation, it does not seem appropriate to limit such proposals solely to youth development and employment programs. We should ensure, however, that these programs are included in any broader, legislative proposals.

### 2. Consolidation -- Single Youth Development Grant Funding

The Administration could propose bold, new legislation to dramatically change how the federal government funds services for youth. The basic principle would be a consolidation of categorical youth programs into a single federal youth development funding mechanism (a "Youth Development Fund"). This would be a bolder legislative approach than the Waiver Bill because it would consolidate and eliminate programs, rather than providing flexibility within existing ones.

### Design Issues

<u>How Bold?</u> The Administration can signal its determination to make bold changes in the way it supports services for youth in a variety of ways. Our desire for boldness must be tempered by the pragmatic desire to actually pass legislation. The most sweeping of bold options could restructure dozens of programs involving hundreds of millions of dollars. The elimination of programs could be accompanied by a specific estimate of how many less people it would take the federal government to run the programs, and those savings could be added to program dollars available.

<u>Incremental Options</u>. Alternatively, we could announce a longer term assault on replication and lack of coordination, beginning with a major effort to consolidate youth services in recent federal legislation (crime, welfare, EZ/EC, etc.). Or we could support a limited reallocation of funds from existing programs for an initial stage of flexible block grants. (For example, Sens. Kassebaum and Dodd and Reps. Payne and

Morecella) have co-sponsored a Youth Development Block Grant Bill that would reallocate $400 million to expand and coordinate youth development programs for youth ages 6 to 19. Using a funding formula targeted to low-income communities, the bill would direct about 95% of funds to local boards comprised of community-based organizations, schools, churches and government). Experience gained from an initial consolidation could later be extended in further restructuring. A final incremental option, taking into account exigencies of both politics and implementation, might start with fewer programs, or approach this on an "opt in" or "opt out" basis by state, or as demonstrations.

What Programs? A complete inventory of the categorical programs serving youth needs to be taken. Suffice it to say that education, employment, recreation, social services, housing, and health are just some of the areas that should be looked at.

**Bold Proposal Outline**

As stated above, the administration would propose to consolidate a wide range of categorical programs into a single Youth Development Fund. The Fund would send dollars to states, probably by formula, and they in turn would allocate to localities. The entire structure would, of course, maximize state and local flexibility, but might require at least:

- **Participatory Governance:** Local planning entities for the new funding that includes representatives of, for instance, national and community based agencies, elected officials, parents and youth.

- **Leverage of Private Resources:** A requirement that localities maximize private resources as well as state and other funding.

- **Accountability for Results:** Funding would be tied to measurable outcomes: dropout rates, teen pregnancy rates, etc. A process that ties future funding either to results or to a willingness to modify unsuccessful strategies would be developed.

- **Comprehensive Approaches:** Local programs would have to provide comprehensive, coordinated services addressing many aspects of youth development in a positive and holistic manner (education, recreation, health, sexuality, need for meaningful relationships with peer and adults, community service, school to work transition).

- **A New Federal Role:** Rather than spending endless hours reviewing grant applications, processing contracts and vouchers, and monitoring paperwork, federal agencies would be able to work cooperatively to gather and share information, provide training and technical assistance, and monitor and evaluate results.

**Advantages**

- Riding the Wave of Public Discontent with Federal Bureaucracy. A bold, highly visible commitment to reducing, consolidating and simplifying federal programs in the name of encouraging local flexibility, less red tape, and better services to youth would be a good message to start off the second part of the term.

- Support at the Local Level. Any such proposal would find enormous grass-roots support from community groups to state and local elected officials.

- Consistent with NPR and needs of communities. It would free local communities from the constraints of narrow categorical programs and gives them the flexibility to design programs that are flexible and adaptable to the needs of local youth. It reduces the administrative burden on grantees of filling out multiple applications and reporting data to numerous federal agencies.

**Disadvantages**

- Congressional reaction from committees and members who have created and now oversee the range of categorical programs will not be favorable. A similar proposal by HUD to consolidate McKinney categorical homeless programs met with strong opposition this year.

- Advocacy Groups that represent grantees currently funded by categorical programs will not be pleased. Also, if the funds turn out to be too small and spread too thinly when consolidated, the effort could be seen as an abandonment of youth services.

- Inconsistent with broader community reinvention efforts ? It is somewhat inconsistent to limit a reinvention effort to one substantive area when the need for flexibility in distressed communities extends to other areas like economic development and job creation. In that the Administration will have political capital for only one truly bold reinvention strategy, it may be more appropriate for that strategy to have a broader focus.

**II. COMMUNITY BUILDING / COMMUNITY SCHOOLS -- Building the youth development infrastructure for early, sustained interventions with at-risk youth.**

**Rationale:** The transition from childhood into adolescence (ages 10-14) represents a period of great risks to healthy development and vastly neglected potential to prevent unconscionably high rates of casualties — substance abuse, premature parenthood, school dropout, suicide, and violence among the nation's at-risk youth. A consensus about strategies to address this challenge has been growing and provide a base for national action, namely, pivotal institutions must be strengthened to meet these needs. Such institutions can make a great difference in the pathways of young people into adult roles as workers, citizens, and family members.

Several working group members (DoED, CEA in particular) advocate a focus on schools as the vehicle for community building and/or building youth-development infrastructure. Several working group members advocate a performance-based, competitive challenge for Community Schools that mirrors the comprehensive, community-based planning and collaboration fostered by the Empowerment Zones and Enterprise Communities process. Two alternatives are presented below.

**A. School-Linked Youth Development Teams or Centers.** The objective of this options would be stimulating the creation of school-linked youth development centers in all high poverty neighborhoods throughout the country (or at the approximately 5000 high poverty schools) supported by existing Crime Bill prevention, National Service and other initiatives or through limited new investment in these programs. These youth centers would focus on (1) early interventions for youth development; and (2) job linkage and pathways to higher education to reward youth for working hard and completing school.

**Federal Support:** Mobilization Grants (modeled on the grants offered in the welfare reform teen pregnancy prevention initiative); additional flexibility with existing funds, and technical assistance.

**Possible Selection Criteria:**

**Community-Based Design** — the emphasis in terms of actual services or activities provided (e.g., academic, arts, sports, remedial tutoring, health, literacy, dispute resolution training, etc.) to be determined by the applicant community/organization. Applicants should have an institutional track record in the community and local residents must be involved and consulted in the design of the program.

**Community Partners** -- applicants must forge partnerships and garner matching commitments from the private sector, schools, churches, civic organizations, universities, local government, etc. -- particularly to achieve job linkage and pathways to higher education for targeted youth.

**School-Based** -- applicants should aim to use existing neighborhood schools that are anchored in the community and can provide a safe haven and a center for frequent contact between youth and caring adults.

**Paid, School- or Neighborhood-Based Staff** -- Preference should be given to programs that are designed to ensure consistency of contact between youth and caring adults and that will provide a permanent staff and supervisory structure for proposed activities -- e.g., the teen pregnancy initiatives team approach which would couple limited paid staff with National Service participants or other volunteers.

**Parental Involvement and Outreach** -- Preference should be given to applicants that plan to actively involve parents in the community school project.

**Linkages to Jobs and Higher Education** -- Applicants must include strategies for linking the early interventions of the youth centers with guarantees of jobs and access (scholarships) to higher education.

**Self-Sustaining Entities** -- The mobilization grant is intended to help defray start-up costs. Applicants must demonstrate an ability to operate on a sustaining basis (e.g., identification of 5 year financial commitments for operating budget from community partners).

**Alternatives for Achieving:**

**Reinvention Alternative:** Use the Reinvention Model presented in part I.A., making community schools partnerships the focal point of the single application developed by the Ounce of Prevention Council.

**Limited New Investment Alternative:** Provide new investment to put a youth development team (modelled on the teen pregnancy initiative structure) in [ ] low-poverty schools. (Welfare Reform proposes to reach 1000 schools for $300 million -- check amounts and rollout of community schools funding streams in the Crime Bill and in STW and assess additional needs for reaching stated a stated goal, e.g. 5000 low-poverty schools.) Invest more in existing authorizations rather than seeking new legislation.

**B. Broader Investment Alternative -- "Empowerment Schools" or "Education Empowerment Zones"**

The Department of Education advocates a broader initiative that focuses not just on building the youth development infrastructure but on stimulating community-wide collaborations and comprehensive strategies and services for supporting parents, children and youth. They advocate funding at levels that will reach a substantial percentage of the children (6.4 million age 0–18) and young people (2 million aged 18–24) living below the poverty line in the nation's center cities. DoEd recommends $4.5 billion to $7 billion a year targeted to approximately 100 to 150 "Education Empowerment Zones" — i.e., inner-city, low-income school attendance areas (of 5000 to 20,000 students). The Department of Education also advocates selection criteria that gives priority to comprehensive strategies that include: (1) early childhood support services such as child care, parental support and access to health care; (2) use of schools as safe havens through extended hours and programs; (3) early job linkages for youth; and (4) direct or guaranteed employment for young residents. DoEd would tie eligibility to school attendance areas and would guarantee a number of designations to EZ/EC communities. (See draft from DoEd for more details.)

The CEA advocates a similar approach, but not necessarily such substantial levels of funding. The CEA would focus such an initiative on improving the performance of the worst inner-city schools by setting strict performance requirements.

**Advantages of a School-Linked Approach (Options A and B)**

- A school-linked approach makes sense because schools are enduring, dominant institutions in the community and because there is virtually undisputed evidence that improving students' educational achievement improves social and employment outcomes.

- Youth value supportive relationships with adults, these relationships can take hold in programmatic settings and these relationships address a significant need in lives of at-risk youth.

- Because of the difficulty in creating, supporting and sustaining effective relationships, mentoring -- i.e. putting a caring adult in the life of an at-risk child-- should not be seen as a stand-alone initiative but as a vital part of broader youth development. The community schools / teen pregnancy initiative model, which combines paid staff with a team of 5-7 National Service or other full-time volunteers, deals realistically with the limits of volunteer mentors, allows for consistency of contact, and combining mentoring with broader solutions.

**Disadvantages of New Investment Options (Options A and B)**

- We may encounter "take-up" problems with substantial new funding streams in that strong community building is time-intensive.

- Any initiative requiring new legislation may take as much as a year to pass and then will compete with existing programs under the discretionary budget caps. We should be able to accomplish a high-level community schools initiative with existing authorizations.

## III. JOB LINKAGE

Few concrete proposals have been presented concerning job linkage but the entire group appears to agree that there is a strong need to combat the negative perceptions of employers regarding inner-city youth and minorities and to counter the lack of access of inner-city youth and young adults to the informal networks that lead to jobs. Research indicates that inner city, minority youth do almost as well as their white counterparts in gaining employment when they have the benefit of a referral from an employed relative or friend. Research also indicates that there is a great deal of discrimination in many labor markets against minorities, particularly minority males. The success of the CET Model suggests that employment outcomes for inner-city youth also increase dramatically when they receive contextually relevant training that meets employer's needs and they are referred to an employer by a reputable job developer.

There also appears to be some consensus for emphasizing or building on the School-to-Work program for job linkage strategies related to in-school youth and promoting similar strategies for out-of-school youth.

### A. TJTC Amendment / Wage Credit Option.

The TJTC, which is due to expire on Jan. 1, 1995, is available to employers for up to 40 percent of the first $6000 of wages paid to a certified worker for the first year of employment. This translates into a potential credit of $2400 per targeted worker. The worker must be employed for at least 90 days or work at least 120 hours. The credit for summer youth is 40 percent of the first $3000 of wages or $1200 and these employees must work for at least 14 days or 20 hours.) Certified workers must be economically disadvantaged or disabled individuals in one of nine targeted groups: (1) youth ages 18-22; (2) summer youth ages 16-17; (3) cooperative-education students age 16-19; (4) ex-offenders; (5) Vietnam-era veterans; (6) vocational rehabilitation referrals; and individuals receiving (7) general assistance; (8) Supplemental Security Income, or (9) Aid to Families with Dependent Children.

**Proposed Amendments:** DOL and Treasury officials will be working together over the next few months to develop options for improving the TJTC. The Administration has testified before Congress that it is committed to retaining the TJTC with improvements to deal with problems of employer windfalls, churning, and limited career advancement associated with the credit. The Youth Development Subgroup, therefore, should focus its considerations of potential tax incentives to promote job linkage on potential amendments to the TJTC. Of the amendments now being considered (and once offered last year), the following suggestions are most relevant to the Youth Development Group's purposes:

- **Extension to Economically Disadvantaged Individuals Participating in Approved "School-to-Work" Programs.** This idea would need to be developed if the Group believes it has merit.

-- **Extension to Individuals that Live in an Empowerment Zone or Enterprise Community.** This proposal was included in the Administration's original EZ/EC legislation. The rationale was to give employer's not located in an EZ or EC an incentive to hire EZ/EC residents. The EZ/EC community, in developing its comprehensive strategic plan and recruiting private sector partners would use the credit to promote employer linkages with the targeted EZ/EC community.

**Advantages:**

- Tax credits are not subject to the discretionary budget caps.

- The TJTC is likely to be retained, with modifications, and therefore it makes sense to build on what exists and what some employers have been inclined to use.

**Disadvantages:**

- The TJTC is a troubled program that has had questionable results in terms of influencing employer behavior.

- High unemployment has persisted among disadvantaged youth despite the availability of the credit since 1978. Thus, to have a substantial impact in raising employment rates, modifications to the TJTC must be combined with additional interventions or investments in job developers and/or programs that will establish stronger linkages between disadvantaged communities and employers.

**B. Direct Investment / Reinvention Options for Job Linkage**

**1. Options for Out-of-School Disadvantaged Youth.** Unfortunately, much research has found that few interventions are effective at improving the employment prospects of out-of-school disadvantaged youth. Moreover, in the last 15 years the labor market has plummeted for high school drop outs, with both employment and earnings falling. Real wages of male high school drop outs fell by 25 to 30 percent in the last 15 years. And forecasted changes in the structure of demand are expected to make the employment situation even worse for this group. Given the enormous problems disadvantaged youth face, it is critical to strengthen government policies to improve their life prospects. JTPA IIC and Job Corps are DOL's main programs for disadvantaged youth. About 60 percent of JTPA's IIC $600 million budget is devoted to out-of-school youth, and the remaining 40 percent devoted to in-school youth.

Below is an option that DOL is interested in pursuing to reinvent JTPA and a proposal to support further expansion of Job Corps.

**a. JTPA IIC Reinvention Option -- Investing in the CET Model:** The National JTPA evaluation provided evidence that, on average, <u>out-of-school</u> disadvantaged youth who participate in JTPA IIC have no better employment outcomes than a randomly selected control group. Given the past history of weak effects of training programs for out-of-school disadvantaged youth, this result is perhaps not terribly surprising. But the finding heightens the need to reinvent JTPA Title IIC for out-of-school youth. It is also important to note that other research suggests that the San Jose CET (Center for Employment and Training) model has been effective at improving the labor market outcomes of out-of-school youth. In particular, two independent evaluations have found that CET has significant effects on employment outcomes. The most prominent characteristics that distinguish CET from other youth training programs are: (1) a strong emphasis on contextual learning; (2) a network of dedicated job developers who have a history of contacts with employers, and who provide knowledge of what skills the market desires; and (3) extensive post-program follow-up.

<u>DOL proposes reinventing JTPA IIC as the Second-Chance Component of School-To-Work Opportunities Act for Out-Of-School Youth.</u> The reformed program would be modelled after the CET program. At the same time, we would continue to focus the JTPA IIC funds for in-school youth on drop-out prevention, to lessen the number of disadvantaged drop outs down the line. The JTPA IIC program is well suited for this role because it is targeted to the disadvantaged, unlike vocational education. In addition, the frequent transitions between the labor force and school enrollment make it critical to bundle the in-school and out-of-school programs together; it is valuable to have JTPA participants remain part of a continuing, coherent program as they transit between in-school and out-of-school status.

Some of the authority to reform JTPA IIC in the CET mode is already granted by the School-To-Work Opportunities Act. Indeed, DOL is already taking steps to expand CET-like systems to 25 sites. In addition, we are investigating the extent to which performance standards could be used to reinvent the program in a CET model. A broader transformation would require further legislative changes.

Another important component of the reinvention strategy is that we propose evaluating the results of these reforms. Among other things, the evaluation process will seek to determine the features of the program that are most successful, so further steps could be taken to spread the adoption of these "best" practices.

**Advantage**

Redirects substantial <u>existing</u> resources -- <u>about $360 million annually</u> -- to a model that has proven effectiveness and therefore is has resonance from a policy, budget and political standpoint. In particular it would show that this Administration is committed to discarding programs or approaches that do not work.

**Disadvantage**

There is some question about how quickly or adequately the CET Model can be replicated -- but this redirection of JTPA IIC funds seems much more preferable to the status quo!

**b. (Simultaneous) Job Corps Expansion Option:** The Job Corps could be expanded ahead of current pace and provide more opportunities for inner-city youths to benefit from its comprehensive, residential program. The most careful evaluation of the Job Corps program was conducted by Mathematica, and found that the program's benefit exceeded its costs by 46 percent. An evaluation of the program using random assignment is currently underway, although results will not be available for another 4 years. Although the earlier Mathematica evaluation did not use random assignment, there is widespread belief that the program has been reasonably successful. We suspect that Job Corps has been a successful program because it is comprehensive. The problems that disadvantaged youth face are enormous and include: concerns for personal safety; peer pressure to enter gangs; exposure to drug use; and inadequate schooling. The Job Corps program removes participants from their neighborhood, and places them in an isolated environment where they are free from many of the distractions in their neighborhoods. The program simultaneously deals with a host of problems.

Job Corps also passes the market test -- the program is over-subscribed, and must turn away willing participants who badly need help. Because of the program's demonstrated effectiveness, DOL thinks that expanding the number of Job Corps sites should be a high priority.

**Advantage**

- Invests more in a program that is widely understood as successful.

**Disadvantage**

- The cost-intensive nature of the program makes it impossible to meet the demand or eligibility for the program and therefore it may make more sense to invest in preventive youth development interventions designed to reduce the need for such intensive second chance programs.

- The appropriators have not been fully funding our requests for Job Corps funding increases and a higher pace of program expansion may not be possible. (The Administration requested an increase of $117 million in the 1995 Budget and an increase of only $59 million was appropriated.)

**2. Option for In-School Disadvantaged Youth -- Building on the School-to-Work Program.**

The Administration is moving forward with efforts to strengthen the School to Work ("STW") program. The following actions are being taken and could form the basis for further recommendations designed to ensure that the School-to-Work program is effectively implemented in inner city schools:

**Increasing STW grants to high poverty areas.** One of the four types of implementation grants for STW is a competitive grant for high poverty areas. Applicants must form partnerships of employers and educators with active participation of parents and students. Secretaries must give priority to communities with demonstrated effectiveness in delivering comprehensive vocational preparation and successful job placements. The grants are not limited to urban areas. DOL/ED have requested an increase from $24 million for FY95 (48 grants) to $40 million for FY 96 (80 grants).

**Perkins/Vocational Education Reauthorization — Linkages to School-to-Work.** While STW is a "transition" program funded at $250 million to $400 million over a limited number of years, Perkins Voc Ed is a permanent program funded at about $1 billion annually. The Perkins Act is up for Reauthorization for FY 1996. DoEd is likely to transmit a legislative proposal in the early spring of 1995. The proposal will most likely include a new strategy to require or encourage States to use Perkins funds to support their STW opportunities reforms and school reform under Goals 2000. DoEd is also exploring strategies for serving out-of-school youth through the Perkins Act and/or including vocational exploration and pre-vocational education (early intervention) in Perkins-funded entities. In addition to the basic formula grants ($973 million) and tech-prep formula grants ($108 million), the Perkins Act includes authority for demonstrations ($18 million) (all amounts for FY1995). A national demonstration authority included in the Perkins reauthorization could target urban areas and build on the Community Schools model.

## IV. DIRECT JOB CREATION

**Rationale:** Severe unemployment among inner-city youth has devastating social and economic impact, especially on minority males. To help prevent many of these youths from being lost to criminal behavior or long-term welfare dependency, we should consider creating jobs to give them a stake in "playing by the rules".

### A. Resurrecting the YES Proposal.

The Administration proposed the Youth Employment Skills (YES) program during the consideration of the Crime Bill and was nearly successful in including it. YES seeks to saturate targeted neighborhoods with positive interventions and employment opportunities for young adults. DOL proposes an initiative that would build on the YES model to provide grants of up to $10 million a year to 30 target areas to fund public and private sector programs to increase youth employment. The goal would be to boost employment rates from 40% to 80% and, in the process, make neighborhood norms about employment more positive. (Other agencies, particularly HUD, have offered similar program suggestions. HUD claims that, at $200 million a year, the YES program could serve approximately 13,000 youth annually) The YES program as submitted in the Crime Bill stressed time-limited public subsidies and strong linkages to private sector employment to ensure that YES participants move on to the <u>next</u> job.

**Advantages**

- Raising employment levels in distressed communities is a direct solution to inner-city ills.
- Saturation approach is intended to change whole community, not just program participants, through altering peer culture attitudes towards employment.
- Builds on knowledge gained from previous youth employment programs.

**Disadvantages**

- Subsidized public employment is not consistent with our basic economic message that increasing the skills of people, productivity of firms and the extent of trade will enable the private sector to create more and better paying jobs and will empower all Americans to take responsibility for seizing the opportunities available in the new economy.
- Direct job creation programs for youth have, in general, failed to demonstrate much in the way of positive long run impact.
- At a cost of about $8000 to $15,000 per job created, direct job creation is not as cost effective as job placement/linkage options, which average about $5000 per placement.

**B. Building on HUD and Commerce Apprenticeship Demonstrations with Labor Unions.**

In fiscal years 1994 through 1996, HUD will spend over $9 billion for construction and modernization activities. HUD has begun to maximize these existing investments to create jobs for public housing residents. HUD is collaborating with the Department of Labor and the Building Construction Trades Department of the AFL-CIO to provide training and employment for public housing residents. HUD will provide jobs, DOL will provide JTPA training resources and the unions will provide apprenticeship slots to public housing residents. HUD is developing a demonstration program that further tests a variety of strategies for meeting Section 3 / "Jobs for Residents" requirements, including the HUD-DOL-Building Trades collaboration model. HUD has also proposed to consolidate its Step-Up and Youth apprenticeship programs.

The Department of Commerce has also been spearheading the "JobLink" initiative in Los Angeles, which is designed to ensure that the billions in federal funds being expended for earthquake relief and construction stimulate the creation of apprenticeship slots for inner-city youth in the building trades.

Although this option has not been developed, we should consider whether the lessons from demonstrations be applied more universally to stimulate a scores of Inner City Apprenticeship or Construction Corps programs nationwide. This might be done, for example, through a reinvention option that requires such apprenticeship efforts with all future disaster or emergency relief or construction funding.

**C. Youth Conservation Corps**

Instead of attempting to change the distressed neighborhood itself, another approach is the "corps model", which takes youths out of the neighborhood and provides them with disciplined, structured environments. This gives them an opportunity to develop out of the reach of many of the destructive influences they face in everyday life. Modelled on the Civilian Conservation Corps of the 1930s and modern revivals like that run by the state of California, this would be a new program, tied to National Service or the National Guard's Youth Corps or other demonstrations, in which inner-city youths would work on public projects (such as National Park maintenance) while receiving remedial educational training, if needed. If desired, the program could focus on inner-city projects to make it more relevant to the youths and the communities. (Note – if developed on a non-residential basis it becomes more similar to YES and traditional summer jobs programs, and not really a "corps model".)

**Advantages**

- Can be developed as part of existing Administration programs and priorities.

- The discipline and structure in "corps" programs may be more politically popular than traditional youth jobs programs.

**Disadvantages**

- "Corps" programs involving long stays away from home often face significant dropout rates.

- If not part of National Service, a "corps" program could be seen as a stepchild for those not able to participate in Americorps. If part of National Service, targeting on urban youth could be difficult.

[illegible] PAPER

## Urban Policy Working Group -- Work Schedule

**By September 26.** All agencies and working group members submit to the relevant subgroups their initial ideas for strategic options -- preferably options that are consistent with the directions of the workplan.

**By October 10.** All initial options presented and discussed within each subgroup and placed in a comparative framework (see attachment). To the extent possible, nonviable options eliminated and remaining options are developed more fully.

**By October 17.** Each working group begins work on a draft memorandum presenting the required strategic options -- (1) reinvention; (2) \$0–750 million; (3) \$750 million – \$2 billion; and (4) tax incentives.

October 28. Early directors review w/Rivlin on urban policy + budget plug.

**By October ~~31~~ 24.** All subgroups finalize proposals reflecting the consensus of the group where possible and dissenters' views.

**By ~~November 15~~.** October 31. Principals Nov. 15 — Pres. Sub-group co-chairs, working with Sperling, Galston and Reed, produce a decision memorandum that is presented at a Principals meeting, revised and then sent to the President.

THE WHITE HOUSE

WASHINGTON

August 22, 1994

MEMORANDUM FOR CAROL RASCO
BRUCE REED
BILL GALSTON

FROM: Paul Weinstein

SUBJECT: **Urban Policy**

This article, while obviously tilted, makes it clear to me that the problem with the President's urban strategy is not a policy one but rather a communications matter. The Republican strategy of these four mayors is centered around two principles: 1) cut taxes, regulations, and government bureaucracy to attract private business back into the cities; 2) provide more community policing. This administration has a very strong position and record on both of these. Yet, these Republicans are getting the credit, not us.

Combined with education/mentoring, welfare, and housing reform, the aforementioned principles provide a strong core urban message that I believe would resonate with urban and suburban voters across the country.

has already proposed about $1 billion in tax cuts over the next four years. But in a city where residents pay 40 per cent more than the national average in state and local taxes, that should be just the beginning.

### *Anti-Politician's Politician*

BRET SCHUNDLER'S election as mayor of multi-ethnic Jersey City is the most remarkable of the GOP's recent victories. Running on a platform of tax cuts, school choice, and community policing, the white Wall Street financial analyst received 68 per cent of the vote, including 40 per cent of the black vote and 60 per cent of the Hispanic vote, in a city where only 6 per cent of registered voters are Republicans.

In office a little over 21 months, Schundler has already reduced the city's portion of property-tax rates by 29 per cent, wiping out the effect of large tax hikes recently enacted by the county and the school board. "Jersey City homeowners have been accustomed to having taxes go up every year," says Joseph W. Hottendorf, executive vice president of the Hudson County Board of Realtors. "It was like death: something that was bound to happen. Bret Schundler has changed people's expectations."

It is Schundler's school-choice platform, however, that has gained him serious national attention. Unlike most big-city mayors, Schundler has been willing to take on the teachers unions. "You can't ever effect a revolution if you leave power in the hands of politicians," he says. Schundler, who is aggressively lobbying the state legislature, hopes to have the country's first city-wide school-choice program in place by the fall of 1995.

Like Giuliani, Schundler believes that fear of crime is closely connected with a sense of disorder, the feeling that no one is in control. To bring order to Jersey City's mean streets, Schundler is going after graffiti and litter, but with a twist. Rather than turning the task over to city bureaucrats, he is letting the residents of each neighborhood pick the firm they think will get the job done best.

Unlike Mayor Riordan, Schundler has enough cops. With 860 officers, Jersey City has nearly as many as Indianapolis, which has 500,000 more people and 85 more square miles to patrol. Yet the policemen in Jersey City's patronage-laden department never seem to be around when you need them. Before Schundler took office, there were no officers on foot patrol (now there are 70), and the number of police cars cruising the city on a typical night was dangerously low. "If they were properly deployed, we would have enough police officers to have one guy walking in front of each house in Jersey City every 15 minutes," says Schundler's chief of staff, Michael Cook.

To realize his goal of 300 officers on foot patrol, Schundler will have to impose his will on a resistant Police Department. He wants to turn dozens of positions over to civilians, privatize some police functions, and set up 133 community-based police districts where foot-patrol officers will be directly accountable to neighborhood committees. Police on night patrol now talk daily to a designated neighborhood resident, who informs them about any problems. "They'll fight me today but thank me later," Schundler says. "When you put a cop back in one neighborhood, he knows that he's not accountable to the whole world—just to that community's residents."

### *The Coming Revolution*

IF A GOP urban revolution takes place, it will be in Indianapolis or Jersey City, not in L.A. or New York. While Riordan and Giuliani are both moving in the right direction, the liberal opposition is firmly entrenched. "What Giuliani has to fight against is so much more formidable than anywhere else, he could be the best mayor in the country and still not be a national innovator," says Fred Siegel. Ditto for Riordan, though Giuliani has so far seemed more willing to take on the status quo.

But thanks to these new mayors—shortfalls and backsliding and all—the GOP now has a visionary message to offer on how to rejuvenate urban America. Unfortunately, few national Republicans have shown much interest in picking up the message and convincing urban America's predominantly minority residents that Republicans really care. This is an opportunity too important to squander. □

*If You Can't Beat 'Em . . .*

# THE GREENING OF AMERICAN FAITH

Yes, man is responsible for his use of the Earth. But to whom is he responsible—God or Gaia?

ROBERT A. SIRICO

MANY religious Americans encountered a strange beast during the octave of Earth Day this year. At weekend services, in place of some traditional prayers, they were asked to pay homage to the earth, sky, and animals.

One prayer resolved that "we must say, do, and be everything possible to realize the goal of the environmental Sabbath: an ecological society. . . . We cannot let our mother die. We must love and replenish her."

Another prayer, this one from the Iroquois, begins, "We return thanks to our mother, the earth which sustains us. We return thanks to all the herbs, which furnish medicines for the cure of our diseases. We return thanks to the corn, and to her sisters, the beans and the squashes."

These prayers came courtesy of the

*Fr. Sirico is president of the Acton Institute for the Study of Religion and Liberty in Grand Rapids, Michigan.*

buying back some holidays and time off, increasing overtime for current officers, and transferring revenue from other departments. But with each officer costing $75,000 a year, to come anywhere near his promise the mayor will need to find a lot of cash fast. Privatizing LAX would help.

### *Tough Talk in New York*

CONSERVATIVES who expected a Rockefeller Republican have been pleasantly surprised by Rudolph Giuliani. The Big Apple's most reform-minded mayor since before World War II, Giuliani has turned a fiscal crisis into an opportunity.

Starting with a $2.3-billion deficit, Giuliani has the best chance since the near-bankruptcy of 1974 to overhaul one of the country's most bloated bureaucracies. His budget, the first in 16 years that is smaller than the previous one, calls for $200 million in union benefit concessions and $1.2 billion in spending cuts, including reductions totaling 15,000 municipal workers. Setting an example, Giuliani has eliminated more than 130 positions from his own office.

And the mayor is determined not to back down from pledges to privatize city services. These include custodial services for the public schools, where a custodian can earn $60,000 a year cleaning buildings a few days a week. The city-owned classical radio station and the United Nations Plaza Hotel will be sold to the highest bidder.

A good start. But some analysts say the bureaucracy is so thick that another 30,000 to 50,000 positions could be eliminated with ease. Several days after reporting to Giuliani the number of administrative personnel at central headquarters, the city's Department of Education suddenly "found" another 3,500 bureaucrats.

Giuliani's top priorities, meanwhile, are reducing crime and addressing public-safety-related "quality of life" issues. The mayor is determined to crack down on the squeegee wielders who harass motorists, the beggars who badger pedestrians, and the "taggers" who deface buildings. His new police chief, William Bratton, was formerly head of the New York City Transit Authority's police force, where he cleaned up the subway system by declaring war on graffiti, mugging, and aggressive panhandling.

"With Rudy and Bratton, New York City has the two strongest criminal-justice people working side by side of any city in America," claims senior advisor Richard Schwartz. But if New York cops are going to be tougher under Giuliani, they aren't going to be leaner. While other unions took hits, the police kept their unlimited sick leave and 20-minute wash-up time.

With only 3 per cent of the country's population, meanwhile, New York City accounted for 20 per cent of all job losses during the last recession. To calm the stampeding businessmen, Giuliani needs to free up the economy. "Nearly everything is illegal in New York City," says longtime city-hall watcher Fred Siegel, former editor of *City Journal*. "You have to purchase the right to do anything." Giuliani has pledged to reduce or eliminate some of the city's 28 different taxes, and he to three levels, you can't even recognize what you first proposed." Running half his departments are management whiz kids Goldsmith plucked from private industry. They wax enthusiastic about performance-based accounting, performance measurement, and activity-based costing. Savings from increased efficiency, including savings generated by competition, have reached almost $100 million a year.

Even the Police Department—typically Republicans' favorite bureaucracy—has felt the squeeze. "The police department was developed over a forty-year period as a control organization with layers and layers of supervision," Goldsmith says. "The pyramid has to be turned upside down. Officers need to be rewarded for risk taking." Accordingly, the mayor has shaved off layers of bureaucracy, instituted community policing that emphasizes solving neighborhood problems rather than reacting to them, privatized a crime-analysis unit, and pushed authority down to the officer on the beat. The restructuring has led to some middle-management griping, but crime dropped by almost 7 per cent last year.

Goldsmith has run into a snag, however, in his attempt to get neighborhoods, churches, and community organizations to pick up the slack from his downsized government. Efforts to contract with neighborhood groups and churches to maintain local parks have generated little interest from either. A proposal to privatize two of the city's most troubled public-housing projects—which would have given the residents more control—was quashed by vehement opposition from the residents themselves.

What went wrong? "Over time, all governments, including Indianapolis, have essentially taken the place of the private leadership of neighborhoods," says Goldsmith. When the government leaves, there's nothing to fill the gap.

But Goldsmith isn't giving up. He has brought in Robert Woodson's National Center for Neighborhood Enterprise to train neighborhood leaders and has opened a neighborhood training center. And his $500-million capital-improvement program is designed to give preferences to inner-city communities that help themselves by rehabilitating abandoned houses, cleaning parks and alleys, and painting houses.


## *The Millionaire Reformer*

RICHARD RIORDAN is the first Republican mayor of Los Angeles since the Fifties. More cautious than Goldsmith, he has shied away from confronting entrenched interests at city hall. Then again, L.A.'s mayoralty is not nearly as strong as Indianapolis's. Lacking the power even to appoint his own department directors and needing the approval of a liberal City Council for almost all important measures, the mayor must govern by persuasion and negotiation rather than fiat. "In L.A., the mayor could probably propose a resolution honoring motherhood and apple pie and end up having a four-hour debate," says Riordan's chief of staff, Bill McCarley.

So Riordan is focusing on three simple goals: increasing public safety, boosting government efficiency, and improving L.A.'s business climate.

A favorite pastime of America's mayors over the past three decades or so has been spending taxpayer money to build convention centers and stadiums or to subsidize huge downtown development projects. This Field of Dreams strategy—"If we build it, they will come"—usually goes wrong. L.A.'s new convention center (built for half a billion dollars under Mayor Tom Bradley) is a case in point. "Every time I drive by it I hear a giant sucking sound," says Deputy Mayor Michael Keeley.

Riordan, the former venture capitalist, doesn't believe the city should try to replace private investors. Rather, he is trying to persuade them that L.A. is worth investing in, by easing the local regulatory and tax burdens. "L.A.'s government has increasingly become the enemy of business," he says. "It's like being in a Communist country." Opening a business in L.A. requires dozens of permits and often a paid lobbyist to assist in navigating the city-hall bureaucracy. Riordan has charged a high-profile task force with overhauling this process. The City Council recently cut L.A.'s business-tax surcharge in half (Riordan had proposed abolishing it), and the mayor has refused to consider tax hikes.

To increase efficiency, Riordan has proposed privatizing various city-run enterprises, including golf courses, building maintenance, and some trash collection. Before he had even made his first privatization proposal, however, a majority of the City Council had lined up to oppose him, and Riordan has not, so far, shown much enthusiasm for this fight. Already, big-ticket items like L.A. International Airport have been relegated to the back burner.

This lack of determination could hurt Riordan where he has more at stake: the crime front. During his campaign he pledged not to seek reelection if he didn't put three thousand more cops on the streets. Scrambling to meet the pledge without raising taxes, he is moving some cops from desk jobs to the streets and putting civilians behind the desks, tried—unsuccessfully—to draw information out of him.

Insofar as Sudoplatov produced his memoir without access to NKVD documents, the newly discovered files point to an extraordinary propensity for accuracy on his part. After all, the ex-general apparently relied solely on his memory, on a few stray papers still in his possession, and on conversations with aging former comrades. Thus his now-validated treatment of the Bohr episode—which took place nearly fifty years ago—is striking.

A sense of honor, one might hope, would prompt critics who took part in the effort to destroy *Special Tasks* at least to note the new evidence. Thus far, however, the Bohr files have been greeted with silence. □

## *The GOP's Urban Guerrillas*

# RIGHTING CITY HALL

### Fed-up urban voters are suddenly turning to Republicans with fresh ideas. Can they deliver?

**WILLIAM D. EGGERS**

EVER SINCE the Depression, Jersey City's mayors had always been Democrats. The Democratic machine built by Mayor Frank Hague had such a solid lock on city hall that when Republican Bret Schundler decided to run for mayor in 1992, he couldn't find any other qualified Republicans to put on his election slate. Yet Schundler won, by challenging business as usual and promising an innovative, entrepreneurial approach to local government.

Republicans have a tough time overcoming the perception—partly justified—that they do not understand or care about urban problems. This perception has translated into Democratic dominance in mayoral races and a roughly 2 to 1 urban margin for Democrats in presidential elections. But Schundler's victory and the arrival of Republican mayors in several other cities that had long been controlled by Democrats offer hope that the GOP, long the party of suburbia, is ready to seize the urban agenda.

The last two years' mayoral elections produced the largest turnover of big-city mayors in decades. Republicans now run five of the country's twelve largest cities, including New York City and Los Angeles. Young GOP radicals also captured city hall in several medium-sized, heavily Democratic cities, including Jersey City, Dayton, and Raleigh.

To be sure, the GOP doesn't have a patent on reform-minded mayors. Democrats like Cleveland's Michael White, Milwaukee's John Norquist, and Philadelphia's Edward Rendell are downsizing government, privatizing, and facing down powerful city unions. But if the GOP's new urban guerrillas can show that market-oriented solutions are the best way to save America's cities, then pulling the voting lever for Republicans may cease to be such an alien experience for urbanites. "Residents of cities have seen one set of failed policies for the last twenty to thirty years," says Republican Mayor Stephen Goldsmith of Indianapolis. "We now have the opportunity to show them that you can be a conservative, populist Republican and improve the quality of life for *all* citizens of the city."

The GOP's emerging urban strategy aims to create opportunities for the urban underclass and to stem the continuing exodus of business and middle-class taxpayers to the suburbs. It focuses on stronger, more self-reliant neighborhoods, safer streets, less bureaucracy, lower taxes, less regulation, and better schools. Most important to the GOP's urban future are New York's Rudolph Giuliani and L.A.'s Richard Riordan, because they represent the nation's two largest cities, and Goldsmith and Schundler, because they have the most radical reform agendas.

### *Robomayor*

ELECTED in 1992, Stephen Goldsmith has been fundamentally restructuring city hall. The 44-year-old mayor's smarts and relentless drive have inspired one local writer to dub him "Robomayor." Each week Goldsmith spends a few hours seeking cost-cutting ideas by working alongside city employees. He has been seen filling potholes, issuing business licenses, and walking the beat.

Goldsmith teaches a graduate course on public policy one night a week at Indiana University, and he has given privatization tutorials for Giuliani, Riordan, and Schundler. A free-market true believer ("Only reforms that tap the competitive power of the marketplace will make government more efficient"), Goldsmith has created what he calls a "marketplace for municipal services."

Nearly every city-hall function—from pothole repair to job training for welfare recipients—is open to competition from private firms. Next in line: the Indianapolis airport. Ending the government's monopoly on various services is saving the city about $28 million annually and has turned the typical city-hall incentives upside down. The city's public-works department, trying to compete with private road-repair firms, insisted that it needed only four men on a crew instead of eight. Already the number of non-public-safety employees has been slashed by 28 per cent, and Goldsmith insists he's just getting started.

Fierce free-marketeers now reign in the Indianapolis bureaucracy. "You need to start with a clear commitment and bring in people who share your commitment," says the mayor. "Otherwise, by the time you drop two

*Mr. Eggers is director of the Reason Foundation's Privatization Center.*

Urban Policy

**URBAN POLICY WORKING GROUP**

**September 19, 1994**

**Meeting Agenda**

**I. Overview and Reactions to Draft Workplan** (15 minutes)

Gene Sperling, Bill Galston

**II. Background and Context for Proposed Subgroups** (30 minutes)

Youth Development -- Sheryll Cashin

Economic/Business Development -- Paul Dimond

Community Reinvention -- Chris Edley

**III. Next Steps -- Proposed Work Schedules and Signing Up for Groups** (15 minutes)

Tools
- People worked hard
- $7 B in CB
- Plenty that will make a real diff.

Judged by results
- Empowerment Zones

debate ① More fun to think up new initiatives but

② But -- exciting new poss w/private sector
- SBA + HUD + Educ.

these will enable us to plant seeds of next generation of policy ideas
1) 12 yrs. for EZs
2) several yrs for CDBanks

# Like Dumbo's Feather, Prospect of Federal Grants Gives Cities the Confidence to Fly on Their Own

By JEFFREY H. BIRNBAUM
*Staff Reporter of* THE WALL STREET JOURNAL

WASHINGTON – Call it the Dumbo paradigm.

In the children's classic, Dumbo is an elephant who can fly, but he thinks he needs the encouragement of a "magic" feather to get off the ground. Eventually, Dumbo learns to fly by himself, without the feather.

In government, the Clinton administration – with a strategy that Vice President Al Gore compares to Dumbo's feather – is encouraging cities to rebuild themselves by dangling the prospect of grants of as much as $100 million. And although the decision is months away on which communities will get "empowerment zones," benefits from the program already are starting to flow.

In Louisville, Ky., local businesses pledged $6.5 million to start a community development bank as part of the city's application for a zone. But the bank's loans to poor neighborhoods will be made regardless of whether Louisville gets the federal grant. The same is true in Detroit, where the city has pledged to locate three new health clinics in the economically depressed parts of town that are targeted for empowerment-zone status.

Across the country – from Chicago to Monroe, La. – the elaborate efforts needed merely to apply for the funds have created many small and some large advances for the communities involved. As a result, the empowerment-zone program is one of the few concrete examples of how government can instigate change without directly spending a dime – an oft-stated although rarely achieved goal of the Clinton administration. "It's happening as we hoped for," crows Gene Sperling, a White House aide who helped develop the program, which Congress passed last year.

**Total of $3.5 Billion**

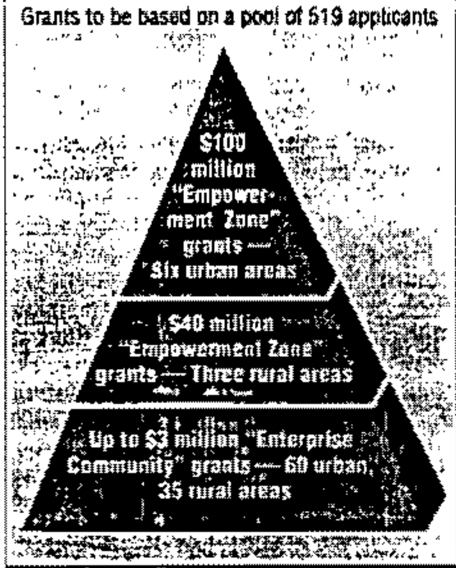
Not everyone is so pleased with the program, which will cost a total of about $3.5 billion over five years. Some Republicans dislike its outright grants, preferring the exclusive use of more-flexible tax incentives like their previous proposals for enterprise zones. Others dismiss the program as too small to do much good: Only a few communities actually will get grants, and the amount of money, although large, is tiny compared with the problems.

The program will create "empowerment zones" in low-income neighborhoods scattered in six urban and three rural areas around the country. The locations selected will be treated to a huge infusion of federal largess – a total of more than $2 billion in tax incentives in addition to $100 million in grants to each urban zone and $40 million to each rural area. The plan also will create 60 urban and 35 rural "enterprise communities," which will get grants of as much as $3 million each.

From the start, the empowerment-zone effort was designed to compel communities to improve themselves no matter what the outcome of the enterprise-zone selection process. Towns and cities have to compete for the federal money by showing how well their citizens already are working together to improve their lot. The places that show the most initiative presumably will get the nod. According to Housing and Urban Development Secretary Henry Cisneros, 100 federal employees from several government agencies will choose the winners by year end.

**Empowerment Prize**

Grants to be based on a pool of 519 applicants




The scramble to qualify for this bonanza produced applications from no fewer than 519 communities. Monroe, La.'s bid was five feet thick. Memphis, Tenn.'s came with a treasure chest filled with chocolate doubloons. Baltimore's was delivered with the help of a high-school band.

The rush for federal gold also produced something more – a lot of help for poor people along the way. And that, Vice President Gore says, "has been a very powerful reaction. Lots of mayors have called to say that they feel as if they have already come out way ahead just by coming through this process."

Take St. Louis. Major corporations there have pledged to hire more than 3,000 residents in the targeted neighborhoods over the next 10 years. Local businesses and government agencies also have promised to spend $330 million over the same period on projects in the zone. For example, one public-relations company has donated $100,000 in services over the period to help inform community residents about the many new benefits they are getting.

And most importantly, says Scott Intagliata, special assistant to the mayor: "All of the commitments given to the empowerment-zone application were given based on the understanding that we may never get the $100 million."

Chicago is another success story. The mere specter of winning a $100 million federal grant spurred the banking community to commit to making $100 million in loans on its own for the construction of low-income housing in the designated areas. Some of the banks also say they will open their first branch offices in the troubled neighborhoods.

In Chicago as elsewhere, the application process also has left the city with something less tangible yet valuable: a new openness among the often-warring citizens groups that work in these hard-pressed areas. "The process is the best product," says Rosanna Marquez, director of programs for Mayor Richard Daley. "We sat down from the beginning with the communities that need the help."

"Barriers have been broken down between whites and blacks, among units of local government, and between the public sector and the private sector," says Michael Allan Wolf, a professor of law and history at the University of Richmond. "These were precisely the kinds of actions that Congress and the Clinton administration were looking for."

"The genie is out of the bottle," agrees Mayor Jerry Abramson of Louisville. "We will never develop a neighborhood or work on a community-development project the same way again. This [empowerment-zone] process will be the norm for doing business in Louisville from now on."

Not every community was so diligent about its application. Officials say some failed to take the time required to shape cooperative ventures or to make the sacrifices called for in the application process. A few towns have been criticized for doing little more than hiring consultants familiar with what the federal government wanted and drafting a slick document.

**Problems Loom Large**

Moreover, the $100 million grant, while a lot of money in isolation, is hardly enough to solve the huge problems of the nation's urban centers. "That much money will not revitalize even one block in the inner city," Mr. Wolf says.

All of which makes the advances along the way that much more consequential. Phoenix expects to provide tax breaks to help construct a commercial park near its airport. And Detroit expects its auto makers and other businesses to begin providing job-training to poorer neighborhoods regardless of whether it gets a zone designation.

It was during a White House meeting early on that Vice President Gore likened this type of progress to the story of Dumbo's feather. After hearing this explanation, Robert Rubin, the president's national economic adviser and a former Wall Street investment banker, asked, "Who is Dumbo?" Mr. Gore has since given Mr. Rubin a copy of the story.

THE WALL STREET JOURNAL WEDNESDAY, AUGUST 24, 1994

Mtg 9/19

Urban Policy

Draft 9/13/94 6pm

**Urban Policy Working Group Work-- Direction and Workplan**

**OVERVIEW:** The focus of the working group will be developing a decision memorandum for the President that reflects a limited number of strategic options that address the problems of distressed, economically isolated communities, particularly inner cities and the growing concentrations of poverty in these communities. The Principals' group, which met on August 19, agreed that the President's proper role in bringing solutions to bear in inner-cities will be providing a platform or vehicle for catalyzing substantial private sector involvement. The workplan presented here for developing this decision memorandum attempts to reflect other perceived areas of consensus and first principles that should guide the work of the group. The document also proposes a division of labor for developing the decision memorandum.

**THE PROBLEM TO BE ADDRESSED:** Distressed, economically isolated communities, particularly in the inner-cities. Left unaddressed, this problem will only lead to further economic and social decline for the people who live there, for surrounding regions and the nation as a whole. Therefore, the working group will focus on federal strategies that will empower distressed communities and the families who live there to develop new approaches for learning the skills, making the connections and exploiting the niches that will enable full participation in America's metropolitan regional economies.

**BACKGROUND AND CONTEXT:**

The federal government alone cannot solve the problem. Any options we develop must insist on community and private-sector involvement. Given the complexity and depth of inner-city problems, we should be modest about our ability to effect change, and focus on interventions that catalyze non-government action and promote strategies that we have reason to believe will work, as discussed more fully below.

We will not focus exclusively on people or on places; as with the Empowerment Zones initiative, we recognize that we must have interventions that empower both people and places and we must encourage the surrounding metropolitan regions to invest in solutions rather than exacerbate the problem.

We cannot do everything we want to. We must make choices. This exercise is about developing strategic options that are worthy of the President's time and attention.

We have already started several new programs and initiatives, and are averaging about 50 cents in appropriations for every dollar requested for the President's existing agenda of new investments.

Munnell: 1) Housing's money
2) Money for WR

Edelman: 1) Yes
2) Black male

About 27 months remain in the Clinton Administration's first term. For any substantive strategies we develop we must consider whether and how they could be implemented by using or building on existing authorizations and initiatives.

We have successfully pursued a number of initiatives that target or will have a high impact in distressed communities and that stress "opportunity and responsibility" themes. This exercise should proceed with a clear understanding of what those initiatives are, how they are faring in the budget process, and the impact they are making or could make in distressed communities. Attached at Appendix A is a brief overview which describes most of the major initiatives, but is by no means exhaustive and is slightly out of date. These existing initiatives reflect an initial foundation (new authorizations, new funding, or new administrative activity) in the following areas:

- **Capital Access for Community Development**

- **Lifelong Learning Agenda**

- **Increased Investment for Disadvantaged Children and Families (Making Work Pay)**

- **Federal Coordination and Reinvention for Distressed Communities** (the linchpin of which has been the promotion of comprehensive, community-driven revitalization strategies through the Empowerment Zones and Enterprise Communities Initiative and the Community Enterprise Board)

- **Crime Act** -- Safety and Security of Persons and Property and Effective Crime Prevention Strategies.

It should be understood as a given that the Administration is committed to proceeding with implementing and/or funding these strategic agenda. Another key, relevant item which the Administration will be pursuing vigorously over the next year is welfare reform. All of these agenda are described as important planks in the Clinton Administration's National Urban Policy Report (which has not yet been released).

**WHAT MORE NEEDS TO BE DONE -- STRATEGIC OPTIONS:** The framework presented at the principals meeting of August 19 (attached as Appendix B) reflects options espoused by various Administration officials and outside advocates. There appears to be substantial consensus for exploring additional options in the following areas:

- **Youth Development**

- **Broader Economic Development/Tax Incentives to Stimulate Business Growth and Job Creation in All Distressed Communities**

**Broader Community Reinvention Strategies**

The working group should aim to present strategic options in these three core areas for the President. For each area, a sub-group would be charged with developing specific options. Each sub-group would be asked to develop options and make a presentation to the overall working group by a specific date. Described below are more specific "marching orders" and principles which should guide the work of each subgroup.

It should be noted, first, that a few items listed in Appendix B are separable and are being pursued by other working groups. Those efforts, described below, can be presented separately to the Urban Policy Working Group and, if appropriate, reflected in the urban policy decision memorandum. The separable efforts are:

- **Infrastructure Bank, GSE or Financing:** An NEC working group is developing an options paper for the President that is expected to be completed in late September or early October.

- **National Homeownership Strategy:** Secretary Cisneros is leading a working group that is developing a proposed national strategy for the President's consideration. This would be a non-budgetary, private sector initiative. The general consensus seems to be that we should do this if the proposal is worthy of a Presidential initiative. In other words, it will be evaluated on its merits and should not be viewed as competing with other initiatives. For this reason, we may not even need to address it in the context of the urban policy working group.

- **Access to Private Capital Access:** An ongoing DPC-NEC working group will be addressing options for leveraging or extending CRA Reform and GSE Investment Partnerships as well as other capital access issues.

- **Reinventing Education, Training and Reemployment Programs:** An ETR Subgroup, led by Belle Sawhill will be working on this issue throughout the fall.

Two additional areas of importance should be addressed but do not seem appropriate for broad interagency deliberation. We recommend that these issues be addressed as follows:

- **Addressing the Housing Problems of Urban America (Reinventing Public Housing, Consolidating HUD programs, Fair Housing Enforcement):** HUD is pursuing this agenda, particularly as part of its budget process. It could be an important plank of an urban or community empowerment strategy, however, and therefore we recommend that HUD be tasked to make a presentation to interested members of the working group and that this group make recommendations as to whether and how these issues should be addressed in the upcoming Presidential decision memorandum.

**Urban Environmental Problems:** Several outside advocates stress that there are difficult environmental costs and barriers the prevent redevelopment of urban "brownfields." Some bills are pending in Congress on this issue and proposals have been offered, for example, by Mayor Rendell. We recommend that EPA and the Office of Environmental Policy be tasked to make a presentation to interested members of the working group on the status of this issue and any other important urban environmental issues and that this group make recommendations as to whether and how they be addressed in the upcoming Presidential decision memorandum.

**COMMUNICATION STRATEGIES:** No matter what strategic options are recommended to the President, we need to begin to make the public aware of the good things we are doing to help distressed urban communities and cities in general. A small, core group, will be tasked to develop a communications strategy. The sub-group would consider, for example whether and how to use the upcoming National Urban Policy Report and proposed urban dialogue as a focal point for articulating the message.

**PROPOSED SUB-GROUPS:**

Described below are the specific rationales for each subgroup and instructions that are specific to each substantive area. However, the following general advice and instructions apply to all three subgroups.

**I. Develop Four Types of Options.** Each group should develop:

**(1) A Reinvention Option** that emphasizes reinvention, consolidation or targeting of existing programs, private-sector outreach, and interagency cooperation;

Assume that new discretionary resources will be very limited in 1996 and beyond. The Budget Enforcement Act discretionary cap forces a zero sum game, with little room for large-scale new initiatives. Effective use of scarce resources requires developing an initiative that is small in cost if not in scope, relying on existing funding sources and on local/private sector participation. Attention, therefore, should be directed at: (1) increasing the efficiency of and retargeting existing programs, including Clinton initiatives such as Goals 2000 and School-to-Work; (2) regulatory relief and statutory reinvention; and (3) intangible rewards for local efforts and progress such as national recognition.

**(2) A Limited New Investment Option** that would propose an initiative that would invest between $0 – $750 million;

**(3) A Bold Option** that would propose and initiative that would invest between $ 750 and $2 billion; and

**(4) A Tax Incentive Option** that would attempt to achieve the goals of the group through a tax incentive.

**II. Consider the Following Questions.** In developing these options, the subgroups must consider the following questions:

**(1) Does the option catalyze private sector involvement?** The President's urban policy should provide a platform or vehicle for catalyzing substantial private sector involvement in addressing problems of inner cities. Given fiscal constraints, private sector resources -- combined with resources from foundations, nonprofits, and local governments -- are crucial to any urban revitalization effort.

**(2) Does the option build on existing Federal efforts?** Any new initiative should build on the efforts and structures already developed. Among other things, we should build on the Empowerment Zone/Enterprise Community (EZ/EC) initiative.

**(3) Does the option attack the social and economic isolation of concentrated poverty populations?** Over the past two decades, poverty has become more concentrated in cities; many central city governments have been fiscally strained and their basic services, including schools, have decayed. Regardless of the specific focus (e.g., education; youth development, child health; job creation) increased public *and* private sector resources and attention should be directed to reducing problems associated with concentrated poverty in urban areas.

**(4) Does the option address problems of youth development?** Within the concentrated poverty population, the focus should be on investments in and economic opportunities for disadvantaged youth, including increasing educational opportunities and access to jobs and vocational training.

**(5) Does the option forge metropolitan-level coalitions and strategies?** The economic and social destinies of cities and suburbs are interwoven. Many urban problems spill over local political boundaries and affect every metropolitan area resident to one degree or another. Unfortunately, political fragmentation, reinforced by patterns of Federal and State funding, is often a major obstacle to forging a metropolitan-level coalition and strategy. Because metro areas generally function as single labor and housing markets, urban initiatives should encourage metro-wide coordination.

**(6): Does the option foster reinvention and reform?** The Federal response to urban problems has historically been fragmented and incomplete, perhaps in part a consequence of jurisdictional boundaries of both Congressional committees and Federal bureaucracies. We must tie together the current set of disparate initiatives, and move beyond a laundry list of resource-starved investment proposals at HUD and elsewhere. Similarly, we must challenge state and local leaders to consolidate and better coordinate *their* programs, as well as overcome impediments created by jurisdictional boundaries.

**(7): Does the option increase accountability based on performance?** New Federal initiatives must consider how to incorporate accountability based on performance. Such accountability should be the prerequisite for new funding and broad discretion in the local choice of means.

(8) **Does the option have a strong thematic focus** that is consistent with the Clinton Administration's "opportunity" and "responsibility" message and which will help sell it to the public and the private sector?

(9) **Can the option be achieved without new statutory authority?** Rather than hold any urban initiative hostage to a new Congress and to ensure that visible progress is made in the next two years, subgroups should consider what steps can be taken within existing authorities to attack concentrated urban poverty. At the same time, the groups should think about what process could lead to an eventual major restructuring of urban programs.

## III. Specific Guidance for Each Subgroup

### A. Youth Development.

**Rationale for Subgroup:** Although there are numerous existing and new programs that target disadvantaged youth (e.g. JTPA Title II, School-to-Work High Poverty Area Grants, Youthbuild, new crime prevention programs), one of the focal points of the crisis in inner-cities is the lack of strong families and social infrastructure for raising children and preparing them for college or the world of work. Because existing targeted youth development programs, particularly job training and employment programs, reach only a fraction of eligible youth in need, a focus on building community "youth development" infrastructure is needed. The absence of such focus is the weakest link in existing youth development policies. In particular, we are not effectively linking training and other youth service programs with job-related institutions, employers and mechanisms that create jobs. A focus on youth development infrastructure also makes sense as a strategic option for a Presidential initiative because such community building will require public, private and community collaboration and Presidential leadership would help to focus public attention on the issue and attract substantial private sector participation. This issue also coincides with the public's strong concerns about youth and crime.

**Types of Strategies that Must Be Considered** Options for addressing needs of pre-Kindergarten children and strengthening families; options for mentoring and development of youth ages 10–18; and options for job linkage (connecting to employment) for inner-city youth and young adults.

The ETR Subgroup on Overcoming Discrimination and Expanding Economic Opportunity is near completion on a working paper that will address, among other things, job linkage strategies. This should be a starting point or the core work of this group. Belle Sawhill's ETR Subgroup on Consolidation of Employment/Training Programs should also provide input into this effort.

All options could be tied to a National Campaign for Youth Opportunity and Responsibility -- the private-sector, non-budgetary initiative described in Appendix B. The subgroup should also explore the potential for this campaign and how it could be coordinated with these policy alternatives.

Do not forget to develop a tax-based option. For example, the Administration's original Empowerment Zones legislation offered an incentive for employers outside the zones to hire zone residents.

**2. Economic Development.**

**Rationale for the Subgroup:** As indicated in Appendix A, the Administration has initiated a number of programs that will promote economic growth in distressed communities. However, there is some concern that these initiatives will benefit a lucky few communities (e.g. 104 zones and communities as part of the EZ/EC initiative), that the existing tax incentives do not adequately support commercial development in low-income areas and that the existing discretionary efforts are overlapping and fragmented (e.g. CDBFI Act, National Community Economic Partnership (passed with Crime Act), Commerce Competitive Communities, HUD NCDI, SBA One Stop Capital Shops).

**Types of Strategies that Should Be Considered:**

- A "Business Development Agenda" for distressed communities which emphasizes investment and coordination of existing priorities like the CDBFI Bill, One Stop Capital Shops, etc.

- A Tax Credit or Incentive that is designed to spur business/commercial development in all distressed communities.

- A tax-based option for a "follow-on" to Empowerment Zones and Enterprise Communities. (This could be devised to reward existing EZ/EC applicants or to require a second round of applications)

In addressing these options, the group should consider how and whether such incentives could be tied to existing or new vehicles that require a planning process, e.g., the MEZ proposal, Commerce's Competitive Communities initiative, etc.

**3. Reinventing Government / Promotion of "Bottom-up," Community-Driven Initiatives.**

**Rationale for the SubGroup:** The Empowerment Zones and Enterprise Communities initiative spurred over 500 communities around the country to undergo a comprehensive planning exercise that brought together community, non-profit, private-sector and local government players around a vision for change. The response to this process has been overwhelmingly positive. (See Appendix C, Wall Street Journal Article) The EZ/EC initiative also spawned the creation of the Community Enterprise Board, which in the year since its official creation, has institutionalized cooperation among some 15 federal agencies in responding to the comprehensive plans submitted by EZ/EC applicants. The PACT process has also resulted in sustained interagency attention among six agencies around comprehensive, community-driven violence prevention strategies and the upcoming implementation of the Ounce of Prevention Council (passed and funded by the Crime Act) will further institutionalize such efforts. Many agencies are also promoting programs and strategies that emphasize community-driven planning and implementation (e.g. National Service, community policing, EPA Environmental Justice project). These developments have raised several imperatives and concerns. First, the tremendous new energy and commitment generated by the EZ/EC process should not be lost. All 500+ applicants should receive encouragement and assistance for following through with their visions. Second, as the President's draft National Urban Policy Report emphasizes, distressed communities and their residents must find viable niches or opportunities in their surrounding regional economy or they will only become further isolated. Communities should be encouraged and rewarded for engaging in comprehensive planning processes that promote metropolitan–wide or regional solutions to inner–city problems. Third, we should provide a structure that makes it easier for all distressed communities to learn about, coordinate and innovatively employ existing funding streams.

**Types of Strategies that Should Be Considered:**

- Promoting metropolitan approaches to solving urban problems and providing incentives for regional cooperation. This would include consideration of the MEZ proposal, which proposes, among other things, "report card" rankings linked to rewards/sanctions to promote national goals, metropolitan cooperation and accountability.

- A non– or low–budget approach to a "follow–on" to Empowerment Zones and Enterprise Communities. (This option would be concerned primarily with providing incentives for existing EZ/EC applicants that do not get designated to follow–through with their plans — as opposed to being the basis for a second round of applications. Strategies could include legislative waivers; building on the PACT Process or a non-budgetary version of the MEZ Option).

With both of these options, consideration should be given to how and whether we should strengthen mechanisms for aggregation and/or coordination of agency initiatives (e.g. PACT, National Service, Competitive Communities, community policing) that are designed to promote community–based and community–driven solutions to problems of distressed communities.

**Additional Issues to Consider:**

**Should the Clinton Administration actively facilitate dialogue and development of national consensus?** The urban crisis is, in part, a crisis of values and leads to feelings of powerlessness and cynicism that undermine democratic solutions. A renewed conversation about fundamental values and goals may be a prerequisite for building local and national majorities in support of fresh solutions. What role should the President and others play in fostering and leading a conversation about urban values? What incentives and structure should be provided to foster local dialogues?

## APPENDIX A

### Existing Policies and Funding

In the past year and a half, we have pursued new initiatives and increased funding in four broad areas that directly affect distressed communities and/or disadvantaged individuals: (1) Capital Access and Community Development; (2) Lifelong Learning/Human Capital Investments; (3) Federal Coordination and Reinvention and (4) The Crime Act -- Safety and Security of Persons and Property.

A discussion of health care reform is beyond the scope of this paper. However, reforms designed to achieve universal coverage should disproportionately benefit urban areas, as they have high concentrations of uninsured residents. Welfare reform, which is also discussed below, will have similarly concentrated impacts in urban areas.

### A. Capital Access and Community Development.

In the first year of the Clinton Presidency, the Administration focused heavily on the issue of access to capital for underserved communities. We produced a series of interrelated initiatives that amount to a credible capital access agenda -- one that provides incentives both to build community-based lending and underwriting capacity and involve the mainstream banking sector. In addition, the Administration has pursued several initiatives designed to foster economic development and job creation in low-and moderate-income communities. These initiatives include:

a. CRA Reform.
b. Community Development Banks and Financial Institutions.
c. Empowerment Zones and Enterprise Communities
d. SBA One Stop Capital Shops
e. Capital gains rollover and exclusion for investments in SSBICs
f. Individual Development Accounts (Welfare Reform Bill)
g. Microenterprise Demonstrations (Welfare Reform Bill)
h. Fair Lending Enforcement
i. HUD-GSE Home Ownership Partnerships; HUD Pension Fund Investment Partnerships
j. Permanent extension LIHTC, Mortgage Revenue Bonds
k. HUD Neighborhood and Community Development initiatives: LIFT, Community Viability Fund, Sec. 108 -- Economic Development Initiative, National Community Development Initiative (NCDI), Zone Economic Development Initiative (ZEDI).
l. Commerce: EDA Competitive Communities.

**Appropriations Issues:** We were successful in procuring $3.5 billion (of an initial request of $4.1 billion) in tax incentives and flexible grants for the Empowerment Zones and Enterprise Communities Initiative. On average, we are receiving about ___% of our capital access/community development appropriations requests for FY'95. The following are some of the key community development items.

(1) CDBFI — Amount requested for FY95: $144 million. Amount appropriated for FY95: $ 125 million in Senate. There will be a diversion of up to 1/3 of funds for subsidies provided for under the Bank Enterprise Act.
(2) SBA One Stop Capital Shops — Amount requested for administrative costs for FY95: $3.57 million. Amount appropriated: $0 in Senate; $1.786 million in House.
(3) EZ/EC Zone Economic Development Initiative (ZEDI) — Amount requested for FY 95: $500 million. Amount appropriated: $400 million to be divided among ZEDI, and other HUD Project-based Community Development.
(4) HUD Project-based Community Development — Amount requested for FY95: $300 million for LIFT, Community Viability, Colonias, etc. Amount Appropriated — $400 million to be divded among ZEDI and HUD Project-based Community Development.

**B. Lifelong Learning (Human Capital Investment for Disadvantaged Populations).**

The President's lifelong learning agenda aims to systematically increase the opportunities for ordinary Americans to learn and prepare for participation in the new economy with the expectation that they will take responsibility for their economic futures.

**1. Families, children and youth.** By the end of the first session of Congress, the Administration will have in place several of the elements of a comprehensive foundation for child readiness to learn and increasing the capacity of new cohorts of children and youth to find clear pathways to successful entry into the labor market and higher education. Elements of this foundation include:

a. Increased funding for WIC, childhood immunization, Headstart
b. EITC Increase to Make Work Pay for Families with Children
c. Goals 2000 and ESEA reauthorization
d. School-to-Work
e. National Service (50% targeted to urban communities **[check]**)
f. Dramatically expanded student aid through more affordable and flexible student loans

**Appropriations/Implementation issues:** For FY95 Congress is appropriating only about 50 cents on average for every dollar increase requested in our budget for these programs. For Head Start we obtained only about 28 cents for every dollar in increases requested for FY95. In addition to problems with funding, we face difficult implementation challenges. The Head Start and childhood immunization expansion, Goals 2000, School-to-Work, and National Service/student aid initiatives are at the beginning of a multi-year campaign of implementation that will require sustained efforts if we are to achieve our ambitious goals. Goals 2000 and School-to-Work, for example, will require 10 years of systematic reform and persistent efforts to influence the behavior of states.

**b. Adults and older Youth.** The basic principles of the proposed Reemployment Act (REA) include (1) transforming the unemployment system so that most dislocated workers get back to work faster; (2) enabling the few dislocated workers with obsolete skills to obtain extended retraining for new jobs; and (3) encouraging the development of effective one-stop shopping centers for relevant labor market information. We are hard at work with Congress and the relevant constituency groups to embrace these principles, but the prospect for passage of REA is uncertain at this point. (How this effort to agree on basic principles will impact our ability to transform all vocational, adult, and "second chance" training programs that are subject to reauthorization in the next Congress is also uncertain.)

**Authorization Issues:** REA may require extension of the 0.2% FUTA tax in the out years, and some increase in funding to encourage leading states and localities to implement effective, performance-driven reemployment and one-stop approaches.

**C. Federal Coordination and Reinvention for Distressed Communities**

**Community Enterprise Board.** On September 9, 1993, the President established through Presidential memorandum the Community Enterprise Board. The Board is chaired by the Vice President; Bob Rubin and Carol Rasco serve as Vice-Chairs. Since its establishment, staff at the 15 agencies represented on the Board have been working hard with HUD and USDA in implementing and administering the empowerment zones/ enterprise communities program. In addition, the Board has been assisting the States of West Virginia and Indiana in implementing their plans to provide for the seamless delivery of scores of federal and state children and family programs through community-based outlets. A subcommittee of the Board has also been working on policies related to economic development in Indian country. Finally, we have had some success in working with Congress on The Local Flexibility Act, which would give agencies on the Board more waiver authority so that the Board could respond to comprehensive waiver strategies.

**Local Empowerment and Flexibility Act of 1994.** Countless governors, mayors, and community organizations contend that what they need to redress the ills of our decaying central cities is more flexibility in existing programs — not more federal funding. Such flexibility is also critical in order for us to fully support the designated zones and communities. For these and other reasons, including the fact that NPR recommended such action, we have worked hard to obtain legislation that would provide us with this flexibility.

During the deliberations on S.4, the National Competitiveness Act, Senator Hatfield introduced as an amendment regarding flexibility that is similar to language that the Administration drafted shared with Congress. This provision appears as Title XI of S.4. and allows the Community Enterprise Board to select thirty sites to receive special consideration and treatment from the federal government with respect to its programs — including specifically administering programs in the manner specified by the approved plans and "waiv[ing] any requirement under Federal law" that is "reasonably necessary for the implementation of the plan" and "approved by a majority of members of the [Board]." The provision was presented to the House conferees on August 2, 1994. Because some believe that this provision may threaten S.4, we have been asked not to work for its passage.

**Pulling America's Communities Together.** Pulling America's Communities Together ("PACT") is an inter-agency effort designed to empower communities to reduce crime and violence. (Agencies involved in this effort include Education, HUD, HHS, Labor, Justice, and ONDCP.) Through PACT, the federal government fosters and supports the development of broad-based, holistic state and local efforts designed to secure community safety. It accomplishes these objectives by assisting communities in developing violence-reduction strategies; developing a database that will link local jurisdictions to specific federal departments, agencies, and programs; and coordinating the delivery of existing relevant federal programs.

The inter-agency group has started PACT projects in four sites: metropolitan Atlanta, the City of Denver and its surrounding counties, the state of Nebraska, and Washington, D.C. These sites are working hard reviewing the crime problems of their jurisdictions and developing solutions to address those problems and have generated strong responses and cooperation in those sites. However, the extent to which these sites succeed at reducing crime/violence is unclear at this juncture.

**D. The Crime Act**

The Crime Act contains several key provisions of importance to Urban areas, many of which offer direct grants to municipal governments and community-based organizations.

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The Crime Act contains several key provisions of importance to Urban areas, many of which offer direct grants to municipal governments and community-based organizations.

a. **Community Policing** -- 100,000 Cops. $8.8 billion. Half of the 100,000 new police will go to large cities and counties (over 150,000 persons).
b. **Ounce of Prevention Council.** $90 million in grantmaking authority for innovative children and youth programs and coordinating authority for all new federal youth development and youth-oriented crime prevention initiatives.
c. **Community Schools and Child-Centered Activities.** (Family and Community Endeavor Schools -- FACES) $810 million for after school and year-round extracurricular programs ($567 administered by HHS; $243 administered by DoED).
d. **Local Partnership Act.** $1.620 billion for formula grants to thousands of American

cities for unspecified educational, job and drug treatment programs that prevent crime.
**e. Model Intensive Grants.** $626 million for comprehensive crime prevention programs in 15 chronic, high-intensity crime areas. Competitive program administered by DOJ.
**f. Gang Prevention.** GREAT (Gang Resistance Education & Training) program, $48million, administered by Treasury.
**g. Local Crime Prevention Block Grants.** Total of $377 million in formula block grants that can be used for a variety of purposes that were sponsored separately in the first Conference Report, e.g., youth employment, gang prevention, Hope in Youth, Anticrime Youth Councils, Boys and Girls Clubs in Public Housing, Police Partnerships With Children, Olympic Youth Development, Child Visitation Safety Visitation, and Midnight Sports Leagues.
**h. National Community Economic Partnership.** $270 million in matching funds for building capacity of CDCs, to be administered by HHS (Community Services).

In sum, the Crime bill contains $8.8 billion for new cops, over $1.3 billion in new funding for youth development, $2.25 billion in new funding for local governments to develop crime prevention strategies in high crime areas, and $270 million for community-based development organizations. Initial funding for most prevention programs will not be appropriated until FY96. The following relevant prevention programs received limited appropriations for FY95: Ounce of Prevention Council ($2 million); Family and Community Endeavor Schools ($26 million to HHS; $11 million to DoED); and GREAT ($10 million). All funding is subject to discretionary spending caps. However, because the funding for the Crime Act is tied to a "use-it-or-lose-it-to-deficit-reduction" trust fund, this funding is likely to materialize as cuts in the Federal workforce proceed. Because this funding is subject to discretionary budget caps, opportunities for additional discretionary funding for interventions targeted at youth or distressed communities may be extremely limited.

**E. Welfare Reform.**

The President's Work and Responsibility Act proposes to make welfare a transitional program designed to move people into work as quickly as possible. The proposal would transform welfare by imposing time limits and work requirements while enhancing funding for education, training and employment services. If passed and funded, by the year 2000 the Bill would result in the following key impacts:

. 400,000 subsidized new jobs will have been created, most in high unemployment urban areas. Almost 1 million people will either be off welfare or working, as a result of time limits and work requirements for a AFDC recipients born after 1971.

. Federal child support collections will double.

. Teen pregnancy prevention programs will be operating in 1000 middle and high schools in disadvantaged neighborhoods.

. All hospitals will have programs in place to establish paternity at birth. And a national clearinghouse will be in place to enable inter-state tracking and enforcement for child support payments.

**Teen Pregnancy Prevention Initiative.** The Clinton Welfare Reform Bill contains one key provision that, if passed and funded, could provide a foundation for broader strategic human capital interventions in distressed urban communities. Under the Teen Pregnancy Prevention Initiative, about 1000 schools and community-based programs will be provided flexible grants, ranging between $50,000 and $400,000 each. Communities will be expected to use these funds to leverage other resources to implement teen pregnancy prevention programs that have local community support. Funding will be targeted to schools with the highest concentration of at-risk youth. The goal will be to work with youth as early as age 10 and to establish continuous contact and involvement through graduation from high school. Each local program will be supervised by professional staff and, where feasible, will be supported by a team of 5-7 National Service participants. The Bill requests authorization of $300 million over six years for the Initiative plus an additional $100 million for 12 cost-intensive, comprehensive service prevention demonstrations. The Initiative also commits the President to leading a national campaign against teen pregnancy. National goals may be developed to guide the campaign, and a non-profit, non-partisan privately funded entity may be established to pursue these goals by involving and challenging a wide range of private sector, non-profit, religious and educational institutions and partners.

## APPENDIX B

### Urban Policy Review: Issues and Direction
### (Previously Distributed Draft)

**The Problem:** Distressed, economically isolated communities, particularly inner cities and the growing concentrations of poverty in these communities. Left unaddressed, this problem will only lead to further economic and social decline for the people who live there, for surrounding regions and the nation as a whole. Thus, this policy review will focus on solving the problems of distressed communities and the people who live there. We will not focus exclusively on people or on places; as with the Empowerment Zones initiative, we recognize that we must have policies that help both people and places. As the President's draft National Urban Policy Report emphasizes, distressed communities and their residents must find viable niches or opportunities in their surrounding regional economy or they will only become further isolated.

**Goals of Urban Policy Review:** To develop a decision memorandum for the President that reflects various strategic options for addressing the problem. The options would reflect courses of action he should consider taking both with respect to the FY 96 budget and in the coming year.

**Strategic Options:** Although the problem focus is distressed urban communities, the strategic options for addressing this issue range in scope and focus. Potential options for addressing the problem can be placed in the following categories: (1) budgetary programs that focus exclusively on distressed communities or poor populations; (2) budgetary programs that have a broader focus but will have a concentrated impact on distressed communities; (3) non-budgetary, private sector initiatives; and (4) non-budgetary efforts that focus on governance and process. Using this framework, a working group would consider a range of options and ultimately present a limited number of core strategic agendas to the President in the form of a decision memorandum. The following is a list of some of the types of initiatives that might be considered, none of which are mutually exclusive:

**1. Direct Expenditures for Distressed Communities.**

- **Disadvantaged Youth Development and Employment Strategies:** options include (1) Community Schools/"good shepherd partnerships" to develop youth and empower parents (Crime Bill/Welfare Reform); (2) Job Linkage Networks (identify and invest more in most effective existing programs); (3) Direct Job Creation for Disadvantaged Youth and Adults (Y.E.S. program in Crime Bill); and (4) Neighborhood / Infrastructure rebuilding efforts that will employ residents (LA Joblink Project; HUD Section 3 programs).

- **Tax Credit for Commercial/Business Development in All Distressed Communities:** e.g., 5% ITC, analogous to the LIHTC, for opening clusters of retail, commercial and service stores in distressed areas. Such tax incentives might also be made available for clean-ups of industrial sites, supporting minority entrepreneurship and investments in telecommunications infrastructure in distressed communities.

- **Fully Fund (or expand) Existing priorities for Distressed Communities:** CDBFI, SBA One Stop Capital Shops; Empowerment Zones/Enterprise Communities additional appropriations (ZEDI); Head Start increases, ESEA.

- **Metropolitan Approaches.** Proposals, such as the MEZ proposal, that would use new expenditures to stimulate comprehensive, metropolitan-wide solutions to urban distress — solutions that could focus on any of the types of strategies mentioned above. MEZ proposal features a national dialogue to build national and regional consensus on an "urban report card," planning grants, and flexible funding and program deregulation to 12 regions.

- **Low-Budget Options for EZ/EC Round II.** Low-cost tax incentives or building on the PACT process to reward EZ/EC applicants that do not win EZ/EC designations. (See also non-budgetary waivers option below.)

**2. Broader Focus Expenditures with High Impact on Urban Distressed Communities.**

- **Lifelong Learning Initiative:** Would include increased funding for Goals 2000; School-to-Work (especially existing grants for high-poverty areas); Income-contingent loans; National Service, etc.

- **Safety and Security:** Fully funding community policing/cops, drug courts, etc.

- **Infrastructure Bank, GSE or Financing:** Infrastructure Working Group will complete an options memo in September which will include discussion of targeting to distressed communities.

- **Mayors' Priorities:** Restoring Historic Rehabilitation Tax Credit and other changes to 1986 Tax Act.

**3. Non-Budgetary, Private Sector Initiatives.**

- **National Campaign for Youth Opportunity and Responsibility:** Set national goals for youth development and economic integration. Create a national, non-governmental entity to pursue these goals and attract private-sector capital for local youth development partnerships. Use the Ounce of Prevention Council or Community Enterprise Board to coordinate federal efforts and provide a clearinghouse on best practices.

- **National Homeownership Strategy:** Use tools of HUD, FHA, Fannie and Freddie to provide low- and no- down payment loans to eligible low- and moderate-income purchasers; coordinate outreach and education to generate a national homeownership rate of 66 percent by the year 2000. Campaign would be led primarily by HUD.

- **Access to Private Capital:** Use leverage presented by CRA Reform and GSE Investment Partnerships to increase investment by mainstream financial sector (including entities not currently covered by CRA) in underserved markets. (Credit Access Working Group is beginning to address such options.)

**4. Non-Budgetary, Governance/Process Initiatives.**

- **Metropolitan Empowerment Zones and Incentives for Regional Cooperation.** (Non-budgetary version.). The MEZ proposal could be pursued in a budget neutral fashion by seeking statutory authority to create flexible funding awards from existing programs and use these as incentives to promote regional cooperation. The National Dialogue on Metropolitan Solutions, as called for in the National Urban Policy Report, could be used as a campaign for passage of such legislation.

- **Waivers/Local Flexibility Act -- EZ/EC Round II.** (The Local Flexibility Act is still a part of the Conference for S.4 and could pass.) Could be used to reward EZ/EC applicants that did not receive EZ or EC designations.

- **Mayors' Priorities:** Unfunded Mandates (Glenn/Kempthorne compromise would require an authorization to fund any new mandate); Federal Urban Purchasing Preferences; urban location preferences for Federal facilities.

- **Reinventing Public Housing; Consolidating HUD Programs.**

- **Reinventing Education, Training and Reemployment Programs.**

- **Concentrating Energies on Good Implementation of Existing New Initiatives:** Community Enterprise Board/EZs and ECs; Goals 2000, School-to-Work, CDBFI, etc. (This would include coordination of youth development programs through the Ounce of Prevention Council if the Crime Bill passes).

- **Addressing Urban Environmental Challenges:** investigate non-budgetary options for promoting redevelopment of abandoned urban industrial "brownfields."

By now you should have received a copy of the draft workplan for the urban policy working group. If you do not have a copy, contact Sheryll Cashin (456-5369) or Pat Smith (456-5373).

If you have any strong concerns about this document we would like to hear them in advance of the meeting on Monday. You are welcome to call Sheryll Cashin-NEC or Paul Weinstein-DPC (456-5577) with your comments.