xc: DPC Program Staff
RED
DOT

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

## ROUTE SLIP

TO Carol Rasco

| | |
|---|---|
| Take necessary action | ☐ |
| Approval or signature | ☐ |
| Comment | ☐ |
| Prepare reply | ☐ |
| Discuss with me | ☐ |
| For your information | ☐ |
| See remarks below | ☐ |

FROM Belle Sawhill DATE 1-11

REMARKS

Attached is a first rough draft of the text on "Investing in People" for this year's budget. I wanted you to have it at this stage so that you and your staff would have an opportunity to comment at a relatively early stage. Could we have any feedback by COB Thurs?

Thanks -

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

January 11, 1994

**NOTE**

TO: Second Floor

From: Belle Belle

RE: My sections of budget

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Attached is a first draft of the section on "Investing in People". We are still working on it but wanted to get it to you so that there would be time for comments and ironing out inconsistencies between sections.

# TABLE OF CONTENTS

***Investing in Young Children***

Covers Immunization
WIC
Head Start
Family Preservation to be added

As early as the fourth century B.C., the philosopher Plato was stressing the importance to a just and prosperous society of investing in children starting at an early age. His masterwork, *The Republic* devotes lengthy discussion to the appropriate type of poetry youth should learn, physical exercise they should undertake and diets they should follow to prevent diseases. He observes ". . . the first step, as you know, is always what matters most, particularly when we are dealing with those who are young and tender. That is the time when they are taking shape and when any impression we choose to make leaves a permanent mark."

Several millennia later, with the benefit of numerous scientific studies, our Nation continues to confirm Plato's hunches about the importance of investing in our children. Research into the effects of early, high quality children's education programs show gains that may last into adulthood, including lower crime rates, higher earnings, and lower unemployment rates. Supplementing the diets of pregnant women and infants, and insuring that more children are immunized against early childhood diseases, are also proven vehicles for saving lives and improving health. These investments both enhance the life prospects of children and save money for the taxpayer over the long-run. According to studies, a dollar invested in:

- childhood immunization saves $14 in avoided medical costs
- high quality learning programs for young children saves $7.16 in welfare, crime and unemployment costs

- nutritious food supplements for pregnant women saves $1.77 to $3.13 in Medicaid costs.

The Administration recognizes the fundamental importance of nurturing its future citizens. It also shares a principle held dear by Plato—that members of society should, if possible, start with equal opportunities. Accordingly, it places a premium on helping young disadvantaged children, as well as their better-off peers, to participate in society as fully as their talents and hard work will allow. Programs such as Head Start, childhood immunization and the Special Supplemental Food Program for Women, Infants and Children (WIC) with demonstrated success in stretching the minds and strengthening the bodies of young children ought to reach more of their target population. In furtherance of these ideals, the Administration is committed to expanding resources for such programs.

[Add summary table for all 3 programs showing % increase in funds 95 over 94 and 99 over 94 as well as increase in number of children served and participation rates among eligibles.]

*Childhood Immunization*

To be fully immunized, a child should be protected against at least nine diseases. Most inoculations should be received by age two. Through grants to State and local health agencies, the Centers for Disease Control and Prevention (CDC) currently finance about a quarter of all childhood immunizations and estimates that State, local, and other Federal programs finance an additional quarter. The remainder is financed through the private sector.

Studies show that investments in childhood immunizations have high returns in terms of averted medical costs, hospitalization and deaths. According to one study, the combined measles, mumps and rubella vaccine creates savings of more than $14 for every dollar invested. Increasing childhood immunization rates is a proven way to keep our children healthy, prevent tragic losses of life that are avoidable and keep future medical costs down.

While countries such as Belgium, Denmark and Spain had immunization rates at or above 80% for measles, polio, diphtheria and tetanus by the mid-80's, the U.S. had immunized only 55%-65% of its pre-school children. A survey of nine cities in 19 found a median measle, mumps and rubella immunization rate of 38% for children under two years. In some inner-city areas, the vaccination rate may be as low as 10%. These figures are at wide variance with the 90% immunization rate that public health officials would like to see by the year 2000. In the past, low vaccine use has caused dramatic increases in the incidence of preventable childhood diseases such as measles and mumps. Reported measles cases, for example, rose from a record low of 1,497 in 1983 to 46,000 between 1989 through 1991, before dropping again.

To push childhood immunization rates higher, the President sponsored an initiative, enacted in OBRA 1993, to establish a new Federal vaccine entitlement program by October, 1994. The new program will buy free vaccine for uninsured, underinsured, Medicaid-eligible, and Native American children. In addition, in F 1995, the Administration will seek about $80 million in added funds so the current CDC vaccine purchase program can reach those children who may not be immediately covered by the new entitlement program. An added $46 million will help to improve access to immunization. Such funds could be used for extending clinic hours, mobile vaccination units, publicity campaigns about the importance of vaccinating young children and other outreach activities. Together, these programs represent about a 30% increase over the past year's funding level. Health officials have set a goal to bring the vaccination rate for all two-year olds nationwide up to 85% by F 1995 and up to 90% by the year 2000, on a par with other industrialized nations. Ultimately, the President's health reform plan will afford universal coverage since immunizations will be part of a Standard Benefits Package available to all young children [and the separate immunization program will terminate.]

**Proposed Funding for Childhood Immunization in FY1995**
**($ in millions)**

| Actual FY1993 | Actual FY1994 | FY1995 |
|---|---|---|
| $341 | $528 | $689 |

*Linking Federal Support and Immunizations*—Merely increasing immunization funding is not enough, since many of today's parents at all socio-economic levels are unaware of how important it is to immunize their children. High immunization rates for school-aged children are clearly linked to State laws mandating vaccinations for school participation since immunization rates among children entering schools remain high at 97%. The Administration plans to provide analogous encouragement to the parents of the many children who participate in Federally assisted child care and development programs long before they enter school. The Child Care Block Grant, the Social Services Block Grant, and Healthy Start all finance services to children before formal schooling starts. Congregations of children are the environments in which communicable diseases are most dangerous but, by the same token, where health providers have easier access to children. By amending the participation rules for these programs, the Federal Government can immunize and protect more children at an earlier age. The Administration will take the following steps:

- To participate in direct Federal programs that serve children, service providers will be asked take steps to fully immunize 90% of participating two year olds within three years.

- To participate in Federally supported programs that serve children in a congregate setting, providers will be asked to require immunizations, paralleling the school requirements in that State.

Investing in young children with preventative health measures such as vaccines makes good sense. The Administration is committed to increasing funding for vaccine programs and outreach campaigns to combat childhood diseases and avoid needless suffering, hospitalization and death. These measures will help to increase the likelihood that all children have a decent chance to enter pre-school programs (such as Head Start) and elementary school healthy and ready to learn.

*Head Start*

Head Start is a $3.3 billion program offering comprehensive social services for pre-school children. There are 1,400 local Head Start centers providing early childhood development services such as education, health care, and nutritious meals. The program's purpose is to help disadvantaged preschoolers aged 3 to 5, 90 percent of whom must be from families below the poverty line, compete with their peers in school.

In addition to the educational services for children, the program offers disability treatment, drug counseling and literacy classes to parents, and helps them get access to the educational, health and social services their families need. Virtually all of Head Start families receive social services directly or through referral from Head Start and 36% of paid Head Start staff are current or former Head Start parents.

Evaluations of Head Start have found that the program produced short-term gains in IQs, better reading and math skills, higher socio-emotional test scores, and improved health status in children. Other study results were that former Head Start children were more likely to be promoted to the next grade and less likely to be assigned to special education classes. On the other hand, it was found that the gains tend to fade by third grade. Long-lasting positive effects are evident in the young participants of intensive and high quality pre-school programs. One long-term study, which followed a group of children up through age 27, after they had gone through an intensive, high quality pre-school program, found that it returned $7.16 for every dollar invested because it halved participants' crime rate through age 27, significantly increased participants' earnings and property wealth as adults, and increased their labor-force participation.

The President is committed to a major expansion of Head Start. However, he also recognizes that there are concerns about the quality of some existing Head Start programs and the need to maintain quality as Head Start continues to expand. To address such concerns, the Administration appointed a bipartisan Advisory Committee in June 1993 to conduct a comprehensive review of Head Start and to make recommendations for its improvement and expansion. This panel has completed its work and has identified three principles to guide Head Start into the 21st Century:

- *Excellence*—We must strive for excellence in serving both children and families. This means more emphasis on improvements in staffing, in financial management, in facilities, and in Federal oversight and research.
- *Expansion*—We must expand the number of children served and the scope of services provided in a way that is more responsive to the needs of children and families. This means more full-day, full-year slots, more targeting of resources to deal with high concentrations of poverty, and a possible expansion to younger children.
- *Partnerships*—We must encourage Head Start to develop partnerships with key community and State institutions and programs with similar objectives and we must ensure that these partnerships are constantly renewed and recrafted to fit changes in families, communities, and State and national policies.

The Administration has embraced this framework in its vision of a Head Start that will serve the needs of families in the 21st Century. For FY 1994, it obtained a 20% increase over the past year's funding level and a 21% funding increase is sought for FY1995. The proposed budget for FY1995 and beyond supports significant and sustained increases in investment to allow for the ongoing expansion of Head Start services, to ensure quality in all aspects of the program, and to provide local flexibility to respond to family and community needs. Program quality setasides, which earmark a quarter of the annual increase in Head Start funding, will be spent on: higher staff salaries to attract good teachers, upgrades to existing facilities and teaching tools, transportation (such as new buses for the children). For children of working parents, the Administration plans to offer about 100,000 all-day program slots by F 1995 and about 300,000 all-day slots by F 1999. By investing in both Head Start quality and expansion, we are investing not only more but also more wisely in the future of our nation's most vulnerable children and families.

**Proposed Funding and Participation Increases for Head Start FY1995-FY1999**

**($ in millions)**

| Actual FY1993 | Actual FY1994 | FY1995 | FY1996 | FY1997 | FY1998 | FY1999 |
|---|---|---|---|---|---|---|
| $2,776 | $3,326 | $4,026 | $4,726 | $5,426 | $6,126 | $6,826 |

**[Estimated Head Start Slots (000s)**

| FY1993 | FY1994 | FY1995 | FY1996 | FY1997 | FY1998 | FY1999 |
|---|---|---|---|---|---|---|
| 720 | 750 | 820 | 900 | 970 | 1,040 | 1,100] |

[get updates on Monday, where needed]

To ensure that the intellectual and social gains instilled in Head Start alumni can be maintained as these children enter elementary school, it is important that they be able to enter stronger, more challenging academic institutions. Commensurate investment in programs for young school children, such as Even Start, and greater targeting of Federal funds toward low-income school districts are planned. Section XXXX discusses the Administration's reauthorization proposal for Chapter 1 as an essential element in accomplishing the reform and restructuring of schools attended by poor children, and providing continuity between pre-school and elementary school education.

*Special Supplemental Food Program for Women, Infants, and Children (WIC)*

The WIC program, established in 1972, is designed to improve the nutrition of eligible low-income women who are pregnant, breastfeeding or post-partum, and their children under age five. The program provides food supplements such as cereal, milk and juice as well as nutrition counselling and referrals to other services such as healthcare. To be eligible, participants must be below 185% of poverty or receive Medicaid, and be determined to be at medical or nutritional risk by a competent professional. The program is 100% Federally funded. Today, about one in every three babies born in America participate in WIC. [FNS must double-check to see if still accurate]

Public health experts believe that reducing the rate of low birthweight children is a key to improving infant health in the United States. Low birthweight infants are more likely to die within the first year of life and have greater incidence of health and developmental problems such as cerebral palsy, mental retardation, vision and hearing losses and illness than infants born at normal birthweight. Recently, low birthweight babies were determined to represent 61% of all U.S. infant deaths. Recent studies of WIC suggest the program improves the health status of pregnant women and reduces poor birth outcomes such as low and very low birthweight by 25% and 44% respectively. Participation also leads to better nutrition, lower fetal mortality, and improved prenatal care. One study concluded that for every dollar spent on WIC for pregnant women, $1.77 to $3.13 is saved in Medicaid costs in the first 60 days after birth due to the improved health status of pregnant low-income women. WIC has also been found to reduce iron deficiencies in infants and improve vitamin and mineral intakes in young children.

Recognizing the instrumental role of WIC in helping to keep young, low-income children healthy, the President's FY1994 budget targeted WIC for a 15% investment increase, by adding $427 million to the previous year's appropriation. The budget proposed that by the end of 1996, States should have the funds to serve 7.5 million post-partum women, infants and children who meet current eligibility requirements and are interested in participating in WIC. In this year's budget, the President seeks to increase WIC spending by 11%. This will expand the program to serve about 7 million women and children in F 1995—up from 6.5 million in F 1994—and maintain the funding stream needed to achieve the program participation goals set in the previous year's budget.

**Proposed Funding and Participation Increases for WIC FY1995-FY1999**
**($ in millions)**

| Actual FY1993 | Actual FY1994 | FY1995 | FY1996 | FY1997 | FY1998 | FY1999 |
|---|---|---|---|---|---|---|
| $2,860 | $3,210 | $3,564 | $3,914 | $4,166 | $4,245 | $4.394 |

[Program participation increases .... FY93-99--agency will supply updated estimates on Monday]

*WIC and Health Care Reform*--Because participation in WIC is so closely linked with improved health in low-income young children and pregnant women, the Administration further addresses the program in the Health Security Act. The President's health care reform legislation has a provision seeking to guarantee the WIC funding levels set in the FY1994 and F 1995 budgets. It would create a special fund to supplement annual appropriations and thus ensure that the increased WIC participation goals for 1996 are met.

The Administration recognizes the crucial need for programs with demonstrated success in addressing the nutrition, health and educational needs of children. It is pledged to seeking significantly greater resources for strong programs such as WIC, childhood immunization and Head Start to help to ensure that children are healthy from even the very earliest stages of life and can enter the school system ready to learn.

# EDUCATION

Providing a world-class education to all of our children is one of the Administration's highest priorities. Although the American education system is a partnership involving states, communities, educators, and parents, national leadership is essential. For the first time, the federal government will become a full partner in the national effort to achieve the National Education Goals.

**THE NATIONAL EDUCATION GOALS. By the Year 2000:**

#1. All children will start school ready to learn.
#2. High school graduation rate at least 90 percent.
#3. Competency in challenging academic subjects.
#4. First in the world in science and mathematics.
#5. Literacy for all adults.
#6. Safe and drug-free schools.

On every critical dimension of education reform and improvement, the Administration has proposed new laws and seeks increased resources to achieve these goals. This is not merely more of the same. The Administration is reinventing the federal role based on a commitment to high standards and accountability for results, combined with local flexibility in achieving them. It believes in high expectations for all of our children, combined with extra resources for those that need them most. In the end, a good education system is essential if we are to have a competitive economy and a society in which opportunity is a reality and the values of democracy, tolerance, and responsibility are broadly shared.

**LEGISLATION PROPOSED AND ENACTED:**

The Student Loan Reform Act of 1993
The National Service Trust Act of 1993

**LEGISLATION PROPOSED AND PENDING IN CONGRESS:**

The Goals 2000: Education America Act
The Improving America's Schools Act
The Safe Schools Act
The School to Work Opportunities Act

**FUNDING OF SELECTED INVESTMENTS TO RISE 23 PERCENT IN 1995**
(Budget authority in millions)

| | 1994 | 1995 | Increase: $ | Increase: % |
|---|---|---|---|---|
| Goals 2000 | 105 | 700 | 595 | 567% |
| School to Work (with Labor Dept) | 100 | 300 | 200 | 200% |
| Title I Education for disadvantaged | 6,924 | 7,579 | 655 | 9% |
| Safe and Drug-free Schools | 487 | 660 | 173 | 36% |
| Head Start | 3,326 | 4,026 | 700 | 21% |
| National Service | 575 | 850 | 275 | 48% |
| TOTAL | 11,517 | 14,115 | 2,598 | 23% |

## ELEMENTARY AND SECONDARY EDUCATION

Goals 2000. The centerpiece of the Administration's elementary and secondary education reform agenda is the Goals 2000: Educate America Act. Sent to Congress by the President on April 21, 1993, Goals 2000 provides the framework for coordinating Federal, State, and local efforts into an integrated strategy for effective education reform based on challenging academic standards, local flexibility and responsibility, and performance-based accountability sustained by extensive parent and community involvement.

*Goals 2000* envisions a "systemic reform" approach. States would: establish high academic standards for all students; design curriculum frameworks based on those standards; train and retrain teachers and administrators to deliver that curriculum; devise and use assessment techniques that appropriately measure progress toward the standards; monitor and report progress; and take timely, effective action if improvement is not occurring.

Most of the resources requested for *Goals 2000* support State and local activities. In 1993, a few States were implementing, and about half were planning for, one or another of the components of systemic reform, but only one or two States had fully developed plans and timetables for reform. It is imperative that school reform move more rapidly and more consistently across the nation. New resources and national assistance under *Goals 2000* will encourage States to focus their efforts and sharply accelerate the pace of reform. For 1995, the Administration seeks $700 million for the Act, an increase of $595 million, or nearly 600% over the 1994 appropriation. By 1996, the Budget calls for an annual appropriation of $1 billion. With this aid, every State and as many as 20,000 public schools (about one-fifth of all schools in the nation) would be receiving financial assistance to implement reforms by 1996, and additional schools every year thereafter.

At the national level, Goals 2000 would establish in law an independent National Education Goals Panel, consisting of governors, State legislators, Congressional leaders, and Administration officials. The Panel will monitor the Nation's progress toward the goals and report annually on accomplishments and significant problem areas. In addition, the Act creates: The National Education Standards and Improvement Council to oversee development of model academic standards, advise States on the development of their own standards, and support development of new assessment techniques; and The National Skills Standards Board, to work with business, labor organizations and the schools to develop educational standards for occupational areas, so that schools can ensure that their students are well prepared for the work place.

The Improving America's Schools Act. Goals 2000 creates the new educational setting in which over $10 billion in Federal spending under the Elementary and Secondary Education Act (ESEA) will take place. The Administration's proposal to reauthorize and restructure the ESEA was transmitted to Congress on September 13, 1993 as The Improving America's Schools Act. The proposal is based on five new directions for ESEA:

- High standards for all children, with curriculum, teacher preparation, school management, assessment, monitoring and accountability all aligned into one system. States participating in Goals 2000 would use those standards and processes for ESEA programs.
- Focus on teaching and learning. For the first time, high quality professional development for teachers and administrators related to standards and accountability would become integral features of ESEA programs, supported with new funds. New technical assistance and research activities would also be authorized and funded.
- Flexibility to stimulate local initiative, and responsibility for student performance would replace compliance with administrative regulations as the hallmark of ESEA programs. The bill provides: broad waiver authority; multi-program planning; school improvements for whole schools, not just a few classes; funding for public "charter schools" as alternatives to regular schools; and accountability systems based on measuring progress toward high standards.
- Link schools, parents and communities, so that parents work in partnership with teachers and administrators to improve schooling, and schools are encouraged to forge strong ties with community social services. In high poverty elementary schools, Title I would support health screenings if other resources are not available.

- Resources targeted to where needs are greatest and in amounts sufficient to make a difference. Academic performance is lowest in schools with high concentrations of poor children. Under the proposal, schools in counties with the highest poverty levels receive the most Title I funding.

The total request for the restructured ESEA would be $10.4 billion, an increase of $942 million, or 9 percent, over 1994. Increases include the following:

- State and local programs under the restructured Title I, would be funded at $7.6 billion, an increase of $655 million, or 9 percent over 1994. Title I dollars finance the salaries of teachers and education specialists, curriculum design, purchase of teaching materials, design and performance of student assessments, technical assistance for schools that need extra help to improve, the costs of State and local administration, and a new research program on innovative practices in the educational improvement of disadvantaged children.
- New investments to support the teaching and learning improvements under Title I and the other programs would be made through the Eisenhower Professional Development program, funded at $800 million, an increase of $150 million, or 23 percent over 1994 combined funding for Chapter 2 general aid and math and science teacher training.

Safe and Drug-free Schools. Violence and drug and alcohol abuse in schools make effective teaching and learning impossible. On May 25, 1993, the Administration proposed the Safe Schools Act to help schools move quickly to reduce the incidence of violence. Congress appropriated $20 million for FY 1994 contingent upon enactment; the Budget includes $100 million in 1995.

The Administration proposes to expand activities authorized under the current "Drug-free Schools and Communities Act" into a new Safe and Drug-free Schools and Communities Act, which would include violence prevention activities in required State and local strategies. The Budget requests $560 million for the new Act, an increase of $73 million, or 15 percent over 1994. Beginning in 1996, the separate Safe Schools Act would be phased out as comprehensive State and local violence and drug abuse prevention strategies take over. For a full description of the Administration's crime and drug abuse control strategies, see the discussion under the heading "Personal security: Fighting Crime and Drugs."

School to Work Opportunities Act. The School to Work Opportunities Act was transmitted to Congress on August 4, 1993. Jointly funded and administered by the Education and Labor Departments, it will help States develop systems to prepare students for the workplace, through strategies that involve the schools, businesses and parents. Congress provided $50 million to each Department for FY 1994 to begin activities under current law. The Budget seeks $300 million, a 200 percent increase, for 1995. This Act is discussed more fully under the heading "Job Training."

Head Start. The Budget provides $4 billion for Head Start in 1995, an increase of $700 million, or 21 percent over 1994. Head Start is the key program in the Federal government's strategies to help the nation reach the first National Goal of all children entering school ready to learn. The Administration's proposal for Title I calls for coordinated strategies in each Title I school district, linking Title I and Head Start. Head Start policy is described more fully under the heading "Investing in Young Children."

## HIGHER EDUCATION AND NATIONAL AND COMMUNITY SERVICE

The Federal government is the largest provider of direct aid to students on the basis of family financial need. The major Federal programs are Pell grants and student loans administered by the Education Department.

Increasingly, the economy demands, and high-paid jobs require, a college education. However, the growing use of loans to finance higher education results in increasing numbers of borrowers experiencing difficulty repaying loans and often making career decisions based more on the income needed to pay off debt than on real career desires. This latter problem has reduced the attractiveness of community service precisely at a time when the needs of the nation call for increased participation in such work. In response to this set of issues, the President sent to Congress two related bills: The National Service and Community Trust Act and The Student Loan Reform Act. Both were enacted in the first session of the 103rd Congress.

The Student Loan Reform Act. The guaranteed loan system that evolved since 1965 is riddled with administrative complexities; provides excessively high subsidy payments to banks, intermediary guaranty agencies and secondary markets; and has default costs in excess of $2 billion per year. It has been the subject of repeated Congressional investigations and GAO and Inspector General criticisms. Constant legislative tinkering avoided the core issues. Even if the guaranteed loan system could have been made to work somewhat more effectively, the 8 thousand lenders steadfastly resisted providing, on a general basis, flexible repayment options to ease post-school repayment burdens.

The Student Loan Reform Act cuts Federal costs, simplifies administration and introduces Federal direct lending with income-contingent repayment options: the right to repay as a small percentage of income, and to have repayment suspended during times of very low family earnings. OMB and CBO both estimated that the Act would save taxpayers $4.2 billion over five years.

The direct and guaranteed loan programs combined provide about $20 billion per year in loan capital to 5.5 million borrowers. The Act phases direct lending in over several years, so that by 1998, at least 60 percent of lending will be direct lending, more if the schools ask for it.

In addition to new direct loan borrowers, all borrowers who now have or will take out guaranteed loans in the future can convert those loans to Federal direct loans if they want to take advantage of the income-contingent repayment option. This new option is a key element in the Administration's community service strategy, making it possible for many thousands more individuals to take volunteer or low-paying community service jobs, without fear of defaulting on their student loan debt.

The National Service and Community Trust Act. This Act establishes the Corporation for National and Community Service, which combines two former agencies, ACTION and the Commission on National and Community Service. The Corporation's mission is to engage Americans of all ages and backgrounds in community-based service to address the nation's unmet educational, social service, public safety and environmental needs. While fostering civic responsibility and expanding service availability, the

Corporation's programs will also help many pay for their higher education through service before and after schooling.

The budget seeks $850 million for 1995, an increase of $275 million, or 48 percent over 1994.

Participants who satisfy service requirements are eligible for educational benefits of $4,725 for each of two years. These education awards may be used to provide funds for post-secondary education or to pay off educational loans. National service thus offers still further encouragement to people to pursue higher education by easing the financial burden it imposes.

Program management. The rapid growth in size and complexity of the student aid programs through the 1980s, accompanied by inadequate Federal management attention, encouraged unacceptable levels of abuse by certain schools, and led to default costs exceeding $2 billion per year. Laws enacted in 1992 give the Education Department many new tools to improve the integrity of the programs and protect students. The Student Loan Reform Act when fully implemented will further simplify loan program administration. The Budget provides new staff and resources to the Department to implement the 1992 provisions and the new Act.

Pell grants. The Clinton administration inherited a funding shortfall in the Pell grant program estimated at the beginning of 1993 to be over $2 billion. Working with Congress, the

Administration obtained supplemental 1993 funding and a 1994 appropriation for a total of $591 million to retire part of the debt. Re-estimates based on implementation of the 1992 amendments and current student behavior patterns have reduced the outstanding shortfall estimate to $118 million, which the 1995 Budget would fully retire.

To prevent future shortfalls, the Administration is seeking authority to adjust program costs to fit the program within the amount appropriated for it.

The 1995 Budget provides $6.4 billion for the Pell grant regular program, for grants to 4.1 million individuals, and would increase the maximum award by $100 to $2,400, the first such increase since the maximum was cut by $100 for FY 1993.

## THE EDUCATION DEPARTMENT BUDGET

Discretionary budget authority for the Education Department would increase in the 1995 Budget to a total of $26.1 billion, an increase of $1.7 billion, or 7 percent over 1994.

At the same time, consistent with the recommendations of the National Performance Review (NPR), and the need to focus scarce resources on high priority areas, 28 current low priority Education Department programs would be terminated. The other six

Education programs recommended for termination by NPR were eliminated by Congress in the 1994 appropriation act.

The Budget and legislative program of the Administration provide the new authorities and increased resources the Nation requires to raise the quality of education for all children, and thus for the first time, to make realistic the prospect of achievement of the National Education Goals.

0Investing for Productivity and Prosperity: Setting Priorities Under Budget Discipline

1.b. Job Training

**The Problem**

Economic change has challenged America throughout its history. Repeatedly meeting that challenge, and prospering amidst change has long set America apart from less flexible societies. But in recent years, accelerating technological evolution, defense downsizing, corporate restructuring, and intensifying global competition have increased the scale and altered the nature of workforce transitions. Today's typical eighteen-year old can expect to change jobs several times in the course of a career. A growing share of the unemployed cannot expect to return to their old jobs, but must seek new work. Many Americans are anxious about economic change and fearful about their economic security.

Current training and unemployment programs were designed in a different time to suit a different economy. When the current system was established, a much larger number of low-skill, entry level jobs awaited high-school graduates. Laid-off workers could often anticipate being called back to work when the economy turned back up after cyclical downturns. In today's economy, however, gaining entry to the labor market requires a higher level of skill, and maintaining membership in the workforce requires greater flexibility.

This means fundamentally rethinking government's role in the labor market. The transition from school to work is at once more important, and more difficult to manage. Thus, American youth need more help in obtaining a first job. In addition, the transition from one job to the next job is at once more hazardous, and more common. Thus, American adults need more help in finding new jobs. Finally, workplaces themselves need to be improved in ways that will enhance the health, safety, and productivity of workers without placing excessive burdens on employers. ~~Thus~~ In short, we need not only more jobs but better jobs.

In the face of such unprecedented challenges, the federal government must respond by fostering a better-prepared, more highly skilled workforce. The key to the nation's long-term prosperity lies uniquely in our workers' insights, skills, and capacity to learn. Indeed, as much as they might like, our international competitors cannot replicate the U.S. workforce. Employers must view their workers as assets to be nurtured and developed, and workers must prepare for a lifetime of on-the-job learning.

## A Reemployment System for the 1990's

To boost productivity growth and create a better-prepared workforce, the Administration has proposed expanding the public investment in working people, and shifting federal employment policy from simply buffering unemployment to actively promoting employment. Despite the extraordinary budget constraints facing all discretionary programs, the Fiscal Year (FY) 1995 Budget includes $6.6 billion in budget authority for employment and training programs, an increase of $1.1 billion, or 20 percent from the FY 1994 level (see Table 1).

Table 1

**Employment and Training Programs**
(Budget authority in millions)

| | **FY 1994** | **FY 1995** | **Increase** |
|---|---|---|---|
| Grants for the disadvantaged | 1,647 | 1,729 | 5.0% |
| Dislocated worker assistance | 1,118 | 1,465 | 31.0% |
| Job Corps | 1,040 | 1,157 | 11.3% |
| Summer youth | 888 | 1,056 | 19.4% |
| School-to-Work Opportunities | 100 | 300 | 200.0% |
| One Stop Career Shopping | 50 | 250 | 400.0% |
| Other employment and training | 681 | 673 | -1.1% |
| Total | 5,524 | 6,630 | 20.0% |

The Clinton Administration's three-pronged workforce investment strategy will finance initiatives that promote (1) helping people obtain **first jobs**; (2) easing access to **new jobs** among workers in transition from one job to the next; and (3) helping the economy to develop **better jobs.**

**First Jobs**

To help people obtain good jobs *at the outset* of their careers, the FY 1995 budget includes $300 million in budget authority for the Administration's proposed "School-to-Work Opportunities Act" (a tripling of FY 1994 resources); $130 million to expand and improve the residential Job Corps program for severely disadvantaged youth; and $12.4 million for a new National Skill Standards Board, which would oversee the creation of a national system of voluntary skill standards and certification.

Currently operating as a demonstration program under existing legislation, the Administration's School-to-Work initiative would be expanded under proposed legislation to encompass all States. Passage of the "School-to-Work Opportunities Act" is anticipated in 1994. The proposal would establish a flexible, national framework within which States would develop systems to help youth acquire the knowledge, skills, and labor market information they need to make an effective transition from school to work. Under the legislation, the nationwide system will be established in waves, financed by grants to States and localities. States will compete -- on the basis of innovative program designs -- to join the earlier waves. All States will have the opportunity to implement school-to-work systems by the end of FY 1997. In the long run -- once Statewide systems are in place -- the federal role will be limited to information dissemination and program evaluation.

A product of unprecedented collaboration between the Departments of Labor and Education, the Administration's School-to-Work proposal would replicate the best existing programs and develop innovative, new models to connect academic and workplace learning for the 75 percent of young people who do not complete a four-year college degree. Programs will provide students with (1) on-the-job experience tightly integrated with classroom training, leading to a school diploma; (2) where appropriate, a degree or diploma certifying successful completion of at least one year of postsecondary education; and (3) an industry-recognized credential with genuine currency in the job market. A noteworthy feature of the Administration's proposal is its special provisions for serving poor and at-risk youth.

Another "first jobs" investment initiative would provide $130 million to finance expansion and improvement of the Job Corps, America's oldest, largest, and most comprehensive training program for unemployed and undereducated youth. Serving severely disadvantaged youth age 14 through 24, Job Corps breaks the cycle of poverty and welfare dependence by providing residential vocational training and job placement services. The $1 billion Job Corps program boasts a proven track record. A major longitudinal study has found that the public benefits from every dollar invested in the Job Corps program through reductions in income maintenance payments and the costs of crime and incarceration, and through increased taxes paid by graduates. Currently, Job Corps operates 111 centers serving 65,000 disadvantaged youth annually. The Clinton Administration's proposed "50-50 Plan" would add 50 new centers and increase capacity by 50 percent. Launched in FY 1994, this major expansion initiative will enable Job Corps to serve some 104,000 annually, or about one-fifth of all eligible poverty youth. Toward that end, the FY 1995 Budget includes $100 million to finance the first-year costs of six new centers, and to provide full funding for the eight new centers that were begun with FY 1993 and 1994 appropriations. Another $30 million would help improve Job Corps' existing infrastructure, financing high priority repairs, renovations, and center relocations.

**New Jobs**

Each year, about 10 percent of all U.S. workers move to new jobs, whether to advance careers or rebound from a job loss. Countless others fear job loss and feel insecure about their employment outlook. The Clinton Administration's "new jobs" investment initiative will help *experienced workers* move from one job to the next, and ease fears about job change. Included for this purpose is a proposed $1.5 billion comprehensive worker adjustment program for displaced workers and $250 million to continue work on a network of one-stop career centers with improved labor market information and services for all jobseekers. The "new jobs" initiative also builds on the newly mandated program for profiling claimants for unemployment benefits. Profiling identifies workers likely to have difficulty finding new jobs and refers them to intensive job search assistance programs early in their period of unemployment.

While the federal government currently spends more than $1 billion annually for worker adjustment assistance, existing programs often are rigid, ineffective, and serve only a fraction of the 2 million workers who are permanently displaced annually. A patchwork of categorical programs targets subsets of the dislocated worker population -- such as workers displaced by trade, defense downsizing, or environmental initiatives -- raising serious concerns about equity and efficiency. The Clinton Administration will propose legislation to consolidate, expand, and improve upon existing programs under a comprehensive Workforce Security program. The FY 1995 Budget includes $1.5 billion for the new program, a 31 percent increase from the FY 1994 level. Serving some 875,000 workers in its first year of operation, the Workforce Security program is projected to serve 1.3 million dislocated workers upon full implementation in 1997, or about 60 percent of the eligible population. Program expansion would build on growth already begun with the Administration's FY 1994 dislocated worker investment proposal.

In FY 1994, budget authority for dislocated worker assistance jumped 72 percent, and the corresponding number of participants is estimated to rise 43 percent, reaching 500,000.

The Administration's Workforce Security program will emphasize services with proven effectiveness, and ones that displaced workers find most valuable. Early outreach is the critical first step in helping dislocated workers; thus, the new program will improve State rapid response activities and refer UI applicants who have been identified as at risk of long-term unemployment to early reemployment services. In addition, *all* dislocated workers will have access to a basic set of reemployment services, including (1) information on job openings, labor market trends, and on the quality of education and training providers; (2) eligibility review and referral to appropriate programs, including student financial aid; (3) individual assessment; (4) job counseling; and (5) job search assistance, including job clubs. For dislocated workers who need more intensive services, long-term training will be available, in the form of occupational skills training (both classroom and on-the-job), basic skills training, and entrepreneurial training. Most importantly, the new program will hold training providers accountable for their results. Potential trainees will be armed with information on the track record of training providers -- covering such outcomes as participant completion and job placement rates, and earnings and licensure rates of graduates.

Unscrupulous or unsuccessful training providers whose curricula fail to meet these -- and other -- quality standards will be barred from program participation. Finally, qualified long-term trainees will receive income support and other supportive services to enable them to complete training and launch new careers upon program completion.

As another part of the "new jobs" investment strategy, the Administration proposes to establish a nationwide network of user friendly career centers. These One-Stop Career Centers will provide a single point of entry into the employment and training system. From a FY 1994 budget of $50 million, the proposed FY 1995 funding of $250 million represents a 400 percent increase for the One-Stop Shopping initiative. Resources will act as Federal "seed money," helping States plan and implement programs that streamline access to the full range of employment and training services. Other States may provide One-Stop services with their own resources, aided by waivers of Federal requirements that would otherwise constrain flexibility. Eventually, the Administration's One-Stop Shopping initiative will provide all jobseekers with easy access to jobs, career information, and Federal training and employment programs.

**Better Jobs**

Included in the Administration's "better jobs" initiative are efforts to spur productivity growth and improve the quality of the workplace. Our nation's success in a global economy requires not only highly skilled workers, but new methods of organizing work and empowering front-line employees. Increasingly, U.S. firms are responding to competitive pressures by reorganizing tasks, decentralizing decision making, and eliminating bureaucratic layers. In FY 1995, the Administration will continue to actively promote development of such "high performance" workplaces through demonstration grants and information dissemination.

A major Department of Labor enforcement initiative also will help fulfill the Administration's "better jobs" vision. This initiative will redouble our efforts to enforce Federal labor, health, and safety laws and regulations. The Department of Labor's enforcement initiative will target industries that historically have been egregious violators of Federal laws and regulations. In particular, the Administration is requesting $321 million for the Occupational Safety and Health Administration (OSHA), a $24 million increase over the 1994 level. Beginning in 1994, OSHA started examining the way it had been enforcing safety and health in the workplace, and concluded it needed to reinvent its enforcement practices to utilize its staff more efficiently. These additional resources will support OSHA's reinvention efforts and result in increased oversight of workplace safety and health.

# WELFARE REFORM

Our current welfare system is at odds with two core American values: work and responsibility. Instead of giving people access to the education, training and employment skills they need in order to move into jobs, the welfare system encourages dependence. Instead of encouraging young people to defer parenthood until they are ready to raise a child and insisting that absent parents support their children, it allows parents to act irresponsibly. Instead of providing assistance to two-parent families who are working hard to support their families, it devotes most of its resources to those who are not.

To fundamentally change the current system, the President will submit legislation this spring that details his plans for making welfare a second chance and not a permanent way of life. The overriding goal will be to move people from welfare to work and bolster their efforts to support their families and to contribute to the economy.

The entire plan will be financed on a pay-as-you-go basis, as required by the Budget Enforcement Act of 1990. It will cost money, but because it will be phased in gradually and because their will be savings to offset the initial costs, it need not cost that much. Moreover, any costs to the federal budget will be offset by the value of the work done by former recipients.

They will provide real services to their communities and,in the process of working, become productive, tax-paying citizens. Moving people from welfare to work is an investment in the future that benefits both the individuals involved and the nation as a whole.

One focus will be on making work pay--by ensuring that people who play by the rules get access to the child care, health insurance, and earnings supplements they need to adequately support their families. The plan will also seek to give people access to training for the skills they need to work in an increasingly competitive labor market. But in return, it will expect responsibility. Noncustodial parents will be expected to support their children. Those on cash assistance will not be permitted to collect welfare indefinitely. Families sometimes need temporary cash support, but no one who can work will receive cash aid indefinitely. After a time-limited period of temporary support, work--not welfare--will be the way in which families support their children.

These reforms cannot be seen in isolation. The social and economic forces that influence the poor and the non-poor run deeper than the welfare system. The Administration has undertaken many closely-linked initiatives to spur economic growth, improve education, expand opportunity, restore public safety and rebuild a sense of community. These initiatives include health reform, worker training and retraining, parent education and support, educational reform, Head Start, National

Service, Empowerment Zones, community development banks, community policing, violence prevention and more. Welfare reform is a piece of a larger whole. But it is an essential piece.

## FROM WELFARE TO WORK

To fundamentally reform the current welfare system will require four major steps:

1. Preventing the need for welfare in the first place by promoting parental responsibility.
2. Rewarding people who go to work by insuring that families have the earnings supplements, the health insurance, and the child care they need to make work pay.
3. Substituting work for welfare by providing education and training during a transitional, time-limited program, but expecting adults to work once the time limit is reached.
4. Reinventing government assistance to reduce administrative bureaucracy, combat fraud and abuse, and give states greater flexibility within a system that has a clear focus on work.

The first steps in achieving these goals have already been taken. One step was, the Family Support Act of 1988, which provides a foundation on which to build. It charted a course of mutual and reciprocal responsibility for government and recipients alike. As an architect of that effort, the President is committed to building on its vision and its early successes. A second step was the expansion of the Earned Income Tax Credit

(EITC), enacted as part of the Omnibus Budget Reconciliation Act of 1993. Unlike welfare, EITC is available only to people with earnings. Because EITC is refundable, an eligible family may receive any portion of the credit not needed to offset tax liability in the form of a direct payment from the Department of the Treasury. When the expansions enacted last year are fully implemented, a parent with two children may qualify for an EITC totalling more than $3,500. Combined with the current federal minimum wage of $4.25 per hour, the maximum EITC has the effect of increasing the federal minimum wage for a worker with two or more children to about $6.00 per hour. When the value of Food Stamps available to the family is added, the expanded EITC will keep such a family out of poverty, even if the parent is working at a low-wage job.

The Administration's health care proposal is the third crucial element in welfare reform. Without universal health coverage, we cannot expect people to leave welfare, where Medicaid is guaranteed for where health coverage is often unavailable or highly insecure. Health reform is necessary if we are to send a clear signal that work is better than welfare, that no parent need sacrifice their children's health by going to work, that work leads to greater independence and security, not less.

## ENCOURAGING PARENTAL RESPONSIBILITY

Poverty, especially long-term poverty and welfare dependency, are often associated with growing up in a one-parent family. Although most single parents do a heroic job of raising their children, the fact remains that welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready to assume the responsibility of raising children.

There has been a large increase in the number of children living in female-headed families that are poor, and a striking rise in the proportion born to unwed mothers. [chart]

Indeed, the majority of children born today will spend some time in a single-parent family. Teenage birth rates have been rising since 1986 as earlier sexual activity has exposed more young women to the risk of pregnancy. Teenage childbearing often leads to school drop-out, which results in the failure to acquire skills that are needed for success in the labor market, and this leads to welfare dependency. The majority of teen mothers end up on welfare, and taxpayers paid about $29 billion in 1991 to assist families begun by a teenager.

One reason so many one-parent families are poor is because the absent parent contribute so little. Our current system of child support enforcement is largely at fault. It is unpredictable and inconsistent for both custodial and noncustodial parents. It lets many noncustodial parents off the hook, while frustrating those who do pay. It seems neither to offer security for children, nor to focus on the difficult problems faced by custodial and noncustodial parents alike. It typically excuses the fathers of children born out of wedlock from any obligation to support their children. And the biggest indictment of all is that only a fraction of what could be collected is actually paid. [chart]

The child support enforcement system must strongly convey the message that both parents are responsible for supporting their children. Government can assist parents but cannot be a substitute for them in meeting those responsibilities. One parent should not be expected to do the work of two. The Administration intends to send an unambiguous signal, through improved child support enforcement, that both parents share the responsibility of supporting their children.

The child support system, while getting tougher on those that can pay but refuse to do so, must also be fair to those noncustodial parents who show responsibility toward their children.

The ethic of parental responsibility is fundamental. No one should bring a child into the world until he or she is prepared to support and nurture that child. Government doesn't raise children; families do. To encourage more parental responsibility, the plan will:

- Send a clear message of responsibility and engage other leaders and institutions in this effort.
- Take a series of measures which will reduce the number of teenagers having children.
- Collect more child support by establishing paternity, setting adequate awards, and enforcing payment
- Remove, to the extent possible, the bias toward one-parent families in the current welfare system.

## MAKING WORK PAY

Even full-time work can leave a family poor, and the situation has worsened as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1992, the figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers to people who receive assistance but want to work. It penalizes those who work by taking away benefits dollar for dollar, it imposes arduous reporting requirements for those with earnings, and it prevents saving for the future with a meager limit on assets. Moreover, working poor families often lack adequate medical protection and face sizable child care costs. Too often, parents may choose welfare instead of work to ensure that their children have health insurance and receive child care.

Work is at the heart of the entire reform effort. Three of the major elements that make work pay are working family tax credits, health reform and child care. As noted above, the President has already launched the first two of these. The expansion of the EITC is a giant step forward in ensuring that a family of four with a full-time worker will no longer be poor. However, we still must find better ways to deliver the EITC on a timely basis throughout the year.

Ensuring that all Americans can count on health insurance coverage is essential. Part of the desperate need for health reform is that non-working poor families on welfare often have better coverage than working families. It makes no sense that people who want to work have to fear losing health coverage if they leave welfare. To this end, the Administration eagerly anticipates passage of the Health Security Act in Congress later this year.

With the EITC and health reform in place, the major missing element necessary to ensure that work really does pay is child care. The plan will include:

- Expanded child care for both public assistance recipients and the working poor.
- Coordinated rules across all child care programs and requirements that States ensure seamless coverage for persons who leave welfare for work.

## PROVIDING EDUCATION AND TRAINING, IMPOSING TIME LIMITS, AND EXPECTING WORK

The Family Support Act of 1988 provided a new vision of mutual responsibility and work. Government would be responsible for providing welfare recipients access to the education and training they need to find employment, and recipients would be expected to take advantage of these opportunities to move from welfare to work. The legislation created the Job Opportunities and Basic Skills (JOBS) program to deliver the services needed to enable recipients to become economically independent.

Unfortunately, one of the clearest lessons of the site visits and hearings held by the President's Welfare Reform Working Group over the past year is that this vision is largely unrealized at the local level. The primary function of welfare offices is still writing checks while conforming to all the myriad administrative rules concerning eligibility and the calculation of benefits. The Administration is committed to transforming the culture of the welfare bureaucracy and fulfilling the promise of the Family Support Act. We do not need a welfare program built around "income maintenance"; we need a program built around work.

The goal of the Administration's welfare reform plan is to establish a welfare system in which people are asked from the first day to start on a track toward work and independence. Each applicant for assistance will enter into a social contract in which he or she agrees to help develop and then follow a plan for achieving self-sufficiency, and the State agrees to provide the services called for in this plan. At the end of two years, people still on welfare who can work but cannot find a job in the private sector will be offered publicly subsidized jobs to enable them to support their families. Communities, with the help of Federal funds, will provide non-displacing jobs in the private, non-profit, and public sectors for recipients who have reached the time limit for cash benefits. Localities will form partnerships composed of business leaders, community groups, organized labor and local government to oversee these programs. The message is simple: everybody is expected to move toward work and independence.

The Administration's welfare reform plan will propose a number of concrete steps to transform the culture of the welfare system.

**Expand Access to Education and Training Services Through the JOBS Program:**

The current JOBS program serves only 7 percent of adult welfare recipients. The plan will propose a dramatic expansion in the size of the JOBS program to enable many more recipients to receive the services they need to find lasting employment. In accordance with this expansion, a much higher percentage of recipients would be required to participate in the JOBS program.

**Integrate JOBS and Mainstream Education and Training Initiatives:**

The role of the JOBS program is not to create a separate education and training system for welfare recipients, but rather to ensure that they have access to and information about the broad array of existing training and education programs.

Among the many Administration initiatives which will be coordinated with the JOBS program are National Service, School-to-Work and One-Stop Shopping.

The plan will also explore strategies to ensure that JOBS participants make full use of such existing programs as Pell grants, income-contingent student loans, JTPA, and Job Corps. In particular, HHS would work with the Department of Labor to improve coordination between State JOBS and Job Training Partnership Act (JTPA) programs.

**Establish a Time Limit for Cash Benefits:**

Placing a limit on the length of time employable persons can receive cash assistance is part of the overall effort to shift the focus of the welfare system from issuing checks to promoting work and self-sufficiency. The time limit will give both the recipient and welfare agency a structure that necessitates continuous movement toward finding a job.

Under the plan, extensions to the time limit could be granted when appropriate, for example, for completion of high school or a GED program.

**Make Work Available to Those Who Have Reached the Time Limit:**

As part of the Administration's plan, States will be required to make non-displacing jobs, preferably in the private sector, available to persons who have reached the time limit for cash assistance.

The overriding goal of these work programs will be to help participants find lasting employment outside the program. States will likely have wide discretion in the operation of the work programs in order to achieve this end. For example, a State could provide short-term subsidized private sector jobs, in the expectation that many of these positions would become permanent, or positions in not-for-profit agencies, or a combination of the two.

## REINVENTING GOVERNMENT ASSISTANCE

A major problem with the current welfare system is its enormous complexity. It consists of multiple programs with different rules and requirements that confuse and frustrate recipients and caseworkers alike. It is a system that is in some respects needlessly inefficient. One of the principal goals of the welfare reform plan, in keeping with Administration's commitment to reinventing government, will be to rationalize, consolidate and simplify the existing social welfare system.

The welfare reform plan will, through the measures listed below, simplify rules and enhance consistency and coordination among programs.

- Establish performance measures which emphasize the goal of moving people from welfare to work, while giving States and localities a great deal of flexibility in designing their programs to accomplish the task.
- Take full advantage of existing technology to prevent waste, fraud and abuse.
- Streamline the application, budgeting and redetermination processes for the AFDC program by simplifying certain rules and reporting requirements, particularly those concerning earnings, and eliminating others.
- Make the AFDC program rules more consistent with those in the Food Stamp program.