

## School-based Option: Expand Title I Preschool Programs

A school-based approach would help <sup>focus</sup> center preschool <sup>on</sup> around academics and ensure links to kindergarten so that participating children enter school ready to learn. One school-based option for universal preschool is to create a set-aside in Title I (Education for the Disadvantaged). The most targeted of all the Federal elementary and secondary education programs, Title I provides funds to low-income school districts to help low-achieving students catch up with their peers. School districts may use Title I funds for preschool programs, however it is estimated that no more than 3 percent of this \$8 billion program is used for that purpose. Nonetheless, some infrastructure exists for preschool programs in high poverty schools. Over 60 percent of the highest poverty elementary schools (75+% poverty rate) have preschool programs, and ~~30~~ percent of all Title I elementary schools have them. However, these programs serve about one-third of the four-year-olds in their school attendance area.

Since the Title I funding formula is based on poverty levels, a Title I-based program would automatically be targeted on children in poverty. In addition, the program could be expanded or contracted to serve all low-income districts, or only the highest poverty districts depending on available funds. Below are preliminary and very rough estimates of the cost to serve children not currently in preschool for both all Title I schools and for the highest poverty schools, and for half-day preschool as well as full-day for all four-year-olds in the targeted districts. We also provide costs net of the children who are already served under Head Start. We assume that a school-based program would cover only the academic school year and not include summer school.

|                                       | # of students                   | Half Day            | Full Day            |
|---------------------------------------|---------------------------------|---------------------|---------------------|
| All Title I Schools                   | 2,749,000 <sup>72,749,000</sup> | \$11-13.7 billion   | \$16-19.2 billion   |
| 75+% Poverty Schools                  | 587,000                         | \$2.3 - 2.9 billion | \$3.5 - 4.1 billion |
| All Title I minus Head Start          | 2,264,000                       |                     |                     |
| 75+% Poverty Schools minus Head Start | 102,000                         |                     |                     |

4-5,000/  
per  
state  
full day  
6-7  
equal 4-yr  
olds

5 yrs.

8 billion

low to middle

and costs associated with and necessary to the construction or renovation of a facility are payable with CCDF funds, but require prior, written approval from ACF.

Title 45 CFR 92.25 governs program income. Program income derived from real property constructed or renovated with CCDF funds must be deducted from the total allowable costs of the budget period in which it was produced.

All facility construction and renovation transactions must comply with the procurement procedures in 45 CFR 92.36, and must be conducted in a manner to provide, to the maximum extent practicable, open and free competition.

Tribal Lead Agencies must also comply with any additional requirements established by program instruction. These requirements may include, but are not limited to, requirements concerning: the recording of a Notice of Federal Interest in property; rights and responsibilities in the event of a grantee's default on a mortgage; insurance and maintenance; submission of plans, specifications, inspection reports, and other legal documents; and modular units. The definition of "facility" at Sec. 98.2 allows Tribal Lead Agencies to use CCDF funds for the construction or renovation of modular units as well as real property.

The definitions of "facility," "construction," and "major renovation" are the same definitions used in Head Start construction and renovation procedures. While a Tribal Lead Agency must request approval from the Secretary before spending CCDF funds on construction or major renovation, approval is not necessary for minor renovation pursuant to section 658F(b) of the Act and regulations at Sec. 98.84(f). For Tribal Lead Agencies, minor renovation includes all renovation other than major renovation or construction.

Section 98.84(e) requires that, in lieu of obligation and liquidation requirements at Sec. 98.60(e), Tribal Lead Agencies must liquidate CCDF funds used for construction or major renovation by the



"Wilhelm, Susan" <Susan\_Wilhelm@ed.gov>

12/09/99 12:00:43 PM

Record Type: Record

To: "Wilhelm, Susan" <Susan\_Wilhelm@ed.gov>, "Jones, Lonna" <Lonna\_Jones@ed.gov>, Ann O'Leary/OPD/EOP, Mary I. Cassell/OMB/EOP

cc:

Subject: RE: Pre-K Program Description

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the K and pre-K numbers of children served by Title I for the 97-98 school year are PreK- 299,560 and K- 1, 298,861

> -----Original Message-----

> From: Wilhelm, Susan

> Sent: Thursday, December 09, 1999 11:42 AM

> To: Jones, Lonna; 'Ann\_O'Leary@opd.eop.gov';

> 'Mary\_I.\_Cassell@omb.eop.gov'

> Subject: FW: Pre-K Program Description

>

> I have a call into these folks to see if I can get cost data. Susan

>

> -----Original Message-----

> From: Brockhouse, Steve

> Sent: Thursday, December 09, 1999 11:32 AM

> To: Wilhelm, Susan

> Subject: Pre-K Program Description

>

> Bright Beginnings <<http://www.cms.k12.nc.us/inside>>, a public

> pre-kindergarten program in North Carolina's Charlotte-Mecklenburg Public

> Schools, is focused on literacy and provides 4 year olds with a

> literacy-rich, resource-rich, full-day school experience. Each school day

> is constructed around four 15-minute literacy circles where teachers

> engage children in reading and literacy activities.

> The school district has developed its own pre-kindergarten curriculum,

> content standards and performance expectations that set high standards for

> every child's growth, development and learning. The program uses

> nationally recognized early childhood principles. Pre-kindergarten

> standards have been developed in the areas of social and personal

> development, language and literacy, mathematical thinking, scientific

> thinking, social studies, the creative arts, physical development, and

> technology.

> Supported mainly through federal Title I funds, the program serves more

> than 1900 children and plans to reach all 4000 children in the school

> district who need high-quality preschool experiences to get ready for

> school. The district collaborates with Head Start, special education, and

> other public and private partners. All teachers are early childhood

> specialists with at least a 4-year degree and are certified to teach by

> the state.

Comment: A few commenters indicated that they were not operating their own TANF programs and inquired whether there was a specific mandate for coordination with State TANF agencies.

Response: Tribal Lead Agencies which are not administering their own TANF programs are not required, but are strongly encouraged to coordinate their program activities with the State TANF agency.

#### Requirements for Tribal Programs (Section 98.83)

In recognition of the unique social and economic circumstances of many tribal communities, Tribal Lead Agencies are exempt from a number of the CCDF requirements which apply to State Lead Agencies.

Administrative costs. Based on input from several tribal organizations and tribal representatives, and as proposed, we are providing greater flexibility for Tribal Lead Agencies by exempting them from the five percent administrative cost cap at Sec. 98.52(a). Therefore, instead of enforcing the statutory five percent State administrative cost limit, a 15 percent administrative limit for Tribal Lead Agencies was recommended by several tribal organizations during the course of our pre-drafting consultations to account for the varying infrastructural capabilities of many Indian Tribes. Tribal Lead Agencies may not expend more than 15 percent of the aggregate CCDF funds for administrative activities (including amounts used for construction and renovation in accordance with section Sec. 98.84, but not including the base amount provided under section Sec. 98.83(e)). Section 98.52(a) provides a list of administrative activities which are subject to the 15 percent cost limitation. The preamble discussion of Sec. 98.52(a) provides an additional discussion of related activities which are not considered administrative activities for purposes of the 15 percent cost cap.

Through the list of activities which are not considered administrative costs, the exemption from the five percent State administrative cost cap, and the base amount under the Discretionary Fund, we believe Tribal Lead Agencies will have sufficient flexibility in determining their administrative and/or indirect costs to run

- > Bright Beginnings serves only eligible children who are selected according
- > to Title I (high poverty) funding guidelines. An initial program
- > evaluation shows promising outcomes.
- > Contact:
- > Tony Bucci
- > Ellen Edmonds
- > Barbara Pellin
- > Charlotte-Mecklenburg School District
- > Charlotte, NC
- > 704-379-7111
- > or visit their website at: [www.cms.k12.nc.us/inside](http://www.cms.k12.nc.us/inside)
- > <<http://www.cms.k12.nc.us/inside>>
- >

effective CCDF programs.

We recognize that many Federal programs permit Indian Tribes and tribal organizations to include an indirect costs rate in their grant awards. Indirect costs are administrative costs that cannot be easily charged to a specific program. Among other things, these generally include: the cost of accounting services, personnel services, and general administration of the organization. Since the cost of these items cannot be easily assigned to a program that a grantee is operating, the indirect cost rate is applied to the grantee's direct costs to determine the amount the grantee will be able to recover from the program for the grantee's total indirect costs.

An indirect cost rate is arrived at through negotiation between an Indian Tribe or tribal organization and the appropriate Federal agency. Agreements vary from Tribe to Tribe. For example, some agreements may apply the indirect cost rate to salaries and wages only; others may apply the indirect cost rate to salaries, wages, and fringe benefits only.

Indirect costs, as determined by an indirect cost agreement or cost allocation plan pursuant to Sec. 98.55, are identified at Sec. 98.52(a)(6) as an allowable administrative expense for tribal grantees. Tribal Lead Agencies are reminded that regardless of their negotiated indirect cost rates, administrative costs may not exceed the 15 percent cost limitation at Sec. 98.83(g).

Comment: A few commenters stated that a 15 percent administrative cost limit was too restrictive.

Response: The 15 percent limit is designed to provide Tribes greater flexibility than States which must meet a five percent administrative cost limit which was mandated by statute. The preamble discussion of Sec. 98.52(a) provides an additional discussion of related activities which are not considered administrative activities for purposes of the 15 percent cost cap. Through these additional activities, the exemption from the five percent State administrative



"Wilhelm, Susan" <Susan\_Wilhelm@ed.gov>

12/09/99 12:00:43 PM

Record Type: Record

To: "Wilhelm, Susan" <Susan\_Wilhelm@ed.gov>, "Jones, Lonna" <Lonna\_Jones@ed.gov>, Ann O'Leary/OPD/EOP, Mary I. Cassell/OMB/EOP

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> the state.

full allocation from receiving a windfall in administrative cost allowances. The revised language also clarifies that the administrative cost limit applies to the amounts expended from the total allocated, not to the amounts expended in a single fiscal year.

Exempt Tribes. We realize that many smaller tribal grantees do not have the infrastructure in place to support certain requirements. As a result, we are exempting Lead Agencies of smaller Tribes and tribal organizations (with total CCDF allocations less than an amount established by the Secretary) from certain requirements specified at Sec. 98.83(f). Exempt tribal grantees are not required to comply with the four percent quality requirement at Sec. 98.51(a) or to run a certificate program. Non-exempt tribal grantees are required to comply with these requirements.

The dollar threshold for determining which Tribes are exempt is established by the Secretary. Until Tribes are notified otherwise, the threshold is set at \$500,000. In other words, Tribal Lead Agencies with total CCDF allocations less than \$500,000 in a fiscal year will be considered exempt (any unobligated or unliquidated funds from prior fiscal years are not included in determining exempt/non-exempt status). Tribal Lead Agencies with allocations equal to or greater than \$500,000 are non-exempt.

In the proposed rule, we proposed that the threshold would be set to include as non-exempt all Tribes which were non-exempt prior to PRWORA. However, due to increased appropriations, this approach would have greatly increased the number of non-exempt Tribes. As an alternative, we have chosen a reasonable dollar threshold (\$500,000) that, while more than the dollar amount that was mentioned in the proposed rule (\$460,000), would still move some Tribes to a non-exempt category.

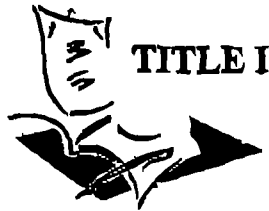
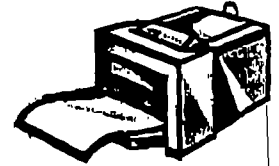
The increased number of non-exempt Tribes reflects the increased child care funding provided directly to Tribes under PRWORA. Since the exemption was originally intended to recognize the difficulty of



# FAX COVER SHEET

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION  
COMPENSATORY EDUCATION PROGRAMS



DATE : 12/9

TO FAX NO : \_\_\_\_\_

ATTENTION : Ann O'Leary; Mary Cassell

DIVISION : \_\_\_\_\_

FROM : \_\_\_\_\_

FAX : (202) 260-7764

Number of pages including cover sheet: 2

## MESSAGE

Another good pre-k description

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

U.S. DEPARTMENT OF EDUCATION  
COMPENSATORY EDUCATION PROGRAMS  
400 MARYLAND AVE., SW  
(FOB-6) AREA 3WEST  
WASHINGTON, DC 20202-6132

TELEPHONE: 202-260-0826



# Education Reform Institutes

*Equity ★ Excellence ★ Partnerships*

**Day Two**

**Tuesday, November 9, 1999**

**9:15 a.m. - 4:30 p.m.\***

*(\*end times vary)*

**Partnering for School Success: Pre-Kindergarten Programs as a Strategy**

**Room 251 BC**

## **Morning Session**

This institute will showcase the characteristics of high-quality pre-kindergarten programs. Experts in early childhood education will discuss current trends and patterns in state programs and will describe how local schools can best support your children's development and learning through the implementation of high-quality programs. This interactive session will include small group discussions, a dialogue with experts, and presentations by staff from an exemplary "real-life" pre-kindergarten program.

Attendees of this Institute will hear from researchers, technical assistance providers, Department of Education staff and school-based personnel who will help participants to:

1. Become familiar with the key factors from research and practice that link quality with success for pre-kindergarten programs;
2. Increase their knowledge about resources that focus on research and practice for the development and implementation of pre-kindergarten programs; and
3. Become aware of one successful pre-kindergarten program and its structural and process properties that lead to success.

**Diane Early**  
National Center for Early Development & Learning  
Chapel Hill, NC

**Sharon Ritchie**  
UCLA Graduate School of Education  
Los Angeles, CA

**Naomi Karp**  
Office of Educational Research and Improvement  
U.S. Department of Education

**Pat Trohanis**  
National Early Childhood TA System  
Chapel Hill, NC

## **Afternoon Session**

Elk Grove Unified School District, located in South Sacramento County, California has a strong focus on pre-kindergarten programs. Although the funding is from three programs, Head Start, California's Early Childhood Program and Title I, Elk Grove has aligned pre-school instruction, to district standards in emerging literacy and numeracy. The end result is a program that helps children make a successful transition to kindergarten. They score high going in and they are still scoring high in the later grades.

As one of the fastest growing school districts in the nation, Elk Grove's greatest challenge has been to find facilities for expansion of preschool. Using kindergarten classrooms from 3:30 to 6:30 p.m. has been the answer as part of the Twilight program. Preschoolers, their siblings and their parents go to school together in the Twilight Family Learning Center that has received state and national awards for excellence.

**Marla Albritton**  
**Stella Cockerham**  
**Phyllis Crisp**  
**Matt Franklin**  
**Nancy Herota**

**Elizabeth Pinkerton**  
**Jose Risso**  
**Angela Watts**  
**Montha Whitlock**  
Elk Grove Unified School District, CA

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A  
Y**



Mary I. Cassell  
12/09/99 12:19:24 PM

Record Type: Record

To: Lonna\_Jones@ed.gov@inet, Susan\_Wilhelm@ed.gov@inet, Ann O'Leary/OPD/EOP@EOP

cc:

Subject: Data on 4-year-olds

Here are the data on 4-year-olds and number of children in poverty that the OMB Income Maintenance Branch is using for their calculations. These are from 1998:

|                                  |               |
|----------------------------------|---------------|
| Total number of 4-year-olds      | 3.895 million |
| Poverty rate for 4-year-olds     | 20%           |
| Number of 4-year-olds in poverty | 786,000       |

Total number of 5-year-olds 3.948 million  
They didn't have a number for 5-year-olds in poverty, but we could apply the 20% rate if we need to

FYI -- total number of 4-year-olds served in Head Start 485,000 or about 62%

Response: While we strongly encourage exempt Tribal Lead Agencies to expend CCDF funds on quality activities, they are not required to meet this provision. For non-exempt Tribal Lead Agencies subject to the quality expenditure requirement at Sec. 98.51(a), not less than four percent of the ''aggregate funds expended'' by the Lead Agency shall be expended for quality activities. For purposes of this requirement, the ''aggregate funds expended'' by the Tribal Lead Agency includes amounts used for construction and renovation in accordance with Sec. 98.84 but does not include the base amount provided under Sec. 98.83(e).

Comment: Several commenters recommended that Tribes should not be subject to Sec. 98.43(b)(2) which requires a market rate survey as one of the three elements in determining equal access. The commenters stated that more flexible methodologies should be permitted for tribal grantees. For example, one commenter's Tribe currently establishes payment rates based on their State's market rate survey because their tribal service area is included in this market rate survey.

Response: In the final regulation, we have not exempted Tribal Lead Agencies from the requirement at Sec. 98.43(b)(2) that their payment rates be based on a market rate survey. However, a Tribal Lead Agency may base its payment rates on the State's market rate survey rather than conducting its own survey if their service area is included in the State's survey. As noted at Sec. 98.16(1), Tribal Lead Agencies must adequately describe the method used to ensure equal access.

While we are providing more flexibility for Tribal Lead Agencies regarding market rate surveys, we strongly encourage tribal CCDF grantees to survey their local providers in order to establish a payment rate which is an accurate reflection of the child care market on their reservation or tribal service area.

70 percent requirement. Section 418(b)(2) of the Social Security Act provides that States ensure that not less than 70 percent of the total amount of the State Mandatory and Matching funds received in a fiscal year be used to provide child care assistance to families

December 7, 1999

MEMORANDUM FOR GENE SPERLING

FROM BILL DAUSTER  
BRIAN KENNEDY

RE PRESCHOOL INITIATIVE

This memorandum reviews programs and options for possible preschool initiatives.

**Head Start:** We are committed to enrolling 1 million children by 2002. We now serve 835,000 children, leaving 165,000 for the next 2 years. HHS proposed covering half of the difference in 2001, up to 920,000, at an incremental cost of about \$800 million. OVP would very much like to do that or more. OMB's pass-back will likely recommend \$634 million, which would fund one-third of the amount needed. Because of quality funding requirements Chairman Goodling wrote into the law, slots are more expensive to fill in the short run than over the long run. The Goodling language requires about 60 percent of the funds, then 50 percent, then 40 percent, to go to quality – half of which is essentially a floor on caregiver salaries. Thus it will be cheaper to fill slots in 2002 than in 2001. There may also be practical difficulties with getting all the way to 1 million children in 2001, as it is not clear that capacity exists to add all 165,000 children in one year. Taking that step might therefore require expansion grants. Another option would be to stay on a slower current path, but advance appropriate for 2002 the sum necessary to complete the task.

**Early Head Start:** Early Head Start, which funds efforts for children 0 to 3, covers 45,000 children in total. The president has committed to covering 75,000 or 80,000 children by 2002, as part of the overall million children on Head Start. The difficulty with Early Head Start is that its costs are high per child. *Elmunk??*

**Education Programs:** Title I helps to fund early childhood education, so a set-aside within Title I might be another possibility for funding. Another possibilities would be full-day kindergarten funding for disadvantaged areas, perhaps funded through Title I. Georgia apparently has begun a universal pre-school program. We would want to ensure that any proposal we offer does not simply substitute for state efforts. OMB is hearing from experts in the field and states.

**Early Child Educator Professional Development in the ESEA:** The Department of Education and others are very concerned that preschool needs to have a tangible education focus. To that end, we need a pipeline of caregivers well trained in teaching small children – caregivers, for example, knowledgeable in how reading is learned and able to spot developmental disabilities. Standards alone do not appear to be enough. A substantial increment in funding to this component (on the order of \$200 million) would highlight its importance and help it to achieve its goals.

Unliquidated obligations as of the end of the succeeding fiscal year shall be liquidated within one year.

(2)(i) Mandatory Funds for States requesting Matching Funds per Sec. 98.53 shall be obligated in the fiscal year in which the funds are granted and are available until expended.

(ii) Mandatory Funds for States that do not request Matching Funds are available until expended.

(3) Both the Federal and non-Federal share of the Matching Fund shall be obligated in the fiscal year in which the funds are granted and liquidated no later than the end of the succeeding fiscal year.

(4) Except for paragraph (d)(5) of this section, determination of whether funds have been obligated and liquidated will be based on:

(i) State or local law; or,

(ii) If there is no applicable State or local law, the regulation at 45 CFR 92.3, Obligations and Outlays (expenditures).

(5) Obligations may include subgrants or contracts that require the payment of funds to a third party (e.g., subgrantee or contractor). However, the following are not considered third party subgrantees or contractors:

(i) A local office of the Lead Agency;

(ii) Another entity at the same level of government as the Lead Agency; or

(iii) A local office of another entity at the same level of government as the Lead Agency.

(6) For purposes of the CCDF, funds for child care services provided through a child care certificate will be considered obligated when a child care certificate is issued to a family in writing that indicates:

(i) The amount of funds that will be paid to a child care provider or family, and

(ii) The specific length of time covered by the certificate, which is limited to the date established for redetermination of the family's eligibility, but shall be no later than the end of the liquidation

## PRESCHOOL INITIATIVE

Page 2

**The Early Learning Fund:** The President proposed the Fund in fiscal years 1998 and 1999, drawing on research that showed that children's earliest years are critical to their development and future success. The Fund would provide challenge grants to communities (distributed by states) to support programs to improve early learning and the quality and safety of child care for children ages 0 to 5. Communities could use funds to provide basic training to child care providers (including first aid and CPR); connect individual child care providers to centers for education and support; assist child care providers to meet accreditation and licensing requirements; link child care providers with health professionals; reduce group sizes and child-to-staff ratios; and provide home visits, parent education, and consumer education about child care. The Fund builds on state initiatives such as North Carolina's Smart Start, which helps North Carolina's children enter school healthy and ready to succeed. The President's fiscal year 2000 budget requested \$600 million a year -- \$3 billion over 5 years -- for this fund. As Congress has not picked the proposal up, some are considering other strategies to advance its goals. As well, OMB is evaluating whether we can provide greater detail for the program or perhaps language amendments that would increase the number of children served.

**Child Care Appropriations:** One possibility is acting through appropriations. The fiscal year 2000 Labor-HHS-Education appropriations act funded child care at \$1.183 billion, of which it set aside \$173 million for quality in response to the President's request, \$50 million for infants, and \$10 million for research. The appropriators fund child care in advance, so this year Congress debated funding for fiscal year 2001. The Senate sought \$2 billion, but the final bill froze overall funding at \$1.183 billion, of which \$1.01 billion goes to subsidies and \$173 million to the quality set-aside. During this year's consideration of the bill, Chairman Specter committed that next year, the Labor-HHS-Education bill would increase fiscal year 2001 funding to \$2 billion (while also continuing the practice of advance appropriations, for 2002).

**Move Early Learning to Discretionary Funding?** OMB is considering adding discretionary funding advance the goals of the Early Learning Fund. Focus on cognitive development, in ages 0 to 5. Go to states through the CCDBG formula. States would have to put forward a plan for how to use the funds. If a state obtained Federal approval of its plan, it could give funding out as it wanted. This modified design is intended to reduce administrative costs. OMB staff are contemplating a proposal in the \$2.5 billion range -- a \$1.3 billion increase -- of which about \$500 million would be devoted to quality -- a \$300 million increase for quality. We would propose a limited change in appropriation language -- orienting the funding to cognitive development -- and issue regulations to implement the proposal. The level that OMB seeks to propose for subsidies versus quality is in flux.

**Jeffords ESEA Early Learning Proposal:** Chairman Jeffords has floated a conceptual draft of a proposal for a program he is contemplating be included on the Elementary and Secondary Education Act. Some have concerns whether this should be in the ESEA at all, but we might acquiesce in it as a step toward advancing Early Learning.

**Kennedy-Stevens Bill:** Senators Kennedy, Stevens, Dodd, Jeffords, and John Kerry have introduced S. 749, the Early Learning Trust Fund, which would set up a program to pro-

period.

(7) Any funds not obligated during the obligation period specified in paragraph (d) of this section will revert to the Federal government. Any funds not liquidated by the end of the applicable liquidation period specified in paragraph (d) of this section will also revert to the Federal government.

(e) The following obligation and liquidation provisions apply to Tribal Discretionary and Tribal Mandatory Funds:

(1) Tribal grantees shall obligate all funds by the end of the fiscal year following the fiscal year for which the grant is awarded. Any funds not obligated during this period will revert to the Federal government.

(2) Obligations that remain unliquidated at the end of the succeeding fiscal year shall be liquidated within the next fiscal year. Any tribal funds that remain unliquidated by the end of this period will also revert to the Federal government.

(f) Cash advances shall be limited to the minimum amounts needed and shall be timed to be in accord with the actual, immediate cash requirements of the State Lead Agency, its subgrantee or contractor in carrying out the purpose of the program in accordance with 31 CFR part 205.

(g) Funds that are returned (e.g., loan repayments, funds deobligated by cancellation of a child care certificate, unused subgrantee funds) as well as program income (e.g., contributions made by families directly to the Lead Agency or subgrantee for the cost of care where the Lead Agency or subgrantee has made a full payment to the child care provider) shall,

(1) if received by the Lead Agency during the applicable obligation period, described in paragraphs (d) and (e) of this section, be used for activities specified in the Lead Agency's approved plan and must be obligated by the end of the obligation period; or

(2) if received after the end of the applicable obligation period

## **PRESCHOOL INITIATIVE**

Page 3

vides flexible funds to states and localities to establish, maintain, or strengthen full-day, full-calendar-year early learning programs. The bill would provide \$2 billion annually (entitlement funding) for 5 years, distributed to states on the basis of a formula tied to the number of children under the age of 6. Ninety percent of the funds received by the State would be passed through to localities. Funds would be required to supplement, not supplant, existing Federal, state or local public funds for early childhood programs. States would be required to provide a match of \$1 for every \$4 in Federal funds, and the match could be in cash or in in-kind contributions. The Department of Health and Human Services, in consultation with the Department of Education, would administered the program. Localities could use funds to increase the number of children in Early Head Start, increase the number of children in state pre-K programs, increase the number of children in full-day/full-year Head Start, and enhance education and comprehensive services provided to and through child care programs (including health screening and diagnosis, parent involvement and education, staff training in early childhood development, upgrading salaries, etc.) Although the proposal is promising, many in HHS and in the advocacy world worry that it might compete with Head Start.

**Tax Credits:** Although we are considering tax issues under another rubric, I wanted to note here as well that the Dependent Care Tax Credit, and proposals to increase it or make it refundable, are also major components of the Administration's preschool agenda.

described at paragraphs (d) and (e) of this section, be returned to the Federal government.

(h) Repayment of loans, pursuant to Sec. 98.51(a)(2)(ii), may be made in cash or in services provided in-kind. Payment provided in-kind shall be based on fair market value. All loans shall be fully repaid.

(i) Lead Agencies shall recover child care payments that are the result of fraud. These payments shall be recovered from the party responsible for committing the fraud.

#### Sec. 98.61 Allotments from the Discretionary Fund.

(a) To the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico an amount equal to the funds appropriated for the Child Care and Development Block Grant, less amounts reserved for technical assistance and amounts reserved for the Territories and Tribes, pursuant to Sec. 98.60(b) and paragraphs (b) and (c) of this section, shall be allotted based upon the formula specified in section 6580(b) of the Act.

(b) For the U.S. Territories of Guam, American Samoa, the Virgin Islands of the United States, and the Commonwealth of the Northern Mariana Islands an amount up to one-half of one percent of the amount appropriated for the Child Care and Development Block Grant shall be reserved.

(1) Funds shall be allotted to these Territories based upon the following factors:

(i) A Young Child factor--the ratio of the number of children in the Territory under five years of age to the number of such children in all Territories; and

(ii) An Allotment Proportion factor--determined by dividing the per capita income of all individuals in all the Territories by the per capita income of all individuals in the Territory.

(A) Per capita income shall be:

(1) Equal to the average of the annual per capita incomes for the most recent period of three consecutive years for which satisfactory

**Nicole R. Rabner**

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12/07/99 05:32:15 PM

Record Type: Record

To: Ann O'Leary/OPD/EOP@EOP

cc:

Subject: FY 01 budget idea memos

This is what I would send from all of us -- let me know what you think:

Bruce, attached below are a series of brief memos fleshing out a variety of proposals we have discussed with you. The first is a memo outlining our recommendations on the child care/early learning front -- it proposes an \$818 million increase for discretionary subsidies with an 80-20 match and presents a series of options for child care quality/early learning investment. My recommendation is Option Two -- a more targeted and perhaps expanded version of our current Early Learning Fund. (FYI, I understand from Bill Dauster that Gene is still eager to consider a sweeping proposal in this area -- he told Bill that he hopes to work with you on it and Barbara has called a meeting with DPC and NEC staff tomorrow at 4 to review where we are -- any advice you have in advance of that meeting would be appreciated.)

The second memo focuses on paid parental leave and presents a series of options for a new competitive grant program. My recommendation is to advance a request for \$150-\$200 million for this program.

The third memo focuses on non-standard workers and would require some additional vetting to come up with a workable proposal in this area (particularly in the tax area -- we would need to consult with Treasury) -- let us know your reactions and how we should proceed.

Tomorrow, we will forward two other memos: (1) on domestic partners, outlining ideas for federal benefits and FMLA expansion; and (2) on youth and national service issues.



child care FY 01 options.120799.doc



FY 01 paid leave options.120799.doc



sotu worker longer.doc

Matching funds since these activities meet the goals of the Act.

Sections 98.53(e) and (f) contain additional qualifications on what constitutes an expenditure in the State for purposes of this Part. These qualifications are the same that generally apply to Federal programs that provide for matching State expenditures, with two important clarifications.

First, Sec. 98.53(e)(1)(i) allows a public agency, other than the Lead Agency, to certify its expenditures as eligible for Federal match. This provision allows States, for example, to use pre-K expenditures to meet the MOE requirement (when the regulatory provisions for use of pre-K funds are met) and/or receive Federal Matching funds. The second clarification, at Sec. 98.53(f), concerns the treatment of private donated funds. It provides greater flexibility than previously offered as interim guidance under ACF Program Instruction, ACYF-PI-CC-96-17, dated October 30, 1996.

Regarding the MOE requirements, the same State expenditure may be used to meet both the CCDF and TANF MOE requirements provided the expenditure meets the requirements of both programs. However, the amount of State CCDF MOE expenditures that may count for TANF MOE purposes is limited to the amount of the State's share of expenditures for the programs described at section 418(a)(1)(A) of the Social Security Act (i.e., the now repealed title IV-A child care programs) for FY 1994 or FY 1995, whichever is greater.) Section 409(a)(7)(B)(iv)(IV) specifically provides that State expenditures used to meet the CCDF MOE requirement--and/or for which CCDF Matching funds were received--may be included in meeting the TANF MOE requirement up to the amount set at section 418(a). Any additional State expenditures for child care in excess of the amount of the CCDF MOE requirement, and for which CCDF Matching funds are not claimed, may also be counted in meeting the TANF MOE requirement when the expenditures meet the requirements of TANF.

In addition, pursuant to section 409(a)(7)(B)(iv)(I) of PRWORA,

## **CHILD CARE SUBSIDIES**

**BACKGROUND:** As documented in HHS' September 1999 report, Access to Child Care for Low-Income Working Families, only 10 percent of children eligible for federal child care assistance through the Child Care and Development Block Grant (CCDBG) are receiving support. The report compiled state-by-state data of the number of children eligible for federal funds and found that the percentage of children helped ranged from a low of 4% in Mississippi to a high of 24% in West Virginia. Overall, the report estimates that 14.7 million children in low income families were eligible to receive a subsidy under federal income limits, but only 1.5 million children in 1998 received assistance. The President's FY 1999 and FY 2000 budget requests contained significant new mandatory resources for child care assistance through CCDBG (\$7.5 billion over five years) to provide child care subsidies to 1.15 million additional children.

**RECOMMENDATION:** Move the President's subsidy expansion request to the discretionary side of the budget. Currently, the discretionary title is funded at \$1.182 billion. Increase that by \$818 million for FY 2001 and 1.12 for FY 2002 (because CCDBG is an advance appropriated program, our budget should address both fiscal years). An increase of \$818 million in FY 2001 would enable the program to serve an additional 220,000 low-income children, assuming no state match, and 275,000 additional low-income children, with an 80-20 match. While the current discretionary title contains no match, the President's FY 2000 budget request for additional mandatory subsidy dollars introduced a new 80-20 match. Therefore, we recommend maintaining the 80-20 match in the new discretionary budget request.

**FURTHER RECOMMENDATION:** If we decide to pursue a child care quality initiative on the mandatory side of the budget, we recommend re-proposing for FY 01 two items in CCDBG that exist in FY 00 but were not included in the Omnibus Appropriations, which forward-funding CCDBG for FY 01 – (1) the \$50 million set-aside for infants and toddlers, and (2) the \$10 million set-aside for child care research.

State expenditures for child care may not be included as part of the State MOE for TANF if the funds originated with the Federal government. Hence, Federal funds transferred from TANF to the CCDF would not count towards the TANF MOE. Further, those funds could not be used to receive CCDF Matching funds under the general rule Federal funds may not be used as a match without statutory authority.

Comment: Several commenters objected to the prohibition on using in-kind expenditures for State match, contending that this runs counter to the regulations for the pre-TANF title IV-A programs on which much of the CCDF funding is now based.

Response: The pre-TANF title IV-A programs did not allow for the unlimited use of in-kind match as the comments suggest. Only a small part of the total JOBS funding (that part equal to the State's WIN or WIN Demonstration allotment for fiscal year 1987) could be matched with in-kind contributions. The match rate for these funds was 90%; meaning the State's share was only 10%. The Social Security Act, at section 403(1)(1)(B), specifically provided for in-kind contributions in this limited instance only.

There is no indication that Congress contemplated the use of in-kind match, either in the CCDBG Act or the child care provisions in PRWORA. In fact, in specifying that the Secretary shall reimburse expenditures, the provision precludes the claiming of in-kind match.

Comment: One commenter asked whether State expenditures for Kindergarten services could be counted in meeting the MOE requirement or claimed for match.

Response: Compulsory State education services cannot be used to meet the MOE requirement or to claim matching funds. Non-compulsory services are subject to the limits at Sec. 98.53(h).

Comment: One commenter asked for clarification of the relationship between child care expenditures used to meet the TANF MOE requirement and used to claim CCDF matching funds. The commenter observed that Section 409(a)(7)(B)(iv) of the Act precluded using the same State expenditure for claiming CCDF Matching funds and for meeting the TANF

## EARLY LEARNING AND CHILD CARE QUALITY

It is critical that the President's child care initiative retain a strong commitment to promoting school readiness and cognitive development by improving the quality of care. Research bears this out:

- Three multi-site studies conducted between 1988 and 1994, including the highly regarded *Cost, Quality and Child Outcomes in Child Care Centers*, found that only 12 to 14 percent of children in care are in arrangements that promote their growth and learning, while 12 to 21 percent are in settings that are unsafe and actually impair their development. For infants and toddlers, the percentage of poor/unsafe settings is much higher -- 40 percent (*Florida Child Care Quality Improvement Study: Interim Report*, Howes, Smith, Galinsky, Families and Work Institute, 1995).
- Children in higher quality settings develop receptive language more rapidly, have superior math skills, engage in more complex play with both objects and other children and exhibit fewer behavior problems (both at the time and upon entering school). Studies have found that the impacts on social skills and academic performance persist into elementary school (*Are They in Any Real Danger*, Love et. al., Mathematica Policy Research, 1996)
- As noted in the CEA paper on early learning: "children who receive care in quality centers tend to be less distracted and more task-oriented, considerate, happy and socially competent in elementary school. They are more self-confident, proficient in language, advanced in cognitive development and make better academic progress. Conversely, children in poor quality programs risk the development of poor school skills and heightened aggression."

The following three options focus on improving the quality of the vast majority of existing care for children aged 0-5, and ensuring that these opportunities help us to meet the first goal of Goals 2000 – school readiness.

**OPTION ONE:** Re-propose the Early Learning Fund, included in FY 99 and FY 00 at a \$3 billion over five year in mandatory funds to improve child care quality and promote school-readiness. Modeled on the successful North Carolina Smart Start initiative, the proposed Early Learning Fund provides challenge grants to communities (distributed by states) to support programs to improve early learning and the quality of child care for children ages 0 to 5. To receive funds, HHS must approve a state's early learning program plan that specifies a lead agency, outlines community grant procedures, describes community participation in planning and monitoring, specifies activities to be carried out, and outlines performance goals and measures. Allowable activities include parenting education, resource and referral services, the development of family child care networks, provider training, efforts to improve staffing ratios, licensing and accreditation assistance, health services, added care for children with special needs. Each state would be required to submit an annual report documenting the use of the funds and progress

MOE requirement.

Response: That section in the Act was amended by the Balanced Budget Act of 1997 to allow certain State expenditures to be used to claim CCDF Matching funds and be used to meet the TANF MOE requirement. We updated the above discussion to reflect those changes. Use of the same expenditure for both purposes is subject to certain qualifications discussed above.

Use of a private agency to receive donated funds. Historically, private

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donations to State-level programs have been very limited; locally controlled donations have been somewhat more prevalent. Frequently cited reasons for this lack of public support for seemingly worthwhile programs have included suspicion of government, in general, especially government outside the immediate community, coupled with regulations that appeared to limit the State's ability to assure the donor that the donated funds will be used in a specific area or for the donor's intended purpose.

At a time when child care programs face increased demands, and State budgets face constraints, we have reexamined prior ACF policies on donated funds. We have tried to respond to the issues that we were told have inhibited private donations in the past by including in the definition of State expenditures donated funds that meet the qualifications at Sec. 98.53(e)(2), even though such funds are not under direct State control. The regulations at Sec. 98.53(f) provide that private donated funds need not be transferred to or under the administrative control of the Lead Agency to be eligible for Federal match. Instead they may be donated to the entity designated by the State to receive donated funds. Both the Lead Agency and the entity designated by the State to receive donated funds must, however, certify that the donated funds are available and eligible for Federal match. In addition to this dual certification requirement, we want to ensure Lead

toward achieving performance goals.

**OPTION TWO:** Propose a More Targeted Version of the Early Learning Fund, at or above \$3 billion over five years in mandatory dollars. Target the allowable uses of the Early Learning Fund to measurable activities that promote the cognitive development and school readiness of children aged 0-5 in child care. These activities would include: improving provider training, recruitment and retention, reducing teacher to student ratios, promoting accreditation, increasing reimbursement rates for accredited programs, increasing networks for family child care providers, and promoting adherence to professional quality standards. Goals in some or all of these categories would be required for the state's early learning program plan, and the state's annual report would document progress toward those goals (e.g., number of programs with ratios below a specified level, number of children in accredited programs, number of providers receiving AAs or BAs or ECE through the program). States failing to make progress toward the goals would have to submit a corrective action plan or lose funding.

**OPTION THREE:** Create a New Set-Aside Within the Discretionary Title of CCDBG to Promote Cognitive Development of children aged 0-5 in child care. In FY 2000, the \$1.182 billion discretionary title of CCDBG includes 3 discretionary pots of funds: (1) a 4 percent set-aside for quality activities; (2) \$50 million for infant and toddler child care quality improvement activities; and (3) \$173 million for general child care quality activities. By folding the second and third funding streams into one program to improve child care quality for children aged 0-5, and adding \$277 million, we could create a \$500 million school readiness fund. Similar to our proposed Early Learning Fund, this fund would support child care quality improvements designed to promote the cognitive development (i.e. improve the language, reading and math skills) of children in care. Parameters of the \$500 million fund would mirror the above-described options, including:

- The funds would be distributed according to the CCDBG formula, but in order to receive its share of the funds, HHS would have to approve a State's "school readiness plan" describing how the State would use the dollars to enhance the cognitive development of children in care and establishing performance goals and measures.
- The funds would be used to improve provider training, recruitment and retention, reduce teacher to student ratios, promote accreditation, increase reimbursement rates for accredited programs, promote adherence to professional quality standards, etc.
- Each year, the state would be required to report on how funds were used and on progress toward goals established in the plan (e.g., number of programs with ratios below a specified level, number of children in accredited programs, number of providers receiving AAs or BAs or ECE through the program). States failing to make progress toward the goals would have to submit a corrective action plan or lose funding.

The Administration could seek minimal appropriations language for this, e.g.:

" . . . Provided further, That of the funds provided for fiscal year 2001, ~~\$172,672,000~~ \$500,000,000 shall be reserved by the States for activities to support the cognitive development of children aged 0-5 authorized under section 658G of the Omnibus Reconciliation Act of 1981 (The Child Care and Development Block Grant Act of 1990) and approved by the Secretary of

*PS/MSH rtw  
Early Learning Fund*

Agency accountability for funds that may not be under its direct control. Therefore, the fiscal reporting form, the ACF 696, requires that the Lead Agency separately report the amount of private donated funds it uses as match. And finally, Lead Agencies should be aware that private donated funds used as match are also subject to the audit requirements at Sec. 98.65.

This rule will allow Lead Agencies to cooperate more closely with various organizations, foundations, and associations that already support high quality child care and related activities. It will also allow the Lead Agency to leverage private funds in order to serve more families, while working within State and Federal budget restrictions. We also take this opportunity to clarify the regulation at Sec. 98.53(e)(2)(i) which requires that private funds be donated without restriction on their use for a specified individual, organization, facility or institution. Under this clarification a donor could designate a specific geographic location for the receipt of funds. Such a geographic specification can be broad, such as within the limits of a specific city, or extremely narrow, such as a single neighborhood. Such geographic specification is possible whenever funds are donated, whether the funds are donated to the Lead Agency or to an entity specially designated to receive private donations.

Lead Agencies will be asked to identify the entity that is designated to receive private donated funds and the purposes for which those donated funds are expended in their Plan, pursuant to Sec. 98.16(c)(2).

Comment: Several commenters wanted us to limit the use of pre-K and or donated funds to only those States that had used such funding prior to FY 1997.

Response: It is not clear why the commenters proposed such a limitation. The regulation is designed to give Lead Agencies additional flexibility in maximizing child care funding while ensuring ongoing commitments to existing programs. We see no benefit to limiting the use of pre-K or donated funds as suggested.

Health and Human Services, such funds to be in addition to the amounts required to be reserved by the States under section 658G . . .”

Comment: The same commenters wanted us to require that States submit quarterly reports listing the entities receiving donated funds and the uses of those funds.

Response: We have required that the Lead Agency identify in its Plan the single entity designated to receive donated funds and the allowable child care services for which the funds will be used. We believe that additional requirements, such as those proposed would be burdensome for the Lead Agency and serve no useful purpose in light of the policy that provides for a single entity to receive donated funds.

Comment: Several commenters suggested that individual programs or providers would be accepting donated funds.

Response: We want to clarify that the regulation provides for the designation of a single entity in each State to receive donated funds. We settled on this for a number of reasons. First, it would be burdensome for the Lead Agency to have to deal with hundreds of individual providers or programs all claiming to have receive donated funds which are allowable. Since the Lead Agency is ultimately responsible for the allowability of the donated funds we did not want to create such a burden on them. More importantly, we did not want to create a mechanism wherein individual programs, providers or jurisdictions might be forced to compete with each other for donated funds. Nor did we want to create a situation wherein the Lead Agency might tie the availability of certificates, grants or contracts to a jurisdiction, provider or program's ability to attract donated funds. We believe that allowing for the designation of only a single entity to receive donated funds, at least initially, is a reasonable policy choice.

Claims for pre-K expenditures for MOE and match purposes. Many States fund pre-K programs for young children. These are important early childhood services that contribute to school readiness.

Expenditures for State-funded public pre-K services to children from families who meet the CCDF eligibility criteria (as outlined in the

## Federal Support for State Paid Parental Leave Initiatives

### Background:

The Family Medical Leave Act (FMLA) signaled our nation's recognition that American workers face enormous obstacles in their struggle to balance work and family, and that the federal government can, and should, play a role in helping to achieve that balance. The FMLA enables millions of working Americans to care for a child after birth or adoption, by providing up to 12 weeks a year of unpaid, job-protected leave. But many of those workers are unable to take the full amount of time they need and are entitled to, because they simply cannot afford to go that long without a paycheck. Other workers who are not protected by FMLA but have access to unpaid leave can face the same dilemma.

Several state governments are exploring strategies to provide wage replacement for parents who have access to and want to take leave to care for a newborn or newly adopted infant but cannot afford to do so. The Department of Labor, at the direction of the President, has provided an opportunity for State agencies that administer the Unemployment Compensation (UC) program to pay, under a voluntary experimental program, UC to parents who take time off from employment after the birth or placement for adoption of a child. The Administration could further assist states in this effort, and encourage states to consider other paid leave initiatives, through a federally funded grant program. The funds could be used by states to underwrite the administrative and implementation (benefit) costs of starting up a state-funded benefit program; and to evaluate the success of state or local initiatives. Supporting these initiatives would not only benefit the working citizens of the individual states, but would also allow us to explore, through the "laboratory of the states," which approaches to paid parental leave work best and possible promising models for a nation-wide paid leave plan.

States could be invited to submit proposals, and grants could be awarded competitively, with the size and number of awards dependent upon the amount of funding available. In addition to new funds for the grants, we would need to have legislative authority for the grant program. It is possible that legislative authority for current DOL programs could be used **although new legislation would likely be necessary** to authorize a more flexible and complete grant program. The following proposal is similar to legislation introduced by Dodd/Woolsey this summer that would establish a demonstration program to support states and political subdivisions provide partial or full wage replacement to new parents and workers on other forms of FMLA leave. This legislation would also provide experience on what the most effective mechanism is for providing wage replacement assistance.

### II. Proposal

Provide \$50 million to \$250 million for a new competitive federal grant program for increasing availability of paid parental leave. Grant monies would be available to states and appropriate

Plan) may meet the requirements for allowable child care services expenditures for MOE and match purposes. The pre-K program must meet each of the following four conditions:

- Attendance in the pre-K program must not be mandatory.

- The pre-K program must meet applicable standards of State, local or tribal law.

- The pre-K program must allow parental access.

- The pre-K program must not be Federally funded (unless funded with ``exempt`` Federal funds for matching purposes), and its State funding may not be used as basis for claiming other Federal funding.

In addition, pre-K expenditures claimed may be only for those families who are at or below 85 percent of the State median income (SMI) (or lower SMI established as the CCDF eligibility criterion by the Lead Agency) and who meet other State eligibility criteria.

During our consultations we heard the full range of issues around allowing States to use their pre-K expenditures to meet the matching and MOE requirements of the CCDF. We came away from those consultations with some reservations about the use of pre-K expenditures, but we also came away with increased respect for the importance of these programs.

A chief concern to working parents is that many pre-K services are only part-day and or part-year and such programs may not serve the family's real needs. Some have expressed concerns that an excessively broad approach to counting pre-K expenditures might result in a real reduction in full-day child care services to potentially eligible working families. The potential exists for a State with a sufficiently large pre-K program to divert all state funds away from other child care programs and fulfill its MOE and Matching requirements solely through pre-K expenditures. On the other hand, allowing pre-K expenditures to be counted toward MOE or match could provide a critical incentive for States to more closely link their pre-K and child care systems. This could

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sub-state entities to be used for some combination of the following:

- 1) Subsidizing benefits in a demonstration, or pilot program, to provide paid leave to care for newly born infants and adopted children.
- 2) Subsidizing administrative and startup costs for promising models of state paid parental leave.
- 3) Funding research that assesses the impact of existing and new paid leave activities.

#### Details of proposal

- 1) Subsidize benefits in a pilot or demonstration project:

The cost of a benefit subsidy (modeled after \$200 a week federally paid leave proposal) is based on a \$200 benefit a week per person; benefit cost varies from \$9m-\$38m per state, assuming between 4 and 12 weeks of paid leave to *women* with infants. Benefit costs could be reduced if assume a subsidy of less than \$200 a week. The costs would, of course, increase up to two-fold if new fathers were covered.

- 2) Funding administrative and startup costs:

Administrative costs for the start-up of new state (or local level) program ranges from \$250,000 to \$2,500,000 per state (estimate based upon using UI system for delivery) – assuming first year operating costs of approximately \$3m to \$4m per state. A decision would need to be made if it would be limited to a TDI-type state program or if it could be used for states wishing to use UI (after DOL's regulation is finalized).

- 3) Research and evaluation grants:

Cost per review-type paper estimated at \$50,000.

Minimum funding for a single state commission including administration, travel and survey/review, assuming meets 6 times in one year is: travel \$50,000.

#### Options for funding levels

- At \$50m, the grants would probably be restricted to administrative grants and research; perhaps 10 state-wide administrative grants and the rest in research.
- At \$100m, 3 or 4 grants for sub-state benefit subsidies or small states subsidies could be added to account for the additional \$50m.
- At \$200m, there would likely be no increase in administrative grants (not many more states than original 10 would be interested in administrative grants); with the additional \$100m, benefit subsidies could be made available to 2 or 3 large states in addition to the 3 to 4 smaller benefit grants.
- At \$250m, another large state benefit grant could be added, for a total of 3-4 large state benefit grants (\$150m), 3-4 smaller state (or sub-state) benefit grants (\$50m), 10 administrative

result in a coordinated system that would better meet the needs of working families for full-day/full-year services that prepare children to enter school ready to learn. We struggled with these issues and considered various alternative approaches to counting pre-K expenditures in the CCDF.

In the end, we decided on a policy that attempts to balance concerns about the use of pre-K expenditures in meeting CCDF requirements. At Sec. 98.53(h)(3) and (4) we have addressed our concerns about balance by establishing a maximum amount of State expenditures for pre-K services that can be claimed for match or MOE. Expenditures for pre-K programs may constitute no more than 20% of the State's expenditures which are matched. Similarly, expenditures for pre-K programs may constitute no more than 20% of the State's expenditures counted in fulfilling the MOE requirement. However, if a State intends to fulfill more than 10% of either its MOE or matching requirements with pre-K expenditures, its CCDF Plan must reflect that intent. Additionally, if a State intends to fulfill more than 10% of either the MOE or matching requirement with pre-K expenditures, the CCDF Plan must describe how the State will coordinate its pre-K and child care services to expand the availability of child care. We established the 20% limits because they approximate the proportion of pre-school age children nationwide currently receiving services under the CCDBG. (This level also approximates the average monthly proportion of pre-school age children of JOBS participants who received child care assistance in the past.)

States may count only those pre-K expenditures that meet the criteria as allowable child care services explained above (i.e., attendance is not mandatory, the program meets applicable standards, allows parental access, serves CCDF eligible families as provided in the Plan, etc.). The Lead Agency is required to separately report on the ACF-696 the amount of pre-K expenditures it claims as match or uses to meet the MOE requirement.

grants (\$35m), and about \$15m in research.

### Preliminary Grant Elements

Careful and targeted design of the grant program would be crucial, and should include the following factors:

- ◆ Specific policy goals to be served in addition to increasing workers' ability to take new parent leave, if any;
- ◆ Multi-activity proposals would be considered (i.e., combining benefit subsidy and/or administrative costs and/or research);
- ◆ Benefit subsidy/administrative costs proposals must include outcome measurement/ evaluation, perhaps with third party participation (such as universities) to assist in evaluation activities;
- ◆ Defined duration of pilot;
- ◆ Demonstrate sustainability of program -- likelihood of continuation without federal funding after demonstration/pilot period, if successful;
- ◆ Benefit recipient eligibility tied to need/income level (this would not apply to any UC based proposals);
- ◆ Benefit receipt eligibility includes workforce attachment requirement.

In addition, the following questions needed to be answered or criteria need to be developed while designing the grant program:

- ◆ How to limit the number of pilot benefit proposals;
- ◆ What are the specific criteria for selecting proposals, including:
  - size of population to be served;
  - issues to be addressed in research proposal;
  - areas for evaluation, e.g., at what benefit level/benefit duration are workers with various incomes more likely to take leave;
  - what impact does paid leave have on new parents' return to the workforce;
  - what impact does paid leave have on employer incentives to provide paid leave or unpaid leave (if not FMLA-covered);
  - length or amount of benefit;
  - ratio of federal subsidy to state dollars, and whether it could vary by proposal.

### **III. Factors to be considered**

#### **Pros:**

- Minimizes federal dollars (compared to funding paid leave) by leveraging state funds;
- May encourage states to take advantage of new UI option;

In addition, for MOE purposes, Sec. 98.53(h)(1) provides that States cannot reduce their level of effort in full-day/full-year child care services if they use pre-K expenditures to meet the MOE requirement. And, States are required to provide an assurance of this, pursuant to Sec. 98.15(a)(6). This requirement reflects the fact that although the statute eliminated the non-supplantation requirement formerly found at section 658E(c)(2)(J) of the CCDBG Act, another non-supplantation requirement was created by section 418(a)(2)(C) of the Social Security Act. That non-supplantation requirement--the MOE requirement--requires States to continue to spend at least the same amount on child care services that they spent on the repealed title IV-A child care programs, in order to receive the new Matching Fund. Such a provision would be meaningless if States used MOE expenditures for services that were not responsive to the real child care needs of working families that the CCDF was intended to assist, i.e., the State ``buys out`` with pre-K expenditures the full-day/full-year child care services it previously provided under title IV-A. In the interest of State flexibility we have not otherwise regulated on the types of services that may be counted in meeting the MOE requirement and, as discussed below, have eased the burden on the State in calculating the amount of pre-K expenditures that may be used to meet the MOE and matching requirements.

In contrast, there is not a similar requirement if pre-K expenditures are claimed for match. Since the Matching Fund is ``new money`` it is not subject to the same requirements that expenditures used to meet a non-supplantation (MOE) requirement must meet. However, Secs. 98.16(q) and 98.53(h)(2) require that States describe in their CCDF Plan any efforts they will undertake to ensure that pre-K programs meet the needs of working parents if pre-K expenditures are claimed for match. Our different treatment of pre-K expenditures in the MOE and matching requirements, then, reflects a balance between the principles of non-supplantation and state flexibility.

Furthermore, ACF will permit States to use a different method for

- Announcement could be coordinated with Dodd/Woolsey plans;
- Expansion of programs such as TDI may have broader benefits than just parental leave (may also be con if it dilutes message too much);
- Experience could help with development/passage of federal legislation or lead to more states and private employers providing paid leave;
- Provides some real benefits to real people in need;
- Research and experimental program would be helpful in laying groundwork for widespread provision of paid leave.

**Cons:**

- Unclear if proposal is sufficient to get interest of states' and third parties (NGA, AFL-CIO) particularly given large cost of funding benefits and lukewarm reception to the DOL proposed rule;
- Difficulty in securing needed authorizing legislation;
- Delivery systems and benefits would vary across states;
- Possible conflicting signals with welfare to work (e.g., do we want low-income parents at home with kids or in workplace?);
- Benefit subsidy (vs. just using federal funds to cover administration) may not be appropriate for a one-time intervention -- would states be willing to pay for funding program (i.e. benefit) costs in the out years?
- Programs to provide government subsidized leave could create negative incentives for employers who currently, or might otherwise, provide paid leave for their employees.

calculating the amount of pre-K services claimed for both MOE and matching purposes than was required under the former title IV-A child care programs. Under the now repealed title IV-A child care programs, ACF required States wishing to claim Federal match for their pre-K expenditures to base their claim on the number of title IV-A-eligible (or potentially eligible) children who actually participated in the pre-K program. As many school districts did not have the information to identify whether pre-K participants were members of IV-A-eligible families, it was difficult for States to claim Federal matching funds for these programs. In fact, only a handful of States claimed Federal Match under title IV-A for their pre-K expenditures. In our consultations we were asked to loosen this child-by-child approach to counting pre-K expenditures.

In the interest of easing administrative burdens on the Lead Agency, we have adopted the following policy toward calculating pre-K expenditures for purposes of claiming MOE and Matching funds. For pre-K expenditures to be claimed, States must ensure that children receiving pre-K services meet the eligibility requirements established in the CCDF Plan. In cases where States do not have child specific information, however, they must develop a sound methodology for estimating the percentage of children served in the pre-K program who are also CCDF-eligible. Expenditure claims must reflect these estimates.

Although the methodology should be documented, we will not require that the methodology be submitted to ACF for prior review or approval. In documenting their methodology, Lead Agencies are reminded of the requirement at Sec. 98.67(c), which provides that fiscal control and accounting procedures must be sufficient to permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the Act or regulations.

Comment: Some commenters argued against any restriction on the amount of pre-K that could be used to satisfy the MOE requirement

## **MEETING THE NEEDS OF THE NON-STANDARD WORKFORCE**

### **Rationale**

Approximately, 25 to 30 percent of the U.S. labor force work in non-standard arrangements; this group includes independent contractors, contract workers, temporary agency employees, on-call workers, day laborers and part-time workers. While this class of workers is diverse in its demographic make-up, income scale, and satisfaction with non-standard work arrangements, many of these workers share in common a lack of access to health and retirement benefits that most workers in the traditional workforce receive. According to estimates from the Economic Policy Institute only 12 percent of non-standard workers receive retirement coverage and health insurance benefits from their employers, compared to 66 percent of the traditional workforce.

Many temporary, contract and part-time workers are not eligible for benefits because they are not employed in any one place long enough or don't log enough hours. Additionally, while many temps are offered the opportunity to receive benefits from their temp companies, many decline because the employee contribution is too expensive. Independent Contractors are technically self-employed and therefore are excluded from employer provided benefits.

As a result of these arrangements a large and, by most estimates, growing segment of the working population does not have access to health insurance or pension benefits. This puts companies that do offer coverage under tremendous strain because they support families and spouses of their employees and therefore subsidize the cost of benefits for the companies that do not provide such coverage. This could potentially lead more companies to find ways to further skirt the obligation to provide benefits (such as hiring more non-permanent and part-time workers).

### **Ideas**

The Department of Labor's Working Group on the Benefit Implications of the Growth of a Contingent Workforce surveyed representatives from labor unions, think tanks, temp companies, the Departments of Labor, Treasury, and the Census Bureau, and employers. In its soon to be released report, a majority of the witnesses reiterated the need to find ways to ensure that these workers have access to retirement and health benefits. Some of the Advisory Council's recommendations included extending the protections provided by labor and antitrust laws to independent contractors, temporary workers, and contract company workers; developing purchasing coalitions that would permit non-standard workers to obtain health insurance and pension benefits; supporting MEWA's; and changing the IRS definition of employee.

The DoL appears to be open to some of these ideas, however, they have not been fully vetted through the Department. Many of these recommendations reflect advocates of non-standard workers preferences as well, however, we have yet to test these ideas with other organizations such as unions.

**TAX INCENTIVES OPTION:** Given the recommendations listed above, we could develop a tax incentive for temp companies and/or unions and/or other non-profit organizations to offer

saying that States may lower or end investments in pre-K because of the limit. Others agreed with the 20% cap, while still others wanted a lower cap or the exclusion of pre-K from meeting the MOE requirement.

Response: We anticipated these reactions and specifically requested comments on the pre-K limit in the proposed rule. However, none of the commenters who argued for unrestricted use of pre-K addressed our concerns about ``buying-out`` existing child care services with pre-K programs. The argument that a State may limit pre-K is not convincing since States usually fund pre-K for a variety of programmatic reasons--not because it may be an allowable match for another program.

This regulation still gives States more flexibility than in the past and opens new sources of match not heretofore available.

Accordingly, as a matter of balance, we have retained a reasonable limit on using State pre-K expenditures to meet the MOE requirement.

Comment: Some commenters objected to linking the use of pre-K to meet the MOE requirement with maintaining expenditures on full-day/full-year child care services. They felt that the increase in TANF recipients accepting part-time employment will affect the need for full day/full year care.

[[Page 39967]]

Response: We do not believe that true economic self-sufficiency is readily achievable through part-time employment. While part-time employment of families may have increased at the outset of TANF, the operation of time limits on those same families will require increased hours of employment just to maintain income levels when their TANF benefits cease. We believe, then, that it is prudent to retain this requirement at this time.

Comment: A commenter asked if we intended to limit pre-K programs to families at or below 85% of the State's median income (SMI).

Response: We did not intend to limit State's ability to provide pre-K to all families, regardless of their income. However, only expenditures for those services provided to families at or below 85% of the SMI (i.e., whatever limit the Lead Agency establishes as the

benefits packages. One such non-profit organization is "Working Today" which serves freelancers and part-timers in the New York City area. Working Today offers access to group-rate health insurance for independent workers and their families, free and low cost legal advice from a specified network of attorneys, and discounts on computers, and office equipment and supplies.

We need to check in with Treasury/NEC to see if this is viable.

#### RESEARCH OPTION

The Census Bureau's Current Population Survey (CPS) began measuring the occurrence of various types of contingent work in 1995 and collects data every two years (1997 data is the latest data that has been released; 1999 should be released within the next few weeks).

According to analysis by a number of organizations, the data is not comprehensive enough for a few reasons:

- (1) It does not include part-time workers. Part time work is tabulated monthly by the BLS and can be cross-analyzed for the time period contingent work data is collected.
- (2) Rather than measuring the hours variability and the nature of the contract entered by the employee and employer, it only measures the employee's feeling of job stability or lack thereof; and
- (3) It collects data on this class of workers only every two years. Because the nature of temporary, contract work is short term (the National Association of Temporary and Staffing Services estimates that the average job tenure for temporary employees is 9.6 weeks), and because it has a limited longitudinal component, it does not measure how this class of workers fares over time.

One idea would be to collect data on this set of workers annually. In brief conversations with BLS staff, the BLS appears reluctant to change the nature of the survey. However, in conversations with advocates and researchers outside the government, I have found that there is some desire to collect more detailed data more often.

Another idea is to see if it is possible to include an additional question in the American Community Survey that could measure the nature of work (i.e. temporary or contract work and/or part-time).

#### RESEARCH OPTION

It may be worthwhile to study the relationship between temp companies and the non-standard workforce. Such a study could include, among other things, an examination of the growth of temporary companies, the types of workers they tend to employ, the services and benefits they provide (or don't provide), their effects on unemployment and welfare reform (over the course of a year or two). [checking with DoL].

eligibility criteria for CCDF-funded child care) may be counted in meeting the CCDF MOE requirement or to receive Matching funds. We have revised the discussion above to make this point more clearly.

Family fees and the matching fund. Section 98.53(g)(2) clarifies that family contributions to the cost of care as required by Sec. 98.42 are not considered eligible State expenditures under this subpart. This policy is based on the fact that family fees are not State expenditures.

#### Restrictions on Use of Funds (Section 98.54)

Section 103(c) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) repealed the three title IV-A child care programs--the AFDC child care program, the Transitional Child Care program and the At-Risk Child Care program. However, in appropriating new child care funds under section 418 of the Social Security Act, the PRWORA provides that these funds must be spent in accordance with the provisions of the Child Care and Development Block Grant Act as amended. This requirement is incorporated into Sec. 98.54(a). This section also provides that TANF funds that are transferred to the Lead Agency under the provision of the new section 404(d) of the Social Security Act are treated as Discretionary Funds for the purposes of Sec. 98.60.

Other Federal funds expended for child care, unless transferred to the Lead Agency, are not required to be spent in accordance with the amended CCDBG Act. This means, for example, that child care provided with title XX funds or TANF funds that are not transferred to the Lead Agency might be subject to different requirements. However, ACF cautions States about the administrative and policy problems associated with operating a variety of Federally-funded child care programs, e.g., one program subject to CCDBG requirements and others not. The amendments to the CCDBG Act contained in the PRWORA are intended to create a single child care program with consistent standards and requirements and to counteract the fragmentation and conflicting

**Recommendations of DoL's  
Working Group on the Benefit Implications of the Growth of a Contingent Workforce**

1. The Department of Labor and the IRS should continue to vigorously enforce existing laws to prevent the denial of fringe benefits to statutory employees misclassified as contingent workers.
2. Existing labor and antitrust laws that prevent access by contingent workers to multiemployer plans of the type that have traditionally served employers and contingent workers in the construction and garment industries should be modified:
  - a) Independent contractors should be permitted to organize and bargain collectively on a single or multiemployer basis.
  - b) The "community of interest" standards developed administratively by the National Labor Relations Board to define appropriate units of workers for collective bargaining should be modified to permit temporary and contract company employees to organize and bargain with their employers.
  - c) The provisions of labor law recognizing the temporary and intermittent nature of work in the construction and garment industries, that permit employers and employees in those industries to enter into pre-hire agreements setting the terms and conditions for employment, should be extended to independent contractors, temporary agency employees and contract company workers.
3. While the decoupling of benefits from employment urged by representatives of the temporary help industry may most simply be accommodated by a system of universal health and retirement benefits, intermediates solutions should be explored:
  - a) The multiemployer plan model, which facilitates the availability of health and retirement benefits for small employers with temporary and intermittent workforces, should be expanded to the contingent workforce. In addition to the construction and garment industries, successful examples of such plans are found in state and local governments and rural electrical cooperatives.
  - b) While problems of cost and adverse selection will likely limit their effectiveness, purchasing coalitions permitting contingent workers to obtain health and retirement benefits at group rates, should be facilitated.
4. The Department of Labor should review current statutory impediments to group purchasing of health benefits along the multiemployer model. Specifically, the Department of Labor, pursuant to Section 3(40) of ERISA, should seek to expand the ability to extend health benefits to contingent workers through Multiple Employer Welfare Arrangements (MEWAs) with, however, strong safeguards to assure the adequate funding of such arrangements.
5. The Internal Revenue Code Section 403 (b) retirement plan model should be reviewed as a Prototype for utilization as a vehicle to permit employers of contingent workers to contribute to retirement accounts of those workers.
6. To eliminate a possible disincentive to the provision of health and retirement benefits to

requirements that had arisen under prior law.

We have also added a new section at Sec. 98.54(b)(3) which clarifies the special provisions on use of funds for construction that apply to Tribes and tribal organizations under the PRWORA amendments.

Comment: One commenter felt that allowing expenditures for minor remodeling for non-sectarian providers, while limiting such expenditures for sectarian providers to only those instances where remodeling was needed to meet health and safety requirements, would increase the workload of the Lead Agency, in that it will be necessary to track the nature of an organization requesting funds for minor remodeling.

Response: We did not propose any change in this regulation which has been in effect since 1992. The regulation implements section 658F(b) which does require that Lead Agencies distinguish between sectarian and non-sectarian providers in providing CCDF funds for minor remodeling. Nevertheless, we are unaware that this provision has been burdensome on Lead Agencies.

#### Subpart G--Financial Management

##### Availability of Funds (Section 98.60)

Section 418 of the Social Security Act, which was added by PRWORA, requires that all Federal child care funds appropriated therein be spent in accordance with the provisions of the amended Child Care and Development Block Grant. In consolidating the Federal child care programs under a single set of eligibility requirements, Congress nevertheless instituted three funding sources. We have chosen to refer to the combined funding as the Child Care and Development Fund--CCDF. This term recognizes the different sources of Federal monies flowing into child care but the common purposes for which they may be expended. Section 418 of the Social Security Act appropriates Federal funds for the 50 States, the District of Columbia and Indian Tribes in the form of formula grants which we refer to as the Mandatory Fund. A specified amount of Federal funds is also made available under a different formula to the 50 States and the District of Columbia to

contingent workers, the Department of Labor and the Department of the Treasury should review whether removing the provision of employee benefits as one of the factors in the current 20-factor test for determining employee status would enhance the ability of contingent workers to secure health retirement benefits, without unacceptable offsetting losses either to the critical health and retirement systems funded through employment taxes, or other fundamental worker protections.

7. The Department of the Treasury should review the Voluntary Employees' Beneficiary Association (VEBA) rules of Section 501 ( c ) (9) of the Internal Revenue Code, and consider allowing the inclusion of a greater percentage of non-employee contingent workers.
8. The Internal Revenue Service should amplify its instructions and conduct public information and education activities for taxpayers concerning the deductibility of individual health insurance costs.

match their allowable child care expenditures. We refer to this amount as the Matching Fund. Section 658B of the Child Care and Development Block Grant (CCDBG) Act authorizes funds to States, Tribes and Territories according to a third formula. We refer to the funds authorized under the CCDBG Act as Discretionary Funds. The formulas for allocating each of the Funds and requirements unique to each Fund are discussed at Secs. 98.61, 98.62 and 98.63.

Both the Mandatory and Discretionary Funds are 100 percent Federal Funds--no match is required to use these Funds. Section 418(a)(2)(C) of the Social Security Act, however, makes the availability of Matching Funds contingent on a State's child care expenditures.

We have deleted the regulation formerly at Sec. 98.60(g) concerning start-up planning costs associated with the initial implementation of the CCDBG and have redesignated the remaining regulations. All of the States began operating a CCDBG program in FY 1991, therefore the regulation at Sec. 98.60(g) is obsolete since the time frames for obligating and expending start-up funds have passed. We recognize that there still may be Tribes that wish to begin a CCDF program and for which the question of start-up funds still applies. Accordingly, we have addressed the availability of funds for planning purposes for new Tribal Lead Agencies at Sec. 98.83(h) in subpart I.

We have also clarified the wording of Sec. 98.60(f) to indicate that 31 CFR part 205 applies only to State Lead Agencies.

Obligation period/liquidation periods. The following table shows the obligation and liquidation periods for the various Funds and the maintenance-of-effort (MOE) requirements.

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Ann

THE WHITE HOUSE  
WASHINGTON

December 3, 1999

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: MELANNE VERVEER  
NICOLE RABNER  
ANN O'LEARY  
ELLEN LOVELL

SUBJECT: FY 2001 BUDGET PRIORITIES

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On Monday afternoon, we are scheduled to meet with OMB to discuss FY 2001 budget priorities of the First Lady's office. As you know, the White House staff is currently developing a variety of policy proposals for the President's consideration for the budget and the State of the Union. Your staff is involved in this process and we will shortly forward a memo to you on the big picture items under discussion.

We also wanted to ensure that, as in past years, this budget reflects your discrete policy priorities, building on the work of the past seven years. The purpose of this memo is to outline budget ideas that we could recommend to OMB in the areas of domestic policy, international policy, and culture. We have placed an asterisk before those items that are *unlikely* to become priority items for the DPC/NEC, and therefore might make sense as distinct initiatives for our office to advance. Some of these ideas build on victories achieved in prior years, others represent items that were not successful but should be re-proposed, and some are new initiatives. Please let us know how you would like us to proceed – what proposals you would like us to lobby for on this list and/or what items we might be missing.

I. DOMESTIC POLICY

**Child Care:** Maintain strong Administration commitment to child care, focusing on securing new dollars for subsidies for low-income families (shifting our request to the discretionary side of the budget ledger). Additionally, we should maintain our commitment to child care quality, greater tax relief for parents and businesses, early childhood professional development grants and campus-based care.

**Head Start:** Maintain Administration commitment to serving one million children by 2002, by boosting spending significantly in FY 2001.

**After-School Care:** Significantly increase funding for after-school programs, taking steps to move toward making the program universal.

\* **Paid Leave:** Create a new competitive grant program to fund state and sub-state experiments providing paid leave benefits to new parents (approximately \$200 million).

\* **Children's Hospitals – Graduate Medical Education:** Build on recent victory and dramatically expand current \$40 million mark to provide children's hospitals with Federal financing for graduate medical education commensurate with that received by other teaching hospitals (increase by \$100 million).

**CHIP Expansion:** Allow states to cover parents of children in Medicaid and Children's Health Insurance Program (CHIP). This option, which was included in the Gore health proposal, would allow states to use their enhanced Federal match rate from their CHIP allotments to cover parents of eligible children. This has the benefit not only of efficiently enrolling uninsured adults (since most parents of uninsured children are also uninsured) but could increase enrollment of children since there is a greater incentive for the family to enroll them. (Cost: about \$4 billion per year)

**CHIP:** Expand outreach to enroll uninsured children in Medicaid and CHIP, with emphasis on schools. A number of proposals could decrease the number of uninsured children including allowing: (1) school lunch application information to be shared with Medicaid and CHIP for outreach; (2) states to let school lunch workers (and others) give "presumptive eligibility" to children while their formal applications are being processed; and (3) deemed or adjunctive eligibility, meaning that a child enrolled in school lunch (or Food Stamps or WIC) is automatically enrolled in Medicaid or CHIP; (4) states to draw from their CHIP allotments the same, enhanced match rate for any newly enrolled child over a base-year number; and (5) a new grant program to help states find and enroll uninsured, homeless children.

\* **Children's Asthma:** Build on FY 2000 victory of funding for EPA asthma surveillance activities and re-propose initiative to create demonstration program to develop appropriate disease treatment protocols and beneficiary and provider outreach and education programs for the treatment of asthma in children enrolled in the Medicaid program (\$50 million for FY 01).

**Lead Poisoning:** Build on Administration efforts and provide states with the option to receive Medicaid reimbursement for all costs associated with performing the environmental tests necessary to conclusively identify the presence of lead based paint in households with Medicaid enrolled children under the age of six. If lead based paint is present, state Medicaid agencies will be required to conduct comprehensive lead screening for all children in the household. Children do not have to be diagnosed with elevated blood lead levels in order to have their homes tested. (Cost: being estimated)

**Youth Programs:** Demonstrate an across the board increased investment in young people from small high schools to national service to family support to healthy adolescent development. The package could be focused on four components (drawn from research): Family, School, Health, and Communities. The package would allow the President to highlight his accomplishments in these areas and demonstrate a continued commitment to young people.

**National Service:** Increase funding for AmeriCorps to work toward the President's goal of supporting 100,000 AmeriCorps members each year. Currently, AmeriCorps funding supports nearly 50,000 members per year and was flat-funded from FY99 to FY00. Also, create new AmeriCorps Reserves, modeled on the Army reserves as a way to tap former AmeriCorps members for service. Reserve members would agree to serve an allotted time per year over weekends, after work, or on-leave from work. Like the Army reserves, members could be called to serve in times of national crisis.

**Youth Empowerment Fellowships:** Reward and support creativity by providing fellowships to young people who have developed innovative youth driven ideas ranging from engaging their peers in civic action to increasing academic achievement to improving their communities. The awards would be selective (e.g. 100 per year), prestigious, and would represent a diverse set of young people and set of ideas for youth empowerment.

**\* Reforming the American High School (Small Schools):** New initiative to reinvent the high school as a smaller more personalized learning environment where students receive greater personal attention, feel challenged and motivated, and are prepared for further learning and work beyond high school.

**Principals Academies:** Provide funding for principal academies to address the shortage of quality principals in high need areas and the need to train principals to be both administrators and instructional leaders. Principal academies could be modeled on the military's National War College that serves as a training ground for military leaders.

**Hispanic Education:** Continue to provide additional funding and support for the Administration's Hispanic Education Action Plan. The FY00 budget includes \$436 million in increases for a number of education programs that help to improve the educational outcomes of Latinos and limited English proficient students, including Title I Grants to LEAs, Adult Education, Bilingual Education, and TRIO.

**Housing/Homeownership:** Support HUD's overall request for \$983 million for 172,000 new Section 8 vouchers, with the caveat that 50,000, rather than the 25,000 HUD proposed, be used for welfare to work; and propose designating approximately 1,000 vouchers for family reunification awarded on a competitive basis for responsible fatherhood demonstration projects that encourage non-custodial parents to re-unite with their families.

**Food Stamp Outreach:** Propose at least \$10 million for FY 2001 for on-going food stamp outreach efforts, including campaign materials and an enhanced 1-800 number; examine currently funded programs for their use as outreach programs.

**\* Widow Benefit:** Lower poverty among elderly women by expanding the widow benefit for Social Security to 75 percent of the couples' benefit and providing a credit for up to five years spent raising children.

**EITC:** Eliminate the marriage penalty for all, including EITC marriage tax relief.

**Philanthropy:** We are considering a range of tax incentives to encourage more giving. Options include: (1) allowing non-itemizers to claim a deduction (or tax credit) for charitable contributions above a certain floor; (2) allowing charitable giving until April 15th; (3) eliminate or modify excise tax on investment income of private foundations.

\* **Family Planning:** Build on FY 2000 victory and propose another sizeable increase in Title X family planning budget (\$30-\$35 million increase) and an increase in the UNFPA budget (we promised the advocacy groups after the international family planning compromise that we would fight for increased resources).

\* **Legal Services:** Maintain FY 2000 budget request of \$340 million (LSC was funded at \$305 million in the final FY 2000 budget).

## **II. INTERNATIONAL POLICY**

\* **Microenterprise:** Propose a \$150 million earmark in the USAID budget for microenterprise projects.

\* **UNICEF:** Promote budget increase.

## **III. CULTURE**

\* **National Endowment for the Arts:** Re-propose unsuccessful FY 2000 budget request of \$150 million (NEA was funded at \$98 million in the final FY 2000 budget).

\* **National Endowment for the Humanities:** Re-propose unsuccessful FY 2000 budget request of \$150 million (NEH was funded at \$116 million in the final FY 2000 budget).

\* **Institute of Museum and Library Services.** Maintain commitment to IMLS (\$ to come).

\* **Save America's Treasures.** Re-propose \$30 million for Save America's Treasures, either through the existing program or through an increase for the National Historic Preservation Fund (NHPF) of the Interior Department's National Park Service (the former option is preferable, as the NHPF can only support federal sites and structures). (Note that Chairman Regula recently communicated his willingness to entertain SAT in the FY 01 budget.)

Nicole R. Rabner

1/17/99 03:52:25 PM

Record Type: Record

To: Ann O'Leary/OPD/EOP@EOP, Ruby Shamir/OPD/EOP@EOP

cc:

Subject: FY 01 Budget Ideas

Bruce and Eric have asked that we submit short descriptions of "new ideas" for the FY 01 budget, to be fleshed out into longer paragraph descriptions with cost estimates provided. We need to submit the sketches ASAP (i.e. Monday), as Eric wants to meet with us on Tuesday to discuss. Below are my ideas for the child care piece of the exercise:

(1) CDCTC partial refundability: Today, the Child and Dependent Care Tax Credit (CDCTC) is not refundable, meaning that families without tax liability are not helped by the credit. Analysis of the Child Care and Development Block Grant tells us that only 10% of the low-income children eligible receive one. This suggests that many low-income families receive neither tax nor subsidy assistance with child care (analysis of income levels to come). Making the CDCTC refundable or partially refundable (targeted perhaps to those families not served by the CCDBG) would enable us to assist families struggling with child care costs.

(2) Child Care Subsidies: Move our CCDBG increase request to the Discretionary side of the budget (the CCDBG has mandatory and discretionary titles). The Discretionary title is currently funded at \$1.182. The CCDBG is a forward-funded program, but we recommend investing in the program for FY 01 by either (1) adding \$818 million to title, reaching \$2 billion to title overall and serving an additional 200,000 low-income children with subsidies, or (2) adding \$1 billion to discretionary title (estimate of children TK).

(3) Child Care Quality: Recommend maintaining a request for new child care quality dollars -- could be tied to specific benchmarks such as numbers of child care facilities licensed, accredited, etc. Should focus on local control of resource allocation. (TO BE FLESHED OUT -- IDEAS?)

(4) Child Care Business Tax Credit. Maintain tax credit proposal from FYs 99 and 00 to provide tax relief to companies that offer child care services to their workers.

(5) Do we want to recommend new funding for non-traditional hour child care arrangements? Should it be part of the child care quality fund -- an analysis of current capacity and plan to address shortages?

(6) Youth piece -- do we want to recommend something?

(7) Consultant/Non-Traditional Worker. Anything to recommend here?

(8) FMLA Expansion -- do we want to recommend domestic partner inclusion -- ie the Friends and Family proposal?

(9) Paid Leave Tax Credit -- NEC is working on an idea to offer a tax incentive to companies that offer paid parental leave to their workers.

Anything else? Let's discuss on Monday morning.

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## Recommendations for Community, Youth Organizations, Schools, Funders, and Policy Makers

How can communities count for youth development?<sup>10</sup> Support for effective youth organizations will require a coordinated effort across sectors and interests. City councils need to get involved, schools need to be there, as do diverse community groups, funders, and youth. The following is an attempt to translate the arguments and findings here into action steps. The long-term strategies indicate the support youth organizations need to make community count for youth. The short-term strategies suggest beginnings.

### SMARTER FUNDING AND POLICY STRATEGIES

|                            | LONG TERM                                                                                                                                                                                                                                                                                                                                                 | SHORT TERM                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Community</b>           | <ul style="list-style-type: none"> <li>• Offer a diverse “menu” of organizations and programs for youth</li> <li>• Provide a web of reinforcing supports for youth that includes all the institutions that affect youth development</li> <li>• Develop a local action-base for youth</li> <li>• Make youth a line-item in the community budget</li> </ul> | <ul style="list-style-type: none"> <li>• Identify assets for youth within the community in terms of caring adults, spaces for programs, expertise that can assist youth organizations</li> </ul>                                                                                                                                                                               |
| <b>Youth Organizations</b> | <ul style="list-style-type: none"> <li>• Develop environments that are youth, knowledge and assessment-centered</li> <li>• Establish systems within the organization to document and share promising work. Important documentation includes: day-to-day practices, outcomes for youth, actual program budget.</li> </ul>                                  | <ul style="list-style-type: none"> <li>• Access resources needed to provide high quality programming. This may include formal professional training, visits to other youth organizations, joining professional associations.</li> <li>• Familiarize funders and schools with the organization’s work. Invite them to open houses, tours, and performances by youth.</li> </ul> |

<sup>10</sup> Meredith Honig provided the inspiration and content for this section.

|                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <ul style="list-style-type: none"> <li>• Conduct an internal assessment of points in the day-to-day operation of the organization where work with youth can and should be documented</li> <li>• Expand board membership to include youth, school principals, school district personnel, foundation program officers, and representatives of city/county government.</li> <li>• Begin to establish relationships with the schools your youth attend and other eligible recipients of state and federal after school funds.</li> </ul>                                                                                                                                                                                                                           |
| <b>Schools</b> | <ul style="list-style-type: none"> <li>• Include youth organizations as integral parts of strategies to improve learning.</li> <li>• Provide incentives for teachers to learn about their students' work in youth organizations—for example, professional development time, stipends or credits to visit youth organizations and other non-school setting where youth learn</li> <li>• Develop curricula that integrates community resources for learning and teaching</li> </ul> | <ul style="list-style-type: none"> <li>• Include youth organizations and other community organizations in assessments of resources for learning.</li> <li>• Establish a dialogue with youth organizations in the neighborhood.</li> <li>• Participate in community meetings.</li> <li>• See schools as providers of last resort for after school programming.</li> <li>• Encourage students to share their work in youth organizations during the school day. Publicize the work of students in youth organizations—consider devoting a regular portion of your newsletter and school bulletin boards to news of local youth organizations.</li> <li>• Offer space to youth organizations for performances, art shows, sports and other activities.</li> </ul> |

**Funders and  
policy makers**

*Push for  
CBOs*

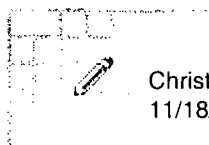
- Fund people, not just programs. This may mean restructuring funding streams around fellowships for youth workers and directors and/or making funding more discretionary.
- Fund intra- and intercity networks of youth workers and youth organizations
- Support development of alternative pathways of training and credentialing for youth workers
- Reframe policy debate around after-school programming. This may include making community-based organizations eligible for federal and state after-school dollars typically reserved for schools.
- Ensure that community-based organizations are aware of and applying for available after-school funds.
- Fund ongoing operations, not just start-up costs. This may involve educating youth organizations and other CBOs about how they can access existing funding streams in education and other areas.
- Work with funders of similar programs to streamline or otherwise coordinate grant application procedures, eligibility requirements. Pursue the feasibility and usefulness to applicants of releasing joint requests for funding.
- Make a pool of private funds available as grants or loans to draw down public funding.
- Learn about youth organizations in the community/jurisdiction. Participate in community meetings.
- Identify intermediary organizations and other potential convenors of youth workers
- Set broad goals for after school programs and policies. For example, be flexible on number of youth served, hours of operation, and type of activities provided. The main criterion for funding should be that the applicant demonstrates that their approach to after school programming matches the needs, resources, and contexts of the youth they intend to serve.
- In grant applications, ask youth organizations and their partners to conduct an assessment of their community needs and strengths related to these goals. Ask the youth organization, school, and other community agencies how they will build on these strengths and address certain of these challenges.
- Make planning grants or other funds available to schools and youth organizations to conduct community assessments.
- Actively collect information on what youth organizations do to support learning.
- Put representatives of youth organizations on your advisory boards for your programs in education as well as community

|  |  |                                                                                                                                                                                                 |
|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |  | <p>development and youth development.</p> <ul style="list-style-type: none"> <li>• Research and make connections to other grant and policy makers with similar goals and applicants.</li> </ul> |
|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## MEANINGFUL MEASURES OF YOUTH OUTCOMES

|                            | <b>LONG TERM</b>                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>SHORT TERM</b>                                                                                                                                                                                                                                                                                                                               |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Community</b>           | <ul style="list-style-type: none"> <li>• Develop local capacity to assess the needs of youth on a regular basis</li> <li>• Develop a local data base of resources for youth development and evidence of their consequences for youth competencies and attitudes</li> <li>• Make information on youth needs and community resources for their development as central element of decisions on budgets and policies affecting youth</li> </ul> | <ul style="list-style-type: none"> <li>• Involve youth and community in identifying, documenting and assessing opportunities for youth and supports for youth development</li> </ul>                                                                                                                                                            |
| <b>Youth Organizations</b> | <ul style="list-style-type: none"> <li>• Document and share what you do specifically as it relates to learning outcomes. This does not only or necessarily mean expanding the academic supports you provide but studying and understanding how the work you already do with youth may contribute to their performance in school</li> </ul>                                                                                                  | <ul style="list-style-type: none"> <li>• Document your successes with youth in terms that are meaningful to you as well as funders, schools, and other potential collaborative partners.</li> <li>• Conduct an inventory of opportunities to record work with youth as part of the regular day-to-day operation of the organization.</li> </ul> |
| <b>Schools</b>             | <ul style="list-style-type: none"> <li>• Include the role of youth organizations in your assessments of what may be contributing to the performance of certain youth in the school.</li> <li>• Recognize/reward youth for their participation in youth organizations. For example,</li> </ul>                                                                                                                                               | <ul style="list-style-type: none"> <li>• Help youth organizations access the public information you have on the school performance of the youth with which they work. This will help them document outcomes for the youth they serve.</li> </ul>                                                                                                |

|                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                  | consider awarding community service credit for community service performed through youth organizations.                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Funders and policy makers</b> | <ul style="list-style-type: none"> <li>• In evaluations and other reporting requirements for youth organizations that you fund, give credit for process as well as outcomes, ensure the outcomes that you measure are meaningful measures of the performance of youth organizations, and ask for strengths-based outcomes.</li> <li>• Establish channels for ongoing dialogue with your youth organizations and other grantees about which outcomes you should reasonably expect a youth organization to achieve after certain periods of time.</li> </ul> | <ul style="list-style-type: none"> <li>• Fund the development of evaluations and evaluators who can work in youth organizations.</li> <li>• Help grantees negotiate evaluations and outcome measures that are perceived to be useful to the organization.</li> <li>• Conduct an inventory of data already available at youth organizations and other organizations that serve your neighborhood youth. Consider these sources of available information first when choosing evaluation and reporting requirements.</li> <li>• Support collaboration between communities and universities to develop local capacity to document and assess youth needs and the outcomes of YBOs.</li> </ul> |



Christine L. Anderson  
11/18/99 12:17:03 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: REVISED: Fact Sheet: President's Accountability Plan to Turn Around Failing Schools Adopted in Final Budget

**PRESIDENT'S ACCOUNTABILITY PLAN  
TO TURN AROUND FAILING SCHOOLS ADOPTED IN FINAL BUDGET  
*November 18, 1999***

*"States and school districts must turn around their worst-performing schools -- or shut them down."*

President Clinton

State of the Union Address -- January 19, 1999

In an important step forward for educational accountability, the President's plan to help turn around low-performing schools has been included in the final budget agreement. Along with the many other strides to improve public education in this budget -- such as \$1.3 billion to keep on track to hiring 100,000 quality teachers to reduce class size; \$450 million to more than double federal support to expand after-school programs; \$200 million to help disadvantaged students prepare for college; and increased funding for Title I, Hispanic education, educational technology, charter schools, and other important efforts, such as helping families pay for college -- this accountability initiative will help strengthen the schools that need it most. It will set aside \$134 million to ensure that failing schools are held accountable for results.

**TURNING AROUND LOW-PERFORMING SCHOOLS.** In January, President Clinton called on states and districts to identify and turn around their worst-performing schools -- or shut them down. The final budget agreement provides communities the resources to help do so. It targets \$134 million in new funds to districts with schools identified as low-performing under Title I. These are schools with the lowest achievement levels that have consistently failed to show improvement. Districts must use these resources for corrective strategies to improve the performance of these schools. The budget also includes a \$75 million increase in Title I base funding, for a total Title I increase of \$209 million over the Labor/HHS bill the President vetoed.

**A STRATEGY THAT WORKS.** The President's plan builds on the experience of local communities nationwide that have carried out these reforms to turn around their schools:

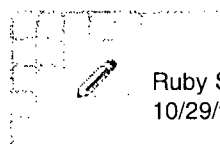
North Carolina sent assistance teams into its 15 worst-performing elementary and middle schools in 1997. Within a year, 14 of these schools met state standards in reading and math. Students in North Carolina have made dramatic gains in educational achievement in recent years.

The Miami-Dade School District identified 45 low-performing schools in 1995, and implemented an intensive three-year corrective action plan, including school-wide reading programs and improved technology. Last year, the district determined that all the schools had made progress and removed all 45 schools from the state's list of low-performing schools.

**EXPANDING PUBLIC SCHOOL CHOICE.** The final budget also includes a provision to give students in low-performing schools in districts that receive accountability funds, the option to transfer to another public school not identified for improvement, unless the school district can show the state that it does not have the capacity to provide all students that option.

###

Message Sent To: \_\_\_\_\_



Ruby Shamir  
10/29/99 05:50:29 PM

Record Type: Record

To: Nicole R. Rabner/WHO/EOP@EOP, Ann O'Leary/OPD/EOP@EOP

cc:

Subject: New Ideas Follow Up

As we discussed in our lunch meeting, below is our 'to do' list from the Bruce New Idea Mtg:

#### **Child Care**

- Tax Cut: Mtg with Treasury on Tax Cut: **NR**
- Block Grant: Wait and see what happens next week.: **NR**
- Campus Based Child Care: What is our policy, etc: **AOL**
- Early Learning: **AOL** to bring together HHS and DoEd to discuss Jeffords proposal. **NR** to talk to HHS about tightening quality proposals.
- After Hours: research topic; studies, people affected, need for after hours care: **RS**

#### **Leave Policy**

- Domestic Partners: What is federal policy, etc: **AOL**
- Extended Family Leave: Moloney bill: **AOL**
- Paid Leave Demo: **NR**

#### **Adoption/Foster Care**

- Talk with groups and others about ideas. Talk to Treasury about \$500 per child tax credit and its applications to foster parents: **NR**

#### **Youth**

- Convene brainstorming mtg next week: **AOL and NR**
- Ideas/sockhop memo: **AOL**

#### **Changing Work Landscape**

- Do research and memo identifying problem/need and different approaches: **RS**

TTD

Scheduling

Suzanne  
NYTimes  
Eclipse

Single Sex Regulation

Youth Violence Council

Personnel Issues

Nat'l Campaign – Counsel's office, scheduling events

Bankruptcy

Youth Agenda – issues memo, minutes, letters, next steps

CNS – POTUS letter, OPM question

VP – Teacher Corps, Universal Early Childhood

Z1/c/ Ahmad  
Two-page  
unpublished

Hispanic Education Action Plan

Suey

3-  
NW. 4-2

## New Ideas Brainstorming Meeting

October 19, 1999

### VII. Child Care

- Tax pieces; new business taxes
- Block Grant expansion
- After hours/emergency child care
- Campus-based care → Prudine

- ① current proposal
  - Early Learning Fund
- ② additional pieces

(per child  
to credit)

### VIII. Leave Policy

- Expand to domestic partners/non-immediate family members
- Paid leave demonstration projects

→ challenge

[Fellowing deductive]

### IX. Adoption and Foster Care

- New uses for SSBG

→ India country

### X. Youth

- Potential White House Conference
- After-school
- High School Reform

South

goal 1-2 years \$1 billion??

### XI. Changing Work Landscape

Cheryl

### XII. Other

- Family Planning

Domestic Partners  
→ Ann

Taken/Seamless  
Friends + for 7 months

Prudine

mtg. w/ Tam on Tax - Nicole

Campuses for children - Ann

EO/HHS (Mary Dinkins + Emil Parris) memo magazine, Dr. Parris

Gov. for fund - Nicole w/ Ann w/ Mary + Ann

After hours emergency care - Tam

File: priorities & strategies

October 19, 1999

Q What will we possibly get done?

**MEMORANDUM FOR MELANNE VERVEER  
SHIRLEY SAGAWA**

⑦ not to be played  
'I'm not going to let her  
instill  
issue position is  
common

**FROM: NICOLE RABNER  
ANN O'LEARY  
RUBY SHAMIR**

**SUBJECT: SETTING PRIORITIES AND STRATEGIES**

This memo is intended to help begin a conversation about the priorities and strategies for the First Lady's issues team over the next 12 months. We hope to be able to set priorities and goals for reaching Administration goals on specific policies related to Children, Youth, and Families, as well as clarify the mission and operation of the issues team to carryout these priorities.

***Priorities and Issue Areas – Operational***

Over the next several weeks, the issues team would like to set specific goals on three fronts:

- (1) **Major Issues This Year:** Major issues that the First Lady would like to address and highlight in the last year of the Administration, e.g. a youth development agenda and/or a conference on teenagers;
- (2) **On-Going Issues:** Detailed goals and strategies for on-going policy priorities related both to the work of the DPC Children, Youth and Families team, as well as the broader work of the First Lady (see attached memo); and,
- (3) **New Issues:** Brainstorming and clarification of new issues that the First Lady would like to track and propose in the next year.

***Work on Legacy***

In addition to the on-going policy work, the issues team would like to support the First Lady's effort to establish her legacy in the policy arena. In order to accomplish this task, we suggest a number of strategies:

- Legacy documents and messages. We propose several ideas for consideration: (1) the First Lady could put out a series of "white papers" or longer articles on the policy accomplishments of the Clinton Administration in areas that she has worked hardest, e.g. adoption; (2) the First Lady could give a series of legacy speeches on these policy areas; and/or, (3) the First Lady could consolidate her legacy in preparation for a book that would highlight her policy work as part of her role as First Lady.

- Close-Out Meetings. At the beginning of December, the First Lady could hold a series of meetings to receive reports on accomplishments and suggestions for the final year from coalitions (e.g. the Prescription for Reading partnership).
- Check-in meetings. In addition, the First Lady and/or staff could hold a series of meetings with individuals who have been helpful in the policy arena to help brainstorm on how best to focus our efforts in the next twelve months, e.g. Bob Greenstein could come in to give a briefing and hold a discussion on priorities in areas of TANF, Foodstamps, WIC, etc.

### ***Issues Coordination***

Finally, the issues team would like to have a discussion about how to most effectively develop and coordinate policy issues with other offices and entities with which the First Lady will be working over the next year.

**Strategies and Priorities for First Lady's Issues Team**  
**October 1999-October 2000**

**Helping Parents Balance Work and Family**

Some version 2 Dord - FY2000

**CHILD CARE**

Continue to assume primary WH responsibility for advancing the Administration's request to boost child care subsidies, provide greater tax relief on child care, improve child care quality, and expand Head Start. This year to date, there has been no movement on authorizing legislation for CCDBG increases or the creation of Early Learning Fund, but our child care tax proposals were a part of the objectionable Roth tax cut. Further, in the FY 2000 Labor-H appropriations context: (1) the Senate increased the CCDBG by \$818 million, while the House did nothing; and (2) the Senate increased Head Start by \$507 million (\$100 below the President's request level).

**AFTER-SCHOOL PROGRAMS**

Continue to monitor the Labor-H bill to push for the Administration's request for \$600 million in FY 2000. This year to date, the House has allocated \$300 million and the Senate \$400 million. In addition, the issues team will work with the DPC to develop possible ideas for the State of the Union around universal access to high-quality after-school programs, and will continue to push for, foster and facilitate public-private partnerships such as the 21<sup>st</sup> Century Community Learning Centers' partnership with the Mott Foundation.

**FAMILY AND MEDICAL LEAVE / PAID LEAVE**

Continue to monitor the advancement of our FMLA-expansion proposals: (1) lowering the employer-covered threshold from 50 to 25 workers; and (2) providing an additional 24 hours of leave each year to FMLA-covered workers to allow them to attend parent-teacher conferences and routine doctors' appointments with a son or daughter. The Issues team will continue to take a lead DPC role in advancing proposals to achieve wage-replacement for workers on some form of FMLA-leave, such as through the Unemployment Insurance system.

**LONG TERM CARE**

Continue to track the Administration's long-term care agenda, including the long term care tax credit and the National Family Caregiver Support Program. To date, the long-term tax credit has not seen action and the National Family Caregiver program has not been included in Labor-H appropriations.

**Addressing the Needs of America's Children and Youth**

**EARLY CHILDHOOD DEVELOPMENT**

Continue to monitor the national early childhood discussion, advance the Prescription for Reading partnership agenda, and urge child care and Head Start funding in FY 2000 appropriation and the development of the FY 2001 budget request, and the early literacy components of the Elementary and Secondary Education Act reauthorization.

tax credit  
to  
subsidy

## FOSTER CARE AND ADOPTION

Continue to advance the foster care and adoption agenda, most specifically to urge passage of the Independent Living Act, passed by the House and pending in the Senate. *Delany*

*to HRC call Thornhill, Charles*

## YOUTH

Highlight the need as a society to better work together to support teenagers in their healthy development by putting forward a positive agenda for youth development. Possibly hold a youth development summit (ideas memo forthcoming). *to David Ham*

## NATIONAL SERVICE

Highlight the success of AmeriCorps through the 5<sup>th</sup> anniversary event on October 29th. Announce the Call to Action for AmeriCorps Alums and work on potentially bigger announcement of an AmeriCorps reserves program for SOTU.

## SUPPORT FOR THE WORKING POOR

Monitor issues such as Food stamps, WIC, TANF.

*> for public programs*

## Strengthening America's Public Schools

### SCHOOL IMPROVEMENT/TEACHER QUALITY

Follow and support the reauthorization of the Elementary and Secondary Education Act of 1965. Specific issues that the First Lady may want to follow and focus include: accountability provisions – turning around failing schools and social promotion; teacher quality provisions; support for public school choice; and, support for high school reform. Currently, the House is taking up the bill in a piece-meal fashion. The Senate has not yet begun work on the bill.

## CHARTER SCHOOLS

Charter School legislation was reauthorized in 1998. At this point, it will be important to continue to push for quality and accountability in the ever-increasing number of charter schools throughout the nation.

*# Det/ DC*

## Improving Health Care for all Americans

### HEALTH CARE REFORM

Continue to monitor Patients Bill of Rights and other reforms.

*Mike Barr*

### CHILDREN'S HEALTH

Continue to monitor the progress of the CHIP program/Medicaid enrollment. Explore opportunities to improve CHIP/Medicaid enrollment in D.C.

### MEDICARE

Continue to monitor Medicare reform and modernization, as well as Medicare BBA givebacks, and prescription drug benefits. Currently, Administration positions being developed vis-à-vis BBA giveback proposals and congressional legislative action.

*CHIP  
is  
DC*

GME's

Continue to monitor the GME proposal through FY 2000 as well as pending legislative proposals.

#### WOMEN'S HEALTH

Continue to monitor family planning, mammography, breast cancer issues.

#### DISEASE PREVENTION AND RESEARCH

Continue to monitor appropriations status of various diseases, including asthma, epilepsy, and colon cancer.

#### Crime

##### JUVENILE JUSTICE

Continue to monitor this legislation with regard to a number of issues including treatment of children in prison, disproportionate minority confinement, and prevention programs.

##### YOUTH VIOLENCE/SCHOOL CRIME

We are working on the development of a comprehensive youth agenda for FY 2001, including a possible expansion of after-school programs and a White House Conference on Youth which would focus on a range of issues in the adolescent years. We also continue to be involved in the development of the National Campaign Against Youth Violence and the White House Council on Youth Violence.

##### GUNS

Currently, we are unsure about the standing of the Juvenile Justice bill with regard to guns. Apparently, the Senate and House Republicans (Senator Hatch and Rep. Hyde) have been working on language, but it does not seem as if the House Democrats (Rep. Conyers) have seen or evaluated the language. We will continue to monitor the progress of this legislation.

##### RACIAL PROFILING

In June, the President issued a directive to the Secretary of the Treasury, the Attorney General and the Secretary of the Interior to design and implement a system to collect and report statistics relating to race, ethnicity, and gender for law enforcement activities within those departments (this directive only reaches federal law enforcement). Within the next few weeks, the agencies will submit to the President reports on current policies and data collection implementation plans. By December 2000, the DoJ will issue an evaluation of the first year of field tests.

#### Economic Development, Security and Empowerment

##### NEW MARKETS

Follow the progress of New Markets legislation which includes: the New Markets Tax Credit, America's Private Investment Companies (APICs), and New Markets Venture Capital (NMVC) Firms. We may want think about ways to incorporate New Markets message into First Lady's economic development agenda, and find creative ways to ensure that her priorities impact future

planning in this area. We should also consider making sure that the First Lady is appropriately referenced for her work in this area (i.e. microcredit)

#### MICROCREDIT

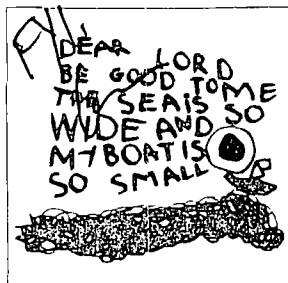
Chronicle the First Lady's travel in and outside the U.S. and her work for and commitment to microcredit. Perhaps develop report/white paper following up on selected communities where the First Lady's work on the issue has made a significant impact.

#### SOCIAL SECURITY

Continue to track the Administration efforts to save and strengthen Social Security; continue to track importance of issue to women.

#### ECONOMIC SECURITY ISSUES

Continue to monitor bankruptcy reform, minimum wage, financial modernization, pensions, and other issues.



Children's Defense Fund®

Grace A. Reef  
Director,  
Intergovernmental Relations

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gareef@childrensdefense.org

this was  
addressed to  
HRC, but  
card looks like  
it says "Ann"  
P.

Kw: FY2001

December 7, 1999

Mr. Jack Lew  
Director  
Office of Management and Budget  
Old Executive Office Building  
Washington, D.C. 20502



Children's Defense Fund

**RE: Children's Defense Fund FY2001 Budget Priorities**

Dear Mr. Lew:

As the Administration begins to set budget priorities for the next fiscal year, we urge you to consider the following priorities of utmost importance to children:

**CHILD CARE**

We appreciate the President's continued recognition of the importance of child care for working families. However, we were disappointed by your recent comments to the press that indicated the Administration won funding for all of its priorities in FY2000. With four bipartisan victories on the Senate floor to increase investments in child care in 1999, we joined millions of families throughout the country in hoping that any final budget bill would include a significant increase in child care. Unfortunately, child care funding was not a priority for the conference committee this year. Therefore, we urge you to maintain and expand the Administration's commitment to a substantial new investment in child care and after-school programs in FY2001. We urge the Administration to:

- Increase the Child Care and Development Block Grant (CCDBG) by \$20 billion over the next five years with an \$818 million increase included in the discretionary funding portion of CCDBG to increase total discretionary funds to \$2 billion to be made available October 1, 2000.
- Restore the set-aside of \$50 million for infants and toddlers and \$10 million for research to be available October 1, 2000.
- Maintain the set-aside of \$172 million for improving child care quality and the \$19 million for school-age care and child care resource and referral services in the CCDBG.
- Increase Head Start by \$1 billion in FY2001. We were heartened to see the Administration expand its commitment to Head Start this year in order to meet the higher quality set-asides. It will be important to continue to support substantial new investments in both Head Start and Early Head Start in order to reach more children, help Head Start meet the needs of working families, and continue to bolster program quality.
- Provide \$10 billion over five years in mandatory funding for a new Early Learning Fund to ensure that all children can enter school ready to learn. This will allow communities to expand and improve the quality of child care, create new early education opportunities for children, including infants and toddlers, help Head Start meet the needs of working families, and provide parents with information to help ensure that their children get a good start.
- Expand the sliding scale for the Dependent Care Tax Credit (DCTC) and make it refundable to help the lowest income families with the cost of child care.

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## CHILD WELFARE SERVICES

In order to help states achieve the goals of safety and permanent homes for children, as envisioned by the Adoption and Safe Families Act, we recommend that the Administration include a new \$200 million down payment for a Child Welfare/Alcohol and Drug (AOD) Partnership in its FY2001 Budget.

An estimated 40-80 percent of children in the child welfare system today have families with alcohol and drug problems. Although two-thirds of the families need alcohol and drug treatment, less than one-third actually receive it. New partnerships between child welfare and AOD agencies are needed to ensure safety and permanent homes for these children and appropriate alcohol and drug treatment and prevention services for their families. The Department of Health and Human Services laid the groundwork for such a partnership in *Blending Perspectives and Building Common Ground*, the April 1999 Report to Congress on Substance Abuse and Child Protection, and in the Stakeholders meeting, jointly sponsored by the Administration for Children and Families and the Substance Abuse and Mental Health Services Administration, in early November.

To ensure meaningful collaboration between the two systems, the Child Welfare/AOD Partnership should require the state child welfare and substance abuse agencies to jointly plan, apply for, and administer the new grant funds, and contribute to the state match. Grants also should be administered jointly by the Administration for Children and Families and the Substance Abuse and Mental Health Services Administration in HHS. These grant activities should be focused on families with alcohol and drug problems who come to the attention of the child welfare system.

An increase in resources and flexibility will allow child welfare and alcohol and drug agencies to implement a range of comprehensive individualized alcohol and drug prevention and treatment services; improve screening and assessment procedures; eliminate barriers to treatment and to child safety and permanence; develop effective engagement and retention strategies; provide cross-system training; improve data collection; and evaluate states' progress in all of these areas.

## PREVENTION/AFTER-SCHOOL/JUVENILE JUSTICE

The \$250 million increase in FY2000 for the 21st Century Community Learning Centers Program was a hopeful signal for the millions of children home alone, without adult supervision, each week after school. However, this program is still extremely modest given the number of young children as well as teen-agers who do not have access to constructive after-school activities. Substantial new investments are still needed given the role that after-school programs can play both in keeping children safe from harm and in helping them stay on track academically. We urge the Administration to:

- Increase the 21st Century Community Learning Centers by \$550 million to a total of \$1 billion to help schools and community-based organizations start, operate, and expand programs for children and youth.
- Expand Title V, Local Delinquency Prevention, from \$95 million to at least \$250 million. Title V is a prevention program worthy of continued and increased support. It represents an effective model of community collaboration in which community stakeholders -- including locally elected officials, law enforcement, private nonprofit organizations, and youth workers -- come together to develop a plan for juvenile delinquency prevention. This cost-effective program that keeps children and communities safe, has been increased but continues to receive a fraction of what new punishment initiatives like the Juvenile Accountability Incentive Block Grant receive (unauthorized but funded at \$250 million).
- Increase the Juvenile Justice and Delinquency Prevention formula grants to states and communities by \$268 million to ensure a strong juvenile justice system that holds children accountable, helps them get back on track, but does not put them in adult jails and prisons or undermine their potential to become productive members of the community.

## STRENGTHENING FAMILIES

We are pleased that efforts to cut the Temporary Assistance for Needy Families (TANF) block grant were unsuccessful in the FY2000 budget, and urge the Administration to take the strongest possible stance in FY2001 to prevent cuts from taking place. The final TANF regulations published last April are extremely helpful in clarifying to states the many opportunities to use TANF funds wisely to provide work supports for families seeking to leave welfare. However, additional changes would encourage investments in the supports families need. We urge the Administration to:

- Restore funding to \$2.3 billion for the Social Services Block Grant (Title XX) to assist states in meeting the diverse needs of children and families.
- Exempt months in which TANF recipients work and yet remain eligible for reduced support from counting toward the time limit.
- Allow a broader range of activities to count toward the required hours of work participation, including post-secondary education, training, and other activities states judge to be appropriate parts of an individual's "personal responsibility plan" intended to enable parents to overcome barriers to employment.
- Allow states with caseload declines of more than 20 percent since August 1996 to increase the percentage of exemptions from the time limit allowable under TANF.
- Provide funds for at least an additional 100,000 Section 8 housing vouchers for FY2001.
- Restore Food Stamps for legal immigrants still denied this assistance, including parents of children, elderly between the ages of 60-65, and immigrants who enter the country legally on or after August 22, 1996. Food stamp cuts affecting families with high shelter costs should be rescinded.
- Reauthorize the Welfare-to-Work block grant. Now that the eligibility criteria are less restrictive, we have every hope that states will spend more of their Welfare-to-Work block grant funds. The Administration should continue to press for an additional \$1 billion.
- Provide block grant support for services for noncustodial parents. The Fathers Count bill that passed the House in the 106<sup>th</sup> Congress would provide \$150 million for various jobs, parenting, and other services to help fathers be a positive presence in their children's lives through financial and other forms of support. We support these services for noncustodial parents (fathers or mothers), although we also support stronger protections for custodial parents at risk of domestic violence.
- Make the child tax credit refundable. Families with children with the greatest need have little federal income tax liability and can only benefit when tax credits are refundable.
- Expand the Earned Income Tax Credit by providing help to families with more than two children. An expanded EITC would recognize the costs of child-rearing more accurately than the current formula.

## CHILDREN'S HEALTH

The Childhood Immunization program (Section 317) is the primary federal source of funds for immunization infrastructure, including assessment of population-wide immunization rates, vaccine preventable disease surveillance, public education and outreach, and vaccinations in public clinics for groups whose health insurance does not cover vaccinations (the Vaccines for Children program is essential in paying for vaccines for uninsured or Medicaid-insured children, but not for under-insured children). The Section 317 and Vaccines for Children programs complement each other and provide the states and public health officials with the resources they need to continue to increase (as well as maintain) childhood immunization rates. We urge the Administration to:

- Fund the Childhood Immunization program at \$585 million. This is a \$95 million increase over the FY2000 funding level of \$490 million. The increased appropriation for Section 317 is essential to sustain infrastructure and outreach initiatives as well as to adequately fund necessary vaccine purchases.
- Provide sufficient funds to give states the option to provide legal immigrant children health coverage through Medicaid and the Children's Health Insurance Program (CHIP).

## CHILD SUPPORT ENFORCEMENT

We understand the Administration is considering a substantial revision of the federal role in the child support enforcement program. It is essential that funding changes encourage the additional commitment of state and federal resources to this under-resourced program, and not reduce federal investments. Reducing the federal commitment would result in significant setbacks in the collection and enforcement of child support obligations for millions of children. Under this Administration, states have made some progress in improving paternity establishment, enforcement of orders, and child support collections. We urge the Administration to continue to bolster states in their efforts, rather than reducing the federal government's investment in the program.

We also urge that the federal government take a leadership role in exploring how to make child support a more reliable source of income for low-income single parents struggling to support their children through work. Funding for child support assurance demonstrations would be an important step in this direction. Similarly, states should be encouraged to pass through to families at least some of the child support dollars collected on their behalf and to disregard some or all of the amount passed through in calculating assistance levels.

## IN SUMMARY

No doubt, there are many competing priorities under consideration as part of the FY2001 budget. However, if we can find the resources to ensure the Pentagon enters the next millennium secure, we ought as well to find the resources to ensure that our children enter the next millennium equally secure. While overall poverty is declining, the number of poor children still remains unconscionably too high at 13.5 million. As you know, poor children are at risk of poor nutrition, low educational performance, and much lower future earnings as adults. This Administration can lay the foundation for a better future for our children. For the President's final budget submission, please consider a major investment in children so that the legacy of this Administration will truly put children first.

Sincerely,

Marian Wright Edelman

CC: Secretary Donna Shalala

file: FY2001

**FY 2001 OMB Passback  
Department of Education  
(BA in millions)**

*Passback*

**FY 2000 Base**

**Add to FY 2000  
Base**

**FY 2001 OMB  
Staff Rec.**

**FY 2000 Likely Enacted (Current Conference Level)..... 35,703.235 35,703.235**

**Recommended Cuts to FY 2000 Likely Enacted:**

|                                                          |                  |                    |                  |
|----------------------------------------------------------|------------------|--------------------|------------------|
| Teaching to High Standards.....                          | 1,206.000        | (703.000)          | 503.000          |
| School to Work.....                                      | 55.000           | (55.000)           | 0.000            |
| Star Schools.....                                        | 51.000           | (51.000)           | 0.000            |
| Ready to Learn television.....                           | 16.000           | (9.000)            | 7.000            |
| Telecommunications demonstration for math.....           | 8.500            | (6.500)            | 2.000            |
| Capital expenses for private school children.....        | 12.000           | (12.000)           | 0.000            |
| Title I Evaluation.....                                  | 8.900            | (8.900)            | 0.000            |
| Ellender fellowships.....                                | 1.500            | (1.500)            | 0.000            |
| Impact Aid.....                                          | 910.500          | (180.500)          | 730.000          |
| Public Telcom. Info/Training Dissemination.....          | 1.500            | (1.500)            | 0.000            |
| Vocational Education Basic State Grants.....             | 1,055.650        | (172.967)          | 882.683          |
| Occupational and Employment Information.....             | 9.000            | (9.000)            | 0.000            |
| State Grants for Incarcerated Youth Offenders.....       | 19.000           | (7.000)            | 12.000           |
| Fund for the Improvement of Postsecondary Education..... | 77.658           | (46.458)           | 31.200           |
| Learning Anytime Anywhere Partnerships.....              | 23.940           | (8.940)            | 15.000           |
| Interest Subsidy Grants.....                             | 12.000           | (2.000)            | 10.000           |
| Community scholarship mobilization.....                  | 1.000            | (1.000)            | 0.000            |
| Fund for the Improvement of Education.....               | 249.525          | (121.525)          | 128.000          |
| <b>Total, Cuts to FY 2000 Likely Enacted.....</b>        | <b>3,718.673</b> | <b>(1,397.790)</b> | <b>2,320.883</b> |

**Increases to Base Programs:**

|                                                               |                   |                  |                   |
|---------------------------------------------------------------|-------------------|------------------|-------------------|
| Technology Literacy Challenge Fund.....                       | 425.000           | 100.000          | 525.000           |
| After School.....                                             | 453.710           | 71.290           | 525.000           |
| Title I Grants to LEAs.....                                   | 7,941.397         | 200.000          | 8,141.397         |
| Class Size.....                                               | 1,300.000         | 200.000          | 1,500.000         |
| Troops to Teachers.....                                       | 0.000             | 10.000           | 10.000            |
| America Reads.....                                            | 260.000           | 26.000           | 286.000           |
| Bilingual Education Professional Development (HEAP).....      | 71.500            | 3.500            | 75.000            |
| Adult Education Nat'l Activities incl. ESL/Civics (HEAP)..... | 14.000            | 25.000           | 39.000            |
| Pell Grants.....                                              | 7,700.000         | 480.000          | 8,180.000         |
| Work Study.....                                               | 934.000           | 77.000           | 1,011.000         |
| GEAR UP.....                                                  | 200.000           | 40.000           | 240.000           |
| <b>Subtotal, Base Programs.....</b>                           | <b>19,299.607</b> | <b>1,232.790</b> | <b>20,532.397</b> |

*1.571 0000 - 2.17*

**New ESEA Initiatives**

|                                               |              |                |                |
|-----------------------------------------------|--------------|----------------|----------------|
| High School Reform.....                       | 0.000        | 125.000        | 125.000        |
| Early Childhood Professional Development..... | 0.000        | 20.000         | 20.000         |
| OPTIONS.....                                  | 0.000        | 20.000         | 20.000         |
| <b>Subtotal, New ESEA Initiatives.....</b>    | <b>0.000</b> | <b>165.000</b> | <b>165.000</b> |

|                        |                   |              |                   |
|------------------------|-------------------|--------------|-------------------|
| Other ED Programs..... | 16,403.628        | 0.000        | 16,403.628        |
| <b>Total.....</b>      | <b>35,703.235</b> | <b>0.000</b> | <b>35,703.235</b> |

*3, 2 > HOCUS/HSE, Total with  
Pell fund loans*

To: Ann O'leary

Re: Schedule briefs FLOUS

**Event:** *Prime Time with P.J.*

**Date:** Willing to work around Mrs. Clinton's schedule

**Where:** New York City

**Brief:** Requesting that Mrs. Clinton appear as a special guest for the show. P.J. is a nine-year-old girl; who is the host of the radio show. At the start of the show, a book is read aloud and then Mrs. Clinton will discuss the story with P.J. Listeners are allowed to call in with comments and questions. The show will be pre-taped and will air four times during the season. The goal of the show is to generate 60 book clubs for children in kindergarten through third grade. The book club brings together children (members) with parents and community members (coaches) to read and discuss books. The radio show is a 30-minute taping, and has listeners of all ages. Also, it has only been airing since early November.

**Event:** The Epilepsy Foundation's 4<sup>th</sup> Annual Distinguished Achievement Award

**Date:** spring 2000 (between late April and early May)

**Where:** New York City

**Brief:** The Board of Directors of the Epilepsy Foundation wishes to honor Mrs. Clinton for her work to support the cause of epilepsy.

**Event:** Major Press Event – PAX will launch their A.S.K. Campaign

**Date:** late January or early February

**Where:** Not mentioned

**Brief:** Would like the First Lady to attend the national awareness initiative for the A.S.K Campaign (Asking Saves Kids). PAX is also interested in having the First Lady involved with the A.S.K campaign. (National Chairperson). The campaign urges parents to ask their neighbors if there are unlocked guns in their home before sending their children over to play. The campaign will consist of television, print, radio and billboard ads, as well as posters and pamphlets for doctors' offices, schools and others.

**Event:** Duke Ellington School of Arts Event

**Date:** November 17, 1999 after 12:00 p.m. (or any other date in November)

**Where:** Washington, D.C.

**Brief:** Would like the First Lady to participate in an announcement that would spotlight a public-private partnership between DC public school system the Ellington Fund, George Washington University, and the John F. Kennedy Center for the Performing Arts. Others participating in the event: U.S. Secretary of Education, Richard Riley.

**Event:** Media Event – New York Times Learning Network

**Date:** was to have been in late October

**Where:** Either (or both) Washington, DC and New York state

**Brief:** Would like to have the First Lady participate in a media launch for the New York Times Learning Network. The Network is a free online resource that provides daily lesson plans and interactive resources on the content of the newspaper. The Network provides teachers, students, and parents access to innovative learning tools. The New York Times would like to make this a bi-partisan event and involve U.S. Senator James Jeffords, Chairman of the Senate Education Committee.

**\*\*\*Not sure if there is still time for this event.**



September 27, 1999

Ann O'Leary  
Office of the First Lady  
The White House  
Washington, DC 20500

Dear Ann,

It was great to meet you and learn about your new job. Congratulations! It sounds like a perfect fit.

I am happy to share with you information about **Prime Time with P.J.** A two-part literacy initiative, **Prime Time with P.J.** features a radio show and a book club program. The radio show begins airing November 1, 1999 in New York City on WNYE-FM. WNYE is a public radio station chartered by the New York Board of Education. One of the benefits of being on WNYE is that we have access to the one million school-age youth in New York City. Our goal is to generate 60 book clubs (a total of 600 children in kindergarten through third grade) through the radio show. The link between the two programmatic components is the energetic, engaging role model . . . P.J.!

P.J. is an adventurous, nine-year-old girl. She is a soccer player, cook extraordinaire, self-proclaimed detective and scientist, birdwatcher and avid reader. She lives with her mother and her grandmother in her grandmother's home. And she lives in our imagination. P.J. is the host of the radio show and her character is woven into the **Prime Time with P.J.** book club program.

P.J. has informed me that she would be "tickled yellow" (her favorite color!) to have Hillary Rodham Clinton join her on one of her super duper **Prime Time with P.J.** radio shows. With Mrs. Clinton's interest in children, reading, and New York, it's a perfect match!

I have included information about the radio show format, along with general information about our efforts. Please note that each show is pre-taped and airs four times during the season. And, it goes without saying, P.J. and her team are more than willing to work around Mrs. Clinton's very busy schedule!

Prime Time with P.J.  
September 27, 1999  
p. 2

I will follow up next week to talk with you more about this exciting opportunity. Thank you for letting me bring *Prime Time with P.J.* to you!

Sincerely,

A handwritten signature in cursive script, appearing to read "Suzanne".

Suzanne D. Mintz  
Executive Director

enclosure

P.S. Please say "hi" to Shirley Sagawa.

"How it happens when W. has it happens to  
held down"

→ budget — covering goal of emergency  
plan w/ money

Don't just sit there — too long not  
to do something

→ Team + time  
to put it on display

"How can we advocate for ourselves"  
W. doing it for the

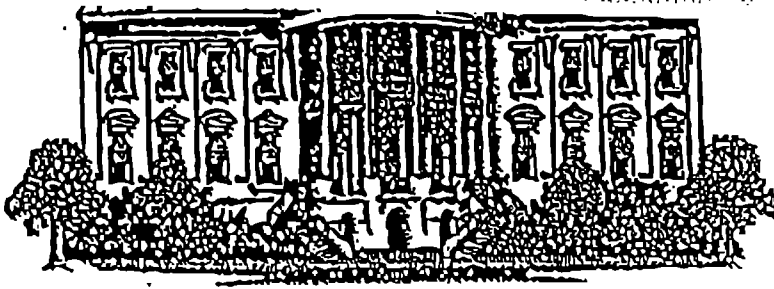
tools — how do you get over to  
make an impact in public policy

big ideas big money

If we designed program — what —

Spent.com

to let us you do that it?



## THE WHITE HOUSE

Domestic Policy Council

DATE:

11/23

FACSIMILE FOR:

Nicole Rabner

FAX:

62878

PHONE:

FACSIMILE FROM:

Andrea Kane

FAX:

202-456-7431

PHONE:

202-456-5573

NUMBER OF PAGES (INCLUDING COVER):

3

COMMENTS:

description of children's savings  
accounts or Child Development  
Accounts (as proposed by CFED &  
by Dalton Conley, a friend of Eric Lio's).



CORPORATION  
• F O R •  
ENTERPRISE  
DEVELOPMENT



*Dill Penn  
Car Anson  
Jan 11*

## Memorandum

TO: Domestic Policy Council, National Economic Council, Office of Management and Budget  
FR: Ray Boshara, Brian Grossman, Heather Sabrie  
Corporation for Enterprise Development (CFED)  
DT: October 22, 1999  
RE: President Clinton's FY2001 Budget

Thank you for the opportunity to discuss CFED's requests for the President's FY2001 budget. As you know, CFED applauds this Administration's leadership on IDAs, microenterprise development, and other efforts to promote entrepreneurship and asset accumulation among low-income Americans. While we expect to discuss these proposals in greater detail at our meeting on Monday, our requests for the budget can be summarized as follows:

1. Assets for Independence (AFI) Demonstration Program. CFED requests \$25 million for AFI which, of course, represents a \$5 million increase over the \$20 million included in the FY2000 budget as well as the maximum allowed under the authorization. AFI is currently the most important source of funding for the IDA field which, in our estimation, continues to expand by 75% to 100% per year. CFED calculates that \$25 million would allow about 12,000 low-income Americans to open up IDAs. (As you know, CFED also looks forward to your support in the final negotiations on the FY2000 AFI appropriation as well as on CFED's proposed amendments to AFI.)

2. IDA Tax Credits. Building on the success of the IDA provisions in S. 1429, CFED requests \$10 billion over 10 years for two tax credits: (1) a *Financial Institutions IDA Tax Credit* for matching, on a one-to-one basis, IDA savings up to \$500 per year; and (2) an *IDA Investment Tax Credit* for private sector investments in certified IDA programs administered by 501(c)(3)s, credit unions, or CDFIs. These credits are designed to move IDAs to scale and to leverage significant private sector resources for IDAs (both institution-building and matches). CFED is working closely with the staff of Senator Lieberman to develop legislation for the credits.

3. Children's Savings Accounts. CFED's requests \$40 billion over the next five years for a major Children's Savings Account initiative, funded outside of Social Security. CFED believes that the best way to achieve a universal, inclusive asset-building system is to set-up and fund accounts for children as they are born. CFED is proposing \$1,000 "start in life" deposits for the roughly four million babies born each year, followed by \$500 yearly deposits until age five. CSAs would be available for higher education, first-home purchase, and small-business capitalization. The accounts would be funded through a combination of direct government deposits and tax deductions, and contributions would be encouraged (possibly with additional tax incentives) from relatives, employers, corporations, churches and others.

*fallout in confidence  
in Reagan's name*

*→ Lieberman  
Santorum  
Frist  
etc.*

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*forgetting? my mind  
was?*

SEP 30 '99 09:31AM YALE ISPS

and their local area. Home ownership creates economic allegiances in local communities since one's housing values are determined not just by the condition of one's own home, but by the state of one's neighbors' house, and as the general conditions of the area including school quality, crime rates, environmental conditions and so on.

• **Child Development Accounts:** Individual Development Accounts (IDAs), the current demonstration project to foster savings among low-income, low-wealth families has several problems. First of all, it is much too small in scope, an experiment rather than a social policy. Second, it is focussed on adults, for whom the public is much less likely to have sympathy than children. Third, in most of the experimental sites, the withdrawal rules are much too lax. Fourth, it requires poor families to put away much of the money themselves.

*Similar  
to CDA  
program*

I suggest a complementary program called Child Development Accounts (CDAs). This program gives each child, when born, a small asset sum (perhaps \$4,000). This fund, however, would not be fungible by the child's guardians. It would only be accessible by the child him/herself when s/he reached the age of majority. The state of Nebraska has put such a policy on the table and should be examined as a potential model (its initial endowment figure is \$2,000). Parents could add to this sum, tax-free, up to a limit (as is the case with the Uniform Gift to Minors Act), but once they put the money in, they would not be able to take it out. If made universal, such a program might be politically more feasible since it would appeal to middle class parents saving for their children's college tuition.

If this sort of redistributive measure is too politically unfeasible in today's climate of public opinion, another option would scrap the initial birthright endowment of the fund and require families to put in money themselves, tax free. This could be made both universal (and thus politically popular) and progressive by accompanying it with a matching fund that is calculated along the lines of the same subsidy rate as the Earned Income Tax Credit or the IDA model. It could be called the Saved Income Tax Credit (SITC). The Earned Income Tax Credit is currently the most effective means we have of lifting working families out of poverty, but of course focuses on family incomes, neglecting their asset status. The EITC as it currently stands could be combined with a savings matching plan in the form of a refundable tax credit to give low-income working families an additional financial advantage if they put their EITC money straight into a CDA or IDA.

• **TANF:** In order to make welfare truly temporary asset restrictions should be slackened and savings should be allowed. Such changes can be made without congressional approval. Many states have already raised their asset caps but should be pushed farther. Further, during the time period in which recipients would receive TANF, they should be allowed to save money. Only if combined with savings will work truly be a way out of welfare. Only by allowing welfare recipients to save themselves out of dependency will we make welfare a hand up

***Clean Energy for the 21<sup>st</sup> Century*** – A package of initiatives to further demonstrate the Administration's commitment to addressing climate change, both by reducing domestic emissions of greenhouse gases and by encouraging the adoption of clean energy technologies in developing countries:

*Investing in Clean Power* – A proposed rule, and proposed legislation, to reduce emissions from older coal-fired power plants, a major source of greenhouse pollution. Rule would tighten standards but provide companies new flexibility to meet. Legislation would set a cap on carbon emissions from utilities, and could include financial incentives to retire old plants or switch to cleaner fuels. Would have major public health benefits by reducing smog and other air pollutants.

*Choosing Fuel Economy* – Challenge automakers to voluntarily provide American consumers with more fuel efficient cars and SUVs (as they are doing in the European market) and pledge to raise fuel economy standards if they don't.

*Clean Energy Abroad* – A \$250 million program, based on the recommendations of the President's Council of Advisors on Science and Technology, to promote clean energy technologies in developing countries through research, development, and export incentives.

***Lands Legacy*** – Launch a new package of initiatives, and a Lands Legacy tour, to build on the Administration's conservation accomplishments and protect additional lands across the country:

*Protecting Natural and Historic Sites* – Presidential designation of sites warranting additional protection.

*Permanent Conservation Funding* – Secure guaranteed funding of at least \$1 billion a year for federal, state, and local conservation efforts.

*Encouraging Private Land Conservation* – A package of tax incentives to preserve farms, forests and other private lands.

*Expanding Refuges* – Set a goal of 100 million acres in refuges 2003, the 100<sup>th</sup> anniversary of the national wildlife refuge system.

***Clean Water Across America*** – Set a goal of making all our rivers, lakes and coastal waters clean enough to fish and swim in doubling our investment in clean water over the next 10 years. Would increase funding to Clean Water State Revolving Funds (\$1.35 billion in FY 2000) and make them available to help farmers and ranchers reduce polluted runoff. Also call on Congress to reauthorize a strengthened Clean Water Act.

***Greening the Globe*** – A new initiative to promote forest conservation and reforestation around the world, particularly in tropical regions facing the gravest threat of biodiversity loss. Would increase funding to USAID and other agencies to provide technical assistance and training, and increase funding for debt-for-nature swaps. Could challenge other developed countries to take similar effort or join us in a multilateral effort.

THE WHITE HOUSE  
WASHINGTON

November 23, 1999

MEMORANDUM FOR MARIA ECHAVESTE

FROM: NEAL LANE *Neal*  
SUBJECT: State of the Union Messages

I appreciate this opportunity to provide input for the President's Year 2000 State of the Union message. Science and technology should figure prominently in the record of accomplishments that will be featured in the address as well as in the initiatives announced to ensure continued progress toward the Administration's goals.

**Accomplishments**

When the President remarks on the eight years of record peacetime expansion in the U.S. economy, he should – as Alan Greenspan has – credit science and technology for much of the outstanding performance. Innovations in science and technology had multiple and reinforcing effects on the economy that:

- have resulted in improved productivity, yielding increases in wages or increases in benefits without letting loose higher inflation;
- have led businesses to continue to invest in high-tech capital equipment, making our capital stock more productive and profitable; and
- have provided U.S. businesses with payoffs from technology's efficiencies and from greater education in school and on the job that U.S. workers have acquired to keep pace with the new technology.

I hope the President will also remark on the progress toward a goal he and the Vice President established in 1994 of bringing the total national R&D investment up to 3 percent of GDP. By current projections, total annual R&D expenditures in the United States have outpaced growth in the economy as a whole for three consecutive years, with R&D as a share of GDP reaching 2.79 percent in 1999 – the highest since 1967. In 2000 the U.S. R&D/GDP ratio could exceed the all-time high ratio of 2.87 percent in 1964. The President's policies that spurred economic growth also spurred growth in R&D investment, and those investments will, in turn, ensure continued economic growth.

**Initiatives**

Most of the growth in R&D investment has occurred in the private sector. Federal investment remains critically important, however, and I hope the President will take every opportunity to

ensure his vision – which has bipartisan support on Capitol Hill – endures. The SOTU address should reemphasize 4 objectives:

- World leadership in science and technology. The most tangible evidence of commitment to this goal would come in the form of a substantial increase in the 21<sup>st</sup> Century Research Fund. This fund represents the kind of pure investment that characterized the early strategy of this Administration, and might well be renamed the 21<sup>st</sup> Century Research Investment Fund for this occasion. I hope to see particular emphasis given to all of the peer-reviewed R&D programs.
- A balanced R&D portfolio. As the President stated in the Online Town Meeting, we need to see substantial growth in the physical sciences and engineering disciplines (e.g., chemistry, physics, astronomy and space sciences, mathematics, and geosciences), with particular emphasis on the R&D initiatives identified by my office and OMB. For example, initiatives in the following areas would support advances in a number of disciplines:
  - *Information Technology:* This initiative will deliver to every American in every community the power of instant knowledge and instant communication. It will yield a stronger economy, better jobs, and higher quality health care and education for all citizens.
  - *Nanotechnology:* This initiative will lead to the following potential applications: nanoparticles for improving drug delivery, minute sensors for earlier detection of cancer, computer chips capable of storing trillions of bits on information on a pin-head, advanced materials stronger than steel, and artificial photosynthesis for clean energy.
  - *Climate Change Technology:* This initiative promotes research aimed at technologies that lower carbon emissions, reduce greenhouse gas emissions, and increase the efficiency of energy and materials used in transportation, buildings and manufacturing. One illustration of the potential of this initiative is the Partnership for Advanced Technology in Housing (PATH) site in California where the heating/cooling costs of new homes are less than \$23/month, and construction costs are about \$40/square foot – roughly \$25/square foot cheaper than the average cost for a single family home.
- Research to solve critical national problems. The President has called for research and development to give us tools to address problems that will confront us as we enter the new millennium. We need to develop technologies to fight emerging security threats such as chemical and biological weapons, or attacks on our national information systems and other critical infrastructures.
- Preparation of the 21<sup>st</sup> century workforce. Substantial growth in university-based basic research, important in civilian and military research but particularly important for DOD (which has decreased its basic research spending by more than ten percent in real terms since the start of the first Clinton Administration), is the best way to ensure that this country is well positioned to prosper from advances in science and technology. It links education with scientific advance, which are both vital to the economy.

I look forward to discussing these ideas with you after Thanksgiving.

November 24, 1999

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Bruce Reed  
Eric Liu

SUBJECT: State of the Union/Budget Ideas

Below is a brief overview of some of the ideas we are now developing for the budget and State of the Union. This list is by no means fixed. We've grouped the ideas by subject area, but many of them can and should be placed in a thematic framework of "next generation challenges."

**Education**

In addition to fortifying some key existing initiatives (teachers, accountability, after-school, charters), we would propose a slate of new proposals that focus on the future of public education.

- Class Size. We'll seek \$1.8-2.0 billion, at least \$500 million over what we won this year.
- Accountability Set-aside. Increase this year's \$134 million earmark to \$250 million.
- After-School. Our goal is at least 1 million kids in the program, at \$700-900 million.
- Charter Schools. To reach the President's goal of 3,000 schools, about \$180 million.
- Small Schools Initiative. New funding to reinvent the high school, enable smaller scale.
- Teacher Quality. Pay-for-performance demonstration, based on Denver's experiment.
- Principals Academies. Seed programs or fellowships to train public school principals.
- Test Prep for Disadvantaged Students. Help subsidize SAT/ACT prep for minorities.
- Distance Learning. Working with NEC to widen access to AP courses online.
- School Report Cards. Help states develop school report cards for parents.
- Achievement Incentive Fund. Bonuses for Title I schools that raise student achievement.
- Teacher Recruitment. We are developing a proposal on this.
- School Safety. Among other ideas, a national tipline to prevent violent incidents.
- Schools of the Future Fund. A pool of capital to finance local innovations in education.

**Crime**

- 21<sup>st</sup> Century Policing Initiative. \$1.275 billion request for the next installment in hiring up to 50,000 new officers; law enforcement technology; community prosecutors.
- National Gun Enforcement Project. Unprecedented resources in firearms enforcement:
  - *More ATF agents*. Fund 500 new ATF agents to investigate more gun trafficking cases.
  - *New ATF inspectors*. 100 new inspectors to ensure industry compliance with gun laws.
  - *1,000 new Federal gun prosecutors*. 1,000 new prosecutors to work with U.S. Attorneys.

- *Comprehensive tracing.* First step in an effort to trace every crime gun in America.
- *Expanded ballistics testing.* Help law enforcement catch more gun criminals.
- Re-entry Initiative. This focuses on the re-entry of released offenders into communities. It includes local supervision partnerships, re-entry courts, and more probation/parole officers.
- Police Gun Buybacks. This initiative would encourage state and local police to end the practice of re-selling used police guns and confiscated crime guns on the civilian market.

## **Health Care**

- Medicare/Prescription Drugs. This would be our same plan, with several *potential* modifications to reflect likely higher drug cost estimates, reduced baseline spending, lessened appetite for provider payment reductions, and likely improved Medicare trust fund solvency: (1) drop BBA extenders – not credible in the wake of BBRA; (2) dedicate more surplus/tobacco tax to help pay for drug benefit; (3) dedicate less of surplus to solvency.
- Health Insurance Coverage Options. There is a range of proposals we are considering:
  - *Disability.* Removing arbitrary limit on Medicare coverage for Kennedy-Jeffords.
  - *Medicare.* Medicare buy-in for certain 55 to 65 year-olds.
  - *Parents.* Allowing states to cover of parents of children in Medicaid and CHIP.
  - *Outreach.* To enroll uninsured children in Medicaid/CHIP, with emphasis on schools.
  - *Immigrants.* Restoring state options to cover legal immigrants.
  - *Small Business.* Encouraging small businesses to offer health insurance.
  - *Individuals.* Tax credit for individual insurance to address current tax inequity.
  - *Self-insured.* Accelerating the tax deduction for the self-insured.
- Quality and Consumer Protections. There are three initiatives here. First, the Patients' Bill of Rights. Second, new privacy protections. Third, outcomes-oriented health care research.
- New Medical Technologies. To address both the promise and the peril, we 1) invest more in NIH and research; 2) address abuses, including inappropriate licensing of genetic material, insufficient protections for human subjects in clinical trials, Internet drug sales, bioterrorism.
- Family Support. Recast our long-term care proposal in a package of family policies.

## **Welfare and Poverty**

- Child Support. A package to 1) collect more child support; 2) provide more reliable support for mothers and children; and 3) help low-income fathers get jobs to support their kids.
- Welfare-to-Work Grants. New investments to help both long-term welfare recipients (mostly mothers) and non-custodial parents (mostly fathers) get and keep jobs.
- Cars-to-Work. There are several ways we could help low income families get the transportation they need to get to work, including loan programs and targeted car leasing.
- Housing/Homeownership. More HUD vouchers, and other tools to boost homeownership.

- Individual Development Accounts. Also "child development accounts," to set aside savings for kids, as well as other tools to build assets for low-wealth families.
- Food Stamp Outreach. Additional efforts, as well as a proposal on elderly nutrition.
- Legal Immigrant Benefits. At a minimum, we would adopt last year's proposals.

## **Families/Youth**

- Child Care Subsidies. We would move CCDBG from mandatory to discretionary.
- Child Care Quality. Target our Early Learning Fund more on licensing and quality.
- Paid Leave. We are developing a demonstration, and also exploring a tax credit incentive.
- Temp/Contingent Workers. We are looking at ways to address this booming sector.
- Youth Empowerment Fellowships. To identify and reward youth-driven social innovations.

## **Service/Philanthropy**

- AmeriCorps Reserves. Modeled on Army Reserves, a way to tap former AmeriCorps volunteers in continuing service. Also, a substantial budget request for AmeriCorps itself.
- Nonprofit SBA. We are looking at creating an SBA-type entity to help nonprofits.
- Philanthropy. We are considering a range of tax incentives to encourage more giving.
- Social Venture Fund. To help bring entrepreneurial grass-roots ideas to scale.
- Community Coaches. In schools, to guide students in community service.

## **Immigration/Civil Rights**

- ESL/Civics Initiative. We are also looking to streamline naturalization/citizenship.
- AgNet Registry. Our electronic job registry for growers and migrant workers.
- INS Financing Reforms. To ensure sufficient funds for immigration services.
- EEOC/Equal Pay. Increased funding for EEOC and funds for our equal pay initiative.
- Hate Crimes. We will continue to push for legislation. We are also developing an idea that would target funding to a network of U.S. Attorney-led local working groups on hate crimes.

## **Tobacco**

- Farmers. Studying proposals to make settlement funds for tobacco farmers tax-exempt.
- Look-back Proposals. We are developing a number of variations, as well as our excise tax.
- Litigation. We will again propose funding for the Justice Department lawsuit.

## **Technology and Other Policy Ideas**

- Digital Divide. A public-private initiative to increase access to the Internet for the poor.
- Civic Engagement. New ideas on voting, jury duty, civilian-military relations.
- Food Safety. We are developing a package of proposals that may include a single agency.
- Homeless Access. Help states make Medicaid, CHIP and other programs more accessible.
- Domestic Violence. In addition to VAWA II, a new "safe workplaces" initiative.
- Native Americans. We are putting together a package on education and other areas.

THE WHITE HOUSE

WASHINGTON

November 24, 1999

MEMORANDUM FOR MARIA ECHAVESTE

FROM: GENE B. SPERLING

SUBJECT: FY 2001 BUDGET IDEAS

This memorandum provides a brief description of new ideas we are considering for the 2001 budget.

**Education**

- *Stay in College:* To address the rising, especially among minorities, college drop out rate by increasing appropriations for grant programs and encouraging colleges to front-load grants (for example, award a student's 4-year eligibility for Pell Grants in the first 2 years.) To create partnerships with colleges and businesses, similar to the GEAR UP program that would help provide guidance on course selections for solid career tracks, internships, work-study and mentoring that would make transitioning into the work world easier

**Children**

- *Universal O-5 Preschool:* An initiative combining child care, early learning, Head Start and parenting education for a major and universal 0-5 initiative.

**Poverty**

- *Expand the Widow Benefit for Social Security to 75 Percent of the Couples' Benefit and Provide a Credit (\$10,000?) for up to Five Years Spent Raising Children:* The President could move further in endorsing a specific widow poverty option. He could also say that he would like us to get together and *do this option in a paid for manner that does not affect solvency.*

**Taxes**

- *Eliminate the Marriage Tax Penalty – for the EITC Also:* Make the standard deduction for married couples double that of single filers. An alternative proposal could be better targeted and thus provide more for those who pay a penalty. It could also be pitched as being pro working family. We could make a new deduction that would be a fraction of the lower earner's income – so that couples with only one earner would not get marriage penalty relief, but couples who paid the largest penalty (those who earned about the same amount) would get the largest bonus. EITC marriage tax relief would be an integral part of this proposal.

## Banking Reform/Financial Services

- *Financial Privacy*: Initiative to protect personal financial privacy as an overarching administration goal in the President's final year in office that would deal with consumer protection issues and fixing problems with the Financial Modernization bill.
- *America Saves Initiative/financial Literacy*: A Clinton initiative to encourage savings and financial literacy for all Americans with a separate New Markets focus.

## New Markets/Economic Development

- *Propose New \$100 Million Broadband Deployment Initiative for New Market Areas*: Provides grants to states and local areas to plan for and install high-speed Internet access infrastructure to help attract new business and job opportunities in our Nation's under-served communities.
- *Internet Access for Rural America*: Fiber optic cable is replacing traditional copper and coax cable as the primary source of data transmission. In rural areas, however, the small numbers of users per mile make the cost of installing fiber optic cable prohibitively expensive. In the Pacific Northwest, the Department of Energy's Bonneville Power Administration (BPA) has installed fiber optic cable within its right-of-way to provide communications between its facilities. In order that it has room to expand its data transmission capacity in the future, BPA's fiber optic cable contains excess capacity which BPA's has begun leasing to public utility districts (PUD) so that they may offer data transmission access to internet providers and their rural customers. BPA simply provides the backbone of the system, and the PUDs have to pay for the cost of local interfaces. The President could propose expanding such a program to all of the Federal power administrations, bringing affordable Internet access to a much greater geographic area.
- *Digital Divide*: Launch a bold initiative to help close the digital divide, by:
  - Expanding support for Community Technology Centers (currently at \$32 million);
  - Providing tax incentives for broadband investment in distressed urban and rural communities;
  - Encouraging the development of content that will help empower low-income families (e.g. adult literacy, English as a Second Language, local information on child care, health care, transportation, information needed to start own micro-enterprise); and
  - Subsidizing PC and Internet access to the home for low-income households;
  - Encouraging the private sector to provide PCs and Internet access with a "telecommuting tax credit."
- *Native American/New Markets Initiative*:

## Health

- *Encouraging Small Businesses To Offer Health Insurance*: Creating a new tax credit for small businesses who decide to offer coverage by joining coalitions; encouraging private foundations to support coalitions by allowing their contributions towards these organizations to be tax exempt; offering technical assistance to small business coalitions from the Office of Personnel Management. This proposal was in the President's FY 2000 budget. (Costs: \$100 million over 5 years).

- *\$1,000 Tax Credit for Workers with Disabilities:* Provide workers with significant disabilities with an annual \$1,000 tax credit to help cover the formal and informal costs that are associated with and even prerequisites for employment, such as special transportation and technology needs. (Costs: \$700 million over 5 years)
- *Expanding Assistive Technology:* This proposal would double the budget for assistive technologies that enable people with disabilities to work. (Cost: \$35 million for 2001)
- *Keeping Out of Institutions and Getting to Work:* Provide support staff for the disabled allowing more people with disabilities to live at home and to contribute to the workforce. Furthermore, this would free up people who are now taking time out from their jobs to help out their disabled relatives.

### **Reinventing Government**

- *Green Pages in the Phone Book – Government Service and Hotline Numbers:* Develop a Green Pages section in the phone book that would describe in plain English basic rights and regulations the Government enforces, and services it provides with 1-800 numbers to find out more.

### **Child Labor**

- *Call for a New Global Effort To Educate Children to Avoid Child Labor:* Presidential appeal to the international community to provide resources to reduce child labor by extending primary education to all children in poor developing country – (Cost – UNICEF estimate: \$7 billion annual global)

### **Trade**

- *Increased Trade Compliance in China:* Devote a small amount of money (e.g., \$5 million) to increase the number of people at ITA working to ensure that China is complying with our trade agreements (30 people). This could also meet the requests of the AFL-CIO and NAM, who have both asked for increased trade compliance funding. And it could help build support for China WTO.

### **Savings**

- *Son of USAs:* Tax policies modeled on Universal Savings Account that are potentially less expensive that would provide SEED money to help families establish the habit of saving for retirement.

### **HighTech**

- *Information Technology for the Twenty-First Century:* This is the second year of a multi-year effort to significantly expand our investment in information technology research in three areas (VP has called for doubling IT research over 5 years): (1) Fundamental IT research; (2) Scientific and other applications of IT; (3) Economic, ethical, legal and social implications of the Information Cost: Last year's request was an increase of \$366 million.
- *Internet for Economic Development Initiative:* To expand Internet and its applications in 11 developing countries. Elements of initiative include: policy reform (encouraging developing countries to adopt Internet and e-commerce friendly policies); training of people in developing countries; support for applications of Internet – including e-commerce for small and medium-sized enterprises, distance learning, and telemedicine. Cost: \$45 million.

## Manufacturing

- *Manufacturing Initiative:* To strengthen the competitiveness of US Manufacturing. This preliminary list of proposed initiatives have been grouped as follows:
  - Incumbent worker training:
  - Increasing manufacturing exports:
  - Development and diffusion of technologies:
  - Sustainable manufacturing

FY 01 EO

**U.S. Department of Education**  
**SUMMARY OF 2001 MAJOR BUDGET REQUEST INCREASES**  
**September 13, 1999**  
**(In Thousands of Dollars)**

|                                                       |                  |
|-------------------------------------------------------|------------------|
| New Initiative Under the Reauthorization of ESEA      | \$ 234,000       |
| After-School                                          | \$ 400,000       |
| Improving Teaching                                    | \$ 769,900       |
| Accelerating Change and Increasing Accountability     | \$ 156,718       |
| Mastering the Basics                                  | \$ 1,793,475     |
| Keeping Our Children Safe and Drug-Free               | \$ 100,000       |
| Technology                                            | \$ 25,000        |
| College Student Aid                                   | \$ 1,285,000     |
| Reaching and Completing College                       | \$ 180,000       |
| Institutional Aid                                     | <u>\$ 90,768</u> |
| Total Increases for Selected Major Education Programs | \$ 5,034,861     |
| Total Reduced or Eliminated Programs                  | (\$964,782)      |



# U.S. DEPARTMENT OF EDUCATION

## FY2001 EDUCATION BUDGET PROPOSAL

September 1999

(IN THOUSANDS OF DOLLARS)

| Selected Education Programs<br>In the Tax Bill                                                                                                                                                                       | FY1999<br>Appropriation | President's<br>FY2000<br>Request                                         | Expected<br>Appropriation                                                  | Secretary's<br>FY2001<br>Request | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>SCHOOL CONSTRUCTION AND MODERNIZATION</u></b>                                                                                                                                                                  |                         |                                                                          |                                                                            |                                  |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <u>School Modernization Bonds and Qualified Zone Academy Bonds.</u> Provides new bonds with interest paid by Federal tax credits to help local communities go much further in renovating and building needed schools | --                      | \$24.8 billion in new bonds<br>(at a cost of \$3.7 billion over 5 years) | + \$24.8 billion in new bonds<br>(at a cost of \$3.7 billion over 5 years) |                                  |                                | Would make available nearly \$25 billion in new bonds to build and renovate about 6,000 public schools in communities throughout the country to make them safer and more accessible, to address record enrollments and overcrowding, to repair crumbling school facilities, and to accommodate smaller class sizes. Federal tax credits would pay the interest on two types of proposed bonds: School Modernization Bonds and Qualified Zone Academy Bonds. The tax credits on these bonds would cost the Treasury a total of \$3.7 billion over 5 years. |
| <u>Building Schools As Centers of Community Grants.</u> Encourages greater public participation in the planning and design of new schools                                                                            | --                      | \$10,000                                                                 | \$10,000                                                                   | \$10,000 <sup>1</sup>            | N/C                            | Would support the creation of 150-200 school-community partnerships to encourage broader citizen engagement in the process of planning and designing new school buildings that can enhance teaching and learning as well as serve the broader needs of the community.                                                                                                                                                                                                                                                                                     |

<sup>1</sup> Funded under the Fund for Improvement of Education

| Selected Education Programs<br>In Appropriations                                                  | FY1999<br>Appropriation | President's<br>FY2000<br>Request | Expected<br>Appropriation | President's<br>FY2001<br>Request | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------|-------------------------|----------------------------------|---------------------------|----------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>NEW INITIATIVES UNDER THE REAUTHORIZATION OF ESEA (ELEMENTARY AND SECONDARY EDUCATION ACT)</b> |                         |                                  |                           |                                  |                                |                                                                                                                                                                                                                                                                                                                               |
| <u>High School Reform</u>                                                                         | --                      | --                               | --                        | \$125,000                        | +\$125,000                     | This initiative would support research-based, comprehensive reforms at the high school level, including the creation of smaller, more supportive learning environments such as schools within schools. The request would fund reform efforts at some 1,000 high schools as the first stage in reaching 5,000 schools by 2007. |
| <u>OPTIONS (Opportunities to Improve our Nation's Schools)</u>                                    | --                      | --                               | --                        | \$30,000                         | +\$30,000                      | Grants to States and local school districts to develop innovative approaches to public school choice, including worksite schools and schools located on college campuses.                                                                                                                                                     |
| <u>Principals Leadership Initiative</u>                                                           | --                      | --                               | --                        | \$40,000                         | +\$40,000                      | Would establish some 24 regional leadership centers (LEAs in partnership with IHEs) that would provide professional development focused on standards-based reform, use of achievement data for decision-making and resource allocation, and leadership training to strengthen skills of current and potential principals.     |
| <u>State Recognition and Reward for Student Achievement</u>                                       | --                      | --                               | --                        | \$5,000                          | +\$5,000                       | Funding to implement the proposed authority that allows the Department to recognize and reward States that demonstrate improved student achievement over three consecutive years, including narrowing the achievement gap between high- and low- performing students and reducing the practices of social promotion.          |

| Selected Education Programs<br>In Appropriations                                                  | FY1999<br>Appropriation | President's<br>FY2000<br>Request | Expected<br>Appropriation | President's<br>FY2001<br>Request | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------|-------------------------|----------------------------------|---------------------------|----------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>NEW INITIATIVES UNDER THE REAUTHORIZATION OF ESEA (ELEMENTARY AND SECONDARY EDUCATION ACT)</b> |                         |                                  |                           |                                  |                                |                                                                                                                                                                                                                                                                          |
| <u>Early Childhood Educator Professional Development</u>                                          | --                      | --                               | --                        | \$20,000                         | +\$20,000                      | Would provide professional development opportunities for about 10,000 staff working in Title I preschools, Head Start, Even Start, and day care centers in high poverty areas. Funds would be awarded competitively to partnerships between IHEs and LEAs.               |
| <u>Special Needs Technical Assistance Centers</u>                                                 | --                      | --                               | --                        | \$8,000                          | +\$8,000                       | Two centers that would provide training and technical assistance to address the instructional needs of LEP, migratory, Indian, and Alaskan native students and help these students reach the same high standards as other students.                                      |
| <u>Web-based Information Dissemination</u>                                                        | --                      | --                               | --                        | \$6,000                          | +\$6,000                       | Would make Internet-based educational resources more accessible to teachers, administrators, parents, and students by linking sites, cataloguing materials, and providing on-line assistance to, for example, help users locate lesson plans and best practices quickly. |

**Subtotal: +\$234,000**

| Selected Education Programs<br>In Appropriations                                                                                                                                                                                                                     | FY1999<br>Appropriation | President's<br>FY2000<br>Request | Expected<br>Appropriation | President's<br>FY2001<br>Request                 | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------------|---------------------------|--------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>AFTER-SCHOOL</b>                                                                                                                                                                                                                                                  |                         |                                  |                           |                                                  |                                |                                                                                                                                                                                                                                                                                                                                                     |
| <u>21st Century Community Learning Centers.</u> Funds school-community partnerships to keep schools open after regular hours as safe havens for enhanced learning                                                                                                    | \$200,000               | \$600,000                        | \$600,000                 | \$1,000,000                                      | +\$400,000                     | Would provide before- and after-school and summer programs in safe, drug-free environments for approximately 1,300,000 additional school-age children in 900 additional school districts. This request, along with a proposed matching requirement for new awards would support about 2,300 districts and serve approximately 2.8 million students. |
|                                                                                                                                                                                                                                                                      |                         |                                  |                           | <b>SUBTOTAL:</b>                                 | <b>+\$400,000</b>              |                                                                                                                                                                                                                                                                                                                                                     |
| <b>IMPROVING TEACHING</b>                                                                                                                                                                                                                                            |                         |                                  |                           |                                                  |                                |                                                                                                                                                                                                                                                                                                                                                     |
| <u>Teaching to High Standards</u> – Helps states and school districts implement the next generation of standards-based reform, including standards-based assessments, curricula, and professional development. The program would consolidate the following programs: | \$1,171,000             | \$796,000                        | \$1,171,000               | \$1,700,000                                      | +\$529,000                     | Would continue the development and implementation of standards with a specific focus on bringing standards into the classroom through professional development, curricula and assessments.                                                                                                                                                          |
| <u>Raise Educational Standards -- Goals 2000.</u><br>Helps schools raise academic standards, improve teaching, expand the use of technology.                                                                                                                         | \$461,000               | \$461,000                        | \$461,000                 | Combined under ESEA's Teaching to High Standards | (\$461,000)                    |                                                                                                                                                                                                                                                                                                                                                     |
| <u>Upgrade Teacher Skills - Eisenhower Professional Development (State Grants).</u> Improves teachers' skills in core academic subjects                                                                                                                              | \$335,000               | \$335,000                        | \$335,000                 | Combined under Teaching to High Standards        | (\$335,000)                    |                                                                                                                                                                                                                                                                                                                                                     |
| <u>Innovation Education Strategies State Grants (Title VI)</u> – Supports state and local reform efforts.                                                                                                                                                            | \$375,000               | --                               | \$375,000                 | Combined under Teaching to High Standards        | (\$375,000)                    |                                                                                                                                                                                                                                                                                                                                                     |

| Selected Education Programs<br>In Appropriations     | FY1999<br>Appropriation                                                    | President's<br>FY2000<br>Request                                           | Expected<br>Appropriation | President's<br>FY2001<br>Request                                              | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------|---------------------------|-------------------------------------------------------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Teacher Quality Enhancement (HEA Title II).</u>   | \$75,000                                                                   | \$115,000                                                                  | \$115,000                 | \$200,000                                                                     | +\$85,000                      | Provides grants to help recruit new teachers for high-poverty urban and rural areas, strengthen partnerships between schools and universities to give the teachers the best preparation possible, and help States improve the quality of their teaching force through reform activities such as teacher licensing and certification.                                                                        |
| <u>Improvement of Teaching and School Leadership</u> | \$23,300                                                                   | \$30,000                                                                   | \$30,000                  | \$40,000                                                                      | +\$10,000                      | Would support activities to implement the recommendations of the Glenn Commission, to develop and disseminate materials on effective teaching practices, and to support the development of math teacher leaders.                                                                                                                                                                                            |
| <u>Bilingual Education.</u>                          | \$224,000<br>(includes \$50<br>million for<br>professional<br>development) | \$259,000<br>(includes \$75<br>million for<br>professional<br>development) | \$259,000                 | \$286,500<br>(includes<br>\$90 million<br>for<br>professional<br>development) | +\$27,500                      | Provides assistance to local schools to improve English and related instruction for limited English proficient students and would provide training grants to institutions of higher education and fellowships to individuals. This would result in an estimated 7,000 additional bilingual teachers to address the acute shortage of well-trained teachers to instruct limited English proficient students. |
| <u>Transition to Teaching: Troops to Teachers</u>    | --                                                                         | \$18,000                                                                   | \$18,000                  | \$18,000                                                                      | N/C                            | Would continue and expand the successful Troops to Teachers initiative by recruiting and supporting mid-career professionals as teachers, particularly in high-poverty school districts and high-need subject areas.                                                                                                                                                                                        |
| <u>American Indian Teacher Corps</u>                 | --                                                                         | \$10,000                                                                   | \$10,000                  | \$10,000                                                                      | N/C                            | Recruits and trains 1,000 new Indian teachers (over five years) to work in Native American communities by funding programs at Tribal Colleges and other postsecondary institutions to pay tuition and living expenses for prospective teachers, and support in-service training for educators already employed in Indian schools.                                                                           |

| Selected Education Programs<br>In Appropriations   | FY1999<br>Appropriation | President's<br>FY2000<br>Request | Expected<br>Appropriation | President's<br>FY2001<br>Request | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------|-------------------------|----------------------------------|---------------------------|----------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Middle School Teacher Training</u>              | --                      | \$30,000                         | \$30,000                  | \$30,000                         | N/C                            | Supports a technology teacher leader in middle schools and encourages schools to establish technology literacy requirements.                                                                                                                                                                                                              |
| <u>Strengthening Technical Assistance Capacity</u> | \$28,000                | \$32,000                         | \$32,000                  | \$60,000                         | +\$28,000                      | Would eliminate the Comprehensive Regional Assistance Centers and redirect the funds by formula to states and the 100 school districts with the largest numbers of children in poverty.                                                                                                                                                   |
| <u>Special Education State Improvement</u>         | \$35,200                | \$45,200                         | \$45,200                  | +\$135,600                       | +\$90,400                      | Would give all States the opportunity to compete for funds to reform and improve their systems for providing educational services to children with disabilities, especially their system for professional development. Would also significantly increase the size of awards so that States can implement true systemic change activities. |
|                                                    |                         |                                  | <b>Subtotal:</b>          |                                  | <b>\$769,900</b>               |                                                                                                                                                                                                                                                                                                                                           |

| Selected Education Programs<br>In Appropriations                                                                                                                                   | FY1999<br>Appropriation | President's<br>FY2000<br>Request | Expected<br>Appropriation             | President's<br>FY2001<br>Request | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------------|---------------------------------------|----------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ACCELERATING CHANGE AND INCREASING ACCOUNTABILITY</b>                                                                                                                           |                         |                                  |                                       |                                  |                                |                                                                                                                                                                                                                                                       |
| <u>Strengthen Achievement and Accountability in Title I.</u> Helps State and local education agencies turn around low-performing schools                                           | NEW                     | \$200,000<br>(non-add)           | + \$200,000 <sup>2</sup><br>(non-add) | \$215,000<br>(non-add)           | +15,000<br>(non-add)           | Would provide States new resources to accelerate implementation of Title I accountability provisions and to identify and improve weak schools through intensive teacher training, improved school discipline, and proven approaches to school reform. |
| <u>Comprehensive School Reform Demonstrations (Title I and FIE funds).</u> Helps schools develop and implement reforms that are based on reliable research and effective practices | \$145,000               | \$175,000                        | \$175,000                             | \$225,000                        | +\$50,000                      | Would provide new round of grants to an estimated 2,900 schools and continue support for more than 400 schools already using funds to carry out research-based school improvement.                                                                    |
| <u>Charter Schools.</u> Supports the planning, development and initial implementation of public charter schools                                                                    | \$100,000               | \$130,000                        | \$130,000                             | \$150,000                        | +\$20,000                      | Would support planning and implementation of 1,100 new charter schools which would exceed the administration objective of creating 3,000 charter schools by 2002.                                                                                     |
| <u>Research, Development and Dissemination</u> (Replaces National Education Research Institutes, Regional Educational Laboratories, and National Dissemination Activities)         | \$143,567               | \$198,282                        | \$198,282                             | \$250,000                        | +\$51,718                      | Would support a research agenda focused on improving the teaching and learning of academic subjects for diverse students, the ability of schools and states to implement reforms, and the utilization of knowledge.                                   |
| <u>Advanced Placement Incentive Program.</u> Increases opportunities for students to enroll in and complete advanced placement courses in high schools.                            | \$4,000                 | \$20,000                         | \$20,000                              | \$40,000                         | +\$20,000                      | Would support State and local efforts to expand the availability of Advanced Placement and other challenging courses in high schools and to train teachers for those courses.                                                                         |
| Subtotal:                                                                                                                                                                          |                         |                                  |                                       |                                  | +\$156,718                     |                                                                                                                                                                                                                                                       |

<sup>2</sup> This \$200 million is part of the \$320 million requested increase in Title I Grants to Local Education Agencies (see the section entitled "Mastering the Basics").

| Selected Education Programs<br>In Appropriations                                                                                                                                            | FY1999<br>Appropriation | President's<br>FY2000<br>Request | Expected<br>Appropriation | President's<br>FY2001<br>Request | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------------|---------------------------|----------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>MASTERING THE BASICS</b>                                                                                                                                                                 |                         |                                  |                           |                                  |                                |                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <u>Reducing Class Size.</u> Second installment in reducing class sizes in grades 1-3 to a nationwide average of 18 to give children more personal attention and get them on the right track | \$1,200,000             | \$1,400,000                      | \$1,400,000               | \$1,700,000                      | +\$300,000                     | Would support the hiring and training of more than 11,000 additional qualified teachers so schools can reduce class size in order to provide children with more individual attention, make classrooms more orderly and help children master reading and other basics. This is the third installment in the Administration's commitment to help school districts hire and train 100,000 new teachers over 7 years. |
| <u>Reading Excellence Act.</u> Helps children learn to read well and independently by the end of the third grade                                                                            | \$260,000               | \$286,000                        | \$286,000                 | \$386,000                        | +\$100,000                     | Would help schools and communities improve reading programs by providing tutoring and extended learning time connected to quality classroom instruction, improving teacher training in reading instruction, and providing family literacy activities to help more than 1.4 million children become successful readers.                                                                                            |
| <u>Extra Help in the Basics (Title I LEA Grants).</u> Helps disadvantaged students learn the basics                                                                                         | \$7,732,397             | \$7,996,020 <sup>2</sup>         | \$8,052,397 <sup>3</sup>  | \$8,800,000                      | +\$747,603                     | Would provide funds to help more than 12.5 million educationally disadvantaged children -- 400,000 more than in FY2000 -- boost their basic skills, master challenging curriculum, and meet high standards, and to help improve the entire academic programs in their schools.                                                                                                                                    |
| <u>Special Education State Grants.</u> Helps local schools and States provide special education and early intervention services                                                             | \$5,054,685             | \$5,106,435                      | \$5,603,135               | \$6,136,507                      | +\$533,372                     | Would help provide special education and related services to children with disabilities and early intervention services to infants and toddlers with disabilities. About 6.6 million children with disabilities would be served in FY2001.                                                                                                                                                                        |

<sup>3</sup> \$200 million of this requested increase is reserved to help States and local districts turn around low-performing schools (see the section entitled "Accelerating Change and Increasing Accountability").

| Selected Education Programs<br>In Appropriations                                                                                                                                        | FY1999<br>Appropriation | President's<br>FY2000<br>Request | Expected<br>appropriation | President's<br>FY2001<br>Request | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------------|---------------------------|----------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>MASTERING THE BASICS CON'T</u></b>                                                                                                                                                |                         |                                  |                           |                                  |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <u>Special Education Primary Education Intervention Program.</u> Helps school districts meet the needs of children with reading or behavioral problems                                  | NEW                     | \$50,000                         | \$50,000                  | \$100,000                        | +\$50,000                      | Would demonstrate the benefits of early identification and research-based interventions for young children with developmental delays who may later be identified as learning disabled or emotionally disturbed.                                                                                                                                                                                                                                                                                                                                                                                                |
| <u>Adult Education.</u> Provides adult and family literacy, English as a second language, and other educational programs                                                                | \$385,000               | \$575,000                        | \$575,000                 | \$622,500                        | +\$47,500                      | Would further the President's adult literacy initiative to close the skills gap by 2005. Would help an additional 33,000 adults become literate, strengthen their basic skills, and obtain good jobs. This total includes \$75 million to continue an English literacy and civics initiative which would provide additional resources to States and localities significantly affected by immigration.                                                                                                                                                                                                          |
| <u>Even Start</u>                                                                                                                                                                       | \$135,000               | \$145,000                        | \$145,000                 | \$160,000                        | +\$15,000                      | Would provide funding for approximately 200 new local Even Start projects. Since the average project serves 60 families, an additional 12,000 low income families with high educational needs would be served. The increase would impact 54,000 parents and children.                                                                                                                                                                                                                                                                                                                                          |
|                                                                                                                                                                                         |                         |                                  |                           | Subtotal:                        | +\$1,793,475                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b><u>KEEPING OUR CHILDREN SAFE AND DRUG-FREE</u></b>                                                                                                                                   |                         |                                  |                           |                                  |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <u>Safe and Drug-Free Schools State Grants, National Programs, and Project SERV (School Emergency Response to Violence).</u> Helps schools become safe, drug-free learning environments | \$566,000               | \$591,000                        | \$591,000                 | \$691,000                        | +\$100,000                     | Would provide \$483 million for State grants with improved targeting to quality programs; \$109 million for competitive "Safe Schools/Healthy Students" grants to support comprehensive strategies for creating safe and drug-free schools and for promoting healthy childhood development; \$37 million for a variety of national leadership activities; \$50 million for coordinators to plan, design, and implement successful drug and violence prevention programs in middle schools, and \$12 million to provide emergency assistance to schools affected by serious violence or other traumatic crises. |
|                                                                                                                                                                                         |                         |                                  |                           | Subtotal:                        | +\$100,000                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

| Selected Education Programs<br>In Appropriations                                                                                                                 | FY1999<br>Appropriation | President's<br>FY2000<br>Request | Expected<br>appropriation | President's<br>FY2001<br>Request | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------------|---------------------------|----------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>TECHNOLOGY</b>                                                                                                                                                |                         |                                  |                           |                                  |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <u>Technology Literacy Challenge Fund.</u> Helps provide students and teachers with computers, educational software, telecommunications, and technology training | \$425,000               | \$450,000                        | \$450,000                 | \$450,000                        | N/C                            | Would continue Federal funding to almost 4,000 school districts to help schools integrate technology into the curriculum, ensure that teachers are trained to use technology effectively in the classroom, and improve teaching and learning in the core subjects                                                                                                                                                                                                                  |
| <u>Next Generation Technology Innovation Grants</u>                                                                                                              | \$160,100               | \$155,000                        | \$155,000                 | \$170,000                        | +\$15,000                      | Would consolidate the Technology Innovation Challenge Grants and Star Schools programs. Would support the use of cutting-edge technology to improve education. Priority for new awards would go to projects that: develop distance learning networks, software, and online-learning resources; serve more than one State; develop models for using electronic networks to provide challenging courses such as Advanced Placement; and serve traditionally underserved populations. |
| <u>Preparing Tomorrow's Teachers to Use Technology</u>                                                                                                           | \$75,000                | \$75,000                         | \$75,000                  | \$85,000                         | +\$10,000                      | Would support consortia of public and private entities to train new teachers to use advanced technology to foster learning environments that prepare all students to achieve challenging state and local standards.                                                                                                                                                                                                                                                                |
| <u>Community Technology Centers.</u> Helps community residents gain technology skills, take courses on-line, and access on-line job databases                    | \$10,000                | \$65,000                         | \$65,000                  | \$65,000                         | N/C                            | Would support access to technology-based resources for low-income families by bringing technology to public housing, community centers, libraries, and other community facilities.                                                                                                                                                                                                                                                                                                 |
| <b>Subtotal:</b>                                                                                                                                                 |                         |                                  |                           |                                  | <b>+\$25,000</b>               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

| Selected Education Programs<br>In Appropriations                                                                                                                                             | FY1999<br>Appropriation                                                                           | President's<br>FY2000<br>Request                                                                               | Expected<br>appropriation                                                                           | President's<br>FY2001<br>Request                                | Difference<br>from<br>expected                                 | Impact                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>COLLEGE STUDENT AID</b>                                                                                                                                                                   |                                                                                                   |                                                                                                                |                                                                                                     |                                                                 |                                                                |                                                                                                                                                                                                                                                                                                          |
| <u>Pell Grants</u> . Provides grant assistance to low-income undergraduate students                                                                                                          | max grant:<br>\$3,125<br><br>budget authority:<br>\$7,704,000<br><br>program cost:<br>\$7,392,000 | max grant:<br>\$3,250<br><br>budget authority:<br>\$7,463,000<br><br>program cost:<br>\$7,912,000 <sup>4</sup> | max grant:<br>\$3,250<br><br>budget authority:<br>\$7,549,000<br><br>program cost:<br>+ \$7,913,000 | max grant<br>\$3,525<br><br>budget<br>authority:<br>\$8,715,000 | max grant<br>+\$275<br><br>budget<br>authority<br>+\$1,166,000 | Would help nearly 4 million financially-needy students attend college -- 84,000 more than in FY2000 -- and would increase the average award by \$160 compared to FY2000.                                                                                                                                 |
| <u>Work-Study</u> . Helps undergraduate and graduate students pay for college through part-time work assistance                                                                              | \$870,000                                                                                         | \$934,000                                                                                                      | \$934,000                                                                                           | \$1,011,000                                                     | +\$77,000                                                      | Would give one million students the opportunity to work and earn funds to help pay for college -- approximately the same number of students as in FY2000. This request would also provide opportunities for students at more than 1,100 colleges and universities to tutor children in reading and math. |
| <u>Supplemental Educational Opportunity Grants (SEOG)</u> . Provides grant assistance to low-income undergraduate students                                                                   | \$619,000                                                                                         | \$631,000                                                                                                      | \$631,000                                                                                           | \$663,000                                                       | +\$32,000                                                      | Would provide need-based grant aid to over 1.1 million college students, especially enabling low-income undergraduates to pursue a baccalaureate degree.                                                                                                                                                 |
| <u>Perkins Loans (Capital Contributions)</u> . Helps colleges and universities provide long-term, low-interest loans to undergraduate and graduate students with demonstrated financial need | \$100,000                                                                                         | \$100,000                                                                                                      | \$100,000                                                                                           | \$100,000                                                       | N/C                                                            | Would maintain sufficient funds to provide approximately \$1.1 billion in new Perkins loans in award year 2001-2002, the same as in 2000 - 2001.                                                                                                                                                         |
| <u>Leveraging Educational Assistance Partnership (formerly SSIG)</u> . Provides Federal matching funds for States to support need-based postsecondary student grant assistance               | \$25,000                                                                                          | \$25,000                                                                                                       | \$25,000                                                                                            | \$35,000                                                        | +\$10,000                                                      | Would maintain the Federal share of need-based aid to States for more than 100,000 recipients, 17,000 more than in FY2000.                                                                                                                                                                               |
| <u>D.C. Resident Tuition Support</u> . Provides expanded opportunities for D.C. residents that are similar to those available to residents of States                                         | --                                                                                                | \$17,000                                                                                                       | \$17,000                                                                                            | \$17,000                                                        | N/C                                                            | Would pay the difference between in-State and out-of-state tuition at all public institutions of higher education in Maryland and Virginia on behalf of D.C. residents who have recently graduated from high school or received a GED.                                                                   |
|                                                                                                                                                                                              |                                                                                                   |                                                                                                                |                                                                                                     | Subtotal:                                                       | +\$1,285,000                                                   |                                                                                                                                                                                                                                                                                                          |

<sup>4</sup> Includes new budget authority and \$449 million of the prior year surplus.

| Selected Education Programs<br>In Appropriations                                                                                                                                                | FY1999<br>Appropriation | President's<br>FY2000<br>Request | Expected<br>appropriation | President's<br>FY2001<br>Request | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| <b>REACHING AND COMPLETING COLLEGE</b>                                                                                                                                                          |                         |                                  |                           |                                  |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <u>GEAR UP.</u> Gives disadvantaged students and their families pathways to college by partnering middle and high schools with colleges and universities or through state-administered programs | \$120,000               | \$240,000                        | \$240,000                 | \$360,000                        | +\$120,000                     | Would help give an estimated 948,000 at-risk, middle and high school students the critical skills and encouragement they need to raise their educational expectations, increase their academic achievement and eliminate the barriers they face in preparing for and pursuing a college education. Academic and support services include mentoring, tutoring and college visits.                                                                                                                   |
| <u>TRIO Programs.</u> Provides education outreach and student support services designed to encourage disadvantaged individuals to enter and complete college                                    | \$600,000               | \$630,000                        | \$630,000                 | \$690,000                        | +\$60,000                      | In total, would help more than 743,000 disadvantaged students prepare for and persist in postsecondary education. This request would provide academic and career counseling, admissions and financial aid information, and tutoring services to almost 383,000 middle and high school students; encourage 201,000 disadvantaged postsecondary students to complete college and pursue graduate studies; and encourage over 159,000 adults to go back to school and pursue postsecondary education. |
| <u>College Completion Challenge Grants.</u> Helps disadvantaged students stay in college and earn diplomas                                                                                      | NEW                     | \$35,000                         | \$35,000                  | \$35,000                         | N/C                            | Would help postsecondary institutions increase the persistence rate of students who are at-risk of dropping out by strengthening student support services, augmenting student aid awards, and financing intensive summer programs.                                                                                                                                                                                                                                                                 |
| <u>Preparing for College.</u> Provides information to middle and high school students and adults on preparation for college                                                                     | NEW                     | \$15,000                         | \$15,000                  | \$15,000                         | N/C                            | Would educate students and their parents about the importance of higher education, the academic coursework needed in middle and high school to gain entrance into college, and the available financial aid opportunities to finance education through pamphlets and videos, community events, and public service announcements.                                                                                                                                                                    |
| Subtotal:                                                                                                                                                                                       |                         |                                  |                           |                                  | +\$180,000                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

| Selected Education Programs<br>In Appropriations                                                                                                                                                                                                                                                                       | FY1999<br>Appropriation                               | President's<br>FY2000<br>Request                      | Expected<br>appropriation | President's<br>FY2001<br>Request | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------|----------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>INSTITUTIONAL AID</b>                                                                                                                                                                                                                                                                                               |                                                       |                                                       |                           |                                  |                                |                                                                                                                                                                                                                                                                                                                          |
| <u>Strengthening Historically Black Colleges and Universities and Graduate Institutions (HEA Title III).</u> Helps provide equal educational opportunity and strong academic programs                                                                                                                                  | \$166,000                                             | \$180,750                                             | \$180,750                 | \$192,768                        | +\$12,018                      | Would support the Administration's strong commitment to ensuring access to high quality postsecondary education by providing funds to strengthen HBCUs and HBGIs through academic program development and improved administrative management.                                                                            |
| <u>Developing Hispanic-Serving Institutions.</u> Helps strengthen colleges with large Latino populations                                                                                                                                                                                                               | \$28,000                                              | \$42,250                                              | \$42,250                  | \$50,000                         | +\$7,750                       | Would support the Administration's commitment to improving postsecondary opportunities for Hispanic students by helping to expand and enhance the academic offerings, program quality, and institutional stability of the colleges and universities that have an enrollment of at least 25% Hispanic FTE undergraduates. |
| <u>Strengthening Tribally-Controlled Institutions (HEA Title III).</u> Supports institutions that serve Native Americans                                                                                                                                                                                               | \$3,000                                               | \$6,000                                               | \$6,000                   | \$9,000                          | +\$3,000                       | Would support the Administration's strong commitment to ensuring access to high quality postsecondary education by providing funds to strengthen TCCUs through academic program development and improved administrative management.                                                                                      |
| <u>Learning Anytime Anywhere Partnerships.</u> Supports access to quality postsecondary education not limited by time or place for underserved populations through the use of technology and related innovations                                                                                                       | \$10,000<br>(+ \$10 million<br>for Dept. of<br>Labor) | \$20,000<br>(+ \$10 million<br>for Dept. of<br>Labor) | \$20,000                  | \$30,000                         | +\$10,000                      | Would support projects to improve technology-based learning opportunities for individuals, such as the disabled, dislocated workers, those making the transition from welfare to work, and others who do not have easy access to traditional campus-based postsecondary education.                                       |
| <u>Child Care Means Parents in School</u> – Helps raise student achievement by assisting public schools across the country to implement effective, comprehensive school reforms that are based on reliable research and effective practices, and that include an emphasis on basic academics and parental involvement. | \$5,000                                               | \$5,000                                               | \$5,000                   | \$10,000                         | +\$5,000                       | Would support the participation of low-income parents in postsecondary education through campus-based childcare services.                                                                                                                                                                                                |

| Selected Education Programs<br>In Appropriations                                                                                                                                                         | FY1999<br>Appropriation | President's<br>FY2000<br>Request | Expected<br>appropriation | President's<br>FY2001<br>Request | Difference<br>from<br>expected | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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| <u>Demonstration Projects to Ensure Quality Higher Education for Students with Disabilities</u> – Funds model demonstration projects to improve the quality of education for students with disabilities. | \$5,000                 | \$5,000                          | \$5,000                   | \$8,000                          | +\$3,000                       | Would support an increased number of model demonstration projects that provide technical assistance and professional development for faculty and administrators in institutions of higher education in order to improve the quality of higher education for students with disabilities.                                                                                                                                                                                                                                                                                                                                                                                                |
| <u>Higher Education for Individuals with Disabilities</u>                                                                                                                                                | --                      | --                               | --                        | \$50,000                         | +\$50,000                      | Would assist State Vocational Rehabilitation (VR) agencies to increase the number of VR participants with significant disabilities who attend four-year college degree or advanced degree programs and provide them with the ability to achieve high quality employment outcomes that can sustain economic independence. This request would establish a supplemental source of funds to offset the high costs of higher education and related services for individuals with significant disabilities, not covered by student financial aid or other sources, including disability-related expenses such as personal assistants, interpreters, readers, and education support services. |
| Subtotal:                                                                                                                                                                                                |                         |                                  |                           |                                  | +\$90,768                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |