

Spinner/ETR

PHOTOCOPY
PRESERVATION

Mike Schmidt

Bill 6 -

DRAFT

1. This draft includes a few additional suggestions from Barry/Ken. We're meeting @ 4:30 to discuss w/ DoL (Ross, Barron, L.) + DoEd (Smith). Let's discuss before then.

2. Let's discuss strategy, posture for and game there.

Paul D

Administration Response to "Discussion Draft" --
"Work Force Development Act of 1995"

On April 28 the Majority staff of the Senate Labor and Human Resources Committee presented a "Discussion Draft" of a proposed "Work Force Development Act of 1995" [hereafter "Draft."] The Draft joins the President in recognizing the national interest in fostering a new approach to developing the skills of the workforce so that all Americans will be equipped with the tools they need to earn higher living standards in the increasingly competitive, global economy. Unfortunately, the Draft falls short of providing the means to achieve this national purpose. This response summarizes: (1) the elements of the President's Plan that are essential to meeting this national interest; (2) the shortcomings of the Draft with respect to each of these elements; and (3) what is necessary to enact this year a new approach to workforce development that will work for all Americans.

1. The President's Plan. The President has proposed to take the next steps in fulfilling his bipartisan, Lifelong Learning Agenda. His goal: expand opportunities for all youth and adults to learn the skills they need so they can take greater responsibility for applying those skills at more rewarding work in order to earn higher wages and living standards in the years ahead. The President's Middle Class Bill of Rights and G.I. Bill for America's Workers propose a bold rethinking of national workforce policy. The President proposes to consolidate dozens of separate federal education, training and jobs programs and to engage each state and the critical local players in designing and implementing a workforce development strategy that will work to meet diverse local needs. Three reforms must be included because they are essential to any effective workforce development plan:

- First, support the development of School-to-Work opportunities systems to enable all youth to learn competitive skills in the context of work and to find clear pathways to good jobs and continuous learning. Pursuant to last year's bi-partisan School-to-Work Opportunities Act, many states and localities are already engaged in building the new partnerships between schools, the private sector, and colleges where it really matters -- in local communities all across the country. This year the Congress should put the full support of federal youth education, training and job resources behind this essential reform.
- Second, expand post-secondary education and training opportunities by putting resources and good information directly in the hands of individuals so they can make their own informed choices of where, when and what skills they want to learn to get ahead. Dislocated and disadvantaged workers can be served by new Skill Grants; low and moderate-income students of all ages by expanded Pell Grants; all post-secondary learners -- regardless of age or income -- by more affordable student loans with flexible options for repayment based on future earnings. Tax deductions for post-secondary education and training will reward moderate and middle income taxpayers for investing in new skills that will increase their earnings potential for years to come. Just like the G.I. Bill for America's Veterans, the President's proposal for a G.I. Bill for America's Workers will put the resources for learning new skills directly in the hands of the individual and trust ordinary Americans to make their own judgments

about how best to build a brighter future for themselves, their families and communities, and our nation.

- Third, build one-stop career centers, make information on the local labor and education and training markets easily accessible to all customers, and improve gatekeeping to screen out bad quality training providers. This will enable both of these critical markets to constantly respond to the differing interests, aspirations, and needs of all students and workers; the changing demands of employers; and the real quality, cost and results of diverse education and training providers and programs. States and localities are already at work building one-stop career centers and more easily accessible local labor market information in full cooperation with the Departments of Labor and Education, along with the essential information infrastructure to connect local needs and demands to the changing regional and national labor markets. Community colleges, community-based organizations and other providers of skill training are already working cooperatively with Secretaries Riley and Reich to provide good performance information on their programs and better gatekeeping so individuals can apply their Skill Grants to learn new skills that will result in better jobs and earnings.

The President's Plan provides an inclusive process so that all of the parties at interest -- the private sector, local schools and colleges, employment services and community-based organizations, mayors, and educators -- can join with their governor in designing, coordinating and implementing these three essential elements of any effective system of workforce development. Only such a market-driven system can respond to the different and changing needs of students, workers, and employers in local labor markets throughout the country, now and in the years to come.

2. The Senate Committee Majority Staff Work Force Development Draft. Unfortunately, the Draft does not focus on how these three essential components must be included for any system of workforce development to be effective in serving all Americans:

- Although reference is made to School-to-Work, the Draft shows little regard for nurturing the kinds of local partnerships -- between schools, the private sector, colleges and the community -- that are essential to making School-to-Work work for all youth, both in and out of school, in poor communities as well as rich, in rural as well as suburban and urban communities. It fails to recognize that local schools which are isolated from employers and job markets may need extra help to build the partnership networks that will connect their students to work-based learning experiences, good jobs, and higher education. It makes no provision for Summer Jobs and Job Corps.
- Although passing reference is made to vouchers for adult skill training, the Draft shows little regard for putting resources and good information in the hands of ordinary Americans so they can make their own informed choices of where, when and what skills they want to learn to get ahead. The key role that the individual plays in taking personal responsibility for learning skills, choosing a job and career, and earning

higher wages by adding more value at work is ignored. There is no assurance that workers affected by trade policy, other dislocated workers, low-wage workers and disadvantaged job seekers, many of whom have the greatest need to learn new skills to get new and better jobs, will actually be served by federal funds.

- Although reference is made to one-stop centers, good information and counseling assistance regarding jobs and education and training programs, there is little appreciation that such counseling and information is useful primarily for supporting continually responsive and constantly improving labor and education and training markets to serve the needs of each individual student, worker and employer where it matters, in local communities. The Administration also proposes that Governors be given far greater flexibility than current law permits to design youth and adult employment and labor exchange services. But the Draft proceeds as if state governments should not have to put federal resources directly in the hands of individuals to make their own decisions, apparently on the untenable ground that ordinary Americans with good information, resources, and better functioning labor and education and training markets cannot be trusted to make good decisions.

The Draft fails to assure that all of the interested parties in local communities and at the state level -- e.g., community-based organizations, the schools, employment services, mayors -- will participate as full partners in the design, coordination and implementation of these three essential elements. Instead, the governors are vested with near total discretion for workforce development, without strong requirements for accountability to meet national goals. If there were not national goals and interests here, there would be no point in using proceeds from federal taxpayers to pay for these activities.

Finally, accountability is premised solely on each governor setting performance benchmarks, with no regard for how the informed choices of ordinary Americans -- students, workers, and employers -- will ultimately determine the results of the real actions that will go on in the changing local labor markets in hundreds of communities all across the country.

3. Next Steps. Where do we go from here? The Draft is, expressly a "Discussion Draft." It does join the President in recognizing the critical nature of workforce skills to the economic well-being of all Americans and the economic future of the nation. It does call for a process to develop workforce development plans. It does propose consolidating federal workforce programs. It does recognize the need for supporting a School-to-Work approach to better serve our youth. It does recognize the importance of one-stop career centers and good information and counseling. It does recognize the importance of performance and continuous improvement. It does recognize that any effective workforce development system "should be based on local labor market needs" which "require the active involvement of the private sector." As a result, the Draft does provide some basis for real discussion.

The Administration stands ready to work -- on a bi-partisan basis -- with the members and staff of the Senate Labor and Human Resources Committee, and their House counterparts, to enact a Workforce Development bill that enables the states to work with the key players in local communities to design, coordinate and implement the three essential components of any

effective workforce development strategy -- one that will really work to equip all youth, post-secondary students and workers with the skills they need to earn higher wages and living standards at more rewarding work.

The nation deserves a bi-partisan Workforce Development Act that meets the needs of all American youth and workers, now and in the years ahead. The President will do everything within his power to achieve a bill he can sign with confidence that it will expand opportunities for the American people to achieve the American Dream.

Bill G -

Please review (a) strategy & (b) attached statement.
offer advice, comments, edits, suggestions.
Thanks
Paul

EXECUTIVE OFFICE OF THE PRESIDENT

29-Apr-1995 02:42pm

TO: Kenneth S. Apfel
TO: Barry White

FROM: Paul R. Dimond
National Economic Council

SUBJECT: Kassdrft

Ken and Barry,

Sorry about the intemperate tone and overly personal nature of my e-mail yesterday. I stand by the substantive strategy, however, and the need to get everyone on the same page (ok, ok, my draft is 3 pages). I am convinced the POTUS has, will, and will continue to make this [along with refusal to sign any tax cut that doesn't have education and training deduction] a very high priority in principle and practice for the rest of the year, come what may.

In any event, I propose that we proceed so as follows:

1. share draft with Galtson, Sperling, Smith, Ross, Barnacle first thing Monday morning. I will circulate.
2. get any editing/revision suggestions by fax early Monday afternoon and meet to finalize on Monday afternoon.
3. make sure that Littlefield reviews in context of administration position and that he is willing to defend the three key elements and more inclusive planning process in State. Get Kennedy and Breaux to sign off on Op-ed. Get Littlefield/Fox to get other democrats on Committee on board. Provide Kennedy, Breaux and Daschle such backup as they need. Make sure that Nick's and Dem's people will defend the the basic elements (and more inclusive planning process].
4. Apfel present statement personally to Hatton; Dimond to Bolen. Offer to have separate discussions with Kassebaum/staff apart from the three sub-committee negotiations.
5. Dimond/Ross meet with Smith/McKernan and, separately, with Jones to go over statement and determine extent of their support. Barnacle, Ross meet separately with (1) Mayors, (2) CBO's and (3) Labor to determine extent of their opposition to Kassebaum Draft and to get them to move the "three inches" to Administration position -- or at least join Administration and Dems to fight against the "three yards" from Kassebaum. Dimond, Ross, Smith meet with Community Colleges; Ross and Kappner with the vocational ed/school-to-work folks to get support. Issue: How, whether tie in rest of Higher Ed community?

5. Determine how best to have administration/business leader[McKernan] and/or consitutencies (e.g., community colleges) separately present views to Kassebaum, Jeffords, Coats, Gregg, Frist, DeWine, Ashcroft, Abraham, Gorton and to Dems on Committee.

6. Issue: How coordinate with WH Leg Affairs? Maybe, Gene and Bill can advise on this, as well as whether/how get WH approval of any statement.

Finally, one idea: what if the fund allocation were 25% voc/adult ed; 25% Skill Grants; x% employment services and infomration; and [50%-x%] for flex grant? Wouldn't that get us to about allocation we have in our proposal? Please advise.

Dimond aka Paul

F A X
EDUCATION BRANCH
OFFICE OF MANAGEMENT AND BUDGET

FAX NUMBER:

TO:

Tom Glynn, Doug Ross, Tim Barnicle

Mike Smith, Ricky Takai, Trish McNeil, Maureen McLaughlin

Bill Galston, Paul Dimond

Ken Apfel

FROM:

Barry White and Larry Matlack

DATE:

March 23, 1995

TIME:

NUMBER OF PAGES ATTACHED 6 incl. cover

NOTES:

OUR FAX NUMBER:202 395-4875 --VOICE CONFIRMATION 202 395-5880

March 23, 1995

MEMORANDUM TO KEN APFEL, TOM GLYNN, MIKE SMITH, BILL
GALSTON, PAUL DIMOND
FROM: BARRY WHITE and LARRY MATLICK
SUBJECT: GIBFAW Items for Friday meeting

I. Update on Hill and interest group discussions and strategies. (all)

II. Youth policy issues

*See Also Doc - draft
Agenda, attached*

Decisions on these issues will be incorporated in the paper over the weekend, which will be shared with Hill staff.¹ The issue summaries are followed by a strategic question about legislation.

(1) Who receives funds and under what method?

Summary of issue: Perkins and JTPA youth activities would each be consolidated into a separate Federal to State funding stream. Who is "the State", and how do funds get to the local level?

Agency proposals: Perkins funds would go to the State education agency (SEA); no role for the Governor. (ED would cut out the State vocational education board in current law.) 80% of funds would then go to local education agencies through a Federally-defined substate allocation formula; LEA distribute to schools.

JTPA youth funds would go to the Governor, who retains a portion, and distributes the remaining 83% to Service Delivery Areas (SDAs) according to a Federally-defined substate allocation formula.

GIBFAW rhetoric to date has only said funds would go to the State, without defining who the State is. Since most performance partnership rhetoric talks of governors, the implicit reading may well have been that both funding streams would go to the Governors. GIBFAW formal papers have been intentionally silent on local passthrough, but increasingly in recent weeks, both agencies have said that one virtue of GIBFAW, distinguishing it from block grants, is that it drives funds to the local level where partnerships, in the School to Work mode, truly take place.

¹Edits on other papers are proceeding as agency comments come in. It is unlikely they will all be ready for Monday Hill distribution.

Holding JTPA and Perkins monies at the State level would be a major break from current law, and would be opposed by the constituencies of both current program sets.

A Federal substate formula is traditional, but could be seen as contradictory to the State flexibility rhetoric of performance partnerships. (Formula fights are ultimately tough political battles on the Hill, so the issue is not as much what the formula is as whether to have one at all.) ED and DOI believe that their formulas would be acceptable to the Congress and not excite interest group opposition.

Choices:

- (a) Funds to the Governor from both streams, or funds to the Governor for JTPA and to the SEA for Perkins.
- (b) Governor flexibility for substate formula (within requirement to serve the target populations), or a Federal substate formula.
- (c) If substate formulas, one for both funds, or one each that relates to historical patterns.

(2) What kinds of accountability devices should be used?

Summary of issue: Neither the Federal nor State governments has historically been good at punishing or rewarding fund recipients on the basis of their performance. JTPA's incentive award system has ended up rewarding most of the grantees. How can we impose sanctions and/or make awards for excellence? In doing so, how should we measure performance?

Agency Proposals: ED proposes withholding funds from the State and making awards for excellence. No more than 10 percent of State grants appropriation would be reserved for excellence awards. No specifics are yet proposed.

DOI proposes imposing Federal sanctions for poor performance and having both the State and Federal government awarding exceptional performance.

"Accountability for results" is one of the most important principles in GIBFAW. The GIBFAW youth paper maintains that States would be required to establish systems that measure performance of sub-state entities and local service deliverers against objective Federal and State-developed standards and requiring poor performers to meet specified timelines for improvement or losing funds. In addition, financial incentives would be offered to reward excellent outcomes.

Whether the Federal government should be at all involved in this business is an issue. Given the difficulties of imposing

sanctions, the Federal government might not want to punish or reward States. Instead, the Federal government could let the State government take all the responsibility of imposing sanctions or rewards on service providers according to State standards.

If the Federal government should be involved, what should it do? One solution proposed recently by HUD is to withhold a certain portion of formula funds for a State until the State demonstrates its satisfactory performance or produces its promised outcomes. Another is to establish some minimum Federal standards according to which States are rewarded or punished.

Choices:

- (a) Let the State impose sanctions or rewards according to its standards.
- (b) Establish some minimum Federal performance standards, punish those who do not meet the minimum standards, and reward only exceptional performers.
- (c) Combine (a) and (b).

(3) How prescriptive should the Feds be in program design?

Summary of issue: Perkins and JTPA would support the development and implementation of the school-to-work systems. To what extent should the Federal law prescribe program elements? This is a particular issue for DOL's Summer Youth.

Agency Positions: ED proposes requiring States to use funds to develop, implement, and improve school-to-work systems in secondary and postsecondary schools, with emphases on certain types of school-to-work activities.

DOL wants to ensure that all programs finance the three program components -- out-of-school, summer jobs, and in-school follow-through activities -- and that a minimum funding floor sustain a summer jobs component. Where necessary, DOL would grant waivers to States wishing not to follow the Federal requirements. DOL also wants ways of putting an appropriation earmark for Summer Jobs within the new grant.

OMB staff oppose any funding floor or any mandatory program design. GIBFAW rhetoric has greatly stressed State/local flexibility on program design to allow States/localities to tailor programs to their needs.

Language could specify in both bills the components that "shall" be present, but also grant near complete flexibility to do otherwise IF the State/local can demonstrate that doing otherwise still meets the purpose of the law and serve target

populations.

Choices:

- (a) Should federal law require that a minimum portion of funds be expended on Summer Jobs?
- (b) Should JTPA federal law prescribe the three mandatory program elements for all grantees?
- (c) Should States be allowed to follow alternative designs, as long as specific program purposes are met and target populations are served?

(4) What is our legislative strategy?

Summary of issue: The Perkins bill is moving through OMB clearance and could clear early next week. DOL has prepared a set of legislative specifications for Spinner, but not a full bill.

Current situation: ED prefers to transmit Perkins immediately, since they have promised to deliver a bill this month and have Republican and Democrat House interest, as a standing alone bill. Adding "Second Chance" legislation would slow by some days transmittal of the Perkins reform legislation.

DOL prefers not to transmit a youth bill especially showing that a summer program is not mandatory, lest that support Republican calls for rescission. DOL would continue to work with Hill staff to accomplish the Administration's objectives.

OMB would prefer to transmit a single youth bill encompassing our desired Perkins and JTPA reforms lest transmittal of one but not the other signal change in GIBFAW strategy.

Choices:

- (a) Transmit the Perkins reauthorization separately as soon as it is cleared; explain the Second Chance bill will take more time but will follow.
- (b) Transmit one youth bill that encompasses Perkins and JTPA reform.
- (c) Transmit no bills for either element and continue to work through Kennedy and with the House to support their bills.

PROPOSED AGENDA

**DOL/ED/OMB
meeting**

Friday, March 24

4:00 p.m.

**1. AGREEMENT ON ADULT ISSUE PAPERS FOR KENNEDY-BREAUX STAFF
DISCUSSION**

(agreement to distribute Friday p.m. for Kennedy-Breaux
staff meeting Monday 11:00 a.m.)

**2. ISSUE OF SINGLE DOL-ED (YOUTH SECOND CHANCE/PERKINS VOC ED)
ADMINISTRATION BILL, VERSUS PERKINS-VOC ED BILL ALONE**

3. UNRESOLVED SUBSTANTIVE YOUTH ISSUES (OTHER THAN SUMMER YOUTH)

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

26-Mar-1995 05:26pm

TO: (See Below)

FROM: Judy L. Grew
 Office of Mgmt and Budget, LVE

SUBJECT: OMB comments on ED Skill Grant paper

OMB STAFF COMMENTS ON ED'S DRAFT SKILL GRANT PAPER

Overall, this paper offers a viable alternative to the Skill Grant approach as loosely defined in the FY 96 Budget and further detailed in the recent DOL paper. We have a few comments and questions.

Introduction

As the DOL comments also indicated, we need more text explaining "why we are doing this." Explain the failures of the current student aid system to provide the honest brokering service proposed for the One-Stops. For example, show examples of how students are recruited by schools into programs which will either not get them a job or not allow them to make a living wage.

Information Dissemination: One Stop Career Centers

The proposal to have all prospective vocational students use the One-Stops is interesting. Explore this notion further, showing estimates of how many people would need to be served and how they could be served the most efficiently (DOL has some "triage" ideas for serving different populations with tailored services). Also indicate why you propose a waiver for students who obtained information through a high school guidance counselor. Is there evidence that indicates that counselors could provide the same information and services as One-Stops?

Skill Grants for Dislocated Workers

This paper proposes an eligibility definition for dislocated workers different from the most recent DOL paper. We need to get this nailed down.

Institutional Eligibility

- o The text discussing inclusion of labor unions and employers

should indicate that only certain of them would be eligible, and that they would need to meet strict criteria of quality and administrative/financial capacity. ED states that it is reluctant to let these providers into the loan system because they might abuse the programs...which seems to imply that throwing the grant money away is OK. You can't mean that. The key is to use the gatekeeping system to keep the bad providers out of the system.

- o We thought we had resolved that training providers outside of the HEA Sec. 481 eligible universe would not be eligible for loans. Does this need more discussion?
- o We need cost estimates for inclusion of high quality labor unions and employers in the grant system. ED should coordinate this with OMB, DOL and the ED Budget Service's Costing Group.

Application Process

Terrific -- minimizes student and institutional burden, and shortens the lead time needed to get the new system up and running.

Pros and Cons

Pro Bullet 1: Address the other "community" concern about the loss of the "quasi-entitlement" nature of the Pell funds. Is ED proposing to continue the quasi-entitlement -- if so, that should be explicit. If not, what are some other alternatives that will give people confidence that the JTPA II-A population will not "flood the system?" Is there a device to provide a level of comfort, such as a capped supplement to the Pell estimate to be used only for additional demand from low income adult populations?

Pro Bullet 2: The greater dollars do not imply some greater level of "commitment," than DOL, only a higher appropriations level.

Pro Bullet 3: Change "all" in the first sentence to "most" --there will still be some short term vocational training programs out there, especially in DOD and VA. The statement that "the Department of Education has a stronger gatekeeping approach than Labor" is simply wrong. We will not regurgitate OMB concerns with ED's implementation of Part H here -- just delete the sentence. We will discuss improvements in the gatekeeping approach as part of this option, building on the positive steps ED has taken under the Vice President's regulatory reform initiative.

Con Bullet #2 -- see comment under institutional eligibility.

Con Bullet #3 -- Why is this important, other than the politics? Admittedly, there are many in the higher education community who believe that degree programs are the way to go for all students. But is there evidence that we are not producing enough degree-program graduates to meet national needs, or that we do people a disservice by providing them with streamlined access to postsecondary vocational education?

Distribution:

TO: FAX (97089814, Maureen McLaughlin)
TO: FAX (94013095, Ken Tolo)
TO: FAX (92195455, Gerri Fiala)
TO: FAX (92195288, Geri Palast)
TO: FAX (94013036, Lenore Garcia)

CC: William A. Galston
CC: Paul R. Dimond

CC: Larry R. Matlack
CC: Maureen H. Walsh
CC: Carole Kitt
CC: Mark D. Menchik
CC: Patricia A. Smith
CC: S. Aromie Noe
CC: Barry White

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

25-Mar-1995 12:11pm

TO: William A. Galston
TO: Paul R. Dimond

FROM: Barry White
Office of Mgmt and Budget, LVE

CC: Kimberly M. Ross

SUBJECT: Decisions at the Friday GIBFAW meeting

Attending: ED: Smith, Kappner; DOL: Glynn, Palast; OMB: Apfel.
And some staff.

The ED voc ed bill will be cleared for transmittal to Congress independent of a Second Chance JTPA bill. The transmittal letter will explain why that is consistent with Administration announced policy. somehow.

The ED bill will give its funds to State education agencies, not governors. JTPA policy will remain with governors.

Both approaches will have Federally-prescribed substate formulas as is traditional; the formulas will follow each current law's structure, leaving to Congress any serious attempt to bring formulas together or otherwise modify them.

The voc ed bill will have an incentive-based accountability structure. Whether to have sanctions based on performance is a clearance issue.

The big clearance issue will still be the degree of flexibility vs. design prescription. We will engage that early in the week.

DOL reports significant comfort level with the simplification and School toWork focuses of the Administration's youth approach with both House and Senate, and in the House especially a strong degree of agreement among Repubs and Dems -- on the committee. Who knows if Kasich/Gingrich/Zelliff will eventually prevail.

On adult, DOL had hoped that its rewrite of the adult papers provided Friday morning would result in cleared documents at 4 pm Friday afternoon. This did not occur. Neither OMB nor ED had read or reacted; ED's really interesting new approach on skill grants had not been included.

Larry and I are trying this weekend to respond to the paper

revisions on both sides in hopes of getting the DOL-style short papers (they have editorial control now) ready for handing to the Senate Dems on Monday. The Monday meeting with Littlefield/Breaux staff is now 5:30 pm.

On skill grants, ED now proposes how Pell would work with DOL JPTA money shifted to that system. The vibes at the table from Glynn and Palast, however, seemed to indicate that Doug's enthusiasm for this is not widely shared.

On gatekeeping, we are still some days away; Smith and the Secretary need to consult. We need a credible improvement here, and getting that is going to be very hard within ED.

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

25-Mar-1995 05:45pm

TO: (See Below)

FROM: Barry White
Office of Mgmt and Budget, LVE

SUBJECT: GIBFAW adult papers. OMB comments 3/25

OMB STAFF 3/25 COMMENTS ON DOL'S RE-DRAFTED GIBFAW PAPERS.

I. Administration of Skill Grants

1. Eligibility: DOL has stated in previous meetings with Kennedy staff that dislocated worker eligibility should be confined to those who come through the UI profiling system, and not be current JTPA 301 or the REA model. This paper reverts to the old approach. Why?
2. Amount of grant. The paper asserts that individuals would have only 2 years of eligibility for skill grants, apparently an old REA provision. That is not the Pell rule and we see no reason to enforce such a limit for poor people; this has no effect on cost estimates. If there is a logic for dislocated workers, that should be explained.
3. Flow of funds, maintenance of effort, managing scarcity, grant administration. These sections all relate to the original skill grant design. DOL, ED, and WH officials have all said at the Littlefield meetings that this approach is a non-starter and that the Administration would offer an option for shifting JTPA funds (at least IIA, maybe III) to ED to be disbursed through the Pell system, and to have eligibility (at least for IIA) determined through the Pell system. Fleshing out the option is also important for Kassebaum.

If it is deemed necessary to keep these sections, that's ok, but the key part missing is the material supplied by ED (on which separate comments are provided) for a skill grant based on the Pell structure.

A paper without the second option will look like reneging and not advance the cause.

On page 3 there is a note embedded in the paragraph ending at the top of the page on Governor flexibility to require use of

One-Stops. We suggest remaining silent on this for the moment; hence, delete.

The discussion of formula for allocation is not specific enough. You could lead with the first year based on current usage, then in subsequent years the formula based on the factors cited (if you have some data base for them) and avoid sharp changes by asserting a declining hold harmless over, say, three years.

The paper should assert the use of the current FAFSA, rather than propose new paperwork burdens and developmental costs for applications for skill grants.

4. Eligibility requirements for service providers.

(a) This section needs the input from ED on gatekeeping that offers an approach that is (1) consistent with the Secretary's commitment to the school community (2) offers a way for non-ED providers to get it (see more on this below), (3) and builds in a role (or we explicitly reject a role) for local private sector judgements on the training program.

Either delete this for Monday, or lead with an explicit statement that this does not represent current thinking.

(b) In the last paragraph, one missing thought is that the report card information on all comparable programs will be provided to each individual before enrollment in any one program, and the school and individual must (somehow) certify that it has been read before enrollment.

Note that 6 million people a year go through a much more rigorous information review before borrowing funds in ED's student loan programs.

(c) The "Note" at the end of this section suggests a mandate and an earmark we are trying to avoid as much as possible. While it is logical that the grants will help defray costs, we think the use of set-asides is inappropriate. Remain silent.

5. Supplementary assistance.

This is not a clear statement of the role of loans. If this were a marked-up text, there would be an "X" through the narrative. Problems are noted below.

- o Individual education accounts are not "proposed by the President", they are law. The IEA nomenclature is just a term for student loans.
- o The paragraph implies that there is some "significant gap" that loans do not now cover. Loans are made to 6 million individuals a year, a third of whom are in non-degree training. A third of the more than 4 million Pell grants are for non-degree training. Many JTPA recipients are, DOL asserts, already receiving Pell grants along with their other subsidies. Clearly the vast majority of training is already being paid for by ED programs, which are entitlements (real or quasi) and thus open to every eligible poor person.

This issue, therefore, is absolutely not one of a "gap" for individuals, only for a relatively small number of entities offering very short term programs in non-title IV settings which cost more than the \$2,620. DOL has been asked for over a year on numerous occasions to specify how it would like to make these institutions available to participants. We now have a notion on that (they form accreditation bodies that meet ED's standards; they meet ED's standards of

administrative and fiscal competence -- neither accreditation nor the other standards are especially hard to meet).

We cannot have a paper that calls into question the coverage of the programs, just because some institutions are not now covered. There is no "gap" for people; there is a method to bring the missing institutions in.

If by some chance, this paper is really addressing the old issue of use of loans for less than 300 hour programs, then it is re-raising an old policy issue we thought had been dropped. The loan mechanism was not deemed suitable for that purpose last year. You might want to raise dealing with this by permitting 10% (for example) of the JTPA IIA resources to be held at the One-stop for handing out in small vouchers to individuals to go to these very short expensive programs, with the One-stop taking responsibility for accountability for results.

5. Use of One-stops

A critical issue on which ED and DOL seem to differ is the role of one-stops. ED now proposes that all non-degree people (except, ED proposes, those who receive counseling from the High School, presumably recently) go through a one-stop counseling process at a One-stop center before obtaining their voucher eligibility. DOL does not, but from Thursday's meeting, DOL does have a notion of "triage" at the One-stop, where everybody comes there but most only get an interactive computer opportunity; few get or want lengthy counseling.

Our impression is that Kassebaum has in mind a model like ED's.

Prior papers, and the DOL draft, have referred to applicant exposure to One-stop info and the opportunity to go to a One-stop for counseling as available to individuals at schools electronically and on paper, as well as at the One-stop.

This needs policy level discussion before going into the paper unless it is clearly phrased as an option, not a clear policy goal.

II. One-stop career centers.

1. Role of one stops. The paper says that the "low-income individuals would, in addition to receiving basic services ... have more intensive services..." It is not clear if this is mandatory -- as in ED's model of Skill grants referred to above -- or simply an "availability."

2. Administrative features.

(a) This paragraph is oddly silent on the ES funds and ES role in One-stop, sounding only like a reform of JTPA. Surely we can at least recognize that DOL's own One-stop system now provides for consideration by the Governor of how to provide functions that include ES functions, and permits use of ES funds. The "Flow of Funds" section does refer to ES monies, so this section can as well.

(b) With regard to the "note." A required local structure would be inconsistent with GIBFAW principles. The Note should be stricken.

3. Flow of funds.

(a) The availability of grants through 2000 paragraph should also say: "However, States proceed at their own pace and thus many could have reformed systems in place much sooner."

(b) Another piece of money that is in our design is the Food Stamps Employment & Training money. The folks at AG/FCS are somewhat occupied with welfare reform, and so have not been able to go beyond the conceptual agreement we reached a couple of months back. You might add a sentence however as follows: "Funds now appropriated for the Food Stamp E&T program would be included in the flow of funds for One-stops."

4. Implementation strategy.

(a) A sentence is needed that indicates, as above, that implementation pace for One-stops is not conditional on availability of One-stop grant funds. States should be able to move ahead as rapidly on their own as their resources and initiative permit, and we should assume they will. Don't imply that the pace of reform for the population rests only on Federal direction.

(b) Last sentence of the first paragraph. Is this a mandate? We know that States that are serious about this will pony up dollars to make changes. But let's not suggest that they will be mandated to do it or not get any dollars.

(c) What is the specific meaning of the final sentence on waivers? I.e., what legislation, what regulations, what vehicle for "a process will be put in place..."

III. Consumer Reports.

Gerri noted that this paper was in rather more rough form than the others and would be revised, so comments here are only on content, not form. We agree that this is not a document that is ready for distribution.

(a) Performance data needs to be sorted better between what is to be called for in non-degree programs, vs. degree programs. Except for completion/graduation rates, the items in the paper are more suitable for non-degree training programs. It says this below, but the elements themselves can be sorted to avoid misunderstandings.

"Earnings/wages at placement". While people will want to know this, we recall DOL dropped this in JTPA as not very informative, in favor of the 13-week mark coupled with time employed over that period. Why then is this a good performance measure for the new program? It doesn't seem to us that the burden of getting 13-week and "intensity" data is so great that it should keep us from posing that as a performance measure. And it would seem the payoff in information to students would be much greater. They are, after all, who we are serving, not the trainers.

(b) "Availability of Data". There is far too much negativism in this section. Agreed, there will be some hurdles to overcome in establishing accountability systems and data for the report cards, and we will have to acknowledge them. But we do not need to point all of them out here.

This is particularly bad under the "Placement data" section. It makes it sound as if nothing is available or reliable (and suggests it may never be). DOL appears to be backpedaling rapidly from the use of UI data; we are not aware of new information that indicates that use of UI data is that far from practical reality with an appropriate high intensity DOL effort. Down grading placement/earnings data is a sure way to kill one of the key parts of the initiative. Note that the LMI paper cites the use of UI data as the primary tracking tool for labor market outcomes (page 4).

We like the requirement for a 790% completion rate. Now there's a challenge! [See, we do have a sense of humor, even on Saturday afternoon.]

(c) It does little good to harp on the dishonesty of institutions. The paper should forthrightly assert that the data will be required and that the gatekeeping mechanisms will ensure that it is valid or that malefactors will be booted out.

(d) Costs. This is a very odd section and not acceptable. There has been no evidence offered by DOL or ED that a consumer report system as discussed required "very high initial costs". And it is astonishing that tracking these four data elements for JTPA already costs 3 to 4 % of their funds. This is no time to be

casting doubt on the virtue of having such information. Even if the paper is right and there are such costs, the billions spent annually to finance training without such data are resulting in bad choices and bad education for perhaps hundreds of thousands of individuals. What is wrong with spending a few dollars to protect them and the integrity of the programs?

Delete this section. A work group of ED and DOL (along with VA, which seems, from recent testimony, to believe that its system is efficient and very low cost) should be established immediately. Regardless of the fate of GIBFAW, agency managers need to understand this issue better.

IV. National labor market information system.

While there is a lot of information here, this paper fails to address the key questions we will be asked -- what's ready now and in the very near term. It's too much focused on ALMIS, which is OK for the long term, but fails to address near-term concerns. In addition, often where there are examples given about how a system will work, it leads with the least relevant of the items that are important for convincing people we will have a system in place that will help them think about what they need to do to get skills and make sensible job/training choices. That's what we think the Hill is concerned about.

This is not the paper we need. At the very least it must be preceded by a half page that states:

- o The key data elements necessary for a minimally effective voucher system are: jobs now available in the area for the trade in which training is sought; job trends in the trade in recent years and projections for the future; initial wage ranges and wage growth potential in that trade; any State licensing or other requirement beyond the training; wages of previous graduates of the program (this one to be supplied by UI wage data). [This list is illustrative; there may be one or two others.]
- o Which data exists at this time, and which will be brought on line no later than July 1, 1996. Clearly stated, concisely presented, and without shorthand jargon (see comment below).
Having lead with the above, then restructure to continue the focus on bringing on line the next and the next most important items. For example, the issue for our purposes and needs now is not the Talent Bank or the Internet electronically searchable want ads out of area. Nice features, but not what helps people make informed choices about what to train for and where to look for a job locally. Again, we think that's what Congress will worry about. These are not the keys we need to emphasize now. Do not lead with them.
- o Do provide more information where it's useful. "On-line" information in 35 States is great. When will the other

States be done (not 1998; but 10 in 1997, 5 in 1998).

- o What's in the Texas and Florida consumer reports? How many States will have them in 1996? This is a prime example of information that could be very valuable. We will never convince anyone we have a plan or system that can support the proposal without more explicit information.
- o The paper reads like a budget document you are submitting to us. Maybe we need to include some information of that kind, since it suggests a plan, but we don't need to know how much is going to several States for research. And just what is a "State R & A department" anyway? We think these few examples help you to understand our more general problems with this paper.

Establishing the points cited in the first bullet is the key to credibility for the design. Some of the information we need is buried throughout the paper. Remember who is reading this. They are not sophisticated in this area and need clear and direct explanations.

Drop references to S. 180 (page 2, bottom). We don't want to set up preferences here. We're trying to develop a position that can be bipartisan and citing one bill in a public paper is not a good idea.

Distribution:

TO: FAX (9-219-5455, Gerri Fiala)
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CC: Patricia A. Smith
CC: S. Aromie Noe

EXECUTIVE OFFICE OF THE PRESIDENT

27-Mar-1995 10:59am

TO: (See Below)

FROM: Paul R. Dimond
National Economic Council

SUBJECT: ETR

Gang,

Sorry, to have left you for a week. I've caught up on the E-Mails, talked to both Ross and Smith, and have the following suggestions:

I. ADULTS.

A. Skill Grants. Why isn't our position that we are flexible -- e.g., all Skill Grants done through Pell; all Skill Grants except those for Dislocated Workers through Pell; all Skill Grants for non-degree programs done thorough DOL (our original proposal, which all now agree has no shot of enactment); minimum percent/amount for individual training vouchers from block grants to States for "one-stops" and training; or any other combination of the above? It appears that we are making some progress with House (Speaker, McKeon, Rigg, Goodling) and the Senate (Chair Kassebaum, Breaux and Kennedy) on the principle of vouchers for training and education (although Breaux is backsliding on vouchers for JTPA disadvantaged). I don't think it makes ANY sense at this stage to even consider reverting to our original Skill Grant proposal as any kind of hardline Administration position. If this is right, what needs to be done is to make sure that we UNDERSTAND how different approaches can work and be implemented and coordinated with Pell Grants and Student Loans to build a more effective and responsive, market-driven system of lifelong learning: then we can respond to the

B. Information. This remains a key: We must be able to represent for non-degree programs for which any individual grant/loan will be used that there will be Report Cards available by program on (a) what skill can be learned related to jobs in labor market, (b) percentage who learn skills (c) percentage of graduates placed in jobs, and (d) earnings based on UI wage records some months after graduation. [For degree programs, combined rates of graduation and transfers to higher (other?) degree programs may be a legitimate proxy for skills.]

C. Gatekeeping. The key here is to enable non-traditional, non-degree programs to enter based on actual performance, while making a credible case that non-degree programs that don't deliver skills rewarded by jobs in the marketplace will be weeded out. My guess here is that we may come up with a workable range of answers through the process of Ross/DoEd working cooperatively

with Community Colleges/NAB to develop approaches here that we can then incorporate into Skill/Pell Grants/ Student Loan -- hopefully through regulation and information, if not legislation.

D. Counseling. DoEd's suggestion that ALL recipients of federal education and training aid receive some independent counseling is intriguing. I am unsure of the cost ramifications or the ability of any One-Stop to handle ALL of the volume for those who haven't already received counseling elsewhere. An alternative starting point is making such counseling services (a) an integral component of every One-Stop but (b) making the provision of such counseling services available (but not a precondition) for all student aid recipients. This could be supplemented by making Report Card/LMI information accessible to all potential student aid recipients electronically: this might even spur a number of consumer user guides/consumer services. My instinct here is that a mandatory counseling system could end up providing less useful guidance than even the underwhelming advice offered by high school "guidance" counsellors. Perhaps, this is an issue that could be raised in the DoI/DoEd/Community College/NAB discussion, as well: if we had decent local information, constantly updated, on what skills employers will actually reward in the local marketplace, then we'd at least have the most important element to permit useful counseling -- whether by public or private counseling, education provider (High School counsellor and community college/local business counsellor), or consumer information services.

II. YOUTH -- School-to Work framework

A. Perkins. My biggest concern here is that we find (a) incentives and (b) processes to help local schools connect with (a) employers and (b) institutional youth development partnerships (with local colleges and universities, with consortia of businesses and community-based organizations) to make School-to-Work really work. The draft bill is excellent on talking about putting Perkins fully behind the School-to-Work approach, but I'm not sure that I understand the incentives, mechanisms, and processes to help make this happen. We're talking about filling a void for the majority of secondary school students (who don't go on to graduate from four-year colleges) so that they can learn in the context of doing and are actually connected to the local labor market (and the opportunity for continuous learning). This is a BIG, BIG hole to fill. How does the draft get employers, colleges, consortia of business/CBOs involved and committed so we don't end up with another generation of non-college bound youth disenchanted with learning and at sea in local labor markets? What role does the Skills Standards Board and STW business council have to play here?

B. JTPA "Second-Chance." As everyone appears to agree that the House and Senate will combine or otherwise consolidate these programs in some sort of Block Grant to the States (with only the battles between the Governors vs. SEAs, LEAs, and SDAs to be resolved), shouldn't we be asking how these \$\$\$ can best be used to help fill the basic School-to-Work void that is at issue in Perkins as well? Do the JTPA SSS provide a basis for incentives/processes to help here?

Dimond aka Paul

Distribution:

TO: Kenneth S. Apfel

TO: Barry White
TO: Larry R. Matlack
TO: Judy L. Grew

CC: William A. Galston
CC: Gene B. Sperling

EXECUTIVE OFFICE OF THE PRESIDENT

Washington, D. C.

FAX TRANSMITTAL COVER SHEET

DATE:

25-Mar-95

TO:

BILL GALSTON

SUBJECT:

MARCH 25 YOUTH PAPER

FROM:

S. AROMIE NOE

OFFICE OF MGMT AND BUDGET, HRD

If there are any problems receiving this transmission,
please call the sender, or (202) 395-7370.

:youth draft 3/25/95

This is the revised youth paper based on decisions made at the Friday 3/24 m and our interagency meeting earlier in the week. This version can be provided to Monday. Barry and Larry will bring multiple copies to the Monday meeting.

Contact me directly if you see the need for changes before then.

Aromie Noe (Tel. 395-7765)

Accelerating Reform of the School-to-Work Transition

With enactment of the School-to-Work Opportunities Act in May 1994, the Pr launched a pioneering, national reform of the way we educate and prepare all our y career, and learning throughout life. School-to-Work is a new kind of partnership — high schools, colleges, private sector employers, workers, States, localities, and your in communities all across the country.

The School-to-Work Opportunities Act is not a Federal mandate commanding St and localities to implement any single model or governance structure. Instead, it call for meaningful, bottom-up reform of a system that too frequently fails to prep people for labor market success and continuous learning.

The School-to-Work Opportunities Act is based on three premises:

- o World-class achievement is important for all secondary school students. Stud to know what achievement is expected of them, and how that achievement will rewarded in the marketplace by opportunities for work and continuous learnir high school.
- o Young people who learn in the context of work can better appreciate the con between learning and work, and the connection between achievement (in school the job) and future learning, work and earning.
- o On-going partnerships among local schools, colleges, the private sector, and t enable communities to cope with the changing demands, opportunities, and the evolving economy.

The School-to-Work Opportunities Act is thus the catalyst for building new s each community to equip youth with the knowledge and skills required for suc i technologically advanced workplace. It provides links to broader school reform effc as those supported under Goals 2000 and the Improving America's Schools Act — which

helping States ensure that all students reach challenging standards. While ambitious School-to-Work's goal is to ensure that no longer would disaffected students abandon school or begin their careers ill-prepared to succeed because their studies had no connection to the world of work.

To provide further support for this effort, the President proposes to help States, communities, and the private sector completely restructure the primary Federal youth and vocational programs. The President proposes to consolidate \$2.9 billion in federal programs — primarily the resources under the youth components of the Job Training Partnership Act and the Perkins Vocational Education Act — to support school-to-work.

The youth component of the GI Bill for America's Workers provides States and localities flexibility and incentives in exchange for accountability, as do all six President's "Performance Partnerships". They would be able to engage private sector employers and the schools in strategies to use these funds for the approaches that best meet the national goal of an effective school-to-work transition. In return, States and localities would be accountable for demonstrating positive results for all youth, in targeted groups, such as youth at-risk of dropping out of high school.

Building Blocks of a National Youth Strategy

I. School-to-Work Opportunities Act. Providing "venture capital" development and implementation grants to States and localities, School-to-Work funds would continue FY 2001 to help every state establish a comprehensive system that connects school-a work-based learning, academic and occupational learning, and secondary and post-sec education. The School-to Work Opportunities systems would improve schools and work preparation programs so that all youth would have the opportunity to develop the and technical skills that prepare them for careers and college. The key elements w continue to be:

- o **Local, State, and Federal partnerships.** School-to-Work Opportunities systems based on the active participation of schools, employers, workers, employ organizations, community-based organizations, parents, students, and State and entities. These partnerships produce coordinated policies, programs, and insti practices to build high-quality State and local systems, ensure access for all and increase student achievement.
- o **Employer participation.** Employers participate in the design, implementation governance of School-to-Work Opportunities systems to ensure that students re high-quality work-based learning experiences. Employers thus should have a h degree of satisfaction with participating students and with the quality of t
- o **Links to comprehensive education reform.** The School-to-Work Opportuniti encourages States and schools to integrate their system-wide reforms such supported by Goals 2000 into coherent and comprehensive approaches to improvi the academic achievement and workforce preparation for all students.
- o **Accountability for results.** States — not the Federal government — would high academic and occupational skill standards for all students. States woul the Federal government changes in student performance outcomes such as: high academic achievement, high school graduation, receipt of a skill certificate benchmarked to their standards, postsecondary attendance, attainment of a postsecondary degree, and job placement.
- o **Activities underway.** In FY 1994, all 50 States received school-to-work plann grants, and 8 "leading edge" States received implementation grants. In FY 199 another 20 States are expected to win implementation grant awards. The \$400 in the President's FY1996 budget request would enable a total of 43 States to grants to embark on full-fledged implementation, with remaining States recei grants as they are ready in the following year.

II. Redesign of the major Federal youth programs to support School-to-Work -- Training Partnership Act (JTPA) Youth Titles and the Perkins Vocational Educati
The President proposes to replace existing disparate youth strategies with a new, g simplified, authority to support, accelerate, and greatly expand implementation of t strategies that are being designed with the School-to-Work Opportunities Act funds.

A. Common features of the JTPA Youth and Perkins proposals:

- o **Consolidation and simplification.** The multiple programs under Perkins and Youth would be consolidated and greatly simplified, eliminating many set-asi

many Federal design requirements. In general, Federal prescription would be to requiring States and localities to use funds in a manner that is consistent with the components laid out in the School-to-Work Opportunities Act. Funds from Perkins would flow to the State Education Agency for substate distribution; resources from JTPA would continue to flow as under current JTPA law.

- o **Flexibility to marshal resources to achieve goals.** Localities would have authority to combine the funds from the two new grants into their School-to-Work strategies, along with resources provided from State and local funds, and other related Federal programs, such as Upward Bound and the Elementary and Secondary Education Act.
- o **Accountability for results.** States would be required to establish systems to monitor the performance of sub-state entities and local service deliverers against objective standards. Financial incentives would be offered to reward excellent outcomes.
- o **National activities.** Both Acts would authorize a small national activities program for research, data collection, evaluation and dissemination of best practices.

B. Perkins Vocational Education Act. Nearly all the \$1.2 billion requested for FY 1996 would be streamlined into a single State grant to support the school-based learning of School-to-Work systems.

- o **Accelerating education reform.** Funds would primarily support high school and postsecondary efforts to provide high-quality, integrated academic and vocational education, emphasizing the development of cognitive skills, broad technical skills, and understanding of various aspects of industries and businesses. The new authority would promote school development of coherent sequences of related academic, occupational, and/or integrated courses, moving from basic to more advanced courses for program completion and certification.
- o **Clear pathways to career and further education.** Schools could provide students with improved career counseling, high quality labor market information (a part of the information developed for adults in the adult component of this initiative), information on progress toward program completion and certification. Schools could work with One-stop centers (proposed in the adult component of this initiative) providing these services.
- o **Better targeting.** Federal funds would continue to target communities and students with high concentrations of low-income and special population students. How targeting would be enhanced by distributing funds to schools, eliminating the piecemeal distribution of Perkins funds to individual programs. A State could modify its sub-state allocation formula upon demonstrating that it was inconsistent with the goals of the Act.

qqqqqqqqqq

1. Separate funding would continue as under JTPA for tribal governments and under Perkins for Tribally-controlled community colleges. This is consistent with the President's commitment to tribal leaders and their independence from State government. Tribal governments currently exercise authority under the Indian Employment, Training and Related Services Demonstration Act (102-477) to consolidate these funds with other job training funds into the systems that best meet their needs. The Administration is committed to working with tribal governments to promote the use of this authority.

of the target populations or the purposes of the statute.

- o **Additional accountability for results.** In conjunction with Goals and School States are developing high academic and occupational skill standards for all. The recipients of Perkins funds would report to the State and Federal government changes in student performance outcomes such as high academic achievement, high school graduation, receipt of a skill certificate benchmarked to the standard postsecondary attendance, attainment of a postsecondary degree, and job placement. Such data would be accessible at One Stop career centers to help individuals track their school's track record. States and localities would quantify their objectives as measured against those objectives.

C. JTPA "Second Chance" program. Nearly all the \$1.3 billion requested for FY 1996 JTPA Second Chance Youth grants would be combined in a single grant that would re-earmarked appropriations for the Summer Youth program, Youth training grants, Youth Chance and other youth demonstrations. Because research has revealed some disappointing results on the effectiveness of the current JTPA youth strategy, the President proposes to eliminate many Federal program prescriptions and enhance State and local flexibility in these funds in ways they determine would best support their school-to-Work strategy.

- o **Formula grants.** Funds would continue to flow through States to localities on a formula basis, but would be used to support school-to-work system components that serve target populations in the Second Chance program. A State could modify its sub-state allocation formula upon demonstrating that it was inconsistent with the needs of the target populations or the purposes of the statute.
- o **Program goals.** Second Chance funds would focus on the needs of at-risk youth and disadvantaged youth, in ways consistent with the provisions of the School-to-Work Opportunities Act, including integration of academic and work-based learning, supporting effective linkages between secondary and post-secondary education, engaging the private sector in program design, and promoting the use of mentoring. Strategies adopted could include alternative learning and work experience for at-risk youth, dropout prevention services, summer jobs, mentoring and postplacement counseling, and even neighborhood saturation efforts.
- o **Incentive grants.** States could compete for incentive funds that would reward particularly successful, innovative, or highest quality school-to-work or Second Chance strategies.
- o **Accountability for results.** Youth training and workforce preparation programs would be expected to achieve results for at-risk and disadvantaged youth as specified in their school-to-work plans. States and localities would quantify their objectives as measured against those objectives.

III. Youth Development Partnerships. Current and proposed Federal support for the School-to-Work movement that is spreading across the country provides the means to develop new youth development partnerships. The following is a descriptive section that illustrates the type of flexibility the School-to-Work framework allows for States and local areas in innovative arrangements, or partnerships, with business and educational institutions as an example:

- o Consortia of businesses and community-based organizations can partner with local schools to provide "I Have a Dream" incentive programs, after-school youth activities, work-based learning and earning, and mentoring.

- o Trade unions can partner with local schools and youth groups to provide apprenticeships and work-based learning on the job.
- o Local colleges and universities can provide on-going tutoring, summer inter counselling for at-risk youth.

Such local arrangements also allow for the involvement of the Corporation for National and Community Service to integrate full-time AmeriCorps participants into youth development programs and networks of volunteers. States and localities also choose to use their Crime Prevention funding to help build such youth development partnerships.

The Departments of Education and Labor — working with other agencies such as the Corporation for National and Community Service — would promote and assist in the development of such partnerships as a valuable incentive provided in this initiative. Such arrangements would be among the activities that could win additional funding in the incentive proposal.

SUMMARY

This expanded School-to-Work initiative offers benefits to every participant.

- o It is a key to unlocking the full potential of each new generation of youth communities all across the country: to appreciate the growing connection in the American economy between continuous learning and the rewards to higher skill world of work.
- o It offers **employers** the opportunity to become better customers of the school system: to communicate their workforce needs directly with schools and students: to let students know what skills will be rewarded in the marketplace and how work-based learning can contribute to achievement for all students.
- o It offers **schools** the opportunity to enhance their relevance to all students, to reduce the number of dropouts, and raise achievement levels: to relate success in high school directly to success in postsecondary education, the world of work, and lifelong learning.
- o It offers **States and localities** the opportunity to engage schools, the private sector, employers in their own — and the nation's — interest: to provide young people with clearer pathways from learning in school to rewarding careers of work and lifelong learning.

In exchange for accountability for results, States and localities would have flexible resources to help structure their training and education systems for youth. School-to-Work to work for all of our young people in communities across the country.

Footnote (F)

Separate funding would continue as under JTPA for tribal governments and under Perkins for Tribally-controlled community colleges. This is consistent with the President's commitment to tribal leaders and their independence from State government. Tribal governments currently have the authority under the Indian Employment, Training and Services Demonstration Act (P.L. 102-477) to consolidate these funds with other job training funds into the systems that best meet their needs. The Administration is committed with tribal governments to promote and assist in the use of this authority.

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

LABOR BRANCH FAX SHEET

DATE: 3/14/95

TO: BILL GALSTON

FROM: LARRY MATLACK

COMMENTS:

NUMBER OF PAGES 13
(INCLUDING COVER)

CONFIRMATION: (202) 395-3262
FAX NUMBER: (202) 395-1596



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

Memorandum for: Tom Glynn, Tim Barnicle, Doug Ross
Mike Smith, Ricky Takai, Maureen McLaughlin
Paul Dimond
Bill Galston

From: Barry White and Larry Matlack

Subject: The GIBFAW papers: Purchasing Power, 3/13/95

Here is the edited Purchasing Power paper. Significant changes are highlighted below.

1. Appendices. We appended the piece circulated under the heading "Operation of Skill Scholarships" and the piece on "Retraining Income Support Component" as appendices. They could be incorporated into the body of the paper, but seemed to work better as attachments. Both are referred to at appropriate places in the text.
2. Skill grants. We tried to make this discussion clearer as to the distinction between Skill and Pell grants. The operational piece (appendix) should be carefully reviewed. It offers the alternative, without details, of providing the same benefits to individuals through expansion and restructure of the Pell Grant program.
3. Firms. Mike Smith suggested that anti-trust exemption and awards alone were not enough of an initiative. We added his suggestion that there be technical assistance to firms to learn about and implement some of the methods recognized by the awards. This would presumably be by a reference to Commerce's business assistance centers.
4. Retraining Income Support. Two changes: (a) The draft seemed to say that States could have no say in the benefit amount -- they could only provide the same level as the State UI amount. We made the level subject to State discretion, which in any event is the implication of the authority to modify amount levels should a State's allocation prove insufficient to meet demand.

(b) The draft stated that total program amounts would rise with inflation after the specified years. We would not make such a commitment when no other support -- e.g., skill grant funding -- is budgeted to rise in a like manner.
5. Page 1, second bullet. We do not know what the estimate is. Can anyone provide this please?
6. Individual Education Accounts. We have made clear these are loans. The discussion blurred this, making this fact subservient to the investment thrust of the piece. It's not cricket, we think, to be unclear about this.

7. We struck references to working with Congress since this is not testimony, but a position/policy statement.
8. Throughout there were references to low-and moderate-income workers being eligible for Skill grants. We are not clear about this and so have struck the "moderate income" reference, preferring to focus the discussion on the low-income population. "Moderates" are eligible for many other sources of support we think, and the dislocated worker is, probably, moderate-income to start with. Please comment on this.
9. Lessons learned (page 1). We substituted Doug Ross's "three lessons" from his recent testimony before Congress since it seemed to be a good summation and already is public.

If you have additional thoughts, edits, comments, policy disagreements, please let us know as soon as possible so we can incorporate them into a final draft. The document has had many editors, and several iterations, and might benefit from a final read through for consistency of policy/rhetoric.

:\purch313 3/13/95

**INDIVIDUAL PURCHASING POWER AND INFORMED CHOICE:
The Source of Constant Improvement in a Market-Driven
Workforce Development System**

Context. Over 80% of America's workers for the year 2000 are already working today. Opportunities for these adult workers to continuously learn new skills that will earn higher wages is important for them, for business, and for the economy. Such skilled workers are more productive and will be in greater demand in the increasingly competitive, global economy of the post-Cold War, post-Industrial Age. To meet this national interest, the President proposes to create more options for those seeking to improve their skills to purchase training. To help them make wise decisions about this training, the President also proposes providing better information on jobs, skills needed for jobs, and on those providing training for the jobs. This will help America's workers and firms make more informed choices about what skills are needed to produce better goods, services, earnings and wages.

Most adults already decide on their own what skills they want to learn: Over \$150 billion is spent on post-secondary education and training at colleges and technical schools, where individuals make their own choices of courses and career paths. In addition, at least that amount is invested by firms in formal and informal training and in work where learning and problem-solving is embedded in the daily jobs of most workers. A recent national employer survey financed by the Education Department found that about 80 percent of all firms offer formal training and 97 percent provide informal training.

To encourage investment in human capital the federal government invests heavily in training and postsecondary education:

- o Financing in 1995: \$25.7 billion in student loans for 5.5 million persons; \$5.9 billion in Pell Grants to 3.9 million individuals; and \$7.5 billion for services to 1.1 million individuals under the adult titles (IIA and III) of the Job Training Partnership Act.
- o Providing \$ billion in tax deductions to business for the cost investments in formal, informal and on-the-job training and work-related learning.

There is, however, a lack of good information for individuals on what skills will be rewarded in the marketplace. Moreover, neither individuals nor firms know the track records of most providers in delivering marketable skills, or whether their trainees secure jobs and higher earnings. As a result, the potential for constant improvement through a market system driven by the informed choice of consumers has been impeded. Quality and accountability have been uneven and dictated by government, not by people voting with their feet.

The Federal investment in multiple JTPA programs of grants and contracts to provide training and employment assistance for disadvantaged and dislocated workers presents additional problems. Throughout three decades these programs have periodically been reconfigured into different program designs with different Federal rules controlling how each area organizes spending. We have learned three lessons from this experience:

- o accountability by bureaucracy hasn't worked in employment and training, regardless of whether the bureaucracy is federal, State, or local. Rule-generated systems and process monitoring that are the principal accountability tools of bureaucrats generated reams of paper, endless audit disputes, efforts to evade rules, and too little attention to measuring success by outcomes and customer satisfaction.
- o the private sector must be a strong partner in the design and provision of employment and training services, monitoring quality, and recognizing achievements. Unless a strong role for the private sector is built in from the start, we run the risk of failing to connect Americans to real job opportunities.
- o Local flexibility, within the context of national performance standards that measure success based on outcomes, must be preserved and nurtured.

The President's Proposal. The President proposes to scrap this welter of separate federal training and employment assistance programs in order to help build a constantly improving, market-driven system of lifelong learning and labor market information and exchange that will better serve all workers and firms. His proposal includes two key initiatives:

- o first, provide states and the private sector with the incentive -- and the flexibility -- to develop more responsive labor market exchange services and better information on jobs, education and training in every state;
- o second, provide greater purchasing power to all individuals so they can take charge of their own careers by making their own informed choices.

This paper addresses the three major elements of the President's plan to improve the purchasing power for all individuals:

- o Education and Training Tax Cuts to encourage middle-income families to invest in learning new skills;
- o Individual Education Accounts to provide every person, regardless of age or income, with an opportunity borrow from the government to invest in learning new skills and to repay that loan at the pace their future earnings permit; and

- o Individual Grants to dislocated and low-income persons who need additional assistance to learn new skills to get back on their feet or move ahead in their careers.

Together, these three elements will assure that all Americans can access resources to exercise their own choices about what skills they want to learn to find better jobs.¹

The paper closes with a discussion of how we also propose to encourage firms and employers -- the other major source of building workforce skills -- to join in this initiative to increase productivity, earnings and living standards.

1. EDUCATION AND TRAINING TAX CUTS

The President proposes:

- o to make tuition for college, community college, technical school, graduate school and job-training deductible up to \$10,000 per year, when the provision is completely phased in. The deduction would be fully available to families earning up to \$100,000, and is phased-out for families earning \$120,000 or more.
- o to expand IRAs so that tax-deductible investments will be fully available to families earning up to \$80,000, and is phased out for families earning \$100,000 or more. IRA investors will be permitted to withdraw money without penalty to pay for education and training, as well as for

¹ A separate paper discusses the major elements of the President's proposal related to improving information and labor market exchange:

- o Consumer Report Cards on relevant results delivered by providers to inform choice;
- o Improved Gatekeeping to weed out incompetent or fraudulent education and training providers so they won't waste the time and money of hard-working taxpayers;
- o a Process for Implementing One-Stop Career Centers -- designed by each State in cooperation with the private sector, localities and education and training providers -- to offer relevant information on available jobs, skills that are rewarded in the labor market, and the track records of education and training providers, as well as career counseling and job search assistance.

These information elements will promote a market-driven system of workforce development that will constantly improve and respond to meet the informed choices of its customers -- workers seeking to learn marketable skills and firms seeking such skilled workers.

the purchase of a first home, financial emergencies like medical care or unemployment, and retirement.

These education and training tax cuts will enable middle-income families, who have been squeezed by stagnating wages and rising tuition costs, to invest in new skills to earn higher wages.

The tax code already encourages firms to invest in the training of their workers so that they can use higher skills to produce better products and services; these new tax cuts will create a similar incentive for families to make the best investment they can make in earning a higher living standard. Individual investment in human capital reaps rich rewards. Every year of post-secondary education and job training increases average earnings by 6% to 12%. Once these tax incentives are fully phased in, we estimate that over 10 million individuals will take advantage of them annually, and these tax benefits will leverage much greater private resources. While the federal cost (when fully phased in) will be about \$8 billion per year, America's families will invest several times that amount in education and job training.

2. INDIVIDUAL EDUCATION ACCOUNTS

The President proposes to make Individual Education Accounts available to every person, regardless of age or income. This will empower all Americans with the opportunity to choose -- at any time in their career -- to invest in the post-secondary education or training that will help them learn the skills they need to find better jobs and earn higher wages. Every person will be able to repay this loan by a variety of convenient methods, including a "pay-as-you can" option that will permit repayment at the pace the individual's future income allows.

In 1995, we estimate that 5.5 million persons will tap into their Individual Education Accounts (or the guaranteed student loan program) in order to borrow money to invest in learning new skills. The number of persons served can increase as much as necessary every year to meet the needs of individuals who decide to invest the time, energy, and personal sacrifice needed to build skills that will earn higher wages at better jobs.

Through student loan reforms already underway, Individual Education Accounts will be more conveniently available directly from thousands of eligible colleges and technical schools. These reforms are not limited to increasing the convenience and purchasing power of students. By eliminating paperwork and middlemen, the cost to federal taxpayers will be reduced by \$12 billion through the year 2000 compared to the older guaranteed student loan program.

From the individual's perspective the option of income-contingent (i.e., pay-as-you-can) loan repayment takes the risk out of borrowing. It permits persons of all ages to invest in education and training without worrying about whether they will earn enough

to repay the loan-- payments are tailored to what individuals can afford. Investment in lifelong learning is the best investment that any individual -- and the entire country -- can make in increasing earning power. It helps make possible the American dream of rising prosperity to every person who is willing to learn new skills and to apply them to more rewarding work.

3. INDIVIDUAL GRANTS

The President proposes two types of grants to individuals in order to help finance the learning of new skills for persons who need special help and often can't take advantage of the education and training tax cuts:

- o the current Pell Grants for students from low and moderate income families pursuing associate (AA) degrees and above, with the maximum grant amount raised 12 percent compared to 1995, to \$2,620 per year;
- o Skill Grants, also up to \$2,620 per year, for dislocated workers who have been laid off and who need to learn new skills to get back to work, and also for low income workers or students for non-degree programs to learn new skills for new jobs.

In order to increase the flexibility for States implementing a market-driven system of workforce development to serve all workers, we have proposed that the Skill Grants serve permanently laid-off and low income workers or students who choose job-training through non-degree programs, with Pell Grants serving both groups of persons in associate, bachelor or other degree programs. Low-income persons would qualify for Skill grants for non-degree training under the identical rules and conditions as they do now under Pell grants. States would be allowed to modify use of Skill Grant funds if change would better serve individuals, based on changing demands of local markets. Through the One-stop system, skill grant recipients would have good information on jobs, career options, and the quality of training institutions not now available under Pell grants. Appendix A to this paper describes how this system could work.

The \$2,620 maximum amount represents the average cost of tuition, fees, books and costs per year for full-time enrollment at a community college. Many, if not most, adults will choose to work at least part-time and to use these individual grants to learn new skills to increase their earning power in order to advance their careers.

Dislocated workers are primarily those who are permanently laid off or are about to be laid off from their jobs. They commonly have families and have worked for many years in one occupation. These experienced workers need the retraining support offered by Skill grants and Individual Education Accounts. They also typically need additional income support to pursue longer term training. The President proposes to provide this support through modifications to the Unemployment Insurance system. See Appendix B for details.

We estimate that a total of 2.1 million persons will be served by Skill Grants in 1996 at a cost of \$3.6 billion (financed from formerly Pell grant funds for non-degree training, JTPA funds for low-income persons, and JTPA funds for dislocated workers). Some 2.8 million persons in degree programs will be served by Pell Grants for a total cost of \$4.5 billion.²

In combination, these tax deduction, loan, and grant elements of the President's Middle Class Bill of Rights promise to all Americans in this new era the ability to learn new skills that the G.I. Bill offered to America's veterans at another time of major transition and great change. Now, as then, it will be up to every individual to take responsibility for learning new skills and applying them to rewarding work. Now, as then, ordinary Americans can be expected to take responsibility for making the informed choices that will earn rising living standards for their families and build a brighter future for their children.

ENCOURAGING FIRMS TO BUILD SKILLS IN A MARKET-DRIVEN WORKFORCE DEVELOPMENT SYSTEM

The President's proposal invites the private sector to be a full partner in designing, informing, implementing and using this market-driven workforce development system in each State. Business and labor will be key partners in helping states, localities and educational providers to develop the labor market information and exchange services that meet employer demands for skilled workers. Only employers can help design appropriate skill standards. Employers also will have an improved vehicle

²Some argue that Pell Grants now enjoy a "quasi-entitlement" status in the federal budgeting process that is more important than providing greater flexibility to States and information to individuals; others are also concerned that the current budgeting for Pell Grants is marked by annual uncertainty leading to significant over- and under-funding. In our Budget, we have therefore proposed sufficient funds to cover the full projected use of Pell and Skill Grants, plus adding funds for any potential increase in individual grants for laid-off and low- or moderate-income workers and students. We stand ready, however, to work cooperatively with interested parties to resolve any perceived trade-offs in flexibility for States versus service to individuals.

for communicating with education, learners, and providers so they know what skills are needed and rewarded in the marketplace with jobs and higher earnings. Without the active participation and leadership of the private sector, no workforce development system can function effectively.

The President's proposal also seeks to enhance the essential role that firms play directly in building the skills of the workforce. As noted above, firms are an important and increasing source of investment in workforce skills; and the most competitive firms -- large and small -- are increasingly vesting more responsibility in their front-line workers to learn every day on the job how to add more value to what they produce. Increasingly, management is empowering front-line workers, and relying on their ideas and advice to make strategic decisions.

A recent national employer survey found that the top reasons why firms offer formal training are to improve problem-solving skills and customer service, and that 54 percent of firms reported regular meetings with front-line workers to discuss work-related problems. The tax code already encourages such investment in the development of workforce skills by providing full and immediate deductibility for all training expenses. The President therefore proposes two additional means to recognize and encourage business investment in workforce skills and productivity:

- o Consortia of firms, including buyers and suppliers and even competing firms, can be encouraged to provide training to upgrade workforce skills -- by ridding them of the fear that they may run afoul of anti-trust laws and by spreading the word of their success to other industry groups.
- o The most competitive and productive firms that upgrade the skills of their workforce -- through formal training, on-the-job training, mid-career education, and empowering front-line workers to learn on the job every day -- should be recognized by special awards that highlight their success, similar to the Baldrige Award. Research and demonstration would support collection and dissemination of best business practices to other companies. Technical assistance would help other firms learn and benefit from the leaders.

Firms need skilled workers to profit by producing better goods and services, just as workers need new skills to earn higher wages at more productive work. Because this initiative will have individual providers of education or training competing against each other, the new market-driven, workforce development system provides the same means for constant improvement that the private sector faces every day: deliver results for your customer or lose business to a competitor. The private sector has a major stake in working with the States, localities and education and training providers to develop such a responsive system to serve the diverse and changing demands of each local labor market.

APPENDIX A

HOW THE SKILL GRANT AND PELL GRANT SYSTEM COULD WORK

In order to increase the flexibility for States implementing a market-driven system of workforce development to serve all workers, we have proposed that Skill grants serve (1) dislocated workers wanting degree or non-degree programs, and (2) low income workers and new entrants to the labor market who want skill training through non-degree programs. Pell Grants would continue to serve people in associate or bachelor's degree programs.

There are several ways this can work. One approach, described below, would have the one-third of Pell grant money now used for non-degree training, plus a portion of JTPA funds for low-income adults and appropriated to the Labor Department and allocated to States. This approach ensures the benefit of the enhanced information and job search assistance in the One-stop career center system reaches all recipients. An alternative might be to build these benefits into the current Pell grant system and appropriate most training funds to the Education Department. Either way, the goal is to promote informed individual choice through readily available information and services.

Skill grants in the Labor Department

The Skill grant program could operate very similarly to the Pell Grant program. Individuals would need to fill out only one application for both a Skill grant and a student loan at the school. Institutions administering both Pell and Skill grants would have minimal additional burden.

Each State would receive a total Federal allotment based on an estimate of prior Federal spending under all consolidated programs, including an amount based on what was spent under Pell grants for non-degree programs.

The formerly Pell amount for non-degree training, plus a portion of JTPA title IIA and JTPA title III, would be reserved initially for spending solely on individual grants. However, a State could determine, in consultation with the Departments of Labor and Education, that its labor market conditions made it desirable to increase or decrease the proportion of its total Federal allotment spent on Skill grants versus other basic and support services, or more job search assistance.

Example. An area in the State is the site of a major new manufacturing park where the incoming employers want to train employees themselves, on the job, if the Federal government will provide support. In this instance, for the occupations involved, it might make sense for the State to support on-the-job training contracts through the One-stop system, rather than classroom training through Skill grants and the States could do so under the President's proposal.

After a State determined each year how much of its Federal allotment to allocate to Skill grants, it could authorize institutions with eligible programs to draw down funds electronically for Skill Grants as applications are approved and individuals enrolled, just as institutions now draw down funds for Pell Grants and Direct Loans from the Department of Education. (See paper, "Information, Accountability and One-Stops.")

The maximum Skill Grant and Pell grant amounts would be the same for all categories of recipients: \$2,620 in FY 1996, increase of 12 percent over the current maximum Pell grant.

Dislocated worker eligibility. Dislocated workers would qualify for Skill grants if they meet the current JTPA title III eligibility criteria, or through screening done in the Unemployment Insurance system. The State would award Skill grants for tuition expenses. For many dislocated workers, grants would be supplemented by retraining income support (See appendix B).

Low income eligibility. Low income persons who want to acquire or upgrade skills through job training or education would be eligible for Skill grants in the same way they are now eligible for Pell grants. The same needs analysis, eligibility criteria and award rules, covering both tuition and non-tuition expenses up to the level of the maximum award, would apply. This ensures that low-income persons are eligible to receive comparable awards whether they choose AA/BA programs under Pell Grants or vocational programs under Skill grants, an important equity consideration. Controls would be put in place to ensure that schools did not artificially change the degree designation of programs to qualify for one or the other program.

Application. After receiving guidance from the One-stop center or from schools having access to one-stop networks, or on their own, individuals could apply for Skill grants by filling out the Free Application for Federal Student Aid (FAFSA), an existing ED form, and the institution would forward the application to ED's central student application processor, which would calculate the student's Expected Family Contribution (EFC), just as it currently does for Pell grants and all other Higher Education Act title IV aid.

Skill grants as discretionary funds. The annual appropriation for Skill grants would be discretionary, compared to the current quasi-entitlement in Pell grants. However, funding proposed for Skill grants for low income persons is much greater than the current non-degree share of Pell Grants, by virtue of addition of resources from JTPA title IIA, even though the formerly Pell amount is calculated to fully satisfy demand under current conditions. It is presumed that many people not now taking Pell grants who are served by the JTPA program, would turn to the individual grant system rather than only be able to go where the JTPA system wants them to go for training.

States would establish control mechanisms (e.g., sub-state allocations to One-stops; initial allocations to schools based on historical usage; first-come, first-served) to make sure that awards are available on a timely basis. It is, however, unlikely that there would be a depleted RIS account and sudden, massive layoffs late in the year that would affect the provision of income support for long term training. This is because UI provides a "cushion" for demands on the RIS account; that is, UI usually is payable for at least the first 26 weeks of any extended spell of joblessness.

APPENDIX B**RETRAINING INCOME SUPPORT FOR DISLOCATED WORKERS****Overview**

Retraining income support (RIS) would provide extended income support through the unemployment insurance (UI) system to individuals who lose their jobs and need skill training in order to get a new job.

RIS could be payable to all unemployment insurance exhaustees who enter approved training by their 14th week of UI receipt.

RIS would be funded from general revenues. The total amount of RIS would be limited to approximately \$1.2 billion annually after full implementation in FY 2001, phasing in with lower limits in earlier years.

Funds would be allocated to each State based on a formula that takes into account its dislocated worker population.

Payment of RIS would be a State option.

Benefits

There would be no job tenure requirement for RIS eligibility.

Up to 26 weeks of RIS would be available as long as recipients continue to show progress in their approved training. States may extend the duration beyond the 26-week minimum requirement using their own funds.

To be eligible for RIS, claimants will have to enter approved training by their 14th week of UI receipt.

States would have the flexibility to determine the claimant's weekly benefit amount for RIS which could be as high as that under the regular UI program.

RIS would be available in addition and subsequent to 13 or 20 weeks of permanent Extended Benefits and/or State Additional Benefits, in States where they are payable.

RIS would be a capped entitlement. Each State participating in the program will be entitled to its allotted share of the program. RIS benefits to individuals would be contingent upon the availability of funds in the State program. States would be responsible for controlling RIS outlays and/or supplementing Federal general revenues with State funds.

RIS would be payable beginning on October 1, 1996.

Financing

RIS would be funded from general revenues, capped at the following annual amounts: FY 1997 -- \$410M, FY 1998 -- \$480M, FY 1999 -- \$540M, FY 2000 -- \$580M, FY 2001 -- \$1,200M.

The total amount available would be allocated to the States based on actual data for a recent time period using a formula that takes into account its dislocated worker population. The funds would be transferred at the beginning of each year to State RIS accounts within the Unemployment Trust Fund (UTF) and drawn down as benefit payments are made.

When a State's RIS account is exhausted, no further Federal RIS funds would be made available until the following year. In response to an actual or projected lack of funds, States would have full authority to deny RIS to new training enrollees, reduce weekly benefit amounts, reduce duration, cease RIS payments entirely, or provide their own supplemental funding.

States would be allowed to carry over funds in their RIS accounts from year to year, subject to a ceiling based on the amount allocated to the State.

Administration of RIS payments would be funded from the State's RIS allotment. The amount used for administration would be limited to a fixed percentage of benefit outlays.

Note: No reference to One-stops or role of UI office. Is this needed?

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

LABOR BRANCH FAX SHEET

DATE: 3/3/95

TO: BILL GALSTON

FROM: LARRY MATTACK

COMMENTS:

NUMBER OF PAGES 13
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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Memorandum for: Tom Glynn, Tim Barnicle, Doug Ross
Mike Smith, Ricky Takai, Maureen McLaughlin
Paul Dimond
Bill Galston

From: Barry White and Larry Matlack

Subject: The GIBFAW papers: Information, Accountability and One-Stops, 3/2/95

Here is the second GIBFAW paper, edited to reflect comments from DOL and ED, including ED comments received 3/1. As with the Youth paper sent out yesterday, the comments are a combination of editorial suggestions and proposed solutions to outstanding issues. The issues are highlighted below.

1. Timetable. It is essential that our plans for improving the availability of high quality information and improving the quality of the gatekeeping system indicate that these improvements will be in place on the first day of the first Skill Grant. The paper makes that point explicitly. It further offers in a footnote recognition of the fact that most Federal money for job training is already provided in individual Pell grants and loans, and therefore both departments are working to improve the system as much as they can within current law. The last point is important based conversations with Kassebaum staff, who raised the issue with us.
2. Order of elements. We made it One-stops, report cards, gatekeeping, to mirror more closely how the program would operate.
3. One-stops. We tried to get in more of the point that this is the State/local administrative structure for the whole system.
4. Accountability. We included an accountability section similar to the one offered for youth: incentives for excellence; requirement to eliminate poor performers in the services sector (presuming training institutions are covered by gatekeeping); and State oversight responsibility to improve inadequate local operations.
5. Report cards. We simplified this discussion, adding the recommend references to performance outcomes and distinguishing, as DOI asked, between performance data and LMI. We specified a strong role for local one-stops and employers, including permitting the One-stop to cancel eligibility of an institution that has federal eligibility and certification and accreditation, if local conditions dictate that spending money there would be a waste.

6. Gatekeeping. Comments received were overlapping, not all consistent, let alone illegible. We tried to reorganize this section in accord with recent discussions.
7. Accreditation. ED seemed to urge in one comment having no Federal standards for accreditors, but rather letting them be "self-policing." This seems clearly inconsistent with an improved gatekeeping function.
8. Payan to State flexibility. Moved to the end.

We have not included a mark-up of the ReportCard Matrix in this document. Hence there is no attachment A. It will follow later.

As always, we look forward to comments.

attachment

c: Apfel

:\\info draft 3/2/95

**INFORMATION, ACCOUNTABILITY AND ONE-STOP:
The Building Blocks for a More Effective, Constantly Improving
Market for Learning New Skills and Finding Better Jobs**

The President's goal is to build a more effective, market-driven system that helps adults learn new skills and find better jobs. Such a market-driven system can constantly improve and respond to the demand and informed choice of its customers -- individuals paying to learn new skills that will earn higher wages at more productive work; employers hiring, paying, and training such skilled workers. Such a market-driven system depends on two key components: purchasing power for individuals so that they can make choices for themselves; and good information and labor exchange services to inform and encourage these choices.

A separate paper describes how the President's proposal for a Middle Class Bill of Rights puts increased purchasing power in the hands of ordinary Americans to learn and apply new skills, and encourages firms to build the skills of their workers. This paper describes how the President proposes to empower the States and the private sector to develop better information and labor exchange services in order to inform the choices, and also to drive constant improvement through a responsive, accountable system.

The President's goal is necessarily ambitious: to catalyze the development of a constantly improving, market-driven system of workforce development that responds effectively to the changing needs and demands of all students, workers and firms in each local labor market in the context of the rapidly integrating, globally competitive economy. Only a market-driven system that responds to the informed choice of workers and firms can adapt continuously to changing local, regional, national and global market demands. Only such a system enables every individual and firm to make the most of their talents and determination -- for themselves, their families and communities, and the nation.

**THE THREE BASIC ELEMENTS FOR BUILDING A RESPONSIVE, MARKET-DRIVEN
WORKFORCE DEVELOPMENT SYSTEM**

The three basic elements of the President's plan are (1) a "One-Stop" Career Center system designed by each State in cooperation with the private sector, localities and the provider community. One-Stops would meet local demand for, and be held accountable for, effective labor exchange and information, job search assistance and career counseling, and management of the workforce development system; (2) "Report Cards" on education and training provider performance that inform the choices of individual and firm consumers; and (3) a much-improved "Gatekeeping System" to ensure a basic level of training provider

quality. Such a market-driven system can meet the needs of all workers -- including dislocated and low-wage workers -- better than any Federally-designed program or training selected by any level of government.

Effective implementation of the President's proposal turns on having in place all three elements when the first new Skill grant is issued.¹

1. ONE-STOP CAREER CENTER NETWORKS

Under the One-stop career center initiative, the federal government supports States that are building a market-driven system of skill-building and labor exchange, effective provision of training and related services for dislocated and low-income workers, and quality control and accountability.

In response to an invitation from the Department of Labor to bid for resources to develop One-Stops, many governors are already working cooperatively with mayors, county officials, and representatives of business, labor and education providers to plan and implement just such a customer-responsive system of workforce development. States bring their Federal Wagner-Peyser funds to the table and the local governments bring their JTPA funds, so that each has a voice in the planning and a stake in the success of the ultimate plan. In consultation with business, labor and the providers of education and training, the parties can then proceed to design the one-stop system that will be most responsive to their customers and to diverse and changing needs. Twenty-five States are already are building their One-Stop networks. The President's proposal would help States build on and greatly accelerate implementation of that system.

- a. Federal role in implementation. The Federal government: (a) sets the over-all goals and minimum accountability standards for a responsive One-Stop Career system;² and (b) provides

¹The largest amount of Federal spending on job training is already provided through individual grants and loans in the Education Department's Pell Grant and student loan programs. Enhanced information and accountability are already required for today's programs. Therefore, both Departments are well underway implementing as much of the system described in this paper as they can, under current law.

²The federal goals set for each participating State include:

- o Universality: The One-Stop system must make available an array of job finding and employment development services to all populations.
- o Customer choice: The system should provide customers with options and choices on where to get the services that best meet their needs.

time-limited, One-Stop grants to help integrate the diverse, often overlapping service delivery agents and contractors into one user-friendly, responsive One-Stop Career system or network. Once a State and local plan is approved, its provisions replace existing federal rules and regulations, giving the states and localities total flexibility to design a system in cooperation with the private sector that is fully customized to local needs. The chart at Attachment C depicts the flow of funds and process for developing One-Stop Career systems in each participating State.

Federal One-Stop planning and implementation grants are catalysts to build customer-driven career networks. The One-Stop operating funds come from JTPA and Wagner-Peyser resources.

- b. Enhanced quality labor market information. The Department of Labor is working to improve available labor market information that One-Stops can combine with their data to help job and training seekers make wise career choices. Individuals will easily access such information to learn what jobs are available now, their long-term prospects, the skill requirements of different jobs, and the financing payoffs to investments in training.

Employers play a key role in determining what skills are in demand and what are the payoffs to training, and their input will be essential in making labor market information useful. Because labor market information needs cut across States, the Department is linking consortia of States and national data bases to provide users a comprehensive array of local, State, regional, and national data.

- c. Training system administration. One-Stops are the administrative entities for labor exchange services, training and related services, and will be accountable for delivering quality information. As described below, they will monitor the Report Card process, keeping data on-line and easily available, and inform the Gatekeeping system. They will arrange for non-training services that job seekers need, such as job search assistance, support services, and career counseling.
- d. Accountability. The One-Stop system will be held accountable for an adult workforce development system that

-
- o Integrated system: Programs, services, and governance structures must be as fully integrated as possible.
 - o Performance-driven and outcomes-based: The system must be clear in the outcomes it seeks to achieve and the consequences for failing. It must measure whether performance is actually achieved, including whether customers are satisfied with the services they receive.

meets high standards for outcomes and customer service. Incentives will be provided for excellent performance, based on standards established by the Federal government and the States. States will be responsible for improving local operations that do not meet standards. Localities will be responsible for improving or eliminating from participation the various institutions to which they provide funding (other than training institutions, for which the Gatekeeping system provides quality control with One-stop input.)

2. REPORT CARDS

Education and Training "Report Cards" will make basic consumer information available to individuals and firms concerning the track record of each eligible provider and program of education and training. Report card requirements would be appropriately tailored for job training programs and for programs leading to an AA, BA or other degree.

1. Program performance information. Every provider eligible to receive Federal dollars from individuals, or have its costs qualify for personal education tax deductions, would have to provide to applicants and the One-Stop system, at its own cost, basic consumer information. Many schools already provide catalogs that may have some of this information. But for the first time, the President's proposed Consumer Report Cards will provide easy-to-understand data on the outcomes of individuals who enroll, such as completion rates and post-program employment and earnings.

Certain data may be provided to the institution by the State from its existing sources, such as summary earnings of prior graduates (privacy would be protected by stripping away all individual identifiers) derived from Unemployment Insurance wage record data.

Other data would be obtained by the One-Stop system, such as surveys of the employer community on the performance of graduates in the workplace.

Each provider's Report Card would be subject to review by the One-stop and the Gatekeeping system, to ensure that data are accurate and appropriately presented to individuals. All data would be subject to verification by the One-stop system and Federal and State reviewers. The One-Stop will retain these performance data and share it, as necessary, with other regions, States, and institutions.

Although additional information may be offered by the provider (or required by its Federally-recognized accrediting agency or the State), there will be statutory

minimum requirements. The minimum requirements will vary depending on what is provided by the program. For example:

- a. Associate, Bachelor's and higher degree programs would report information on requirements for admission, program costs, what percentage of students are admitted and of those admitted, what percentage graduate with what degree in what period of time. (Some of this information is already required by law under the 1992 Student Right to Know Act, for which regulations will soon be published.)
 - b. Non-degree skill training programs would also report information on requirements for admission and ratio of admissions to applicants, program costs, and graduation/completion experience. In addition, they would report on the specific skills to be learned, how these skills are rewarded in the market-place and the labor market experience of prior participants (e.g., through UI wage records).
2. Data on similar programs in the area. Through summaries provided by the One-Stop system (hard copy or via computer hook-ups to a central data base), each provider would be required to give each applicant prior to enrollment comparable data on similar programs in the area, so that the applicant can make an informed choice. This data would be available at every One-stop and other access points.
 3. Relationship of performance data to the local economy. The One-stop would also ensure that external factors that affect institutional performance, or make past data a less reliable predictor for the present, are clearly explained to applicants. This might include the effects of a local economic downturn or the departure from the area of firms hiring those trained in the skills being offered.

The table at Attachment A shows some likely report card elements, including completion and placement rates, earnings, and defaults. It also indicates why these elements would be useful consumer information, and details the extent to which these elements are required, provided, or collected under current ED and DOL programs.

2. GATEKEEPING

To protect the taxpayer's investment in education and training, every provider seeking to enroll students who receive federal support from students (whether in the form of individual loans, grants, or tax deductions) must be subject to a rigorous gatekeeping system. The system must ensure that providers are initially approved only if they demonstrate a basic level of educational program quality and have adequate fiscal strength and

administrative competence. It must then ensure that providers maintain approval if they continue to demonstrate program quality and fiscal and administrative competence, are producing the results they promise to students, and are not engaging in fraudulent or other improper activities.

The current system of approval, monitoring and quality control over the institutions providing training with more than \$30 billion through Education and Labor Department programs is marked by: inconsistency between Departments; statutory and regulatory rigidity and complexity; unclear lines of authority; inadequate or inconsistent focus on quality and results; no input from the private sector to the student aid system; and insensitivity to the differences among providers. Attachment B outlines the current situation.

With its strong emphasis on informed individual choice described above for some 5.5 million individuals per year, the GI Bill for America's Workers is the vehicle for making improvements through building a better system supporting workers and job seekers and the economy.

Close consultation with the Congress, the States, education and training providers, student and worker representatives and the private sector is required to determine how best to make these improvements. The outline below describes one approach to improving gatekeeping, as a start to those discussions, which should culminate in legislation and administrative practices that support the flexible, high quality system required. The new system must be in place when Skill grants are put in place, i.e., as envisioned under the President's plan, by July 1, 1996.

How the GI Bill for America's Workers would change the system.

Whether for AA and above degree programs or shorter term programs, institutions would only be subject to review by one coordinated system, in accord with standards appropriate to each type of activity for which they seek certification. Institutions offering both degree and non-degree programs would have each type of program appropriately reviewed, without duplication of effort or multiple reporting requirements.

Federal oversight. The Departments of Education and Labor would jointly design the criteria for school eligibility and approval and the outcome-based performance standards in consultation with providers, the private sector, and State and local governments.

- o ED and Labor would jointly monitor how well the system is working to ensure that poor quality schools are not allowed into the system, and that those that abuse the privilege of

receipt of Federal funds are eliminated quickly from participation.

- o ED and Labor would evaluate the overall effectiveness of the One-Stop and gatekeeping system and make or recommend changes as necessary.

1. Accreditation for curriculum, pedagogy and quality of postsecondary education programs. In general, accrediting agencies would continue to provide this form of approval of schools as they do under current ED statute, but with the improvements noted below.

- o AA and above degree-granting programs. The current Department of Education accreditation system would continue to apply for programs (or entire schools) providing Associate degrees and above, but with more strict ED oversight on accreditation agency application of standards. Schools that maintain satisfactory compliance with approved accreditation standards would not be subject to additional review by State Postsecondary Review Entities (SPRES).
- o Below AA-degree training programs. Programs for sub-AA degrees in schools with accrediting bodies would still be accredited as now, but with improved ED/DOL requirements for standards for program quality and adherence to applicable voluntary industry or State skill standards. Specifically, wherever training is offered for occupations or skills with voluntary industry quality standards, or within a State, for occupations with voluntary State standards, the programs would have to demonstrate their consistency with such standards prior to approval, or justify any basis for exception.

Unlike the current system, maintenance of accreditation would depend in part on demonstration of successful performance-based outcomes for students.

- o Non-traditional training institutions. Entities now not covered by traditional accrediting agencies -- e.g., community-based organizations; union training programs -- could form comparable accrediting organizations with the competence to apply such professional judgments. These organizations could seek recognition from ED/DOL. Training providers receiving accreditation from such organizations could go on to apply for eligibility to permit trainees to use Skill grants and Federal student loans to purchase training. The GI Bill for America's Workers envisions the eligibility of such institutions, and provides significant new Skill grant funding (above current Pell grants for training) in part for this purpose.

- o Alternative State system. States would use an existing accrediting agency or form a new entity -- perhaps with input from their regional workforce boards or businesses -- to provide training program accreditation for providers not covered by the ED/DOL system. State standards would be subject to ED/DOL review because Federal funds are at issue. ED/DOL could suspend the operation of such accrediting agencies for the purposes of Federal funds use, on the basis of evidence that the system is not ensuring quality programs for individuals.

2. Federal eligibility and certification, and decertification.

In general, the current ED process for institutional eligibility and certification would continue for all institutions now covered (however accredited), but with DOL input and State and private sector consultation on standards applied to AA degree and below training programs. Some DOL staff may be included in the headquarters and field review process. Some functions for local review may be provided by States to the extent Federal funds pay for it.

3. State and local roles. In general, States and localities would be full partners in consultations on Federal minimum standards for training programs and in the assessment of the quality of the overall gatekeeping system.

- o Licensing. State licensing requirements would continue to apply.
- o Non-AA training programs. States and localities could establish additional standards of eligibility suited to the area, based on information they have on the quality and relevance of programs from performance reports, from the private sector or based on local economic conditions. A program meeting Federal and accrediting agency minimum standards, but which cannot meet a higher State or local performance standard, would not be eligible for grants or loans.
- o State Postsecondary Review Entities (SPRE). The current SPRE process could be eliminated for those institutions where ED and DOL have determined that the cognizant accrediting agency is appropriately focused on quality and outcomes, has improved its accountability standards, and is applying them effectively. It is likely that this would restrict SPRE review primarily to non-AA degree granting institutions.

4. Private sector role. Private sector representatives (business and labor) would (a) be a full partner in the consultations for Federal minimum standards; (b) advise on recognized industry skill standards; (c) advise and participate

with States on administration of programs at the State and local level; (d) provide advice on the quality of training programs that will be made part of Report Cards and will inform the eligibility process and any decertification actions.

THE ESSENTIAL ROLE OF STATE FLEXIBILITY: A TRUE FEDERAL-STATE PERFORMANCE PARTNERSHIP

The President's proposal invites States to play as pivotal a role in designing and implementing this workforce development system for adults and firms as the President has invited States to play in designing and implementing the School-to-Work transition component of his initiative. States are asked to lead the private sector, the education system, and the localities in designing a system that is tailored to meet the needs of their local labor markets. States are provided with substantial federal resources both to design and to implement the system. For youth and adults, the States already are hard at work joining with the private sector in inventing a new system based on high standards and marketable skills to help communities, families, and firms across the country.

In return for this new flexibility and control over resources, the States must agree to achieve important national goals, help enforce quality standards, and above all, agree to be held accountable for performance.

This approach is a prime example of what the President and many governors have rightly described as performance partnerships to better serve both the common national and the diverse local interests of all Americans within each State.

Attachment B**Structure of Current Law Gatekeeping****Department of Education Higher Education Act title IV student aid**

- o Postsecondary institutions eligible to receive Pell grant, student loan and other funds must have:
 1. been licensed to do business by a State;
 2. been accredited by an entity (an "accrediting agency") that the Secretary of Education "recognizes", in accord with standards established by the Secretary;
 3. been certified and made eligible by the Secretary as to its financial and administrative capacity to administer Federal funds;
 4. if offering only training programs below the AA level, been in existence for at least two years; and,
 5. if offering only training programs below the AA level, and profit making, received at least 15 percent of its revenues from sources other than this title.
- o The Department monitors all such institutions for compliance with law and regulations.
- o These institutions are further subject to review if they trigger one or more indicators of potential problem -- e.g., negative audit findings, high defaults, student complaints, or change of ownership (for-profit schools) -- by a Department-funded State Postsecondary Review Entity (SPRE).

Department of Labor JTPA programs

- o JTPA training and education is provided through many of the institutions in ED's system, plus others such as community-based institutions, unions, businesses.
- o Programs in institutions that wish to maintain eligibility to receive funding are subject to performance, and JTPA Service Delivery Areas must meet performance standards based on trainee outcomes. Standards are set in general terms by the Secretary of Labor, then adjusted by States and measured and overseen by local SDAs/PICs.

Note: Some schools that provide non-degree skill training alone, or such training along with degree programs, participate in both student aid and JTPA, and are subject to both systems.

U.S. Department of Education
Office of Under Secretary, Planning and Evaluation Service
600 Independence Avenue, SW
Room 4168, FOB10
Washington, DC 20202

FAX COVER SHEET

Fax Number: (202) 401 3036

TO :

Bill GalstonFAX NO.: 456-2878(Number of pages, including cover sheet: 5)

FROM:

R. Tapai / L. GarciaPHONE NO.: 401-3630Message: _____



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE UNDER SECRETARY

March 6, 1995

TO : Larry Matlack and Barry White

FROM : Mike Smith

SUBJECT : ED Comments on "Youth Paper" (3/1/95 draft)

In general, this is a good document, and we are pleased to see that several of our earlier comments were incorporated. We do have some remaining concerns, however. In particular, we believe that a number of issues are still unresolved and require further discussion. We believe that the language in the paper needs to be a little "fuzzy" until these issues are worked out. Our comments follow.

- o **Legislative Strategy.** We do not agree that consensus has yet been reached on the specific legislative strategy. ED's current plan is to send up two pieces of legislation: one to reform federal support for vocational education, and one to do the same for adult education and literacy. (There may also be legislative specs on gatekeeping.) However, it is our understanding that there is no consensus on whether Perkins and JTPA would move forward together as a single legislative vehicle.

(The following comments are intended to clarify ED positions on the nine specific issues raised in the OMB 3/1 cover memo.)

1. **Flexibility.** We agree that federal legislation should push for integrated strategies for youth education and training at the state and local levels. However, we do not agree with the current wording of the sentence "States and localities would have full authority to combine the funds from the two new grants...." For us, the key issue remains at what level funds would be combined. At the school level (or perhaps the school-district level), we believe combining funds could be beneficial.

However, we have strong reservations about automatically combining funds at the state level. We believe that having two funding streams ensures that School-to-Work takes hold both for in-school (secondary and postsecondary) and out-of-school youth. On the in-school side, Federal funds are an incentive for schools to buy into the school-to-work approach. We believe it makes no sense to give states the option of giving all youth education and training funds, for example, to job training programs with no connection to schools. (We do not, however, object to combining funds for state leadership activities at the state level—only to combining program funds.)

2. **Indians.** No change requested.

3. **Design prescription.** We agree that there should be substantial flexibility as long as design is consistent with the components laid out in the School-to-Work Opportunities Act.
4. **Sub-state allocation formula.** Our concern here is that a state could decide to spend very little money on communities with high concentrations of poverty. In response to the question OMB raises, ED is not proposing to change existing Perkins targeting, which focuses federal funds on schools and communities with high concentrations of low-income and other special population students. (Note that there is no real "target population" under Perkins, just targeted communities and schools.) We also are NOT proposing that Perkins funds should ONLY go to these targeted schools and communities. What we are proposing to change is the provision that funds go to PROGRAMS with high concentrations of disadvantaged students (this practice has led, for example, to Perkins funds going to programs like Cosmetology that may be popular but whose graduates have poor chances in the labor market). Our proposal is that funds go to schools, not programs.
5. **Youth Development Partnerships.** No changes requested, although the wording of the last paragraph ("The Departments of Education and Labor...") is pretty vague.
6. **Summary Section.** (see editorial comments below).
7. **Age Eligibility.** Under Perkins, there are no eligible individuals, only schools and postsecondary institutions. If we specify that money can go only to students 21 or younger, we will set up a tracking nightmare for postsecondary institutions, and possibly perverse incentives like those previously built into the IDEA accountability provisions.
8. **Non-low-income dropouts.** We agree with OMB's decision to have the draft remain silent on this issue. We would be inclined to defer to DOL here, but we would not want to see the focus of federal funds moved away from the disadvantaged.
9. **Accountability.** We are interested in how monetary incentives might apply to schools and postsecondary institutions. We think more discussion is needed and therefore are comfortable with OMB's suggestion regarding current draft language under "II. Perkins."

With respect to the last point in your memo (top of page 4) (regarding our discomfort with current wording about state reporting—"States will report to the Federal government changes in student performance outcomes such as:...." Our concern is NOT that states would report to the Federal government (we believe they should), but rather with the implication that they report only to the Federal government (also, current phrasing sounds a little like "Big Brother"). Better phrasing would preserve the idea of accountability by states

- o (page 3, 3rd bullet, and page 4, 3rd bullet under "JTPA Second Chance Program." We do not have a problem with the current wording on accountability/incentives (OMB's "two-tiered" approach).
- o Last page, last paragraph on "Youth Development Partnerships" (The Departments of Education and Labor....") We have no problems with what is here, although this paragraph is still pretty vague.
- o (Summary section, 2nd bullet, 2nd line): "It offers employers the opportunity to become better customers (of whom?) and communicate their needs directly to [with] schools and students."
- o (last paragraph of the paper).- This sentence/paragraph is awkward and long. Please reword.
- o Throughout, check phrasing: in most cases "would" seems more prudent than "will"

to federal government, but would indicate that reporting/information on student performance outcomes would be provided not JUST to the federal government, but to members of the public (through the information systems at the One Stops, for example), and to the educational institutions so that they could work on "continuous improvement." Why not at least say "States will report on changes in student performance outcomes to the Federal government and to citizens of the state. Such performance outcomes would include:...."

Other specific comments on the draft paper include:

- o (page 1, para 1, 3rd line) what is a "career of work and continuous learning?" This is very awkward. Also, when mentioning the parties to the new STW partnership, we should mention workers.
- o (page 1, para. 2). In first sentence, we would substitute "...and localities to implement any one model or governance structure" for ["to proceed in any bureaucratically dictated fashion or process." And the second sentence needs to be rephrased; it doesn't make sense now (the "current void between" what and what?).
- o (page 1, 1st para. after 3 bullets): Last sentence is too strong. "No longer will disaffected students abandon high school or begin their careers ill-prepared to succeed because their studies had no connection to the world of work." That's the goal, but let's not bet that we'll be 100 percent successful.
- o (page 1, next para, last sentence): Wording makes it sound as if there will be just one funding stream. The language should be a little fuzzy until this issue is worked out. We suggest either taking out references to JPTA and Perkins and just saying: "The President proposes to consolidate \$2.9 billion federal youth programs to support school-to-work," or making clear up front that we are proposing two funding streams.
- o (page 2, I., first bullet, second line. Add "workers and employee organizations").
- o (Page 3, first bullet): "Consolidation and simplification." The two existing sentences seem contradictory: "Perkins and JTPA...will be consolidated and greatly simplified" makes it sound as if the two are being consolidated with each other into one stream. The second sentence "Then each will provide a single stream...." implies two streams. The second more closely reflects our current position; however, again we suggest that language should not be too precise here until the issue is resolved. Also, first line here would more accurately read "Programs under Perkins and JTPA [youth]..."
- o (page 3, B (Perkins), first bullet: "...would support high school and postsecondary efforts...."

January 18, 1994

MEMORANDUM FOR: Mike Smith
Tom Glynn
Belle Sawhill

From: Paul Dimond PD

Subject: Information Roll out for ETR

As agreed at our last meeting, I have worked on a strategy for providing interested people additional information on our plan. After very brief consultation with Tom, Mike, Bill Galston, Gene Sperling and OMB, here is what I propose -- subject to review and coordination with other POTUS communication and legislative strategy:

- o The two secretaries simultaneously release a White Paper on the morning after the State of the Union Address, January 25. I expect the President will continue to highlight the Middle Class Bill of Rights and the Lifelong Learning Agenda in the Address, so the release of the White Paper will be a suitable and timely follow-on.
 - Recipients: Hill members and staff (Dem and Rep: authorizers, budget committees, leadership offices), business groups and others most in need of information (e.g., selected sympathetic press).
 - Method of release. "Dear Colleague" or "Dear Interested Party" cover note, signed by the appropriate official. (Draft attached)
- o We release the more substantive descriptions of key elements either on a staged basis as individual discussion papers during the two weeks before the Budget goes up (February 6), or in a consolidated discussion paper that is released shortly after the Budget goes up. (Draft transmittal attached). Discussion paper(s) would stress that we are open to working out specifics and describe the trade-offs that may be involved in alternative designs.
- o We release this information in the context of a coordinated strategy for communication by the WH, the Secretaries and the Agencies.

On Tuesday, we also need to agree on the issues to be addressed in discussion paper(s), make sure that the drafting work is well underway, and resolve on dates for completion (including review by WH). In the meantime, DOL and ED staffs should begin drafting so that we are prepared to move forward whatever the decision on the timing of release. The specific issue drafts (or each of the segments of a consolidated document) ought not exceed about five pages in length.

Finally, we need to discuss the strategy for communication by the POTUS, the Secretaries, the WH and the Agencies.

The issue topics seem to fall into two groups. The first, for which a target completion date of the drafts would be January 27, are those that have attracted the greatest number of questions. The second are the ones that I believe should not go public until the Budget is released.

Group I:

- o How Skill grants could be administered: dislocated worker profiling and funding; low-income eligibility and fund control.
- o Accountability: individual choice; training institution accountability; performance measurement for trainers, other providers, States and the system overall. This paper can also cover the Federal role: oversight, R&D, data collection, technical assistance, system evaluation.
- o One-stop State administrative design plan and timing; improvements in labor market information.
- o How dislocated worker programs could work, including how TAA and income support fit in; national funds for major layoffs.
- o How the School-to-Work system could work (ED and DOL sides and State/local authority to combine).
- o How Adult education and family literacy could work.

Group II:

- o Analysis of the GAO list of 163 (what's in, what's not, and why).
- o Budget issues for entire Lifelong Learning Agenda and Middle Class Bill of Rights

Please let me know if you have any major concerns with this approach that I should know before we gather next week. Otherwise, I will assume that drafting is underway. Barry White and Larry Matlack are available to work with your staffs on any issue drafts; and I'll work with Jack Donahue and Mike to finalize the White Paper for your final review. As always, thanks for your continuing insight, leadership and help!

cc: Gene Sperling
Bill Galston

DRAFT A: White Paper

Dear:

On December 15, 1994, President Clinton proposed to the Nation his Middle Class Bill of Rights. This proposal is the final element of the President's Lifelong Learning Agenda. It is designed to ensure that all Americans can afford to raise and educate their children, and that every worker and job seeker has the opportunity to learn and to apply the new skills at more rewarding work that the economy of today and the future demands. I enclose for your review a discussion paper on the job search and adult training component of the proposal.

This set of reforms offers a fundamental shift -- from discrete government programs that tell workers what is best for them to putting purchasing power and information in the hands of individual workers so that they can make their own choices about how best to advance their careers. Based on this fundamental principle, the proposal will help the private sector, States, and communities transform the patchwork of Federal job search and training programs into effective workforce development support for workers and job seekers of all ages.

While the broad outlines of the proposal are clear, many details remain to be worked out with the Congress and other interested parties. This paper is intended to begin that process. We welcome your thoughts on the issues it sets forth and are prepared to discuss them with you further when you are ready. In the days to come, our Departments will be releasing additional materials describing how specific elements of the proposal might be devised.

Thank you for your interest. Together we can fashion a legislative initiative that meets the needs of all our people.

Sincerely,

Secretary
Department of Labor

Secretary
Department of Education

DRAFT B: Discussion Paper(s)

Dear:

On December 15, 1994, President Clinton proposed to the Nation his Middle Class Bill of Rights, to ensure that all Americans can afford to raise and educate their children, and that every worker and job seeker has the best available help to find jobs and to learn the new skills that success in the economy of today and the future demands.

Recently, the Departments of Education and Labor released a general overview document describing the job search and job training reforms embodied in that proposal. Enclosed please find a more detailed discussion of:

[Title of Paper]

We invite your comments and look forward to working with you to develop the final proposal design.

Sincerely,

A/S
Department of Labor

U/S
Department of Education

Bill -
Thoughts? Can we
discuss next steps,
larger strategy?
Paul D

HOW THE PRESIDENT'S PROPOSAL FOR A MIDDLE CLASS BILL OF RIGHTS WORKS FOR AMERICAN WORKERS

"For too long, too many Americans have worked longer for stagnant wages and less security. For the past two years we have pursued an economic strategy that has helped to produce over 5 million new jobs. But even though the economic statistics are moving up, most of our living standards are not....More jobs aren't enough. We have to raise incomes.

"Fifty years ago, an American president proposed the GI Bill of Rights to help returning veterans from World War II go to college, buy a home and raise their children. That built this country. Tonight, I propose a middle class bill of rights."

President Clinton
Address to the Nation
December 15, 1994

Two generations ago the GI Bill put the resources to learn new skills in the hands of millions of ordinary Americans, and they applied those skills to realize the American Dream of middle class prosperity for themselves, their families and the nation. President Clinton's Middle Class Bill of Rights is designed to provide every American worker who is willing to learn and to work with the same lever of new skills to build such a better future for themselves, their families, and this country:

- **Education and training tax deductions** will help working Americans pay for building new skills that lead most directly to better jobs and wages. And **tax credits for families with children** will expand the budgets of middle class families to invest as they see fit.
- **Expanded IRA's** will enable working families to save from current earnings and to invest when they want in building new skills or buying a first home, as well as providing for retirement.
- Laid-off and low-wage workers, who often have too little income to benefit from tax incentives, can get **Skill Scholarships**. The current welter of federal education and training programs for adults will be eliminated and the dollars put directly in the hands of these veteran workers to pay for the training they choose in order to find new or better jobs.
- All workers can get convenient access to **Individual Education Accounts** to finance the education and training they want when they need it--with the option to repay the loans at a pace their income allows--so they can spread the cost of skill investments over the course of their careers.
- **Better information** on jobs, essential skills and education providers will be made readily available so that all workers can make informed choices about learning new skills and finding more rewarding jobs.

- **Making business a full partner** in developing workforce skills and applying new skills to more productive work will enable firms to find the skilled workers they need and allow workers to earn higher wages.

The President's proposal builds on his successful, bi-partisan initiatives over the first two years to increase educational opportunity for the nation's young people -- setting challenging standards for our nation's schools, enabling more high school students to learn in the context of work and apprenticeships, making college loans more affordable. The Middle Class Bill of Rights now calls for increasing the opportunity of all American workers to learn and to apply new skills that will enable them to build a better future for themselves and their families.

THE CHALLENGE

In the closing years of the 20th century, America's workforce is riding a roller-coaster of economic change. New technologies and global competition are reshaping the industrial landscape. This is mostly good news for America: overall, our nation is well-equipped to prosper in a fast-paced, increasingly integrated world economy. Change, after all, has always been America's strong suit.

The bad news is that too many of our workers have been falling behind. Average hourly wages have declined. Families work longer hours and take extra jobs simply to achieve the living standards that one paycheck used to deliver. America's workforce is increasingly divided according to skills. Most Americans with education and skills are making good wages. The American dream of upward mobility remains within their grasp. But those whose skills are out of date or out of synch with the economy's transformation contemplate their prospects with anxiety. And Americans without education or skills are falling further behind.

This division in the workforce has been a generation in the making as the economy has struggled through a rough transition: from high wages for the gritty application of muscle-power in the mass production plants of the old industrial economy, to high wages for the innovative application of brain power in flexible firms producing customized goods and services. In this new economy, skills matter more. A generation ago, a male college graduate earned less than 50 percent more than a man with only a high-school degree. Today, he outearns his high-school graduate counterpart by 83 percent. Overall, from 1973 to 1992, the average hourly wages of all workers actually fell, as the country's rate of productivity growth slowed to less than one-third the pace of the previous generation. As a result, living standards for most American families have stagnated.

The good news is that the skills essential to boosting productivity and wages can be learned. Every year of education or job-training beyond high school -- whenever it occurs in a person's life -- increases future earnings by 6 to 12%. America is blessed with a rich array of learning institutions to deliver the skills workers need to earn higher wages. And an increasing percentage of America's firms are finding that the surest path to durable

competitive advantage is embedding learning in the workplace and empowering front-line workers. Since four-fifths of the nation's workers of the year 2000 are already in the workforce, lifelong learning (for veteran workers as well as young people) is essential to productivity and income growth. President Clinton's Middle Class Bill of Rights is designed to offer every American worker a fair chance to apply this lever of lifelong learning to earn a more rewarding role in the new economy.

Of the 5.2 million net new jobs created in the first 21 months of the Clinton Administration, most are good jobs paying high wages. For the first time in a generation, America is once again leading a global recovery. Our increasingly productive manufacturing, farming, service, entertainment, communication, information, university and research sectors are setting the world benchmark for quality, value and innovation. The President's plan to put our federal fiscal house in order has slashed the annual deficit for three years in a row, to a rate that is a smaller fraction of our national economy than any of our major trading partners or economic competitors around the world.

With the fall of communist command and control economies and the ratification of new agreements to tear down trade barriers, the world economy is on the brink of a transformation with enormous promise for America. Rapidly expanding markets are clamoring for American-made goods and services, as well as American-style economic and political freedoms. This presents an unprecedented opportunity for replacing today's stagnating living standards with a new American economy and a generation of prosperity for America's families. Our responsibility is to assure that every worker has the opportunity to learn and to apply new skills that will earn higher wages in this new economy.

Such challenges are not new to America. During two marked episodes of rapid change in the past century, we seized the opportunity to move forward: first, in the transition from a manual labor, agrarian economy to the mass production leader of the world at the turn of the century; and, then again, in the transition from war-time production to an astonishingly vibrant peace-time economy in the generation following World War II. Only once during this century has our country flinched: following World War I we sought to isolate ourselves from the rest of the world with protectionist barriers, and the Great Depression ensued.

Today, America's choice in the new, global economy is clear: high skills or low wages. Our heritage and our national character summon us to the high road of shared productivity and prosperity. But there are hurdles to surmount.

THE BASIC STRATEGY

We must remedy the rift dividing those who have the right skills to compete and those who don't. To do so, we must:

- expand the opportunities for lifelong learning for all workers so they can learn and apply new skills to earn higher wages at more productive and rewarding work
- construct a reliable system of labor market information and reemployment so that workers displaced by economic change can get back on their feet and back to work and workers looking for better jobs can learn new skills and find more productive work.

Our workers, given a fair chance to arm themselves with the skills and data needed to compete in the new American economy, will take responsibility for building a better future. But if we fail to provide such opportunity, the divide between those earning high wages and those with low skills will grow. Our productivity and living standards will stagnate for another generation. And we risk losing the tradition of broadly shared middle class prosperity that is the essence of the American Dream.

Having succeeded over the last two years in getting our economy moving forward and reversing the runaway federal deficits of the prior 12 years, it is now time to invest the resulting returns in building a brighter future for America's hard-working families. The President's Middle Class Bill of Rights proposes to put resources directly in the hand's America's workers so that they can invest in learning and applying new skills, the linchpin of our nation's future competitiveness and productivity. America's workers and families will reap the reward: a sure path to higher wages and rising living standards for all who continue to learn and to work.

The Initiative--Initial Steps

Lifelong Learning: The Goals 2000: Educate America Act lays the foundation for our agenda of reform: "By the year 2000, every... American will...possess the knowledge and skills necessary to compete in a global economy."

Key building blocks are already in place:

- The Goals 2000 and the Elementary and Secondary Education Act encourages local communities to adopt challenging standards for all students.
- The School-to-Work Opportunities Act fosters new partnerships between local high schools, businesses, colleges and technical schools, students and parents to better prepare all youth for a successful transition from the world of school to the world of work and continuous learning.
- Individual Education Accounts provide every post-secondary student with convenient access to loans to acquire new skills. A wide array of repayment options, including those based on ability to pay from future earnings, make higher education and technical training more affordable for all students.

- The President's National Service Corporation lets Americans earn resources for education while gaining the kinds of practical experience that motivates learning and sets it in context.
- Voluntary occupational skill standards, developed by business-based coalitions, will let workers, community colleges and universities know what skills matter most in the marketplace, and give workers a portable credential to demonstrate their productive potential to employers.

Labor Market Information and Reemployment: The Clinton Administration has aggressively deployed existing authority and resources to begin building a better system of labor market information and reemployment, while shaping proposals for legislative change.

- About half of the states--empowered with federal grants--are planning or assembling networks of One Stop Career Centers to offer efficient, customer-driven access to counseling, labor-market information, job listings, training and education, and other reemployment services.
- Workers applying for unemployment insurance, or subject to plant closings or defense conversions, are getting individual assessments of their skills and risks of long-term unemployment, so that each can quickly find the help they want to get new work.
- Changes in unemployment insurance laws encourage laid-off workers to start their own businesses.

Next Steps -- THE MIDDLE CLASS BILL OF RIGHTS

"Education...has a bigger impact on earnings and job security than ever before....Every American needs the skills necessary to prosper in the new economy....So let's invest the fruits of today's recovery into tomorrow's opportunity."

President Clinton, Address to the Nation, December 15, 1994

Accomplishments to date, however important, are only a beginning. If America is to restore its defining bargain--that if you work hard and play by the rules, you should be able to get ahead--we need to transform the old federal approaches to building workforce skills, labor market information and reemployment, root and branch. We can't afford to pay laid-off workers under an out-dated unemployment system to wait for old jobs that aren't coming back; these veterans of the workforce want to get back to work at new and better jobs. Nor does it make sense to feed the budgets of government bureaucracies, federal or state, on the worn-out belief that government knows best and should tell each worker what to do; workers want access to reliable information and skills that will enable them to make their own career

choices. We need to empower workers by putting the learning resources and good labor market information directly into their hands, so they can make their own choices about the skills they need and about how to leverage their skills to get better jobs.

The model for the President's Middle Class Bill of Rights is the G.I. Bill, which fueled an earlier generation of prosperity by putting the resources for learning directly in the hands of millions of ordinary Americans. The rest is history--indeed, one of the brightest episodes in our history: These returning veterans turned their new skills into higher productivity, greater innovation, rising wages, and soaring living standards. The dream of an upwardly mobile middle class became a reality for a majority of our nation's families.

After 25 years of stagnation, it is time for another campaign of investment in the skills of our workers. It is time for another generation of hard-working people who play by the rules to get a fair shot at middle-class prosperity.

The President's proposal for a Middle Class Bill of Rights is designed to do just that. Five key principles drive the President's plan: **individual opportunity; accountability; leaner government; making business a partner; and doing right by our kids.**

1. Individual Opportunity

Americans already have an array of options for education and training -- community colleges, universities, technical schools, private training institutions. Adding to that supply is not the answer. The best solution is to put the resources and the opportunity for learning directly in the hands of individuals so that they can choose the training best for them. The President proposes to empower working families with choices that will enable them to learn the skills essential to earning good wages at good jobs and to building a prosperous, upwardly mobile middle class:

- A **tax deduction** for post-secondary education and training costs up to \$10,000 per year for families making up to \$120,000 will be phased-in. This will help working families pay for acquiring the skills the parents need to advance their own careers and for sending their kids to college or technical school.
- An **expanded IRA** will encourage families earning up to \$100,000 to put \$2000 per year in a tax-free account. Working families will then be better able to invest in learning new skills for themselves and their children when they want, as well as buying a first home or saving for retirement.
- Access to **Individual Education Accounts** will be made convenient for all students and workers. This will enable all Americans to finance at any time the education and training they want--with the option to repay the loans at the pace their income allows--so they can spread the cost of skill investments over the course of their careers. -

- Laid-off and low-wage workers, who often have too little income to benefit from tax incentives, will be offered **Skill Scholarships**. These personal skill grants will finance up to two years of education or training that can lead to a better job. Workers who need to start a new career or make a fresh start will have access to this "two years and up" gateway to better jobs.
- **Extended unemployment benefits will be made available to laid-off workers in retraining.** This will enable those veterans of the workforce who can't find jobs when they are dislocated—whether by defense conversion, plant closing or other permanent lay-off—the opportunity to learn new skills essential to getting back to work at good jobs.

Each of these opportunities for learning is personal to the individual worker and family. Instead of going for training where government might dictate, workers and their family members can use their purchasing power where they choose. As with GI Bill before, the Middle Class Bill of Rights puts the opportunity in the hands of the individual, with full confidence that ordinary Americans will once again take responsibility for learning new skills and applying them to more productive work. This is the surest path for American workers to earn good wages, and to build prosperity for a growing middle class for years to come.

2. Accountability

We propose to make the education and training system meet the test private businesses face every day. It will have to **deliver value** to its customers, or **risk losing resources**.

Informed choice will enforce accountability. The new system will create a buyer's market. Programs will have to offer training that truly helps workers sharpen their skills and land a better job. If they fail to deliver, workers can take their resources and spend them elsewhere. Satisfying ordinary Americans—not meeting bureaucratic requirements—will be the measure of success.

In order to inform choice, **reliable labor market data and information on the quality and results offered by education providers** will be made readily available. In addition, new measures will be taken to **screen out incompetent or unscrupulous providers** so that they don't waste hard-working people's time and money.

3. Leaner Government

The proposal would **consolidate** dozens of **federal adult training programs**. Rather than simply repackaging the maze of adult programs into fewer boxes, or putting state bureaucrats instead of federal bureaucrats in charge, we aim to radically restructure incentives and accountability by **putting the resources and choice directly in the hands of workers**.

The current welter of **youth programs** will also be replaced by a **coherent system rooted in the school-to-work** approach taking hold throughout the country.

Government's role is stripped to the essentials. Government's responsibility--largely performed through One-Stop Centers--is to serve as the conduit for putting learning opportunities in the hands of individuals; publish labor market data to inform individual choice; report on the performance of training institutions; broker reemployment services; and police the system to ensure that every individual and institution plays by the rules. Building on the strengths of our federal system, the initiative will encourage implementing these responsibilities as **states and communities see fit to best meet local conditions and priorities.**

Government won't dictate to people or require particular programs. It will be up to learning institutions--spurred by competitive pressures from their customers, firms and individuals--to decide how best to deliver new skills. It will be up to individuals--the best judges of their own interest--to decide what skill investments make sense for them.

4. Making Business a Partner

America's firms are ready to become full partners in helping to implement the Middle Class Bill of Rights. They need the skilled workers and lifelong learners to produce the increasingly customized, high quality goods and services, and constant innovation that provide our country with a competitive edge in the new economy. And firms want more workers earning rising incomes so that America's families can afford to buy and to invest more.

Firms are already providing the leadership -- and the youth apprenticeships -- to **implement the School-to-Work** initiative in every state and region. They are spearheading the **development of the skills standards** that will provide the benchmarks so that schools, colleges, students and workers know what skills firms will reward.

Under the proposal firms in each labor market will work closely with the local schools, colleges, technical institutions and One Stop Centers to provide **essential labor market information** on what skills are in demand, what jobs are available, and what career opportunities are growing. This local information will flow continuously into a bank of national labor market data from which useful information--on regional trends, job demands from employers, and supplies of skilled workers--can be made readily available, through convenient electronic access, to individual firms and workers. Private brokers of information and job search intermediaries will be able to access and add value to these banks of information on jobs and talent, to better meet the needs of employers and workers.

Finally, America's **firms** are themselves a **key source of lifelong learning and new skills** for their workers. The most competitive and productive firms are upgrading the skills of their workforce-- through formal training, investing in mid-career education, embedding learning in the workplace, and empowering their front-line workers to take greater

responsibility for solving problems and working together to deliver more value to their customers. We propose to recognize and reward those firms that best exemplify the shared payoff to such practices. Coupled with research (and dissemination of information) on new and more effective practices, and tax deductibility for firm investments in education and training, such rewards will expand and focus the building of skills in the workplace by firms.

5. Doing Right by Our Kids

The same principles of accountability, efficiency, and practical linkages to the working world apply to our **youth program consolidation**. But kids have special needs, so **institutional reform** must play a larger role here.

Our proposal builds on the momentum, and affirms the principles--**career pathways; work-based learning; world-class standards**--of the **Goals 2000, School-to-Work and Skill Standards** initiatives of the President's first two years.

We propose **consolidating federal youth employment and training programs into a coherent system** anchored in the foundation of the **school to work** transformation already underway in all fifty states. For kids still in school, we propose to **consolidate vocational education programs** into the nation-wide movement for work-based learning and successful transition to rewarding careers and continuous learning emerging under the School-to-Work Opportunities Act. For kids who have dropped out of school, we propose to **consolidate other federal youth programs** into an integrated **School-to-Work Second Chance**. For young Americans isolated in high-poverty pockets, added outreach is essential to make sure that the school-to-work movement also connects them to career pathways and continuous learning; we therefore propose to offer additional **incentives for private employers, colleges, and non-profit organizations to join in partnerships** with parents, youth and schools in distressed communities to connect responsible youth to the mainstreams of economic opportunity.

Finally, financing young people's post-secondary training and education will be made more affordable for all families-- through **tax deductions** and **expanded IRA's** for parents, and Pell Scholarships and **Individual Education Accounts** for students themselves.

CONCLUSION

The President's proposal can arm every American worker with the tools to learn new skills, find good jobs, and earn higher wages at more rewarding work. Like the GI Bill before, the President's Middle Class Bill of Rights will put the opportunity for learning and applying new skills directly in the hands of the people. Like the returning soldiers fifty years ago, America's workers today can then take responsibility for seizing this opportunity to learn and apply new skills, to produce higher incomes, and to build rising living standards for their families, now and for a generation of burgeoning middle class prosperity to come.

"The Middle Class Bill of Rights will further our common mission as Americans – to expand middle class incomes and opportunities, to promote the values of work and family, responsibility and community. And to help Americans compete and win in the new American economy of the future."

President Clinton, Radio Address, December 18, 1994

WORKFORCE INVESTMENT AND REEMPLOYMENT:

HOW THE PRESIDENT'S PROPOSAL FOR A MIDDLE CLASS BILL OF RIGHTS WORKS FOR AMERICAN WORKERS

"For too long, too many Americans have worked longer for stagnant wages and less security. For the past two years we have pursued an economic strategy that has helped to produce over 5 million new jobs. But even though the economic statistics are moving up, most of our living standards are not....More jobs aren't enough. We have to raise incomes.

"Fifty years ago, an American president proposed the GI Bill of Rights to help returning veterans from World War II go to college, buy a home and raise their children. That built this country. Tonight, I propose a middle class bill of rights."

President Clinton
Address to the Nation
December 15, 1994

Just as the GI Bill two generations ago opened the American Dream of middle class prosperity by putting the resources to learn new skills in the hands of millions of ordinary Americans, President Clinton's Middle Class Bill of Rights is designed to provide every American worker who is willing to learn and to work with the tools to build such a better future for themselves, their families, and this nation:

- **Education and training tax deductions** will help working Americans pay for building new skills that lead most directly to better jobs and wages. And **tax credits for families with children** will expand the budgets of middle class families to invest as they see fit.
- **Expanded IRA's** will enable working families to save from current earnings and to invest when they want in building new skills or buying a first home, as well as saving for retirement.
- Laid-off and low-wage workers, who often have too little income to benefit from tax incentives, can get **Skill Scholarships** to use as they choose. The current welter of federal education and training programs for adults will be eliminated and the dollars put directly in the hands of these veteran workers to pay for the training they choose to find a new or better jobs.
- All workers can get convenient access to **Individual Education Accounts** to finance the education and training they want when they need it—with the option to repay the loans at a pace their income allows—so they can spread the cost of skill investments over the course of their careers.
- **Better information** on jobs, essential skills and education providers will be made readily available so that all workers can make informed choices about learning new skills and finding more rewarding jobs.

Bill-
I've got a revised
version of this
I'll
drop
Paul Dineen
P.S. let's discuss
larger strategy re
budget, housing
need to stick w/
more general principles
less program specifics
PRD

- **Making business a full partner** in developing workforce skills and applying new skills to more productive work will enable firms to find the skilled workers they need and for workers to earn higher wages.

THE CHALLENGE

In the closing years of the 20th century, America's workforce is riding a roller-coaster of economic change. New technologies and global competition are reshaping the industrial landscape. This is mostly good news for America: overall, our nation is well-equipped to prosper in a fast-paced, increasingly integrated world economy. Change, after all, has always been America's strong suit.

The bad news is that too many of our workers have been falling behind. Average hourly wages have declined. Families are working longer hours and taking extra jobs simply to achieve the living standards that one paycheck used to deliver. America's workforce is increasingly divided according to skills. Most Americans with education and skills are making good wages. The American dream of upward mobility remains within their grasp. But those whose skills are out of date or out of synch with the economy's transformation contemplate their prospects with anxiety. And Americans without education or skills drift further and further away from the economic mainstream.

This division in the workforce has been a generation in the making as the economy has struggled through a rough transition: from high wages for the gritty application of muscle-power in the mass production plants of the old industrial economy, to high wages for the innovative application of brain power in flexible firms producing customized goods and services. In this new economy, skills matter more. A generation ago, a male college graduate earned less than 50 percent more than a man with only a high-school degree. Today, he outearns his high-school graduate counterpart by 83 percent. Overall, from 1973 to 1992, the average hourly wages of all workers actually fell, as the country's rate of productivity growth slowed to less than one-third the pace of the previous generation. As a result, living standards for most American families have stagnated.

The good news is that the skills essential to boosting productivity and wages can be learned. Every year of education or job-training beyond high school -- whenever it occurs in a person's life -- increases future earnings by 6 to 12%. America is blessed with a rich array of learning institutions to deliver the skills workers need to earn higher wages. And an increasing percentage of America's firms are finding that the surest path to durable competitive advantage is embedding learning in the workplace and empowering front-line workers. Since four-fifths of the nation's workers of the year 2000 are already in the workforce, lifelong learning (for veteran workers as well as young people) is essential to productivity and income growth. President Clinton's Middle Class Bill of Rights is designed to offer every American worker a fair chance to apply this lever of lifelong learning to earn a more rewarding role in the new economy.

Of the 5.2 million net new jobs created in the first 21 months of the Clinton Administration, most are good jobs paying high wages. For the first time in a generation, America is once again leading a global recovery. Our increasingly productive manufacturing, farming, service, entertainment, communication, information, university and research sectors are setting the world benchmark for quality, value and innovation.

With the fall of communist command and control economies and the ratification of new agreements to tear down trade barriers, the world economy is on the brink of a transformation with enormous promise for America. Rapidly expanding markets are clamoring for American-made goods and services (as well as American-style economic and political freedoms.) This presents an unprecedented opportunity for replacing today's stagnating living standards for most Americans with a new generation of prosperity. Our responsibility is to assure that every worker has the opportunity to learn and to apply new skills.

Such challenges are not new to America. During two marked episodes of rapid change in the past century, we seized the opportunity to move forward: first, in the transition from a manual labor, agrarian economy to the mass production leader of the world at the turn of the century; and, then again, in the transition from war-time production to an astonishingly vibrant peace-time economy in the generation following World War II. Only once during this century has our country flinched: following World War I we sought to isolate ourselves from the rest of the world with protectionist barriers, and the Great Depression ensued.

Today, America's choice in the new, global economy is clear: high skills or low wages. Our heritage and our national character summon us to the high road of shared productivity and prosperity. But there are hurdles to surmount.

The Vision

We must remedy the rift dividing those who have the right skills to compete and those who don't. To do so, we must:

- expand the opportunities for lifelong learning for all workers so they can learn and apply new skills to earn higher wages at more productive and rewarding work
- construct a reliable system of reemployment and labor market information so that workers displaced by economic change can get back on their feet and back to work and workers looking for better jobs can learn new skills and find more productive work.

Given a fair chance to arm themselves with the skills and data needed to compete in the new American economy, our workers will take responsibility for building a better future. But if we fail to provide such opportunity, the divide between those earning high wages and those with low skills will grow. Our productivity and living standards will stagnate for another

generation. And we risk losing the tradition of broadly shared middle class prosperity that is the essence of the American Dream.

Investing in the skills of our workforce and constructing an effective reemployment and labor market information system are the linchpins of our nation's competitiveness and productivity. America's workers and families will reap the reward: a sure path to higher wages and rising living standards for all who continue to learn and to work.

Case Study: Antonio Dodero

Antonio Dodero was a 30-year veteran of the defense industry when--like many of his colleagues in southern California--he lost his job and knew it was gone for good. "I did a little soul searching," Mr Dodero wrote in a letter to the President, "and decided it was time for a change. I'm at what you could call a difficult age, too young to retire but too old to start all over."

He enrolled in a new-skills program that was part of our emerging reemployment system. He chose courses in refrigeration, heating, and air conditioning repair that allowed him to apply some of the skills he already had. And he supplemented his experience with extensive classroom training in this new line of work.

Mr. Dodero graduated from his program with honors -- and thanks to job search assistance provided by his reemployment program, he quickly landed a good job as a service technician at a local heating and air conditioning company, then an even better job at a similar firm.

The Initiative--Accomplishments So Far

Reemployment: The Clinton Administration has aggressively deployed existing authority and existing resources to begin building a reemployment system, while shaping proposals for legislative change.

○ About half of the states--empowered with federal grants--are planning or assembling networks of one-stop career centers to offer efficient, customer-driven access to counseling, labor-market information, job listings, training and education, and other reemployment services.

○ Funding for reemployment services has increased 150 percent to \$1.3 billion this year, giving hundreds of thousands of additional workers support to find new jobs.

○ Workers applying for unemployment insurance, or plant closings or defense conversions, are getting individual assessments of their skills and risks of long-term unemployment, so that each can quickly find the help they need to get new work.

○ Changes the Administration sponsored in unemployment insurance laws encourage laid-off workers to start their own businesses.

Lifelong Learning: The Goals 2000: Educate America Act sets the tone for our agenda of reform. In it, Congress and the President set the goal: "By the year 2000, every adult American will...possess the knowledge and skills necessary to compete in a global economy." The provisions of that Act shape the foundation of the lifelong learning system.

Key building blocks of that foundation are already in place:

○ Voluntary occupational skill standards, developed by business-based coalitions, will let workers, community colleges and universities know what skills matter most in the marketplace, and give workers a portable credential to demonstrate their productive potential to employers.

○ The School-to-Work Opportunities Act will prepare all youth for a successful transition from the world of school to the world of work and continuous learning.

○ The Goals 2000 and the Elementary and Secondary Education Act defines a new role for the federal government as a catalyst for change by encouraging local communities to adopt high standards.

○ Individual Education Accounts provide every post-secondary student with convenient access to loans to acquire new skills and with a broad array of repayment options based on future ability to pay so that no American need be barred by financing problems from the opportunity to gain productive skills.

○ The Administration's National Service Corporation lets Americans earn resources for education while gaining the kinds of practical experience that motivates learning and sets it in context.

[Insert Case Study]

Proposed Next Steps

Accomplishments to date, however important, are only a beginning. If America is to restore its defining bargain--that if you work hard and play by the rules, you should be able to get ahead--we need to transform the current workforce training and reemployment system, root and branch. Instead of feeding the budgets of bureaucracies--federal or state--we need to empower workers by putting resources and information directly into their hands, so they can make their own choices about the skills they need, and about how to leverage their skills to get better jobs.

The model for the President's Middle Class Bill of Rights is the G.I. Bill, which fueled an earlier generation of prosperity by putting the resources for learning in the hands of the millions of ordinary Americans. The rest is history--indeed, one of the brightest episodes in our history: These returning veterans turned their new skills into higher productivity, greater innovation, rising wages, and soaring living standards. The dream of an upwardly mobile middle class became a reality for a majority of our nation's families. After 25 years of stagnation, it is time for another campaign of investment in the skills of our workers. It is time for another generation of hard-working people who play by the rules to get a fair shot at middle-class prosperity.

The President's proposal for a Middle Class Bill of Rights is designed to do just that. Five key principles drive the President's plan: **individual opportunity; accountability; leaner government; making business a partner; and doing right by our kids.**

1. Individual Opportunity

Americans already have an array of options for education and training -- community colleges, universities, technical schools, private training institutions. Adding to that supply is not the answer. The best solution is to put the resources and the opportunity for learning directly in the hands of individuals so that they can choose the training best for them. The President proposes to empower working families with choices that will enable them to learn the skills essential to earning good wages at good jobs and to building a prosperous, upwardly mobile middle class:

- A **tax deduction** for post-secondary education and training costs up to \$10,000 per year for families making up to \$120,000 will be phased-in. This will help working families pay for acquiring the skills the parents need to advance their own careers and for sending their kids to college or technical school.
- An **expanded IRA** will encourage families earning up to \$100,000 to put \$2000 per year in a tax-free account. Working families will then be better able to invest in acquiring new skills for themselves or their children when they want, as well as buying a first home or saving for retirement
- Access to **Individual Education Accounts** will be made convenient for all students and workers. This will enable all Americans to finance at any time the education and training they want--with the option to repay the loans at the pace their income allows--so they can spread the cost of skill investments over the course of their careers.
- Laid-off and low-wage workers, who often have too little income to benefit from tax incentives, will be offered **Skill Scholarships**. These personal skill grants will finance up to two years of education or training that can lead to a better job. Workers who need to start new careers, and workers who need to make a fresh start, will have access to this "two years and up" gateway to better jobs.

- **Extended unemployment benefits will be made available to laid-off workers in retraining.** This enable those veterans of the workforce who can't find jobs the opportunity to learn new skills essential to getting back to work at good jobs.

Each of these opportunities for learning is personal to the individual worker and family. Instead of going for training where any government would send them, workers and their family members can use their purchasing power where they choose. As with GI Bill before, the Middle Class Bill of Rights puts the opportunity in the hands of the individual, with full confidence that Americans will take responsibility once again for learning new skills and applying them to more productive work that will earn good wages and build prosperity for a growing middle class for years to come.

2. Accountability

We propose to make the education and training system meet the test private businesses face every day. It will have to **deliver value** to its customers, or **risk losing resources**.

Informed choice will enforce accountability. The new system will create a buyer's market. Programs will have to offer training that truly helps workers sharpen their skills and land a better job. If they fail to deliver, workers can take their resources and spend them elsewhere. Satisfying ordinary Americans--not meeting bureaucratic requirements--will be the measure of success.

In order to inform choice, **reliable labor market data and information on the quality and results offered by education providers** will be made readily available. In addition, new measures will be taken to **screen out incompetent or unscrupulous providers** so that they don't waste hard-working people's time and money.

3. Leaner Government

The proposal would **consolidate dozens of separate adult training programs**. Rather than simply repackaging the maze of adult programs into fewer boxes, or putting state bureaucrats instead of federal bureaucrats in charge, we aim to radically restructure incentives and accountability by **putting the resources and choice directly in the hands of workers**.

The current welter of **youth programs** will also be replaced by a **coherent system rooted in the school-to-work** approach taking hold throughout the country.

Government's role is stripped to the essentials. Government's responsibility--largely performed through One-Stop Centers--is to serve as the conduit for putting learning opportunities in the hands of individuals; publish labor market data to inform individual choice; report on the performance of training institutions; broker reemployment services; and police the system to ensure that every individual and institution plays by the rules. Building on the strengths of our federal system, the initiative will encourage implementing these

responsibilities as states and communities see fit to best meet local conditions and priorities.

Government won't dictate either to programs or to people. It will be up to learning institutions--spurred by competitive pressures from their customers, firms and individuals--to decide how best to deliver new skills. It will be up to individuals--the best judges of their own interest--to decide what skill investments make sense for them.

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Firms are already providing the leadership -- and the youth apprenticeships -- to **implement the School-to-Work** initiative in every state and region. They are spearheading the development of the **skills standards** that will provide the benchmarks so that schools, colleges, students and workers know what skills firms will reward.

Under the proposal firms in each labor market will work closely with the local schools, colleges, technical institutions and One Stop Centers to provide **essential labor market information** on what skills are in demand, what jobs are available, and what career opportunities are growing. This local information will flow continuously into a bank of national labor market data from which useful information--on regional trends, job demands from employers, and supplies of skilled workers--can be made readily available, through convenient electronic access, to individual firms and workers. Private brokers of information and job search intermediaries will be able to access and add value to these banks of information on jobs and talent, to better meet the needs of employers and workers.

Finally, America's **firms** are themselves a **key source of lifelong learning and new skills** for their workers. The most competitive and productive firms are upgrading the skills of their workforce -- through formal training, investing in mid-career education, embedding learning in the workplace, and empowering their front-line workers to take greater responsibility for solving problems and working together to deliver more value to their customers. We propose to recognize and reward those firms that best exemplify the shared payoff to such practices. Coupled with research (and dissemination of information) on new and more effective practices and tax deductibility for firm investments in education and training, such rewards will expand and focus the building of skills in the workplace by firms.

5. Doing Right by Our Kids

The same principles of accountability, efficiency, and practical linkages to the working world apply to our **youth program consolidation**. But kids have special needs, so **institutional reform** must play a larger role here.

Our proposal builds on the momentum, and affirms the principles--career pathways; work-based learning; world-class standards--of the **Goals 2000, School-to-Work and Skill Standards** initiatives of the President's first two years.

We propose **consolidating youth employment and training into a coherent system** anchored in the foundation of the **school to work** transformation already underway in all fifty states. For kids still in school, we propose to **consolidate all 19 vocational education programs** into the nation-wide movement for work-based learning and successful transition to rewarding careers and continuous learning emerging under the School-to-Work Opportunities Act. For kids who have dropped out of school, we propose to **consolidate JTPA Title II** (aside from Job Corps), **Youth Fair Chance**, and **Youthbuild** into an integrated **School-to-Work Second Chance** program. And for young Americans isolated in high-poverty pockets, added outreach is needed to make sure that they are not left out; we therefore propose to offer additional incentives for private employers, colleges, and non-profit organizations to join in partnerships with parents and schools in distressed communities to connect responsible youth to the mainstreams of economic opportunity.

CONCLUSION

The President's proposal can work to arm every American with the tools to find good jobs, to learn new skills, and to earn higher wages at more rewarding work. Like the GI Bill before, the President's Middle Class Bill of Rights will put the opportunity for learning and applying new skills directly in the hands of the people. Like the returning soldiers fifty years ago, America's workers today can then take responsibility for seizing this opportunity to learn and apply new skills, to earn higher wages, to produce higher incomes, and to build rising living standards for their families, now and for a generation of burgeoning middle class prosperity to come.

"Education...has a bigger impact on earnings and job security than ever before....Every American needs the skills necessary to prosper in the new economy....So let's invest the fruits of today's recovery into tomorrow's opportunity."

President Clinton, Address to the Nation, December 15, 1994

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Draft

REEMPLOYMENT AND WORKFORCE INVESTMENT

History

In the closing years of the 20th century, America's workforce is riding a roller-coaster of economic change. Raging technological transformation and global competition are reshaping the industrial landscape. This is mostly good news for America: overall, our nation is well-equipped to prosper in a fast-paced, increasingly integrated world economy. Change, after all, has always been America's strong suit.

The bad news is that too many of our workers have been falling behind, and average hourly wages have declined. America's workforce is increasingly divided according to skill level: Well-educated and skilled workers are prospering because they are still able to earn higher wages. Those whose skills are out of date or out of synch with the continuing changes in the economy anxiously contemplate their prospects. Those without education or skills drift further and further away from the economic mainstream.

This division in the workforce has been a generation in the making as the economy has struggled through a rough transition: from high wages for the gritty application of muscle-power in the mass production plants of the old industrial economy to high wages for the innovative application of new skills in firms adding more value to customized goods and personalized services in the new economy. A generation ago, a male college graduate earned less than 50 percent more than a man with only a high-school degree. Today, he outearns his high-school graduate counterpart by 83 percent. Overall, from 1973 to 1992, the average hourly wages of all workers actually fell, as the country's rate of increase in productivity declined to less than 1/3 of the prior generation. As a result, living standards for most American families have stagnated.

The good news is that the skills essential to boosting productivity and wages can be learned. Every year of education or job-training beyond high school -- whenever it occurs in a person's life -- increases future earning by 6 to 12%. America is blessed with a rich array of learning institutions to deliver the skills workers need to earn higher wages. And an increasing percentage of America's firms are finding that the surest path to adding more value to goods and services is embedding continuous learning in the workplace and empowering front-line workers to take greater responsibility for applying their new skills to more productive and rewarding work. Since four-fifths of the nation's workforce in the year 2000 is already at work today, lifelong learning of new skills is the lever for earning higher wages and living standards. President Clinton is committed to fighting to make sure that every American worker is given a fair chance to apply this lever of lifelong learning to achieve a more rewarding role in the new economy.

Of the five million, net new jobs created in the first 22 months of the Clinton Administration, most are good jobs paying high wages. For the first time in a generation, America is once again leading a world economic recovery. In our increasingly productive manufacturing, farming, service, entertainment,

communication, information, university and research sectors, we are setting the world benchmark for quality, value and innovation.

With the fall of communist command and control economies and the ratification of new agreements to tear down trade barriers, the world economy is on the brink of a transformation with enormous potential for America. Rapidly expanding markets are now clamoring for American-made goods and services, as well as freedom and free enterprise. This presents an unprecedented opportunity for our generation to replace the declining wages and stagnating living standards for most Americans over the last generation with a new era of prosperity. Our burden of responsibility is to assure that every worker has the opportunity to learn and to apply new skills.

Such challenges in the economic life of our country are not new. Over the past 100 years, in the two periods of greatest change, Americans seized the opportunity to move forward: first, in the transition from a manual labor, agrarian economy to the mass production leader of the world at the turn of the century; and, then again, in the transition from war-time production to an astonishingly vibrant peace-time economy in the generation following World War II. Only once during this century has our country flinched: following World War I we sought to isolate ourselves from the rest of the world with protectionist barriers, and the Great Depression ensued.

Today, America's choice in the new, global economy is simple: high skills or low wages.

The Vision

To seize the opportunity for all Americans to earn higher wages in the new economy, we must remedy the rift dividing those who have the right skills to compete and those who don't. We can do so by implementing two essential policies:

- expand the opportunities for lifelong learning for all workers so they can learn and apply new skills to earn higher wages at more productive and rewarding work
- construct a reliable system of reemployment and labor market information so that workers displaced by economic change can get back on their feet and back to work and workers looking for better jobs can learn new skills and find more productive work.

Given a fair chance to arm themselves with the skills needed to compete in the new economy and the tools needed to find jobs where they can apply those new skills, America's workers will take responsibility for building a better future. But if we fail to provide such opportunity, the divide between those earning high wages and those with low skills will grow. Our productivity and living standards will stagnate for another generation. And we risk losing the tradition of broadly shared middle class prosperity that is the essence of the American Dream.

Investing in the skills of our workforce and constructing a reemployment and labor market information system that works are the linchpins of our nation's competitiveness and productivity. America's workers and families will reap the reward: earning higher wages and living standards for a generation to come.

Case Study: Antonio Dodero

Antonio Dodero was a 30-year veteran of the aerospace industry when--like many of his colleagues in southern California--he lost his job and knew it was gone for good. Mr. Dodero wrote in a letter to the President, "I did a little soul searching, and decided it was time for a change. I'm at what you could call a difficult age, too young to retire but too old to start all over."

He enrolled in a new-skills program that was part of our emerging reemployment system. He chose courses in refrigeration, heating, and air conditioning repair that allowed him to apply some of the skills he already had. And he supplemented his experience with extensive classroom training in this new line of work.

Mr. Dodero graduated from his program with honors -- and thanks to job search assistance provided by his reemployment program, he quickly landed a good job as a service technician at a local heating and air conditioning company, then an even better job at a similar firm.

The Initiative--Accomplishments So Far

Reemployment: The Clinton Administration has aggressively deployed existing authority and existing resources to begin building a reemployment system, while shaping proposals for legislative change. Reemployment reforms already achieved include:

- About half of the states--empowered with federal grants-- are planning or assembling networks of one-stop career centers to offer efficient, customer-driven access to counseling, labor-market information, job listings, training and education, and other reemployment services.

- Funding for reemployment services has increased 150 percent to \$1.3 billion this year, giving hundreds of thousands of additional workers support to find new jobs.

- Workers applying for unemployment insurance, or plant closings or defense conversions, are getting individual assessments of their skills and risks of long-term unemployment, so that each can quickly find the help they need for rapid reemployment

- Changes the Administration sponsored in unemployment insurance laws encourage laid-off workers to start their own businesses.

Lifelong Learning: The Goals 2000: Educate America Act sets the tone for our agenda of reform. In it, Congress and the Administration articulate a national resolve that "by the year 2000, every adult American will...possess the knowledge and skills necessary to compete in a global economy." The provisions of that Act shape the foundation of education reform that underpins the lifelong learning system.

Major elements of the structure to be built on that foundation are already in place:

- Voluntary occupational skill standards, developed by business-based coalitions, will let workers, community colleges and universities know what skills matter most in the marketplace, and help workers demonstrate their productive potential wherever they have learned their skills to employers.

- The School-to-Work Opportunities Act will give young Americans signposts for a successful transition from the world of school to the world of work.

- The Goals 2000 and the Elementary and Secondary Education Act defines a new role for the federal government as a catalyst for change by encouraging local communities to adopt high standards so that all students can learn higher skills in the nation's education system.

- Individual Education Accounts provide every post-secondary student with convenient access to acquire new skills and a broad array of repayment options from future earnings so that no American need be barred by financing problems from the opportunity to gain productive skills.

- The Administration's National Service Corporation lets Americans earn resources for education while gaining the kinds of practical experience that motivates learning and sets it in context.

Proposed Next Steps: Workforce Empowerment

Accomplishments to date, however important, are only a beginning. If America is to restore its defining bargain--that if you work hard and play by the rules, you should be able to get ahead--we need to transform the current workforce training and reemployment system, root and branch. Instead of feeding the budgets of bureaucracies -- federal or state -- we need to empower workers by putting resources directly into their hands to make their own informed choices to acquire the skills they need and to apply those new skills to more rewarding jobs.

Our model is the G.I. Bill, which empowered a generation by putting the resources for learning in the hands of ordinary Americans: they took responsibility for learning and applying their new skills to building businesses and producing more and better goods, new homes, communities, and services. The rest is history: they applied their new skills to earn higher productivity, wages and living standards for a grateful nation, and the dream of a burgeoning, upwardly middle class became a reality for a majority of our nation's people. After 25 years of stagnation, it is time, once again, to make a similar investment in the skills of our workforce: if we make this opportunity available now, ordinary Americans will once again take responsibility for applying new skills to build a generation of prosperity and a new, upwardly mobile, middle class majority open to all Americans who are willing to learn and to work.

expanded individual opportunity;

smaller, more limited government

reverts

The next steps of the workforce empowerment agenda are driven by six key principles: ~~choice, limited government and consolidation,~~ accountability, private sector participation, and doing right by our youth. ~~[Insert Donahue version here, as revised; Jack, we need a one-page pullet version that is at a higher level of generality, too!]~~

Individual

1. Expanded Opportunity

- Americans already have an array of training options -- community colleges, proprietary schools, private training institutions. Adding to that supply is not the answer. The best solution is to give individuals the resources and the opportunity to choose the training best for them.
- New Individual Skill Accounts are the heart of this proposal. Both dislocated workers and disadvantaged adults will be eligible for special grants into their accounts. Grants into eligible workers accounts, of up to \$3000 per year for two years, will finance education or training that can lead to a better job. The resources put under workers' control will be enough to cover tuition, books, supplies, and transportation for a typical course of retraining at a public institution. Workers who need to start new careers, and workers who need to make a fresh start, will have access to this "two years and up" gateway to new careers.
- Instead of going for their training where government sends them, workers can get access to and use their accounts at any eligible training institution, including community colleges and private technical schools.
- The proposal will also step up the marketing of direct student loans to all American workers (emphasizing the "pay as you can" option) as an affordable way to get resources into Individual Skill Accounts.

*redefine as
Skill Accounts for
all... then
different sources
can feed
Skill IFA's
employer support
scholarship from
sources?*

- Extended unemployment benefits to workers in retraining will make longer-term learning programs economically feasible.
- Finally, we propose to empower all workers with learning choices by fixing the tax system to encourage the kind of skill investments that are increasingly essential to earning good middle-class incomes.

2. Accountability

- We propose to make the education and training system meet the test private businesses face every day. It will have to deliver value to its customers, or risk losing resources.
- Every provider of education and training will have to meet a rigorous set of quality standards before it can compete for students.
- Potential customers, individual working men and women, will be armed with detailed consumer Report Cards that tell what each program offers and how past participants have fared on the job market.
- Most importantly, choice itself will enforce accountability, because the new system will create a buyer's market. Programs will have to offer training that truly helps workers sharpen their skills and land a better job. If they fail to deliver, people can take their scholarships and spend them elsewhere. Satisfying ordinary Americans--not meeting bureaucratic requirements--will be the measure of success that matters most.

[get sharpening ??]
need a bullet??

3. Smaller, More Efficient Government

- The proposal would consolidate over 70 separate programs into five simpler systems covering adult employment and training, youth development, native Americans, migrants and seasonal farmworkers, and adult education and literacy.
- Rather than simply repackaging programs into fewer boxes, or putting state bureaucrats in charge instead of federal bureaucrats, we aim to radically restructure incentives and accountability by shifting control wherever possible directly to workers.
- Over 24 separate programs for dislocated and disadvantaged adult workers will be swept off the books and replaced with individual scholarships that workers can tap readily and control themselves.

reduction in federal employees - numbers

Individual Skill Accounts

- The current welter of youth programs will be replaced by a coherent system rooted in the school-to-work approach.
- Government's role is stripped to the essentials in this proposal. It will serve as the conduit for learning resources. It will publish labor-market data to inform learning choices, report on the performance of training institutions, broker reemployment services, and police the system to ensure that every individual and institution plays by the rules.
- Government won't dictate either to programs or to people. It will be up to learning institutions--spurred by competitive pressures--to decide how best to deliver new skills. It will be up to individuals--the best judges of their own interest--to decide what skill investments make sense for them.

4. Private Sector Participation

- America's firms are ready to become full partners in implementing this worker empowerment agenda. They are already providing the leadership -- and the youth apprenticeships -- to implement the School-to-Work initiative in every state and region. They are participating in the development of the skills standards that will provide the benchmarks so that schools, colleges, students and workers know what skills firms will reward.
- In each labor market firms will work closely with the local schools, colleges, and one-stop centers to provide essential information on what skills are in demand, what jobs are available, and what career opportunities are growing. ~~We propose to provide maximum flexibility to such partnerships.~~ This will build more effective labor market information and exchange in each local labor market; and it will help firms find the workers with the skills firms need to become more productive and competitive.
- From the local information, we will build a continuously updating bank of national labor market information from which useful sources of data on regional trends, job demands from employers, and supplies of skilled workers can be made readily available to individual firms and workers through convenient electronic access. We will invite private brokers of information and job search intermediaries to access these banks of information on jobs and talent to better meet the needs of employers and workers.
- Finally, America's firms are increasingly a vital source of lifelong learning and new skills for their workers. The most competitive and productive firms are investing in upgrading the skills of their workforce -- through formal training, investing in mid-career education, embedding learning in the workplace, and

*Let's do it just
have to encourage
to get out of way*

private industry to

empowering their front-line workers to take greater responsibility for solving problems and working together to figure out how to add value to the goods and services they produce and deliver to their customers. The Clinton Administration in cooperation with ~~whom?~~ will recognize and reward those firms that best exemplify the greater productivity, competitiveness and rewards of learning and work in such high performance workplaces.

5. Doing Right by Our Kids ^{kids} ~~growth~~

~~add just bullet about~~
~~→. Yeah, you don't do S.W. for~~
~~all growth kids~~

- The same principles of accountability, efficiency, and practical linkages to the working world apply to our youth program consolidation proposal. But kids youth have special needs, so institutional reform must play a larger role--and choice a ~~somewhat~~ smaller role--in our proposal for youth.
- We propose consolidating youth employment and training into two coherent systems. Both systems are anchored on the foundation of the school to work transformation already underway in all fifty states.
- For kids still in school, we propose to consolidate all 25 vocational education programs into the system emerging under the School-to-Work Opportunities Act. *Do we want to defend? For let Rich hold out & it's there for us to be gain away)*
- For kids who have dropped out of school, we propose to consolidate JTPA Title II (aside from Job Corps), Youth Fair Chance, and Youthbuild into an integrated School-to-Work Second Chance program.
- For those youth who are isolated in high-poverty pockets, special efforts are necessary to make sure that they are not left out of these new pathways from school to rewarding work in the new economy. We therefore propose to offer additional incentives for private employers, colleges, and non-profit organizations to join in partnerships with parents and schools in these distressed communities to connect responsible youth to the mainstreams of economic opportunity in each region.

Revised by DOJ/ED
12/9

MAJOR ETR DESIGN ISSUES

Issue 1: Delivery System for Adults. Should the Employment Service be separate from the Adult Learning System grant which already consolidates more than 20 programs?

Option 1: Retain separate Employment Service and Adult Learning System grants but require integration of services through the One-Stop system as recommended by the Vice President's NPR.

Pros: Preserves the Federal commitment to maintain a State-operated public labor exchange while integrating administration at the customer level, enables States and localities to use one-stops to drive system reform, and is already accepted by States and localities as an effective working model.

Cons: Limits State flexibility and reduces amount of GAO-type consolidation with regard to eliminating funding streams.

Option 2: Combine into one funding stream; let the States decide the administrative structure.

Pros: Maximizes State flexibility and credit for consolidation and may allow funds now used for administrative overhead to be used for services

Cons: A single grant would only merge one additional program into the Adult system, would eliminate the States ability to leverage change and would generate intense opposition from organized labor (AFSCME and SEIU).

Issue 2: School-to-Work Delivery System for Youth. With the passage of the School-to-Work Opportunities Act, the President has begun a national reform of education and workforce preparation for youth, particularly for the 75 percent not prepared for work and postsecondary education. The ETR initiative seeks to transform the major federal programs for youth-Perkins and JTPA -- to advance the School-to-Work initiative.

Option 1: The ETR proposal would reform the 25 vocational education and training programs for youth into two broad grant School-to-Work programs. The Perkins funds would support School-to-Work systems in high schools and community colleges. The JTPA funds would primarily support "second chance" School-to-Work programs for out-of-school youth.

Pro: Ensures that federal funds for vocational education and training will advance the School-to-Work initiative for all youth -- both in-school and out-of-school youth, and Perkins funds will leverage State and local funds by a factor of 10.

Con: Limits GAO-type consolidation by keeping two funding streams for in-school and out-of-school youth.

Option 2: An alternative proposal would be to combine all JTPA and Perkins funds into one single grant to the Governor and provide maximum flexibility on the use of funds to support the School-to-Work initiative.

Pro: Maximizes state flexibility and consolidation of federal programs.

Con: Does not ensure that a state will use federal funds to advance the School-to-Work initiative for both in-school and out-of-school youth.

Issue 3: Flexibility for States and localities. To what extent should States and localities be constrained in deciding the program design with regard to: (a) spending a minimum amount on skill scholarship grants vs. flexibility to spend an unlimited share on other types of services; and (b) spending minimum amounts on dislocated and low-income workers vs. flexibility to determine the allocation of funding to target populations?

Option 1: Require both a minimum share of adult funds to be used for skill scholarship grants and specific minimum levels to be used for dislocated workers and low-income persons that together are less than total funding, but permit waivers where local economic conditions warrant a different mix either for the type of service or the relative allocations to target groups.

Pros: Ensures that empowerment theme is fully supported because skill scholarship grants allow individuals to choose their own education and training; directly ensures access to services for both low-income and dislocated workers; allows States and localities the flexibility to use allocated funds above the minimum levels (e.g. spend more on skill scholarship grants and change total allocation to target groups); provides a process for waiving the minimum levels, and use of minimum levels of funding (as opposed to explicit amount) not likely to be treated as a setaside and separate program by GAO.

Cons: Limits flexibility of States and localities with regard to spending less on skill scholarship grants and deciding allocation to target groups.

Option 2: Allow States and localities complete flexibility to decide mix of services and allocation to target groups.

Pros: Maximizes State and local flexibility in allocating resources and ensures that GAO does not treat minimum levels as a setaside and therefore a separate program.

Cons: Raises possibility that inadequate amount of skill scholarship grants could be provided in some States and localities and provides no assurances to constituency groups that they will have minimum access to services. Threatens development of one stops, LMI and other components if Governors and Mayors have complete discretion.

Revised by Dn/ED**MAJOR ETR DESIGN ISSUES**

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Cons: Limits State flexibility and reduces amount of GAO-type consolidation with regard to eliminating funding streams.

Option 2: Combine into one funding stream; let the States decide the administrative structure.

Pros: Maximizes State flexibility and credit for consolidation and may allow funds now used for administrative overhead to be used for services

Cons: A single grant would only merge one additional program into the Adult system, would eliminate the States ability to leverage change and would generate intense opposition from organized labor (AFSCME and SEIU).

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Pros: Ensures that empowerment theme is fully supported because skill scholarship grants allow individuals to choose their own education and training; directly ensures access to services for both low-income and dislocated workers; allows States and localities the flexibility to use allocated funds above the minimum levels (e.g. spend more on skill scholarship grants and change total allocation to target groups); provides a process for waiving the minimum levels, and use of minimum levels of funding (as opposed to explicit amount) not likely to be treated as a setaside and separate program by GAO.

Cons: Limits flexibility of States and localities with regard to spending less on skill scholarship grants and deciding allocation to target groups.

Option 2: Allow States and localities complete flexibility to decide mix of services and allocation to target groups.

Pros: Maximizes State and local flexibility in allocating resources and ensures that GAO does not treat minimum levels as a setaside and therefore a separate program.

Cons: Raises possibility that inadequate amount of skill scholarship grants could be provided in some States and localities and provides no assurances to constituency groups that they will have minimum access to services. Threatens development of one stops, LMI and other components if Governors and Mayors have complete discretion.

MAJOR ETR DESIGN ISSUES

- o Delivery system for adults. Option 1: Maintain separate funding streams for: JTPA; Employment Services; One-stop career centers. Option 2: Combine into one funding stream; let the States decide the administrative structure.

Option 1 preserves the One-stop initiative to reform the Employment Service and reduces likely opposition to the proposal.

Option 2 maximizes State flexibility and consolidation, and permits hundreds of millions now spent on administration, to be spent on additional services.

- o Delivery system for youth. Option 1: Consolidate and simplify program structures, but retain four funding streams to States: two Labor (JTPA); one ED (vocational ed); one joint (School-to-Work). Option 2: Combine the four into one that States and localities use as they see fit to more effectively move youth from high school (or drop-out status) into jobs or further education.

Option 1 retains the benefit of each agency's expertise in reforming program operations (jobs in DOL; education in ED) and can still support the transition to jobs and education objective.

Option 2 maximizes State flexibility and consolidation, including reducing required spending on administration.

- o State control over program design. Two components: (a) requiring States to spend a fixed share of funds on individual empowerment grants, vs. flexibility to spend on empowerment grants or on other things individuals may need, including up-front services, OJT, and support services; (b) requiring a fixed share of funds to be spent on dislocated workers and on low-income persons, vs. flexibility to change the mix.

Option 1: Require a minimum share (the majority) of adult funds to be used for empowerment grants, with specific reserves for unemployed workers and for low-income persons, but permit waivers where local economic conditions warrant a different mix either for grants vs. services, or for low-income vs. dislocated workers. Option 2: Allocate funds to the States and localities based on share of dislocated and disadvantaged in local workforce but give States and localities more control over program design as long as their plan meets broad goals.

Option 1 more fully supports the empowerment theme and more directly ensures access for the disadvantaged and services for dislocated workers.

Option 2 maximizes State flexibility and consolidation.

**Workforce Development System
Budget Proposal for FY 1996**

Revised December 9, 1994

	Passback Level		Request		Difference	
	Funding (\$1,000)	Persons Served (1000's)	Funding (\$1,000)	Persons Served (1000's)	Funding (\$1,000)	Persons Served (1000's)
Adult System						
JTPA	\$2,451	1,612	\$3,492	2,386	\$1,041	774
One-Stop*	\$200	N/A	\$300	N/A	\$100	N/A
Pell Grants**	\$6,578	3,828	\$8,209	4,164	\$1,631	336
Youth System						
JTPA Total	\$1,335	567	\$1,882	633	\$547	66
Summer	(958.5)	(532)	(998.5)	(534)	(40)	(2)
Year-Round	(296.5)	(35)	(598.5)	(71)	(302)	(36)
EZ-EC	(-0-)	(-0-)	(245.0)	(28)	(245)	(28)
Other	(79.8)	(N/A)	(39.8)	(N/A)	(-40)	(N/A)
Perkins***	\$1,116	N/A	\$1,213	N/A	\$97	N/A
Totals	\$11,680	6,007	\$15,096	7,183	\$3,416	1,176

* Funding represents "seed" money, for states to build One-Stop Center Networks.

** Totals represent the entire Pell program, of which that portion representing persons in programs of below the Associate's Degree level will be transferred to the DOL budget upon enactment. This amount, based on proportion of current funding going to such persons, would be approximately 30% of the total Pell Grant program.

*** It is not possible to predict at this time what the level of participation will be under a reauthorized Perkins Act.

ETR Agenda

What the POTUS gets to offer:

The equivalent of a GI Bill for working Americans to ensure they have access to the opportunities to get the new skills needed to find and keep good-paying jobs. The GI Bill offered an entire generation of Americans who were willing to work hard to better themselves the means to get new skills and prosper in the post-War economy.

It was non-bureaucratic. It was simple. And it relied on the good judgement of the American people to use these learning opportunities well. And the result was the biggest increase in the size and the standard of living of the American middle-class in our history.

I envision an America in which everyone has access to an individual education account. This account would offer anyone wishing to better themselves the opportunity to finance education for themselves and their children at a university, college, or technical school at an affordable cost. It would offer tax breaks to further cut the costs of education. And would ensure a Skills Scholarship for any American losing a job who needed additional skills to find another good-paying job.

12/10 3:00pm
390 words

We have to restore the bargain that if you work hard and play by the rules you ~~have~~ can earn a good life for yourself and your family. That bargain built our great middle class. That bargain made the American dream a reality for millions of us. But today, too many people have lost faith in the American dream, because they are working hard and they're still not getting ahead. The loss of faith in that old American bargain is cramping our economy, twisting our culture, and poisoning our politics. We can get it back. We can restore that bargain. But the rules have changed. In today's new economy of global markets, technological transformation, and constant change, the new rules say you've got to have skills. So if we're going to keep our middle-class tradition strong, we have to make sure that hard-working Americans can make it under the new rules, can get the skills they need to get and keep good jobs all through their careers.

That's what we have to do. But the policies and programs we have today aren't up to the job. They're too complicated, too bureaucratic, too hard to understand and use. So we're going to fix them. We're going to fix the tax system so it encourages the only kind of investment we know for sure builds opportunities for the broad middle class--investments in people, investments in their skills. We're going to rip apart our employment and training programs, throw out the pieces that don't fit or don't work anymore, and put them back together so they'll work better for working people and give the taxpayers their money's worth. Instead of making you get some bureaucrat's permission to learn the skills you need for good-paying jobs, we're going to put education and training dollars directly in people's hands, and let them learn the skills that make sense for them, at the time and in the way that makes sense for them. We're going to boil the government's role down to its bare essentials--providing information, in a form people can use; opening access to loans and scholarships for all Americans who need skills to start their careers, or to make a fresh start; and enforcing accountability in education and training so the crooks and the frauds and the incompetents don't waste hard-working people's time and money.

AMERICA'S WORKFORCE DEVELOPMENT STREAMLINING PROPOSAL

** SUMMARY **

- ▶ **Purpose:** Transform a fragmented collection of federal education, training, and employment assistance into a comprehensive and efficient workforce development system that empowers people to pursue lifelong learning by expanding their access to purchasing power for skill training. The proposal:
 - Combines over 60 education and training programs into 4 grant systems serving adults, youth, Indians and Native Americans, and migrants and seasonal farmworkers.
 - Puts funds for skill training into the hands of individual workers, maintains a core service delivery system for each system, and preserves services for key populations.
 - Ensures that localities get financial support in addition to resources earmarked for States, further enhances accountability with report cards on quality, and requires that key populations get served.
- ▶ **America's Adult Learning System:** Creates a single system of individual purchasing power by consolidating 24 education and training programs and offering adult workers and the unemployed a range of choices for self-initiated lifelong learning. Encompasses dislocated worker and disadvantaged adult programs, as well as Adult Education and a portion of Pell grant resources.
 - Creates *Skill Scholarships* of up to \$3,000 each year for two years for dislocated workers and economically disadvantaged adults.
 - Markets *direct student loans (with income contingent repayment option)* to workers as an affordable way to finance training at education and training institutions.
 - Changes *tax-code provisions* to reduce the cost of purchasing education and training, encourage saving for lifelong learning, or both.
 - Ensures income support by permanently *extending the .2 FUTA tax* and transferring it to States that enact legislation to provide extended UI benefits for workers in training programs.
 - Establishes *common access* at any eligible school for federal training resources available to adult workers.
- ▶ **America's School-to-Work/Youth Development System:**
 - Establishes *Job Guarantee Program* within Empowerment Zones/Enterprise Communities.
 - *Reforms youth programs* under a single framework with two key components:
 - *** *School-to-Work Second Chance Program* consolidates JTPA Title II youth programs (excluding Job Corps but including youth set-asides for incentive grants and education programs), Youth Fair Chance, and Youthbuild into a single coordinated effort that

integrates work-based learning with school-based instruction for high risk youth, emphasizes the important role employers must play in preparing youth for the job market, maintains summer program funding level.

- Allocates funds to local communities (Mayors, County Executives).

*** *Career and Technical Preparation System* ensures that Perkins Act funds support the State school-to-work systems developed through the School-to-Work Opportunities Act; consolidates 25 existing Perkins programs and set-asides; and provides flexibility for States and localities to adapt to local needs.

- ▶ **Delivery System:** Retains core delivery system for each grant system and allocates funds using a statutory formula through States to localities.
 - *One-Stop Career Center networks* provide common access to people seeking services from the various systems. States and localities will be responsible for ensuring access.
 - A new *labor market information system* will provide people and employers with information about jobs, careers and training services.
 - *One-Stop Federal Waivers* will create easy access to interagency waivers through a *Federal Workforce Development Council*. This Council also develop a strategic plan for the national workforce development system, set performance expectations for State systems, and develop common terms and definitions to promote better coordination of systems and enhance consumer access and oversight.
 - *National activities* will include research, demonstration and evaluation, technical assistance and capacity building, dissemination of "what works" information, and discretionary grants to address large-scale worker dislocations.
- ▶ **Accountability and Better Performance:** Creates more effective market-based policing of providers by putting purchasing power directly in the hands of individuals along with *Report Cards* on the quality of education and training institutions.
 - Only providers of education and training services that meet eligibility requirements based on quality standards will be able to participate.
 - All recipients of Federal training dollars provide performance-based information to potential consumers through Report Cards.
 - *State and local public policy, planning, and oversight mechanisms* will monitor and publish reports on workforce development performance.
- ▶ **Other Consolidation:** Provides grantees with more flexibility by:
 - Combining seven Indian and Native American programs into a single Native American Training system, and
 - Combining four programs into a single Migrant and Seasonal Farmworker system.

Clinton Wants Voc-Ed, JTPA Under School-To-Work Umbrella

President Clinton's massive plan to streamline the federal government touched down on vocational education yesterday.

A proposal being ironed out by the Education and Labor departments would lump federal funding for 25 existing vocational education and youth job training programs into a single block grant, Education Undersecretary Mike Smith said in an interview yesterday.

According to Smith, 19 voc ed programs, including basic state grants and tech prep, would be merged with six youth training programs under the Job Training Partnership Act (JTPA). Those programs would embody a single federal block grant that states could spend at their discretion.

School-to-Work Pool

ED and Labor say combining program funds would essentially create a huge pool of school-to-work transition money that school districts could tap to supplement--and eventually replace--federal school-to-work funds.

The plan is one of many restructuring initiatives under consideration for training programs. Another would set aside nearly a third of Pell Grants for poor adults and dislocated workers to get postsecondary vocational training.

It surfaces amid Clinton's renewed effort to restructure federal agencies.

And it comes as Republicans who are readying to take over Congress discuss ways to overhaul the federal bureaucracy.

Clinton's plan may guide GOP leaders in Congress as they attempt to pass their own strategy to coordinate vocational training, but it's doubtful they'll embrace it wholeheartedly.

President Bush's ambitious 1992 plan to revamp the training structure, for instance, was never seriously considered by the Democratic Congress.

ED and Labor hope Clinton's shake-up, which will be revealed in more detail next month, would better link existing voc ed and JTPA efforts with a new federal school-to-work transition law.

"It would be like a joint administration [by ED and Labor] without requiring us to create a separate unit," Smith said.

ED and Labor now work together to administer the School-To-Work Opportunities Act, which provides states with seed money to further school-to-work transitions. Its funding dries up in five years.

The proposal is intended to preempt debate surrounding the congressional renewal of the Carl D. Perkins Vocational and Applied Technology Education Act, expected to start next year.

Voc ed lobbyists attended an ED briefing yesterday on the restructuring and were unavailable for comment.

State Flexibility

Smith said he doesn't expect a funding merger to disrupt the administration of Perkins or JTPA programs, even though states apparently would have the discretion to spend their block grant on whatever training programs they choose. Instead, he says, it would merely provide more coordination and flexibility at the state level.

Clinton's plan probably will be presented to Congress through legislation that would address a more sweeping vocational training consolidation. That bill would essentially replace a year-old White House plan to merge dislocated worker training programs and give states the option to combine other federal training efforts.

more...

Teachers unions still seek merger

By Laurie Kellman
THE WASHINGTON TIMES

The nation's two top teachers unions are set to reopen talks about working together, a week after they broke off negotiations to merge.

The National Education Association on Dec. 19 broke off 18 months of talks with the American Federation of Teachers after the two organizations agreed that "internal issues" separating them "were insurmountable."

In a Dec. 22 statement, the NEA announced that "after the holidays NEA and AFT leaders will meet again to discuss forging a new, closer and more productive working relationship as separate organizations.

"Both NEA and AFT remain committed to the concept of merger at the national level and hopeful that the discussions can resume sometime in the future."

The NEA, the nation's largest union, put off a vote on unification at its annual convention last July.

Instead, NEA President Keith Geiger sought and got approval from the 10,000-member Representative Assembly to continue talks with the AFT for another year.

At a news conference in July, Mr. Geiger cited "structural" differences between the two groups as the primary obstacle to unification.

From the beginning, a sticking point has been the AFT's affiliation with the AFL-CIO. In 1976, the NEA adopted a prohibition against any type of AFL-CIO affiliation.

Another problem, NEA spokeswoman Nancy Kochuk said then, was that the NEA votes by secret ballot, while the AFT has open balloting.

Also, the NEA's constitution requires minority representation in its governance, she said. It specifies that every 11 years the NEA president must be from an ethnic minority and that 20 percent of the 150-member board and 20 percent of the nine-member executive committee must be ethnic minorities.

Additionally, NEA affiliates have to strive in their elective and appointive bodies to have ethnic minority representation proportional to the membership.

There are also policy differences rooted in philosophy. The NEA is liberal; the AFT is moderate to conservative on most issues.

AFT President Albert Shanker, now in his 20th year as union head and highly regarded as one of the great "thinkers" in education, has waged a war on "full inclusion" policies that put students with special needs in regular classrooms.

He has been quoted as saying the practice burdens teachers who must deal with disruptive students with medical, emotional or behavioral problems.

The AFT had asked for a moratorium on "inclusion"; the NEA has argued that it is a positive policy that needs to be executed properly.

Mr. Shanker also has plugged for high national educational standards that set forth what students should know in core subject areas, and has backed a national assessment to measure progress toward those goals.

The NEA opposes "standardized testing mandated by a state or national authority."

Both groups are opposed to government vouchers that would allow children to attend private and religious schools.

Clinton Wants Voc Ed, JTPA Under School-To-Work Umbrella (Cont.)

Sen. Nancy Kassebaum, R-Kan., incoming chairwoman of the Labor and Human Resources Committee, plans to issue her own vocational training consolidation bill early next year that would include similar themes. She already has scheduled hearings on consolidation for Jan. 10-12.

If Congress embraces the White House changes, Smith said they would take effect at the start of fiscal 1996, next October.

Education Daily • December 22, 1994

P-2

Clinton Wants Pell Grants To Fund Skill Scholarships

The Labor and Education departments want to set aside up to 31 percent of Pell Grants to fund "skill scholarships" for dislocated workers and disadvantaged adults.

Part of President Clinton's plan to streamline the federal government, the proposal, released yesterday, would allow Pell Grants to pay for up to two years of education and training below the associate's degree level.

ED would set aside the Pell Grants for what would be a new Labor program, Education Undersecretary Mike Smith said in an interview yesterday. Pell Grants totaled \$6.2 billion this year.

Although Labor would administer the program, the eligibility and award amounts would be governed by Pell Grant rules for other adults seeking postsecondary education.

The scholarship pool--which Smith said could reach \$5 billion--also would include savings from eliminating some of Labor's adult training programs under the Job Training Partnership Act and other yet-to-be named sources.

The skill scholarships would be capped at the same level as Pell Grants, which is \$2,300 for fiscal 1995. --Jennifer Cetta

Congressional Researchers Offer Student Loan Savings Options

Efforts to cut student loan costs have been misdirected, two congressional researchers say.

Citing the shrinking estimates of how much the new Ford Direct Student Loan (DSL) program will save, they outline other options in an article to be published in this month's *National Tax Journal*.

First of all, government should focus on reducing student loan defaults by restricting eligibility, say the two economists at the nonpartisan Congressional Research Service (CRS).

Student characteristics related to loan repayment rates, such as parents' education level and academic achievement, should be considered when issuing loans, they say.

They also say Congress could cut student loan costs by:

- Auctioning private lending rights. Competition would decrease interest rates for loans and Congress would not have to set the rates.
- Taxing schools for their students' loan default rates.

Schools are the "most logical vehicle" for screening out students who seem likely to have problems paying back loans, the economists say. The Education Department recently delayed until at least fiscal 1996 rules for states to share the cost of student loan defaults.

Still Unconvinced

CRS has consistently criticized DSL, saying its cost-savings potential has been overrated, and that initial estimates ignored costs and credit risks.

CRS now estimates DSL will save \$2.1 billion over five years, down from a previous estimates of \$6.7 billion.

The authors challenge DSL proponents' assertions that the new system is simpler than the Family Education Loan (FEL) program.

Although it seems easier for the federal government to take on the roles of lender and guarantee agency, with ED making loans through schools, the economists say it's not practical.

Those institutions already have experience with student loans, they say, and ED may not be able to operate as well. Their study also notes that the private sector has steadily reduced its operation costs as competition forced efficiency.

"Substituting Direct Government Lending for Guaranteed Student Loans: How Budget Rules Distorted Economic Decisionmaking" is to appear in the December issue of the National Tax Journal. Copies will be available Dec. 29 for \$5 from National Tax Association, 5310 E. Main St., Suite 104, Columbus, Ohio, 43213-2598, (313)936-3914. --Matthew Dembicki

THE WHITE HOUSE

WASHINGTON

December 5, 1994

MEMORANDUM FOR: Patricia McNeil
THROUGH: William Galston
FROM: Michael Levitan
SUBJECT: Peer to Peer Extension Under Perkins

President Clinton has frequently expressed his belief that the solutions to what is wrong with American education have already been developed somewhere. The problem is with insufficient communication and extension of innovative approaches.

Background

As you know, there are a number of very successful vocational education programs around the country that are modelling many of the guiding themes emerging in the Perkins Reauthorization -- better integration of academic and vocational, linking school to work, focussing on life-long learning knowledge rather than narrow technical skills, improving program quality while still responding to the needs of special populations. One challenge in designing the bill, if we are to overcome the problem cited by the President, is to better enable successful practitioners to spearhead extension of innovative approaches. Those with real life experience possess the most powerful means to motivate and educate other practitioners. A vibrant *peer to peer network* can dramatically accelerate the rate of communication and extension needed to reform vocational education.

Proposal

Federal intervention should be designed to overcome the constraints that prevent innovative practitioners from being more active in efforts to extend successful approaches. The following is a very brief description of initiatives that would help empower a grassroots movement for extension and reform:

- 1) *On-Site Teacher Development Centers* - Provide funds to develop teacher education programs located at some of the innovative voc ed schools around the country. Locating the *Centers* at model schools would allow them to use the innovative programs as learning laboratories for teachers, with most instruction given by experienced practitioners in a hands-on setting. Education programs could serve both an in-service function for experienced teachers and administrators as well as for those in degree programs. After graduation, participants in the programs would form the core of a reform effort to help transform the voc ed programs in their own institutions.

Federal funds would enable the development of such *Centers*. Nonetheless, the *Centers* can be designed to become increasingly self-sustaining over time by charging fees for services.

Depending on particular circumstances, federal funds could be used for renting facilities, supplementing teachers salaries to allow the model schools to free up time of existing staff to teach, providing partial scholarships for participants, and meeting various start-up expenses.

- 2) ***Extension Grants*** – Provide grants that allow some of the most successful innovators to spend more time communicating their ideas. The most successful innovators are often overburdened with the demands of their teaching and management roles, limiting their ability to share successful methodologies through activities such as speaking engagements, writing, participating in workshops, and hosting visitors. Grants would allow the schools of the innovators to offer incentives for additional extension work and/or hire additional staff to take over functions that can be delegated, thereby enabling a greater role in extension.
- 3) ***Innovator's Network*** – Provide funds to support establishment of a *peer to peer network* of practitioners working to reform the vocational education system. In the era of the information superhighway, networking is often understood to be electronic linkages that enhance flow of information. While such linkages could be a valuable part of an *Innovator's Network*, they are only one part. Networks have greatest success when information exchange is facilitated by personal relationship. The *Innovator's Network* therefore should support field visits which enable practitioners to observe innovative programs and workshops which allow peers to develop the kind of interaction that will make them likely to make best use of other sorts of communications such as a computer linkage and regular newsletters.

The *On-Site Teacher Development Centers* would provide foundation pieces of an *Innovator's Network*. Each class could receive training in how to use a computer-based system for networking and, as an assignment, could develop plans for networking upon graduation. Over time, graduates from *Centers* around the country could help link their respective schools to state of the art methodologies, curricula, materials, etc. being developed at peer institutions throughout the nation.

- 4) ***Documentation and Research Grants*** – Provide funds that enable innovative approaches to be evaluated, documented, and more widely shared. Too often creative ideas have limited impact because those who generate them have no time to document and communicate. Good ideas also languish because resources do not exist to demonstrate in a rigorous, convincing way success that has only been proven anecdotally. These grants would be available to practitioners and/or academics to accelerate the spread of effective approaches.

Next Steps

Each of these ideas, of course, requires much more extensive development. If you think they are worthwhile pursuing, my recommendation would be to convene a group of innovative practitioners to brainstorm on these ideas and others that would enhance the kind of *peer to peer* exchange that would rapidly extend innovative practices. We would then have to strategize how support for *peer to peer extension* can make its way into Perkins.

THE WHITE HOUSE
WASHINGTON

December 12, 1994

MEMORANDUM FOR JACK DONAHUE

FROM: PAUL DIMOND

SUBJECT: PRIVATE SECTOR PARTICIPATION; YOUTH CHALLENGE

In the midst of trying to get a better rhetorical statement of what we're proposing and why, will you ask Doug, Tim, Lesley and Tom to focus on two design elements that haven't gotten much attention: first, private sector participation; and, second, a youth-community partnership challenge as a supplement to make School-to-Work work for at-risk youth in distressed, poverty pockets. I attach general statements of both from the last draft so that we can focus on both.

As to private sector participation, the attached summary probably has enough grist to stimulate your thinking.

As to the cryptic bullet on the youth challenge, a few more words may help. I don't think it makes political sense for us to talk about a separate federal job guarantee. We can achieve the same "saturation" model by asking the applicant communities to come forward with the commitments of private sector employers, colleges, and non-profits to provide apprenticeships, first jobs, next jobs and other clear pathways from school-to-work for responsible youth. If we go with such a challenge approach, then the resources that we put on the table can operate as incentives to stimulate community partnerships among the applicants to connect at-risk youth in isolated poverty pockets with employer partners. This fits hand-in-glove with our overarching theme of making School-to-Work work for all youth.

Our resources that we could hold out as incentives in such a challenge could include the dollars from youth fair chance, 5-7 National Service volunteers for each participating school community to serve as networkers and youth development partners after school and, in some instances, the National Guard youth camps. If we hold these resources out as a carrot to supplement the other Goals 2000, ESEA, School-to-Work, Perkins/JTPA youth resources, local communities should be challenged to come forward with their own plans for community partnerships with parents, youth and schools to implement STW in at-risk poverty pockets.

Whether such a challenge should be limited to those communities that have already competed in the EZ/EC process is a separate matter. There are pros and cons, but the major design issue is how our federal incentive resources can best be marshalled to stimulate major commitments from employer and college partners -- as envisioned in Gene Sperling's Urban Excellence Corps, the Boston Compact, and other models for making STW work for youth in isolated poverty pockets.

The next steps of the workforce empowerment agenda are driven by six key principles: **consolidation, choice, accountability, limited government, private sector participation, and doing right by our youth.** [Insert Donahue version here, as revised and supplemented.]

5. Private Sector Participation

- America's firms are ready to become full partners in implementing this worker empowerment agenda. They are already providing the leadership -- and the youth apprenticeships -- to implement the School-to-Work initiative in every state and region. They are participating in the development of the skills standards that will provide the benchmarks so that schools, colleges, students and workers know what skills firms will reward.
- In each labor market firms will work closely with the local schools, colleges, and one-stop centers to provide essential information on what skills are in demand, what jobs are available, and what career opportunities are growing. We propose to provide maximum flexibility to such partnerships. This will build more effective labor market information and exchange in each local labor market; and it will help firms find the workers with the skills firms need to become more productive and competitive.
- From the local information, we will build a continuously updating bank of national labor market information from which useful sources of data on regional trends, job demands from employers, and supplies of skilled workers can be made readily available to individual firms and workers through convenient electronic access. We will invite private brokers of information and job search intermediaries to access these banks of information on jobs and talent to better meet the needs of employers and workers.
- Finally, America's firms are increasingly a vital source of lifelong learning and new skills for their workers. The most competitive and productive firms are investing in upgrading the skills of their workforce -- through formal training, investing in mid-career education, embedding learning in the workplace, and empowering their front-line workers to take greater responsibility for solving problems and working together to figure out how to add value to the goods and services they produce and deliver to their customers. The Clinton Administration in cooperation with [whom?] will recognize and reward those firms that best exemplify the greater productivity, competitiveness and rewards of learning and work in such high performance workplaces.

6. Doing Right by Our Kids

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- [Last Bullet]. For those youth who are isolated in high-poverty pockets, special efforts are necessary to make sure that they are not left out of these new pathways from school to rewarding work in the new economy. We therefore propose to offer additional incentives for the private employers, colleges, and non-profit organizations to join in partnerships with parents and schools in these distressed communities to connect responsible youth to the mainstreams of economic opportunity in each region.

November 29, 1994

A NOTE TO BILL GALSTON

FROM: GAYNOR McCOWN

SUBJECT: WORKFORCE DEVELOPMENT STREAMLINING PROPOSAL

Thanks for taking the time to meet with me this morning. Per our discussion, I'm attaching a copy of the latest proposal for Workforce Development Streamlining. You will also find a copy of a memorandum Jeremy and I sent to Belle Sawhill in response to reading that proposal. As you suggested, I will speak to Paul Dimond today about latest developments in this area.

I hope this is helpful.

DRAFT November 18, 1994 p.m.

WORKFORCE DEVELOPMENT STREAMLINING PROPOSAL
**** SUMMARY ****

- ▶ **Purpose:** Transform a fragmented collection of federal education, training, and employment assistance into a comprehensive and efficient workforce development system that empowers people to pursue lifelong learning by expanding their access to purchasing power for skill training.
 - Over 60 education and training programs are combined into 4 grant systems serving adults, youth, Indians and Native Americans, and migrants and seasonal farmworkers.
 - The proposal puts funds for skill training in the hands of individual workers, maintains a core service delivery system for each system, and preserves services for key populations.
- ▶ **Adult Education and Training System:** Creates a single system of individual purchasing power by consolidating 24 education and training programs and offering adult workers and the unemployed a range of choices for self-initiated lifelong learning. Encompasses dislocated worker and disadvantaged adult programs, as well as Adult Education and Vocational Education resources for adults.
 - Creates *Skill Scholarships* of up to \$3,500 each year for two years for dislocated workers and economically disadvantaged adults.
 - Markets *direct student loans (with income contingent repayment option)* to workers as an affordable way to finance training at education and training institutions.
 - Changes *tax-code provisions* to reduce the cost of purchasing education and training, encourage saving for lifelong learning, or both.
 - Ensures income support by permanently *extending the .2 FUTA tax* and rebating it to employers in States that enact legislation to provide extended UI benefits for workers in training programs.
 - Establishes *common access* at any eligible school for federal training resources available to adult workers.
- ▶ **School-to-Work System:** Combines various youth programs into a system with two components that supports School-to-Work objectives for youth.
 - *Youth Job Opportunities and Training* combines JTPA youth programs (excluding Job Corps and including youth set-asides for incentive grants and education programs), Youth Fair Chance, and Youthbuild into a single integrated system that reaches out to employers, integrates work-based learning with school-based learning for poor in-school youth at risk of dropping out and poor out-of school youth, maintains summer program funding level, and distributes funds to States and localities.

- *Youth Education and Training* combines separate programs under Perkins into a single grant system that redirects funds to support school-to-work systems and provides separate authorities for local discretionary programs and demonstration projects.
- ▶ **Delivery System:** Retains core delivery system for each grant system and allocates funds using a statutory formula through States to localities.
 - *One-Stop Career Center networks* provide common access to people seeking services from the various systems. States and localities will be responsible for ensuring access.
 - A new *labor market information system* will provide people and employers with information about jobs, careers and training services.
 - *One-Stop Federal Waivers* will create easy access to interagency waivers through a *Federal Workforce Development Council*. This Council also develop a strategic plan for the national workforce development system, set performance expectations for State systems, and develop common terms and definitions to promote better coordination of systems and enhance consumer access and oversight.
 - *National activities* will include research, demonstration and evaluation, technical assistance and capacity building, dissemination of "what works" information, and discretionary grants to address large-scale worker dislocations.
- ▶ **Accountability and Better Performance:** Creates more effective market-based policing of providers by putting purchasing power directly in the hands of individuals along with *Report Cards* on the quality of education and training institutions.
 - Only providers of education and training services that meet eligibility requirements based on quality standards will be able to participate.
 - All recipients of Federal training dollars provide performance-based information to potential consumers through Report Cards.
 - *State and local public policy, planning, and oversight bodies* will monitor and publish reports on workforce development performance.
- ▶ **Other Consolidation:** Provides grantees with more flexibility by:
 - Combining seven Indian and Native American programs into a single Native American Training system, and
 - Combining four programs into a single Migrant and Seasonal Farmworker system.

DRAFT November 18, 1994 p.m.

WORKFORCE DEVELOPMENT STREAMLINING PROPOSAL

PURPOSE

- o To bring about short- and long-term improvements in workforce development by transforming federally-funded education, job training, and employment assistance efforts from a collection of fragmented programs into a coherent, comprehensive and efficient workforce development system in the United States.
- o The cornerstone of this system is empowering adults to pursue lifelong learning through expanding their access to personal purchasing power for skill training. This involves the use of direct student loans and the creation of "skill scholarships" to enable workers to have access to skill training when they need it.
- o The proposal consolidates more than 60 education and training programs into 4 grant systems, serving adults, youth, Indian and Native Americans, and migrant and seasonal workers. Access to these various grant systems would be promoted through One-Stop Career Centers. Funds would be provided by formula through States to local communities. States would be provided waiver authority to facilitate the development of integrated local education and training programs. The following descriptions list the programs that would be incorporated in these integrated systems.
- o Unlike traditional block grant proposals that give complete discretion to Governors, this proposal puts funding in the hands of individual workers. The proposal ensures localities will get support in addition to States, further enhances accountability with report cards on quality, and requires that key populations get served.

Bold

I. ADULT EDUCATION AND TRAINING SYSTEM

- o PROGRAM CONSOLIDATION
 - Consolidates 24 voluntary Federal education and training programs serving adults into one system (excludes JOBS because of the requirement of mandatory participation), with separate authority for national initiatives.
 - Covers dislocated worker programs (JTPA Title III, Trade Adjustment Assistance, NAFTA Bridge, Defense Conversion Adjustment, Defense Diversification, and Clean Air Employment Transition Assistance), disadvantaged worker programs (JTPA Title IIA and its various setasides, Title IV of the Stewart B. McKinney Homeless Assistance Act and the vocational portion of Pell grants), and cross-cutting programs that serve both of these basic target groups -- Adult Education and Vocational Education-Adults.

- All activities currently authorized will be included -- e.g., rapid response; remedial, literacy training, and English as a Second Language; "up-front" and supportive services (including needs-based payments) for those who need them.
- ** A designated portion (e.g., 40 percent) of the allocation to States for Federal job training and education programs will be used to support these activities and services.
- ** Will require maintaining level of Adult Education funds currently spent on remedial education, literacy, and English as a Second language.
- ** Primary support for training will be made available through "Skills Scholarship" grants to individuals.

o INDIVIDUAL PURCHASING POWER

- "Skill Scholarships" will be established for dislocated workers and economically disadvantaged adults adequate to finance a typical course of training at an education or training institution.
 - ** Funds are intended to cover the cost of training and related expenses, e.g., tuition and fees, books and supplies, transportation, and miscellaneous expenses.
 - ** The amount of the grant is a maximum of \$3,500 each year for up to two years.
 - ** Remedial education, literacy training, and English as a Second Language are preparatory services, not funded through Skills Scholarships, but supported and available to prepare people for entry into degree programs or technical education.
- Direct Student Loans will ensure that each adult worker has access to skill building resources appropriate to each stage of a worker's career.
 - ** Direct loans will supplement the Skill Scholarships for workers whose training needs exceed the training cap.
 - ** These loans reinforce personal responsibility by requiring individuals to share in the cost.

- ** New direct student loans (and income contingent repayment option) would be marketed to all workers as an affordable way to finance learning.
- Tax Incentives will offset a portion of the cost of training for those who seek to enhance their skills and to encourage workers to save for lifelong learning.
- Income Support will ensure adult workers don't risk financial jeopardy while seeking skills and higher earning power.
- ** The FUTA 0.2 percent surcharge on employers would be permanently extended. This surcharge will be rebated to employers in States that authorize 26 week extended benefit programs for individuals participating in certified job training and education programs.
- o SERVICE LEVEL -- Requires at a minimum that States serve dislocated and disadvantaged worker populations to same extent as these populations would have been served through funding levels in FY 1996 budget.

II. SCHOOL-TO-WORK SYSTEM

- o CONSOLIDATION -- In support of the School-to-Work framework, consolidates a variety of youth programs into two components for youth: one focussed on serving high risk youth (poor in-school youth at risk of dropping out of school and poor out-of-school youth) and the second dedicated to serving a more general population of all in-school youth.
- o YOUTH JOB OPPORTUNITIES AND TRAINING
 - Combines 6 programs -- JTPA Titles II-B, II-C (along with II-C setasides for incentive grants and education programs), Youth Fair Chance, and Youthbuild -- into one integrated program.
 - Authorizes all activities presently carried out under separate categorical programs, maintains funding at the FY 1996 level with a formula distribution of funds to localities and requires support for school-to-work objectives.
 - ** Youth programs would emphasize work-based and contextual learning, employer connections, focus on decreasing dropout rates for youth seriously at-risk of leaving school, and concentrate on retrieving and enrolling school dropouts in alternative work-based learning activities.
 - ** They will offer adult mentoring and two years follow-up after job placement.

** Out-of-school youth will have the opportunity to access services through One-Stops.

** Maintenance of the current level of effort for summer jobs would be required.

-- Authorizes capacity-building activities to reach out and link employers with schools, connect work-based and classroom-based learning, and help States and localities adopt school-to-work models and exemplary practices.

o YOUTH EDUCATION AND TRAINING -- Consolidates separate programs under Perkins into one basic program, including grant authorities for local discretionary programs and for demonstration programs.

-- Ensures all activities carried out under separate programs will support School-to-Work objectives with funding at the FY 1996 level.

-- Assures Federal funds would support school-to-work systems at both secondary and postsecondary education levels; promote integration of school reforms in academic and vocational education; and build the State and local capacity to implement school-to-work systems.

III. DELIVERY SYSTEM

o A core delivery system will be maintained for each of the four grant systems. Unified service areas will be established in all States for workforce preparation and development programs, in consultation and cooperation with localities. An allocation formula will be used to distribute funds to State and local communities for the adult and youth systems. One-Stop Career Center networks will streamline access to services and promote integration.

o ONE-STOP CAREER CENTER NETWORKS

-- A network of One-Stop Career Centers will serve as common access for all Americans to a broad range of high-quality job finding and employment assistance services, while responding to each person's needs.

-- Through One-Stop Centers, job seekers, persons interested in training, and employers will access: (1) current information on available employment-related services, including performance-based information on training service providers; (2) help in filing initial claims for unemployment insurance and in assessing eligibility for many programs and services; (3) career counseling and exploration, including skill requirements of various jobs, job vacancy

announcements and listings; (4) job search, job recruitment, referral, and placement services; and (5) preliminary assessment of skills, aptitudes, abilities, and supportive services.

** Centers would provide these basic services at no charge to any individual or employer requesting services.

- Career Centers will provide individualized job search, career counseling and planning, case management, and support services for those who have problems finding a job or who need high-support services.
- Within a local area, Career Centers will use common definitions, procedures and forms for receipt of services.
- Implementation Grants would be authorized to facilitate the establishment of one-stop systems in States and localities.

o COMMON ACCESS/NO WRONG DOOR

- Common access points will be established at eligible education and training institutions (e.g., community colleges) for federal training resources available to adult workers.

o LABOR MARKET INFORMATION

- A National Labor Market Information System would be established by the Secretary of Labor that builds upon and strengthens existing capabilities at the Federal, State and local levels to provide workers and employers with information about jobs, careers and training services.

o FEDERAL WAIVERS

- Easy, One-Stop access to interagency waivers will be created through a Federal Workforce Education and Training Council, comprised of Secretaries of Labor, Education, HHS and Veterans' Affairs, and Director of OMB (President may add other members). In addition to waivers, the Council will:
 - ** Develop a strategic plan for a national workforce preparation and development system,
 - ** Set performance expectations for each State's workforce development system, including provision for customer feedback, and

- ** Develop common terms and definitions to promote better coordination of programs and services, and to enhance consumer access and oversight.
- Waivers from statutory and regulatory requirements under the various workforce preparation and development programs would be authorized.
 - ** Waivers would not be permitted that would alter the purposes or goals of the program; the allocation of funds; civil rights, eligibility, etc.
 - ** Examples of waivers that could be granted include the use of common definitions and terms, common performance standards, collection of common participant and program data; and common cost categories and cost limitations.
- National Activities authorized for each grant system include research, demonstration and evaluation; technical assistance, capacity building and information dissemination.
- Discretionary grants to States would be authorized to address large-scale worker dislocations and those caused by natural disasters.

IV. ACCOUNTABILITY AND QUALITY

- o Creates more effective market-based policing of providers by putting purchasing power directly in the hands of individuals along with Report Cards on the quality of education and training institutions. It requires:
 - Eligibility Requirements for providers of education and training services based on quality standards.
 - Report Cards for Training Institutions
 - ** All recipients of Federal training dollars from the workforce preparation systems would be required to provide "Consumer Report"-style information on the successes of their students.
 - ** States would be responsible for making information easily available on a continual basis to potential education and training customers.
 - ** Ineffective service providers would no longer be eligible to receive Federal funds.

- State and local public policy, planning, and oversight boards will be responsible for planning, program implementation, and monitoring performance/quality.
- ** Each State will be required to submit a single State Plan in order to receive funding.
- ** Boards will be comprised of employers, labor, education, and others.

V. OTHER PROGRAM CONSOLIDATION

- o NATIVE AMERICAN TRAINING SYSTEM -- Combines 7 Native American programs into a single grant to each Indian and Native American grantee, providing wider flexibility for the use of these funds.
 - Consolidates JTPA Title II-A set-aside for Native American Employment and Training programs, JTPA II-B set-aside for Native American Summer Jobs, Indian Education-Adult Education (DOE), Rehabilitation Services-Basic Grants for Indians (DOE), Tribally Controlled Postsecondary Vocational Institutions (DOE), Vocational Education-Indian and Native Hawaiian Set Aside (DOE), and Indian Employment Assistance (DOI).
 - Continues to require all activities carried out under the separate programs but provides combined funding and greater flexibility in the use of funding to relevant Native American groups.
- o MIGRANT AND SEASONAL WORKER SYSTEM -- Combines four programs into a single grant to each MSFW grantee.
 - Consolidates JTPA Title II-A set-aside for Migrant and Seasonal Farmworkers, Migrant Education-H.S. Equivalency (DOE), Migrant Education-College Assistance (DOE), and Migrant Farmworkers and Immigrant Education (DOE).
 - Continues to require all activities carried out under the separate programs but provides combined funding and greater flexibility in the use of funding to relevant Migrant and Seasonal Worker groups.
- o REPEALS -- The authorizations for specified Federal training and education programs (for example, Food Stamps Employment and Training) would be repealed.

THE WHITE HOUSE
WASHINGTON

November 23, 1994

A MEMORANDUM TO BELLE SAWHILL

FROM: JEREMY BENAMI
GAYNOR McCOWN

SUBJECT: YOUTH PROGRAMS

We read your Workforce Development Streamlining Proposal and heartily agree with the concept of a "comprehensive and efficient workforce development system that empowers people to pursue lifelong learning through expanding their access to personal purchasing power for skill training." Focusing on both adult and youth programs is essential in bringing about short- and long-term improvements in workforce development.

You will recall that in our proposal for a Youth Development Fund, we included several of the programs - JTPA Titles 11B, 11C and Youthbuild - that you have indicated would be part of the consolidation efforts in support of the School-to-Work framework. While the list of programs in our proposal was simply an example to illustrate the possibilities, it may be useful in thinking about other programs that would fit into a workforce development model. Since the goal is to create "a single integrated system that reaches out to employers, integrates work-based learning with school-based learning for poor in-school youth at risk of dropping out," we urge you to push the envelope and include programs that would enable communities to create programs that are more holistic in nature. After all, issues such as teen pregnancy and drug abuse have a tremendous impact on workforce training.

We're attaching a copy of our November 8 proposal, along with the Carnegie Corporation's report "Consultation on Afterschool Programs." The Carnegie document makes a compelling argument for consolidation of youth programs and provides an overview of selected federally-supported afterschool programs.

We hope this is useful!

November 8, 1994

A MEMORANDUM FOR SHERYLL CASHIN

FROM: JEREMY BENAMI
BELLE SAWHILL
GAYNOR McCOWN

SUBJECT: SINGLE YOUTH DEVELOPMENT GRANT FUNDING

cc: CAROL RASCO
BRUCE REED
BILL GALSTON

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Eisenhower Leadership Program	Development of Student Leadership	\$ 3.5
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DOL

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

Youth At-Risk	Prevention and Intervention Activities for Youth At-Risk	\$ 10
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HUD

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