September 23, 1997

MEMORANDUM TO: **SECRETARY RILEY**
DIRECTOR RAINES
BRUCE REED

FROM: **GENE SPERLING**

RE: **TWENTY-FIRST CENTURY SCHOLARS ACT**

As you know, the President has expressed interest in Rep. Chaka Fattah's legislation that would guarantee Pell Grants to sixth graders at high-poverty schools. The attached draft memorandum is a reply to the President's request for an analysis and recommendations. Based on very good input we have received from members of the NEC, DPC, Education, and OMB, we have come up with policy-vetted options, some more narrow and some broader than Rep. Fattah's initial proposal.

I will be contacting you shortly to set a time for us, and those listed below, to discuss the memo before it is finalized.

CC: Mr. Bowles
Secretary Rubin
Dr. Yellen
Ms. Mathews
Mr. Podesta
Mr. Klain
Mr. Hilley
Deputy Secretary Summers
Acting Deputy Secretary Smith
Mr. Lew
Ms. Kagan
Ms. Winston
Mr. Cohen
Mr. Shireman

[SPERLING DRAFT: 9/23]

INTRODUCTION

A number of private programs have had success in improving educational outcomes for impoverished youth by guaranteeing -- at an early age -- that the money will be there for college if they choose to go. These programs are based on the theory that middle- and upper-class families benefit enormously from the family and school expectation that they will be graduating from high school and attending college. At high-poverty schools, where dropout rates are high and few parents have college degrees, these expectations are absent. These early intervention programs aim to change those expectations. Many of the programs stress that, while the financial aid is an important hook for the child and family, additional mentoring, tutoring, and other support services are a key to success.

Rep. Chaka Fattah (D-Penn.) has introduced legislation to establish a large-scale, national effort of this type. He would guarantee a maximum Pell Grant to all of the children graduating from high-poverty elementary schools (at least 75% poverty). The "21st Century Scholars Act" would provide these students with:

- an entitlement to four years of the maximum Pell Grant at the time the promise is made or at the time the student attends college, whichever amount is higher;

- an annual notice from the Department of Education reminding the student and family of the future availability of the college aid; and,

- automatic *eligibility* for services under current (TRIO) early intervention, mentoring, counseling and other services.

The Education Department estimates that the Fattah legislation would apply to 7,300 schools with about 500,000 sixth graders each year (approximately 15% of the national total). Assuming inflation-based increases in the maximum Pell Grant, each of these students in the sixth grade in 1998-99 would be promised a total of almost $14,000 in aid over four years.

The Department estimates that on average, this type of program could increase college participation rates by this population by about 8 percentage points, meaning that just over half of the students would use all or a portion of the promised aid. (Without this program, 45 percent of these students would be expected to enroll in some type of postsecondary education within two years of graduating from high school.[1] Just under half of those students would be expected to still be enrolled by the fourth year of college.[2] With a successful early intervention program, the Education Department's estimates assume that college enrollment rates for this population could be increased so that they matched the enrollment rates for students at schools with 31-50 percent low-income students -- an increase of 8 percentage points, to 53 percent.)

While this increase in enrollment may seem low, college is only one of the intended outcomes of early intervention programs. They also seek to promote high school completion, job readiness, and lower incidence of drug abuse and delinquent behavior.

Rep. Fattah introduced his bill on February 13. As of August 21, he had 103 cosponsors, including nine Republicans (Christopher Shays, Ken Calvert, J.C. Watts, Jr., Richard Baker, Joe Scarborough, David McIntosh, David Dreier, Zack Wamp, and James Greenwood). On June 5, he testified before the House Education and the Workforce Committee's postsecondary subcommittee and received a warm reception from both sides of the aisle. The House hopes to move a bill reauthorizing the Higher Education Act by the end of this year. No companion for the Fattah bill has been introduced in the Senate.

An article in the *Chronicle of Higher Education* on July 11 noted the bipartisan support for the concepts in Rep. Fattah's bill, but also cited specific concerns that:

- it does not provide funding for the support services (tutoring, mentoring, etc.) that are needed for the proposal to be successful;
- it may guarantee help to too many non-needy students; and,
- it is a new entitlement, which many would oppose solely on that basis.

ANALYSIS

There are a number of issues and concerns to consider with respect to the Fattah legislation:

1. Inefficient targeting and higher-than-expected cost

Supporters have argued that virtually any student at a high-poverty school probably would have qualified for a full Pell Grant anyway, even without the guarantee -- therefore, the program only costs money if it is *successful* in encouraging youth to go to college. The data do not bear this out: more than half of the cost of this program would be for students who would have gone to college anyway but wouldn't have gotten as much aid as the guarantee is providing. It appears

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1 21 percent at four-year colleges, 19 percent at less-than-4-year public institutions (mostly community colleges), and 5 percent at less-than-4-year private institutions (mostly proprietary trade schools).

2 83 percent would be retained in the second year, 67 percent in the third year, and 48 percent in the fourth year, based on data from the Beginning Postsecondary Student Survey.

that many families who are poor when their children are in middle school, improve their financial situation somewhat by the time their children graduate from high school. In addition, the students who go to college are more likely to be from the relatively higher income families. The Education Department estimates that the outlays associated with the first cohort of sixth graders would be $2.45 billion. These outlays (which begin in the 2005-6 school year and are spread over the following three years) would be composed of:

- $761 million, or 31%, for Pell Grant amounts that would have been spent anyway on these students who would have gone to college anyway;

- $370 million, or 15%, for students who attend college **because of** the promised aid (students induced by the program); and,

- $1,320 million, or 54%, for additional aid provided to students who would have gone to college anyway but would not have been eligible for the full $3,000 (or would not have received a Pell Grant at all).

The *added* cost, therefore, from this first group of sixth graders, is $1.7 billion over four years. (Viewed on an annual budget basis rather than by cohort, as each of the first four cohorts get phased in, the added annual outlays will increase to $1.7 billion by the fourth year after the first group graduates high school and attends college, then will increase each year roughly by inflation.) *More than three times as much additional money is spent on students who already would have attended college than is spent on those who attend college because of the aid.*

2. Need for additional support services

Research has shown that mentoring, counseling, tutoring and support services are *essential* to prevent students from dropping out of school and to increase their academic preparation and aspirations that lead to college. Rep. Fattah's proposal does not expand the availability of early intervention services (it simply makes participants eligible for the few programs we fund now, which serve only a small fraction of the current eligible population and concentrate on students in high school). But without those services, the early Pell Grant promise *probably will not have a significant impact*. The I Have a Dream program estimates that the support services for each new cohort, provided primarily by volunteers, cost about $150,000 for a coordinator and other expenses. For the 7,300 high-poverty schools, the cost of this type of program of support services would be $1 billion (per year). Education thinks this estimate is low.

3. The issue of a new entitlement

The Fattah legislation is written as an entitlement, and in order to comply with the budget agreement, the proposal would at least need to remain on the mandatory side of the budget.[3] As

[3] The "promise" of aid would count as budget authority in the year that the promise is made, even if the student never uses the promised aid. If the program was on the discretionary side, this BA would need to be counted within the Function 500 limits. Given that much of the BA will never result it outlays, this would not be a priority use of the scarce

an entitlement, the proposal could be portrayed as (1) another potential area of runaway spending, and (2) a gimmick to provide promises now for spending that is outside the 5-year budget window.

4. Inequities and perverse incentives

As with empowerment zones and any other effort to draw a line around a "very" poor area, there will be some apparent inequities. A school with 76 percent poverty will get the benefit, while a 73 percent poverty school nearby will be denied it. In addition, school populations change, so a school may be part of the program one year, then be denied the next.

In addition, there would be inequities among students at a school: Most sixth graders attend a different school within 1-3 years. At most of the higher-poverty junior high and high schools, not all of the students will have come from the highest-poverty elementary schools. There could be some odd incentives as well. If a student who attends a particular school for one part of one year can get a promise of at least $14,000 in grant aid, someone will find a way to game the system. It may even create incentives for further concentration of poverty in order to provide the Pell Grant promise to poor students who had attended a school with a lower concentration of poverty.

5. Entitlement without Accountability

Some of your advisors object to providing expanded college aid without demanding more from students (and schools) before they reach college. The Fattah proposal does not require any particular level of achievement or high-skill curriculum. Indeed, it does not even require high school graduation (since Pell Grants are available to non-high school graduates for job training and remedial courses in some circumstances).

OPTIONS

We have been in constant communication with Rep. Fattah. He is aware of some of the problems with his legislation, and he agrees that it needs to be better targeted. He has suggested that the "promise" of aid consist of both grants *and loans*, so that it does not go beyond an amount that virtually any student would be eligible for already. If that is the goal, then a total of **"at least $21,000"** over four years is plausible.[4] The poorest students might receive $12,000 in Pell Grants and could borrow up to $17,000 more, for a total of $29,000. Higher income students would be eligible for $17,000 in loans and at least $4,000 in tax credits.

Using that idea of a grant-loan mix, the options below present progressively more

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funds.

[4]The $21,000 minimum is derived as follows: Dependent students are eligible for $17,125 in loans over four years (independent students are eligible for more). The family would also be eligible for either (1) two $1,500 HOPE Scholarships and two $500 Lifetime Learning Credits (on $2,500 tuition in each of the junior and senior years), or, in the case of a poor family, at least $4,000 in total Pell Grants over four years.

intensive efforts to deliver a strong message about college opportunity to children at high-poverty schools.

1. SPECIAL TARGETING IN A NATIONAL CAMPAIGN. As part of the State-of-the-Union process, we already plan to propose a national campaign to deliver the message to *all* Americans that through the new tax breaks, the Pell Grant increases, and the improvements in the loan programs, *everyone* has access to college. This campaign might include: identifying a dollar amount to publicize (such as the $21,000); public service announcements; easy worksheets for estimating aid eligibility; satellite town halls; kits for schools; more information on the web, and other ideas. The overall message would be that anyone who wants to go to college or get job training, can. I will be working with DPC and the Education and Treasury Departments on the possible details of that national campaign.

Targeting to poor schools. As a part of the national campaign, this option would adopt Rep. Fattah's idea of zeroing in on students at ***high-poverty middle schools*** for special attention. This approach might involve:

- **21st Century Scholars**. Students at these high-poverty would be designated as "21st Century Scholars" ***if*** they and their parents or guardians participate in a college-aid workshop that informs families of both financial aid opportunities ***and*** the classes they need to take to be eligible for, and to succeed in, college. Personalized certificates, signed by you or Secretary Riley, would indicate the student's eligibility for at least $21,000 in student aid for four years of college. The attendance at a workshop is consistent with the Education Department's booklet, *Getting Ready for College Early*, which you mentioned in your back-to-school radio address, and ensures that students are taking responsibility when they are designated as 21st Century Scholars.

- **Workshops**. We could contract with national or regional organizations to make a sweep of the country's neediest schools with a personal but high-tech presentation for school and/or parent assemblies. A lower-cost approach would provide schools with videos and materials to make provide the workshops themselves, and to reward participation (and the signing of pledges) with the 21st Century Scholars certificates.

Cost: Much could be done with current resources and with private sector partners. Some additional funding, on the order of $20 million, would help to make sure that some of the more people-intensive efforts (such as presentations at schools) could occur.

2. *GUARANTEEING* AID TO STUDENTS. This is the same as option 1, except that the $21,000 is not simply a statement about current programs, it is a *guarantee* that the funds will be there in 6-10 years when the student goes to college.[5] In my conversations with Congressman

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[5]If used in the context of a guarantee, the $21,000 might need to be a **five**-year promise so that it could include loans only. (I would want to involve Treasury in the discussion of whether a tax credit could be guaranteed for a future year).

Fattah, he has made it clear that he feels there needs to be an "absolute guarantee, without equivocation," for the effort to be most meaningful to poor families.

A promise that does not exceed current loan eligibility does eliminate some of the budgeting problems (most notably, the need to count budget authority on the discretionary side, since loans are an entitlement). While the budget authority for a firm promise would appear in the budget, it would not affect the deficit, so it would not be subject to PAYGO rules. There could be some consequences as far as Congressional budget rules, but if the change is made in the context of the reauthorization of the Higher Education Act, it would not present a major hurdle.

On the other hand, a promise could require significant record-keeping for many years and complex budgeting to determine which borrowers were using a promise and which weren't. Given that there is virtually no chance that loan limits will be lower after 2005 than they are today, this involves a great deal of work with no actual payoff for the students. Furthermore, pushing for a "promise" could undermine our message that we have *already* guaranteed universal access to higher education through HOPE and the financial aid programs.

3. MENTORING AND SUPPORT. This option would combine option 1 or 2 with grants to promote strong partnerships between colleges and high-poverty schools. Through these partnerships, colleges can encourage students (and their families) to choose a demanding academic program, while the college provides academic enrichment and intensive mentoring, tutoring and other support services.

There is no question but that intensive intervention programs work. At the high school level, the largest of the Education Department's "TRIO" programs, Upward Bound, provides grants to colleges and community groups for small programs that provide high school students with academic enrichment, a summer college experience, and other services. The investment pays off: a scientific (random assignment) evaluation shows that Upward Bound increased academic preparation for college. **And the results were particularly impressive for Hispanic students.**

Eugene Lang, the founder of the I Have a Dream program, has found that while the promise of college aid is a good hook, the mentoring that his programs provide is critical to success. Other evaluations, and recommendations from the College Board and others, echo this view.

The main drawback of these intervention programs is that they are costly -- to reach a large number of schools requires an investment in the hundreds of millions of dollars. (An initial investment of $200 million, growing in later years, would reach the 7th grade cohort at an estimated 1180 schools).[6] Rep. Fattah agrees that this type of an effort is very important, but he

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[6]The average high-poverty school with a seventh grade (middle schools, junior high schools, and some K-8 and 7-12 schools) has 113 students in the seventh grade class. An intensive program without the residential summer component of Upward Bound, and focusing on *all* students rather than a select group, would cost roughly $2,000 per student at the middle school level. Average first-year funding for a partnership that focuses on just the seventh grade

did not include it in his legislation because he did not feel in a position to ensure the funds would be appropriated. Financing options are presented separately in the appendix at the end of this memo.

If you decide to go this route, we would recommend promoting strong partnerships between **colleges** and high-poverty schools. Through these partnerships, colleges can encourage students (and their families) to choose a demanding academic program, while the college provides academic enrichment and intensive mentoring, tutoring and other support services.

College involvement is important because they have the tools, the expertise, and the stability to commit to a long-term project, and to provide the monitoring needed to ensure its success. Furthermore, in light of our efforts to address *Hopwood*, it is important to present colleges with a challenge to work with high-poverty (often high-minority) schools to expand the pool of minority students who are well-prepared for college.

Colleges know the type of academic preparation they need, so they are in a good position to work with high-poverty schools to improve and supplement their curriculum, to prepare students for success in college. While in some cases mentoring might be provided by undergraduate students, universities also can tap alumni, businesses, and other community resources to get serious commitments of time for the effort. Finally, it is critical that there always be a full-time, serious and energetic coordinator running the efforts. (Because some areas of the country may have difficulty finding a college partner, the program would need to have an exception for extraordinary circumstances, or for businesses and non-profit organizations with a clear record of success).

Under this approach, the Federal government would promote partnerships between colleges and high-poverty schools or school districts. These would consist of:

- **Partners**: Each partnership would at least include a high-poverty high school, its feeder schools, and a degree-granting institution of higher education. Most would also include businesses and/or a community groups which may provide supplemental funds and/or may be a source of mentors and other assistance for the children.

- **An Academic Plan**: The middle and high schools would agree to offer a curriculum that prepares students for college.

- **Support Services**: The college would agree to provide structured, long-term supplemental academic enrichment, mentoring, tutoring, and other assistance to all students starting not later than the eight grade.

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cohort would cost about $226,000. Adding a second cohort in the eighth grade would double the cost to $452,000. After eighth grade, the number of participants would drop substantially for a variety of reasons, so it would be possible to ramp up funding more slowly each year (perhaps $100,000) until all cohorts are being served (grades 7-12) at a cost of $852,000 per year. If colleges or private sector partners are asked to absorb at least one-fourth of the cost of the program in the first year, $200 million in FY 1999 would cover 1180 schools (with more than 133,000 students, or one-third of the students in schools with more than 75 percent poverty).

- **Financial Aid information and bonus**: The partnership would provide financial aid counseling, and could provide financial incentives for students to stick with the program, take the right classes and/or to get good grades. (In some existing programs, colleges guarantee admittance and aid if students reach certain goals in high school).

PROs and CONs

1. TARGETED INFORMATION CAMPAIGN

Arguments for option 1:

- An education effort has never really been tried. Personalized certificates and creative, helpful workshops would go a long way in making families realize they can go to college, and understanding what it takes to get there.

- The campaign could begin without any additional Congressional action (although ultimately some funding would be needed).

Arguments against option 1:

- It's not enough.

- Rep. Fattah, the lead proponent of this type of effort, strongly feels that it takes a true *guarantee* of aid to really make a difference with poor families.

2. A GUARANTEE OF AID

Arguments for option 2:

- The aid is an iron-clad guarantee, enforceable in court, allowing us to tell families that they can *absolutely* count on the help.

- A guarantee is more likely to bring with it the strong support of Rep. Fattah and his 103 cosponsors. If there are technical issues that need to be addressed, it can be modified later.

Arguments against option 2:

- Families are not likely to focus on the subtle difference between an absolute guarantee and the promise-like certificate under option 1. (Federal employees don't have an *absolute* guarantee to their retirement benefits, but most still consider it a promise. Conversely, even if Social Security was turned into an iron-clad promise, many would still question whether it will be there for them).

- Offering a "guarantee" detracts from our message that we have *already* opened up college opportunity to *all*. If this aspect drew significant attention, a push in Congress to lock in aid for some would create the impression among those who don't get the promise that financial aid is not secure.

- It would require Congressional action to begin any campaign that include a guarantee as a component.

3. MENTORING AND SUPPORT

Arguments for option 3:

- We know these programs work. Most of our focus has been on young children or college students. This targets kids 12-16 years old in a way designed to encourage them to seriously consider, and prepare for, college.

- Because minorities are more prevalent in high-poverty schools, this provides a race-neutral way of building the pool of qualified minority applicants for college.

- A real investment of resources would help secure Rep. Fattah's support and would please core Democrats as well as pundits (perhaps even some conservatives who see this type of approach as preferable to affirmative action).

- This would be a good demonstration of the Democratic agenda for improving public schools.

Arguments against option 3:

- Reaching even one-third of the high-poverty schools identified by Fattah requires a significant investment of resources.

- Some would suggest that if we have an extra $200 to $400 million a year we should add it to existing initiatives such as reading, standards, or Head Start.

RECOMMENDATIONS

Issue: Guarantee or no guarantee:

All of your advisors support an information campaign targeted to high-poverty schools, including providing a personalized certificate indicating financial aid eligibility.

DPC, Education, and OMB do *not* support the guarantee. They argue that pushing for the promise would detract from the message of universal access, and would add administrative complexity. They feel that a strong statement can be made about universal eligibility for a specific amount of money without the need for a guarantee.

Given that we have been working with Rep. Fattah on this topic, my view is that we should present our proposal in a way that he supports so that he works to bring on his 103 supporters to our plan enthusiastically. We can emphasize our investment in early intervention, and not push the technical "guarantee" very hard in the press. If it proves to be problematic or unpopular once the legislation starts to move, it could easily be dropped later.

Issue: Timing and nature of an early intervention announcement/decision

Normally, consideration of a large new initiative would be done during the budget process, when it can be weighed against competing alternatives. However, you have expressed a desire to announce a proposal like this during the Fall. The options and recommendations are:

(A) Announcement in December-February. Wait until the State of the Union and the FY 1999 Budget process to announce anything on early intervention. OMB wishes to stress the difficulty of making this decision outside of the budget process, and recommends waiting until this can be weighed against other pressing items. Saving it for the State of the Union would also allow you to reach a broader audience.

(B) Announcement in the Fall with specific policies. Commit to the 21st Century Scholars approach and funding for early intervention that is significant (such as $150-$200 million), but could fit in the FY 1999 Budget without too much danger. The advantage is that you could show action on education in the Fall, and it fits with the race initiative. The disadvantage is the difficulty of deciding amounts outside of the budget process.

(C)Announcement in the Fall without a specific dollar commitment. Announce that the FY 1999 Budget will include "a significant investment" in early intervention, and that we will spend the next three months working with college presidents to determine how to maximize the involvement of their campuses and the effectiveness of the effort.

APPENDIX: FINANCING APPROACHES FOR EARLY INTERVENTION

There are several ways that we could require or encourage colleges to reach out to schools to create partnerships. These options are not mutually exclusive.

(a) FY 1999 Funding of at least $200 million. As described under option 3, an appropriation of $200 could fund the first year of an effort reaching 1180 middle schools. Colleges would need to cover 25 percent of the costs of the programs in the first year (rising in later years), but could use work-study to satisfy that matching requirement. There would be a waiver of the match for colleges in some circumstances.

(b) A Mandate. Colleges benefit enormously from their participation in the Federal student aid programs. Since they use the Pell Grant program to attract and retain low-income students, it is not unreasonable to expect that they make at least a minimal effort to help ensure that the pool of Pell recipients are prepared to succeed *before* entering college (so as to help maximize the federal Pell investment). While we could not easily require any particular level of effort or type of program, we could **require that they have *some* sort of effort to reach out and provide support to low-income students and families**. This would symbolize our position that colleges have a responsibility to do more.

(c) Using the Perkins Loan funds. 2600 institutions of higher education[7] currently administer a total of $6.8 billion in Perkins Loan revolving funds (formerly known as NDSL, National Defense Student Loans). These funds have built up from Federal contributions and matching funds over the past 40 years. Each year, about $900 million is repaid by students and becomes available to lend again. With the expansion of loan limits and eligibility in the Direct and Guaranteed programs over the past few years, Perkins has diminished in importance (the other programs are 30 times larger), but political inertia has kept it alive. Your budgets have alternately proposed cutting or straight-lining any new Federal contributions (for FY 1998 you proposed level funding at $158 million).

Colleges could be *allowed* to spend these funds to create or expand early intervention partnerships with schools. Many might choose to do so, because (1) the program is not as needed as it used to be, (2) it is expensive to administer (the colleges pay for collection of the loans), and (3) the colleges give lip service to early intervention and this would give them the opportunity to put money where their mouths are.

Like the work-study component of America Reads, you could challenge colleges to participate, while also providing a way for them to more easily pay for it. We could start with a steering committee of college presidents who pave the way and encourage their colleagues to sign on. If we got colleges with half of the funds (much is concentrated in some of the large universities) to commit half of that to early intervention, that would represent more than a $200 million investment in the first year (with the available funds diminishing over time).

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[7]Most of the funds -- $6.4 billion -- are with four-year public and private institutions. The remainder is with trade schools and community colleges.

[DRAFT SPERLING MEMO TO POTUS 8/22]

OVERVIEW

Your advisors (NEC, DPC, OMB, and Education) have reviewed and analyzed Congressman Fattah's "21st Century Scholars Act." We are in agreement that the idea has enormous appeal, but that due to budget, efficiency, and implementation problems, we do not recommend adopting its central element: a "guarantee" of a future Pell Grant. (Congressman Fattah is aware of the problems that have arisen in our analysis).

We agree, however, that the Fattah legislation points out two critical needs: (1) low-income families need to know more, earlier, about the financial aid that is available for college; and, (2) students at high-poverty schools need more academic support, mentoring and other encouragement to attend college, starting *before* the high school years. This memo lays out two options for addressing each need:

Options for getting out the word about Federal aid:

1. A creative national campaign celebrating the universal availability of college through the education tax cuts, Pell Grant increases, and student loan improvements, with a concentrated effort aimed at high-poverty schools and low-income families.

message tool | packaging device

2. A national campaign as in option A, but with a gimmick aimed at the poorest schools: a *promise* of at least $21,000 in grants *or loans* over five years (an amount that everyone is already eligible for in loans, assuming the programs remain in effect).

Options for bringing early intervention services to more high-poverty middle and junior-high school students:

A. An extension of current TRIO programs such as Upward Bound and Talent Search, which are administered by community groups and colleges.

B. Promoting partnerships between colleges and high-poverty schools, through both new Federal grants and allowing colleges to spend funds they currently administer in a revolving loan fund (the Federal Perkins Loan program).

Recommendations: On the information campaign, I think the "guarantee" continues to have appeal, so I prefer option 2 as an approach that would increase the effectiveness of the information campaign in poor areas, and allow us to capitalize on the interest in the Fattah bill.

[OMB strongly feels that the promise is not necessary for the campaign to be effective and that it adds administrative complexity. DPC thinks that a promise to an existing entitlement does not add enough to be worth the effort. Education? . . .]. On the early intervention program, all of your advisors recommend the school-college partnerships as the best approach.

INTRODUCTION

A number of private programs have had success in improving educational outcomes for impoverished youth by guaranteeing -- at an early age -- that the money will be there for college if they choose to go. These programs are based on the theory that middle- and upper-class families benefit enormously from the family and school expectation that they will be graduating from high school and attending college. At high-poverty schools, where dropout rates are high and few parents have college degrees, these expectations are absent. These early intervention programs aim to change those expectations. Many of the programs stress that, while the financial aid is an important hook for the child and family, additional mentoring, tutoring, and other support services are a key to success.

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- an entitlement to four years of the maximum Pell Grant at the time the promise is made or at the time the student attends college, whichever amount is higher;

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The Department estimates that on average, this type of program could increase college participation rates by this population by about 8 percent, meaning that just over half of the students would use all or a portion of the promised aid. (Without this program, 45 percent of these students would be expected to enroll in some type of postsecondary education within two years of graduating from high school.[1] Just under half of those students would be expected to still be enrolled by the fourth year of college.[2] With a successful early intervention program, the Education Department estimates that college enrollment rates for this population could be increased so that they matched the enrollment rates for students at schools with 31-50 percent low-income students -- an increase of 8 percentage points, to 53 percent.)

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Supporters have argued that virtually any student at a high-poverty school probably would have qualified for a full Pell Grant anyway, even without the guarantee -- therefore, the program only costs money if it is *successful* in encouraging youth to go to college. The data do not bear this out: more than half of the cost of this program would be for students who would have gone

1 21 percent at four-year colleges, 19 percent at less-than-4-year public institutions (mostly community colleges), and 5 percent at less-than-4-year private institutions (mostly proprietary trade schools).

2 83 percent would be retained in the second year, 67 percent in the third year, and 48 percent in the fourth year, based on data from the Beginning Postsecondary Survey.

to college anyway but wouldn't have gotten as much aid as the guarantee is providing. It appears that many families who are poor when their children are in middle school, improve their financial situation somewhat by the time their children graduate from high school. In addition, the students who go to college are more likely to be from the relatively higher income families. The Education Department estimates that the outlays associated with the first cohort of sixth graders would be $2.45 billion. These outlays (which begin in the 2005-6 school year and are spread over the following three years) would be composed of:

- $761 million, or 31%, for Pell Grant amounts that would have been spent anyway on these students who would have gone to college anyway;

- $370 million, or 15%, for students who attend college **because of** the promised aid (students induced by the program); and,

- $1,320 million, or 54%, for additional aid provided to students who would have gone to college anyway but would not have been eligible for the full $3,000 (or would not have received a Pell Grant at all).

The *added* cost, therefore, from this first group of sixth graders, is $1.7 billion over four years. (Viewed on an annual budget basis rather than by cohort, as each of the first four cohorts get phased in, the added annual outlays will increase to $1.7 billion by the fourth year after the first group graduates high school and attends college, then will increase each year roughly by inflation.) *More than three times as much additional money is spent on students who already would have attended college than is spent on those who attend college because of the aid.*

2. Need for additional support services

Research has shown that mentoring, counseling, tutoring and support services are *essential* to prevent students from dropping out of school and to increase their academic preparation and aspirations that lead to college. Rep. Fattah's proposal does not expand the availability of early intervention services (it simply makes participants eligible for the few programs we fund now). But without those services, the early Pell Grant promise *probably will not have a significant impact*. The I Have a Dream program estimates that the support services for each new cohort, provided primarily by volunteers, cost about $150,000 for a coordinator and other expenses. For the 7,300 high-poverty schools, the cost of this type of program of support services would be $1 billion (per year). Education thinks this estimate is low.

define?

3. The issue of a new entitlement

The Fattah legislation is written as an entitlement, and in order to comply with the budget agreement, the proposal would at least need to remain on the mandatory side of the budget.[3] As an entitlement, the proposal could be portrayed as (1) another potential area of runaway spending, and (2) a gimmick to provide promises now for spending that is outside the 5-year budget window.

4. Inequities and perverse incentives

As with empowerment zones and any other effort to draw a line around a "very" poor area, there will be some apparent inequities. A school with 76 percent poverty will get the benefit, while a 73 percent poverty school nearby will be denied it. In addition, school populations change, so a school may be part of the program one year, then be denied the next.

In addition, there would be inequities among students at a school: Most sixth graders attend a different school within 1-3 years. At most of the higher-poverty junior high and high schools, not all of the students will have come from the highest-poverty elementary schools. There could be some odd incentives as well. If a student who attends a particular school for one part of one year can get a promise of at least $14,000 in financial aid, someone will find a way to game the system. It may even create incentives for further concentration of poverty in order to provide the Pell Grant promise to poor students who had attended a school with a lower concentration of poverty.

5. Entitlement without Accountability

Some of your advisors object to providing expanded college aid without demanding more from students (and schools) before they reach college. The Fattah proposal does not require any particular level of achievement or high-skill curriculum. Indeed, it does not even require high school graduation (since Pell Grants are available to non-high school graduates for job training and remedial courses in some circumstances).

OPTIONS

We attempted to develop approaches to the 21st Century Scholars Act that would patch up the various problems and improve targeting, but were not able to find a satisfactory approach. In the meantime, Congressman Fattah has become aware of some of the difficulties associated with his approach, and has suggested alternatives that look more broadly at the grants *and loans* that students are currently eligible for. He also agrees that additional early intervention efforts are critical to the success of any plan.

---

[3] The "promise" of aid would count as budget authority in the year that the promise is made, even if the student never uses the promised aid. If the program was on the discretionary side, this BA would need to be counted within the Function 500 limits. Given that much of the BA will never result it outlays, this would not be a priority use of the scarce funds.

Below we provide two options for getting information out to more families & students [illegible]

the availability of Federal financial aid, and two options for expanding early intervention in middle and junior-high schools.

Options for spreading the word about financial aid for college

1. A NATIONAL CAMPAIGN. Low-income students often receive far more financial aid than just a Pell Grant. Indeed, *everyone*, regardless of income, qualifies for $17,125 or more in Federal loans over four years of full-time college attendance. In addition, many colleges would include supplemental grants, state grants, work-study, and other assistance in the total financial aid package for a low-income student. Therefore, a campaign that focuses on a Pell Grant guarantee actually *understates* the amount of aid that a child at a high-poverty school could expect if they were to go to college.

This argues for a creative campaign for informing all families, but particularly low-income families, of the package of financial aid for which they would qualify. Many have long argued that we should recruit people to college with the same vigor that we recruit for the armed forces: everyone should know that **"you already qualify for at least $17,000 in aid to go to college."**. This campaign could include:

- Producing PSAs and/or paid media touting the availability of aid for college, linked to an expansion of the current toll-free information line.
- Providing free user-friendly computer programs that provide sample financial aid packages based on the user's income. These could be provided through schools as well as kiosks that could be set up in employment and social services offices.
- Training AmeriCorps and/or others for a concentrated sweep of high schools and/or middle schools in poor areas to provide high-tech presentations on the availability of college aid.
- Naming a steering committee of a diverse group of celebrities and role models who commit to reaching out to encourage college attendance.
- Securing a commitment of funds and activity by corporations and/or foundations. (For example, the electronics industry is interested in doing more to get students, especially minorities, into computer fields). ?
- Identifying families that would qualify for Pell Grants and other aid through the IRS, social service offices, or other sources. Mail them a simple postcard that invites them to call or write to get more information about college opportunity. Provide a method for hooking up interested families with counselors at colleges. (In other words, recruit them in the same way that some of the trade schools do).

[EDUCATION: HOW MUCH SHOULD BE SET ASIDE FOR THIS? IS THERE ALREADY AUTHORITY FOR IT?]

Arguments for option 1:

intensive, sustained

- An education effort has never really been tried. That's where we should start.

- Particularly with the successes in the budget agreement, the Federal government already has a strong financial aid system, particularly for the poor. We should spread the news rather than undermining our win with the message that aid is not secure enough.

- The campaign could begin without any additional Congressional action.

Arguments against option 1:

- A guarantee sends a stronger message. (The poor are skeptical about the staying power of Federal programs. If it's not an iron-clad guarantee, it may not have the desired impact.)

2. A NATIONAL CAMPAIGN WITH A PROMISE FOR THE POOR. Instead of focusing solely on Pell Grants, this option would turn the Fattah idea into essentially a packaging of the current Pell Grant and student loan programs (Congressman Fattah has suggested this approach in conversations I have had with him). Students at the middle and junior high schools that feed into the 2100 poorest high schools would be identified as "21st Century Scholars" and provided with a promise of *at least* $21,000 in college aid over five years.

Cost: This approach has minimal budget impact because any student, regardless of income, is *already* eligible for at least $22,625 in loans for five years of full-time college attendance -- and the loan programs are already entitlements. The only budget implication is that these students will be guaranteed that they will not be affected by any elimination of the loan programs or reduction in loan limits 5-10 years down the road. That does not result in significant increased outlays other than the extension of the loan programs for these students beyond the current authorization. [EDUCATION: WHAT INCREASE WOULD THE INDUCEMENT EFFECT CAUSE?]

Number of students: [NEED ED's ANALYSIS] 2100 high schools represent about 14% of all of the high schools in the country, so this approach would cover roughly the same number of students as the original Fattah legislation (15% of students in 6th grade). By starting from the poorest high schools, and working back to [ABOUT HOW MANY?] feeder schools, it improves the ability to follow the students through their school years..

Arguments for option 2:

- It allows for a simple message to poor students: you have $21,000 at your disposal for college, if you get through high school successfully.

- The aid is iron-clad guaranteed, allowing us to tell families that they can absolutely count on the help.

Arguments against option 2:

- This detracts from our message that we have opened up college opportunity to *all*. The $21,000 promise creates the impression that this aid is only available to these students, when in fact everyone is eligible for at least that much.

- The promise would need to be tracked administratively (just in case), even though it will likely never need to be invoked.

- This would require statutory authority, and any fight on the issue could undermine our message that the aid will be available for those who need it.

Options for expanding early intervention

A. EXTENSION OF TRIO. The Education Department already spends $500 million (FY 1997) for intervention efforts to help disadvantaged individuals prepare for and succeed in college. The largest program, Upward Bound, provides grants to community groups and colleges for programs that provide high school students with academic enrichment, summer college experience, and other services. The program, serving 44,700 students, has a high cost -- $4,000 per participant. But the investment pays off: preliminary results from a scientific (random assignment) evaluation show [need to fill in].

This option proposes an investment of $200 million to provide services to approximately 50,000 students in FY 1999, ramping up to $300 million in FY 2000 and $400 million in FY2001, serving 100,000 students. Current Upward Bound programs that propose to reach further down into middle and junior high schools would receive a priority in funding.

Arguments for option A:

- Extends a *proven* program, giving us greater confidence that there will be positive results.

- The group representing current TRIO program, a strong lobby, would support the significant increase in funding (as long as its membership is favored in receiving the grants).

Arguments against option A:

- The Federal government covers 97% of the cost of Upward Bound programs. Extending that approach eliminates the possibility of leveraging more of a contribution from colleges.

- Upward Bound only works with selected disadvantaged students. By starting in middle school, it is critical to focus on *all* children. This whole-school or whole-cohort approach requires different strategies than those used by the current Upward Bound grantees.

- The budget is very tight in FY 1999. Any new investment reduces the pot of funds available for existing programs (such as Pell Grants) or other new initiatives.

B. SCHOOL-COLLEGE PARTNERSHIPS. This option adopts the view that colleges should be doing more to connect with students at high-poverty schools no later than the middle school years. Through partnerships with those schools, colleges can encourage students (and their families) to choose a demanding academic program, while the college provides academic enrichment and intensive mentoring, tutoring and other support services.

College involvement is critical because they have the tools, the expertise, and the stability to commit to a long-term project, and to provide the monitoring needed to ensure its success. They know what academic preparation they need from schools, so are in a good position to work with high-poverty schools to improve and supplement their curriculum, to prepare students for success in college. While in some cases mentoring might be provided by undergraduate students, universities also can tap alumni, businesses, and other community resources to get serious commitments of time for the effort. Finally, it is critical that there always be a full-time, serious and energetic coordinator running the efforts.

Stronger school-college partnerships would not only serve to promote college-going, they could also help to bring higher standards to impoverished schools. (This is also a perfect complement to America Reads: while the reading tutoring effort starts with parents of young children and works through the early elementary years to lift up student achievement in reading, this partnership would reach down from the university level, and help to pull those same children along into high hopes and high achievement in all subject areas.)

Under this approach, the Federal government would encourage and partially fund partnerships between colleges and high-poverty schools or school districts. These would consist of:

- **Partners**: Each partnership would at least include a high-poverty high school, its feeder schools, and a degree-granting institution of higher education. Most would also include businesses and/or a community groups which may provide supplemental funds and/or may be a source of mentors and other assistance for the children.

[HOW SHOULD WE IDENTIFY HIGH-POVERTY SCHOOLS/DISTRICTS? SHOULD IT BE FLEXIBLE, PURSUANT TO REGS?]

- **An Academic Plan**: The school would agree to offer a curriculum that prepares students for college.

- **Support Services**: The college would agree to provide structured, long-term supplemental academic enrichment, mentoring, tutoring, and other assistance to all students starting not later than the eight grade.

- **Financial Aid information and bonus**: The partnership would provide financial aid counseling, and could provide financial incentives for students to stick with the program, take the right classes and/or to get good grades. (In some existing programs, colleges guarantee admittance and aid if students reach certain goals in high school).

Funding. This option would aim for $400 million in funding through (1) aiming to get colleges to use $250 million of the Perkins Loan revolving funds for this purpose, and (2) asking for another $150 million in the FY 1999 Budget for areas that do not have significant Perkins funds. If the partnership cost an average of $400,000 [EDUCATION WANT TO TAKE A STAB AT ANOTHER NUMBER? Upward Bound is $300,000 per project, but only serves 74 participants each], this would fund 1000 partnerships.

Using the Perkins Loan funds. 2700 institutions of higher education [need break-down by sector][4] currently administer a total of $6.5 billion in Perkins Loan revolving funds. These funds have built up from Federal contributions and matching funds over the past 40 years. Each year, about $750 million is repaid by students. Colleges put in another $250 million in matching funds, making $1 billion available for lending again. With the expansion of loan limits and eligibility in the Direct and Guaranteed programs over the past few years, Perkins has diminished in importance (the other programs are 30 times larger), but political inertia has kept it alive. Your budgets have alternately proposed cutting or straight-lining any new Federal contributions (for FY 1998 you proposed level funding at $158 million). In the past several years, some of the colleges have floated the idea that the program could end if they could keep the money to spend in other ways. [ED: HOW MANY STUDENTS WHO GET PERKINS HAVE NOT MAXED OUT ON STAFFORD? HOW STRONG IS OUR CLAIM THAT IT ISN'T ALL NEEDED?]

Under this option, colleges would be *allowed* to spend these funds to create or expand early intervention partnerships with schools. The Education Department expects that many would choose to do so, because (1) the program is not as needed as it used to be, (2) it is expensive to administer (the colleges pay for collection of the loans), and (3) the colleges give lip service to

[4][Describe distribution by schools and in terms of dollars.]

early intervention and this would give them the opportunity to put money where their mouths are.

Like the work-study component of America Reads, you would challenge colleges to participate, while also providing a way for them to more easily pay for it. We could start with a steering committee of college presidents who pave the way and encourage their colleagues to sign on. If we got colleges with half of the funds (much is concentrated in some of the large universities) to commit half of that to early intervention, that would represent a $250 million investment.

Additional appropriations. Using the Perkins funds is not sufficient because they are not evenly distributed across the country -- the older, larger, more elite state and private universities have the bulk of it. The southwest and areas that rely more on lower-cost state and community colleges would be under-served if we do not create an alternative pot of funds to make grants to them for the same purpose.

Arguments for option B:

- Guarantees the provision of mentoring, counseling and support services that many say are critical to the success of early intervention programs.

- Provides colleges with a way of partnering with high-poverty schools in a way that may be less threatening, and ultimately more productive, than explicit school reform efforts.

- Given the tight appropriations, may be more likely to be adopted than option A.

Argument against option B:

- Using the Perkins Loan fund invites opposition by that program's supporters (including the contractors who collect the loans).

RECOMMENDATIONS

[On the information campaign, I think the "guarantee" continues to have appeal, so I prefer option 2 as an approach that would increase the effectiveness of the information campaign in poor areas, and allow us to capitalize on the interest in the Fattah bill.] [OMB strongly feels that the promise is not necessary for the campaign to be effective and that it adds administrative complexity. DPC thinks that a promise to an existing entitlement does not add enough to be worth the effort. Education? . . .]. On the early intervention program, all of your advisors recommend the school-college partnerships as the best approach.

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Congress of the United States
House of Representatives

COMMITTEES:
ECONOMIC AND EDUCATIONAL OPPORTUNITIES
EARLY CHILDHOOD, YOUTH AND FAMILIES SUBCOMMITTEE
OVERSIGHT AND INVESTIGATIONS SUBCOMMITTEE

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HUMAN RESOURCES AND INTERGOVERNMENTAL AFFAIRS SUBCOMMITTEE

EXECUTIVE COMMITTEE
DEMOCRATIC STUDY GROUP

WHIP
CONGRESSIONAL BLACK CAUCUS

CO-CHAIR
DEMOCRATIC TAX POLICY TASK FORCE

February 13, 1997

President William Clinton
White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

FEB 18 PM 5:06

Dear Mister President:

I am transmitting to you a piece of legislation which can make the difference between success and failure in so many young lives: The Twentieth Century Scholars Program. This legislation is a perfect fit with the your education agenda in that it offers you a way to extend benefits to truly low income families.

The Twentieth Century Scholars program is patterned after the very successful "I Have a Dream" private initiative in that it provides advance notification to very low income grade school graduates that they are eligible for a Pell Award to pay for college if they graduate from high school. It is revenue neutral for six years, and then the only revenue impact is a function of the success of the program. It will provide Pell awards to people who would be eligible for them anyway, but who might not have made it to college but for the encouragement provided by this program. The material in this package includes a copy of the bill and a concept paper which provides more detailed information about the proposed program.

I invite your comment and your support of this legislation, Mr. President. Your State of the Union Address created a renewed national commitment to education which bodes well for the future of this country. Let's make sure that in the process, we leave no child behind.

Very truly yours,

Chaka Fattah
Member of Congress

CF:ccp

(Original signature of Member)

105TH CONGRESS
1ST SESSION

H. R. ____

IN THE HOUSE OF REPRESENTATIVES

Mr. FATTAH introduced the following bill; which was referred to the Committee on ________________

A BILL

To amend the Higher Education Act of 1965 to establish a 21st Century Scholars Program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "21st Century Scholars Act of 1997".

SEC. 2. PELL GRANT GUARANTEES.

(a) AMENDMENT.—Subpart 1 of part A of title IV of the Higher Education Act of 1965 is amended by inserting after section 401 (20 U.S.C. 1070a) the following new section:

"SEC. 401A. PELL GRANT GUARANTEES.

"(a) PURPOSE.—It is the purpose of this section to require the Secretary to establish a program to provide to eligible 21st Century Scholars (in this section referred to as 'eligible Scholars') a legally binding promise, secured by the full faith and credit of the United States, to provide, for each of up to 4 years of attendance at an eligible institution, the maximum authorized Pell Grant to cover the costs of attendance at such institution.

"(b) ELIGIBLE SCHOLARS.—

"(1) ELIGIBLE SCHOLARS.—For purposes of this section, a student is an eligible Scholar if the student successfully completed the uppermost grade at a qualifying elementary school and was a resident of the school attendance area of such school during the school year in which such grade was completed.

"(2) QUALIFYING ELEMENTARY SCHOOLS.—For purposes of paragraph (1), an elementary school is a qualifying elementary school if such school serves a school attendance area in which the concentration of children from low-income families exceeds 75 percent, as determined under section 1113(a)(3)(A) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6313(a)(3)(A)).

"(c) NOTIFICATION TO ELIGIBLE SCHOLARS.—

"(1) INITIAL NOTIFICATION.—Upon receipt of notification from a qualifying elementary school of the identities and addresses of each student meeting the requirements of subsection (b), the Secretary shall send to each such student at their school, and to the parents or guardians of such student, a written commitment to provide, for each of up to 4 years of attendance at an eligible institution, the maximum authorized Pell Grant to cover the costs of attendance at an eligible institution. A copy of the notice shall be maintained in the student's official record. Such notice shall contain—

"(A) a statement of the value of the award and its character as a legal obligation of the United States; and

"(B) the obligations of students and parents or guardians, including the obligation to meet current Pell requirements at the time of admission to postsecondary education, except as otherwise provided in this section.

"(2) ANNUAL NOTICES.—The Secretary shall annually provide to each school, for each student notified under paragraph (1), and to the parents or guardians of such student, a notice restating the written commitment provided under paragraph (1) and containing—

"(A) a statement of the maximum Pell Grant then currently authorized;

"(B) a notification to the parents or guardians of the status of the Secretary's records of the Scholar's current address, grade, and school where currently enrolled; and

"(C) instructions to the parents or guardians of how to inform the Secretary of any changes of the Scholar's address, grade, or school where currently enrolled.

"(3) PLEDGE OF FULL FAITH AND CREDIT.—The full faith and credit of the United States is pledged to the payment of the written commitments provided under this subsection.

"(d) MAXIMUM AUTHORIZED PELL GRANT.—

"(1) IN GENERAL.—The commitments provided under subsection (c) shall guarantee to each eligible Scholar an amount that, subject to paragraph (2), is equal to the greater of—

"(A) the maximum Pell Grant available, pursuant to an appropriations Act, for the academic year for which the Scholar is seeking payment of the commitment; or

"(B) the maximum Pell Grant available, pursuant to an appropriations Act, for the academic year during which the Scholar is first notified under subsection (c)(2) of such commitment.

"(2) COST OF ATTENDANCE.—Notwithstanding paragraph (1), the amount guaranteed to an eligible Scholar for any academic year shall not exceed such Scholar's cost of attendance at the eligible institution at which such Scholar is enrolled or accepted for enrollment.

"(3) OTHER LIMITATIONS NOT APPLICABLE.—Except as provided in paragraphs (1) and (2), the Pell Grant awarded under this section shall not be subject to any reduction based on expected family contribution, or to any other limitation or reduction pursuant to section 401 or any other law.

"(e) APPLICATIONS FOR GRANTS.—The Secretary shall from time to time set dates by which eligible Scholars shall file applications for payments of the commitments provided under this section. Each such Scholar shall file an application therefor containing such information and assurances as the Secretary may deem necessary to enable the Secretary to carry out the functions and responsibilities of this section.

"(f) DISTRIBUTION OF GRANTS TO STUDENTS.—Payments under this section shall be made in accordance with regulations promulgated by the Secretary for such purpose, in such manner as will best accomplish the purpose of this section. Any disbursement allowed to be made by crediting the student's account shall be limited to tuition and fees and, in the case of institutionally owned housing, room and board. The student may elect to have the institution provide other such goods and services by crediting the student's account.".

(b) TRIO PARTICIPATION AND MENTORING.—

(1) TRIO ELIGIBILITY.—Section 402A(g) of Higher Education Act of 1965 (20 U.S.C. 1070a-11(g)) is amended by adding at the end the following new sentence: "Any individual who has been identified as an eligible 21st Century Scholar under section 401A shall be treated as a low-income individual for purposes of this section.".

(2) TALENT SEARCH MENTORING.—Section 402B(b) of such Act (20 U.S.C. 1070a-12(b)) is amended—

(A) by striking "and" at the end of paragraph (9);

(B) by striking the period at the end of paragraph (10) and inserting "; and"; and

(C) by adding at the end the following new paragraph:

"(11) special mentoring programs and activities for eligible 21st Century Scholars identified under section 401A.".

(3) EARLY INTERVENTION MENTORING, COUNSELING, OUTREACH, AND SUPPORTIVE SERVICES.—Section 404C(c) of such Act (20 U.S.C. 1070a-23(c)) is amended by striking "who is eligible" and inserting "who is an eligible 21st Century Scholars identified under section 401A or who is eligible".

(c) CONFORMING AMENDMENTS TO THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965.—

(1) STATE ASSURANCES.—Section 1111(c) of the Elementary and Secondary Education Act of 1965 is amended—

(A) in paragraph (5), by striking "and" after the semicolon;

(B) in paragraph (6), by striking the period and adding "; and"; and

(C) by adding at the end the following:

"(7) the State educational agency annually will notify the recipients of awards under subpart 2 of part A of title IV of the Higher Education Act of 1965 and the Secretary of the identities and addresses of all students who meet the requirements of section 401A(b) of the Higher Education Act of 1965.".

(2) LOCAL ASSURANCES.—Section 1112(c)(1) of the Elementary and Secondary Education Act of 1965 is amended—

(A) in subparagraph (G), by striking "and" after the semicolon;

(B) in subparagraph (H), by striking the period and adding "; and"; and

(C) by adding at the end the following:

"(I) notify the State educational agency annually of the identities and addresses of all students who meet the requirements of section 401A(b) of the Higher Education Act of 1965.".

(d) EVALUATION.—The Secretary of Education shall establish a system for the evaluation of the 21st Century Scholars Program established pursuant to the amendments made by this section. Such evaluation shall include measurements of the impact of the Program on Pell Grant participation by low-income individuals, the educational attainment of 21st Century Scholars as compared to control groups, and any change in social behavior such as teenage pregnancy, drop-out rates, and juvenile detention and incarceration rates.

News Release

CONGRESSMAN

Chaka Fattah

Second District, Pennsylvania

The 21st Century Scholars Program

It is observed that students who receive advance notification that their college education will be paid for, make different decisions about their lives, and are far more likely to graduate from high school and go on to college. *The 21st Century Scholars Program* informs students in their last year of grammar school, and their families, that if they stay in school and get the grades necessary for admission to a postsecondary program, they will be guaranteed Pell Grant funds. In order to concentrate efforts to populations with the least access to postsecondary education, participation will be limited to students in schools serving a school attendance area in which the concentration of children from families who's income is below the federal poverty level, exceeds 75 percent.

The 21st Century Scholars Program is modeled on successful private initiatives such as the "Tell Them We Are Rising" Program founded by my constituent Dr. Ruth Hayre, and the "I Have A Dream" (IHAD) Programs originated by Eugene Lang in East Harlem. The "I Have A Dream" (IHAD) Programs identifies grammar school classes who attend schools in areas of high concentration of low-income families, and promise them funds for postsecondary education. Statistically, IHAD's results have been impressive. Class, by class these programs have made astonishing changes in the percentage of children who complete high school and attend postsecondary schools. In Eugene Lang's original class of students, 90% eventually graduated from high school or earned GED's -- in a school where the projected graduation rate was 25%. Moreover, 60% of those students pursued higher education. Three Chicago IHAD Projects which reached their high school graduation in 1993 and 1994 showed a cumulative graduation rate of 69% -- in schools whose *dropout* rate has been estimated at 60%. Of those students, 66% went on to college; 22% got jobs; and 10% went into vocational programs. Additional projects in other areas including Washington, D.C. and Denver have proven equally successful. As a result of IHAD's efforts, more than 1,250 students are now enrolled at more than 300 colleges and universities.

These past private efforts, although wonderful, reach only a small number of the almost one-half million children attending school in areas of highest poverty, who often don't consider postsecondary education as one of their life options. Federal grants are more critical to students of low-income families in their access to college, accounting for an average of 25% of their postsecondary tuition, as compared to 2% for middle income, and only 0.2% of high income children (see attached chart). Federal grants often make postsecondary education possible for students from low-income families. As we continue our change from an industrial and manufacturing based economy, to a services and information based economy, education will be the single largest factor in a person's ability to remain gainfully employed. A federal program can start to address the needs of the growing number of our citizens at risk for being marginalized in our changing economy through a promise and commitment to catalyzing their education. *The 21st Century Scholars Program* is such a catalyst.

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Percent of Tuition Covered by Federal Grants

This chart shows how critical Federal Grants are in making postsecondary education possible, especially for students from low-income families. Please note, that the Low-Income groups in this chart (<$23,000 for 1986 and < $30,000 for 1992) are considerably higher than the Federal 1995 poverty level of $15,569 for a family of four.

Family Income	Year	Private Non-Profit Institutions	Public Institutions	Private For-Profit Institutions
Low	1986	22.49	68.34	36.48
Low	1992	**15.79**	**41.71**	**18.71**
Middle	1986	4.68	5.83	3.59
Middle	1992	1.55	3.04	1.36
High	1986	1.35	1.91	0.65
High	1992	0.17	0.32	0.10

Definition of Above Income Ranges

Amounts equilibrated to 1992 Dollars.

Income Group	1986	1992
Low	< $23,000	< $ 30,000
Middle	$23,500 - $54,900	$30,000 - $70,000
High	> $54,900	> $70,000

Pell Grants: Background and Issues

SUMMARY

The Pell Grant program is the largest need-related federal postsecondary student **grant** program administered by the U.S. Department of Education(ED), and is considered the "foundation" program for federal student aid. The purpose of the program is to assist students from low-income families who would not otherwise be financially able to attend a postsecondary institution. As part of Title IV of the Higher Education Act of 1965 (HEA), the Pell Grant program was last reauthorized in 1992, with changes to the rules for eligibility and awards.

In 1995-96, there were approximately 3.6 million Pell Grant recipients. The rules for Pell Grant eligibility tend to limit recipients to those with very low income. In addition to basic Title IV eligibility requirements, award rules generally base the size of the grant on three factors: the maximum award as established by law, the "expected family contribution" (EFC) calculated in the need analysis formula, and the cost of attendance. A student's award is the lesser of the maximum minus the EFC or the cost of attendance minus the EFC. For most recipients, cost of attendance is higher than the maximum award ($2,470 in the 1996-97 academic year), so their grant will equal the maximum minus their EFC, with a minimum award of $400. The result is that few families with incomes above $30,000 are likely to qualify. In 1995-96, 54% of Pell Grant recipients had incomes of less than $10,000.

Although the Pell Grant is provided to the student and not to the institution, the postsecondary institutions participating in the Pell Grant program have important functions. In the 1994-95 award year, 6,333 institutions participated, including 2,114 public institutions, 1,676 private non-profit institutions, and 2,543 proprietary institutions. These institutions are responsible for verifying the information on the federal student aid application which establishes a student's financial eligibility; for disbursing funds to students and ensuring that they do not receive more than they are eligible for and for crediting refunds appropriately for students who withdraw.

FY1997 Pell Grant program funding totals $6.4 billion. In real dollars, appropriations for the Pell Grant program have increased by 49% between 1980 and 1997. Trends in the funding of the maximum individual grant established by appropriations statutes make clear that the large increases in funding have supported increases in recipients more than increases in the individual awards. The appropriated maximum grant has increased by 34% from 1980 to 1997; adjusted for inflation, it has decreased 13%.

A variety of issues concerning the Pell Grant program may be raised during consideration of HEA reauthorization in the 105th Congress, including its relationship to other sources of federal student aid, particularly subsidized student loans, or any new tax subsidies that may also be under consideration. Options that exclude more students from eligibility in order to increase the size of the maximum award for remaining recipients may be proposed. In addition, proposals to strengthen the relationship between the program and incentives for student achievement and persistence may be raised.

EFC, with a minimum award of $400[7]. Thus, if the maximum is $2,470, then any student with an EFC above $2,270 is ineligible for an award. Although the actual need analysis formula takes into account the number of family members, assets, etc., this means that few families with incomes above $30,000 are likely to qualify. As table 2 indicates, most Pell Grant recipients have very low incomes.[8]

TABLE 2. Characteristics of Undergraduate Pell Grant Recipients (1995-1996)
(in percents)

Type of School	
Public 4-year	36.3
Private 4-year	15.1
Community College	31.8
Proprietary school	13.2
Other	3.7
Total	100.0
Income and Dependency	
Dependent Students	
Less than $10,000	14.7
$10,000 - 29,999	20.0
$30,000 - 49,999	6.4
$50,000 or more	.02
Total	41.1
Independent Students	
Less than $10,000	39.7
$10,000 - 29,999	16.3
$30,000 - 49,999	2.3
$50,000 or more	0.0
Total	58.3

[7] The 1992 amendments changed the minimum to $400, but those applicants eligible forawards of $200 to $399 receive the $400 minimum.

[8] Tables 2 and 3 prepared by Laura Monagle from the National Postsecondary Student Aid Survey, 1995-96 (NPSAS96)database maintained by the U.S. Department of Education, National Center for Education Statistics Internet site.

1997 BUDGET REQUEST

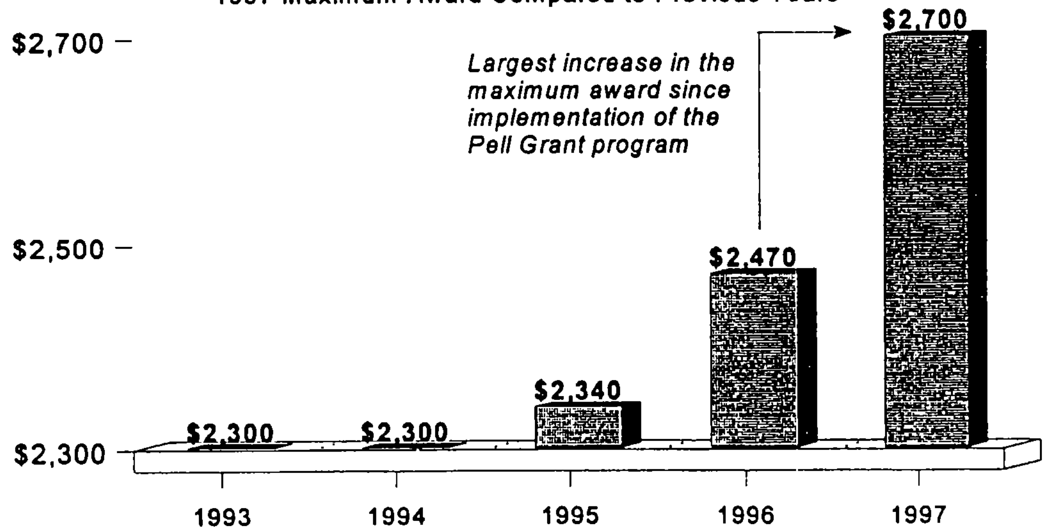
The Department requests $5.9 billion for Pell Grants, an increase of $952 million over the 1996 tentative conference level. The Pell Grant has been designed to be the foundation of a student financial aid package to which other aid is added. Studies show that Pell Grants have been successful in helping low-income students overcome financial barriers to postsecondary education. Students from low-income families who receive Pell Grants have significantly higher participation and graduation rates than students in similar financial circumstances who do not receive grants.

Budget Authority: The Administration's 1997 budget request for Pell Grants is $5.919 billion, an increase of 19.2 percent over the 1996 tentative conference level. In addition to the new budget authority, the Department will use $506 million in surplus budget authority carried forward from prior years to meet the projected cost of the Pell Grant program in 1997.

Proposed Policy Changes: The 1997 request for Pell Grants proposes to raise the maximum Pell Grant award by 9.3 percent over the 1996 tentative conference level. The maximum Pell Grant award would be substantially increased by $230 from $2,470 to $2,700.

Maximum Pell Grant Awards

1997 Maximum Award Compared to Previous Years



Raising the maximum Pell Grant increases aid to students at the lowest income levels, and improves the affordability of higher education by increasing the purchasing power of Pell Grants.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Aid Available: Under the Administration's 1997 request, a total of $6.4 billion in aid would be available under the Pell Grant program. The aid available under the Pell Grant program in 1997 would represent a 12.5 percent increase over the estimated amount that will be received by Pell Grant recipients in 1996 at the H.R. 3019 tentative conference level.

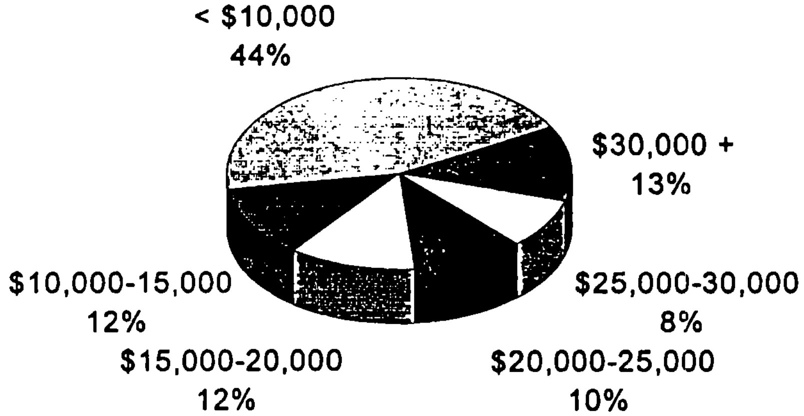
Number of Recipients: Under the Administration's 1997 request, a total of 3.76 million recipients would receive assistance under the Pell Grant program. This number of Pell Grant recipients would represent a 4.1 percent increase over the projected number of students receiving Pell Grants in 1996 at the H.R. 3019 tentative conference level.

IMPACT DATA ($ in 000s)

	1995	1996	1997
Aid available to students	$5,426,000	$5,693,000	$6,406,000
Recipients	3,600,000	3,606,000	3,755,000
Maximum grant (whole $)	$2,340	$2,470	$2,700
Minimum grant (whole $)	$400	$400	$400
Average grant (whole $)	$1,507	$1,579	$1,706

Family Income Levels and Dependency Status: The charts on the following pages provide estimates for Pell Grant recipients by family income and dependency status under the Administration's 1997 request. In award year 1997-98, as in the past few years, most Pell Grant recipients are expected to have family incomes of less than $15,000 and most of the funds will be awarded to students with family incomes of less than $10,000.

Distribution of Pell Grant Recipients by Family Income
1997 Proposed Policy



Distribution of Pell Grant Funds by Dependency Status
1997 Proposed Policy

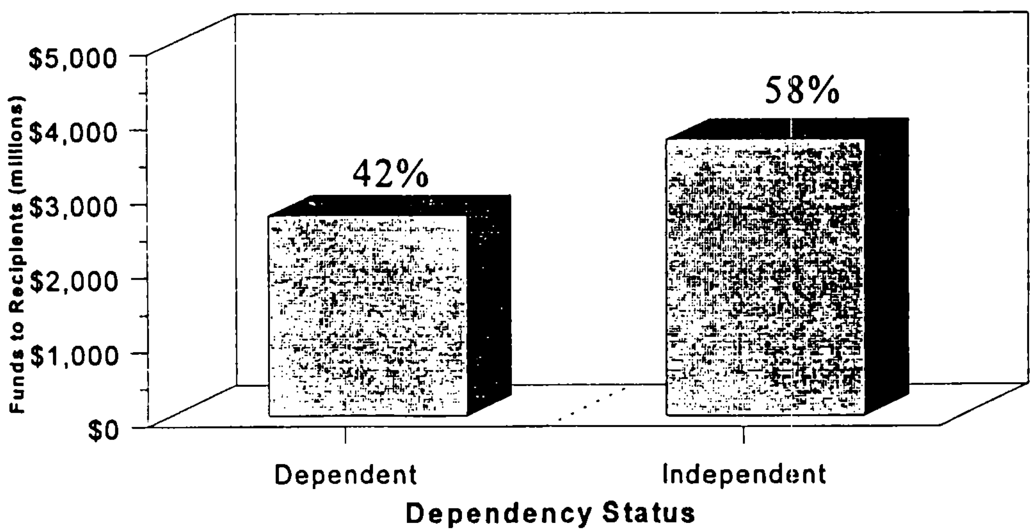


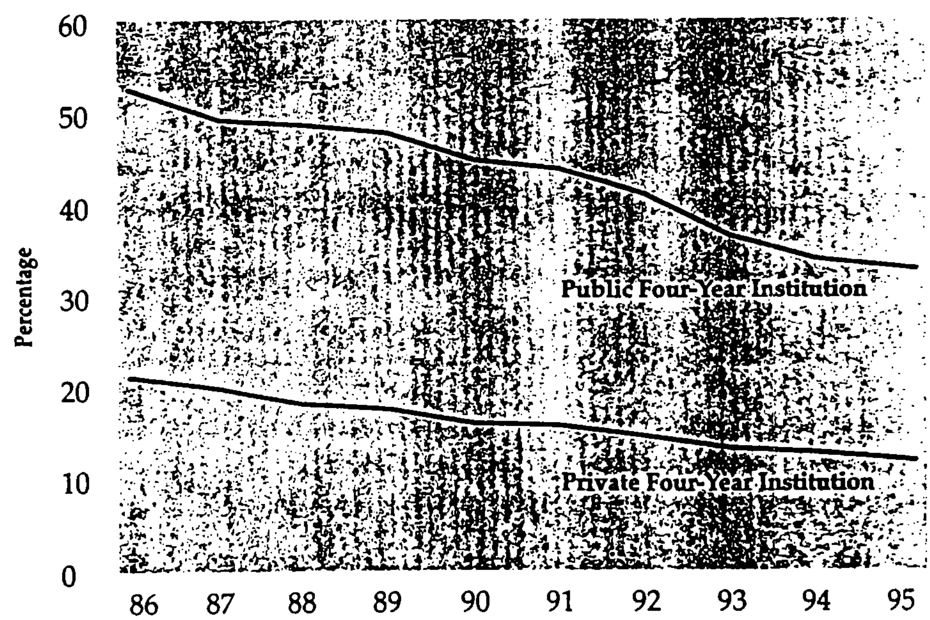
TABLE 7

Description of Federal Pell Grant Awards from 1973–74 to 1995–96

Year	Authorized Maximum Awards: Current Dollars	Authorized Maximum Awards: Constant Dollars	Actual Maximum Awards: Current Dollars	Actual Maximum Awards: Constant Dollars	Actual Minimum Awards: Current Dollars	Actual Minimum Awards: Constant Dollars	Percent Cap on Costs	Percent of Recipients Independent
1973–74	1,400	4,578	452	1,478	50	163	50	13
1974–75	1,400	4,119	1,050	3,089	50	147	50	22
1975–76	1,400	3,847	1,400	3,847	200	550	50	30
1976–77	1,400	3,634	1,400	3,634	200	519	50	38
1977–78	1,800	4,379	1,400	3,406	200	487	50	39
1978–79	1,800	4,004	1,600	3,559	50	111	50	37
1979–80	1,800	3,534	1,800	3,534	200	393	50	34
1980–81	1,800	3,167	1,750	3,079	150	264	50	41
1981–82	1,900	3,077	1,670	2,704	120	194	50	42
1982–83	2,100	3,261	1,800	2,795	50	78	50	46
1983–84	2,300	3,445	1,800	2,696	200	300	50	48
1984–85	2,500	3,603	1,900	2,739	200	288	50	49
1985–86	2,600	3,643	2,100	2,942	200	280	60	50
1986–87	2,600	3,562	2,100	2,877	100	137	60	54
1987–88	2,300	3,026	2,100	2,763	200	263	60	58
1988–89	2,500	3,145	2,200	2,768	200	252	60	58
1989–90	2,700	3,240	2,300	2,760	200	240	60	59
1990–91	2,900	3,298	2,300	2,616	100	114	60	61
1991–92	3,100	3,417	2,400	2,645	200	220	60	62
1992–93	3,100	3,313	2,400	2,565	200	214	60	62
1993–94	3,700	3,854	2,300	2,396	400	417	-	59
1994–95	3,900	3,949	2,300	2,329	400	405	-	59
1995–96	4,100	4,044	2,340	2,308	400	395	-	N.A.

FIGURE 3

The Maximum Pell Grant as a Share of Cost of Attendance



Notes to Figure 3

Based on Tables 3 and 7.

Academic Year 86=1986-87.

TABLE 4
Number of Recipients and Aid Per Recipient (in Current and Constant 1995 Dollars)

	Federal Pell Grant Program		
	Recipients	Aid per Recipient	
	Number (000)	Current Dollars	Constant Dollars
1986–87	2,660	1,294	1,773
1987–88	2,882	1,297	1,706
1988–89	3,198	1,398	1,759
1989–90	3,322	1,435	1,722
1990–91	3,405	1,442	1,640
1991–92	3,781	1,528	1,684
1992–93	4,177	1,479	1,580
1993–94	3,743	1,510	1,573
1994–95	3,675	1,502	1,521
1995–96	3,600	1,502	1,482

	Federal SEOG Program		
	Recipients	Aid per Recipient	
	Number (000)	Current Dollars	Constant Dollars
1986–87	631	633	867
1987–88	635	659	867
1988–89	679	622	783
1989–90	728	612	735
1990–91	761	595	676
1991–92	881	565	623
1992–93	976	567	606
1993–94	1,068	529	550
1994–95	1,057	715	724
1995–96	984	588	580

	Federal CWS Program		
	Recipients	Aid per Recipient	
	Number (000)	Current Dollars	Constant Dollars
1986–87	690	912	1,250
1987–88	686	926	1,219
1988–89	673	930	1,170
1989–90	677	980	1,177
1990–91	687	1,059	1,204
1991–92	697	1,090	1,201
1992–93	714	1,092	1,167
1993–94	712	1,084	1,129
1994–95	701	1,081	1,094
1995–96	709	864	852

	Federal Perkins Program		
	Recipients	Aid per Recipient	
	Number (000)	Current Dollars	Constant Dollars
1986–87	716	1,067	1,461
1987–88	674	1,195	1,573
1988–89	692	1,263	1,588
1989–90	696	1,297	1,556
1990–91	660	1,318	1,499
1991–92	654	1,326	1,462
1992–93	669	1,333	1,425
1993–94	685	1,342	1,397
1994–95	663	1,464	1,482
1995–96	776	1,233	1,216

	State Grant and SSIG Programs		
	Recipients	Aid per Recipient	
	Number (000)	Current Dollars	Constant Dollars
1986–87	1,583	876	1,227
1987–88	1,531	983	1,347
1988–89	1,554	1,016	1,337
1989–90	1,571	1,052	1,323
1990–91	1,605	1,115	1,338
1991–92	1,673	1,147	1,305
1992–93	1,652	1,229	1,354
1993–94	1,739	1,263	1,350
1994–95	1,859	1,316	1,371
1995–96	N.A.	N.A.	N.A.

CHAKA FATTAH
PUBLIC SERVICE PROFILE

Chaka Fattah is a second term Congressman representing the Second Congressional District of Pennsylvania, which includes neighborhoods of Philadelphia and its suburbs. He serves on the Committee on Education & the Workforce and secondly, the Committee on Government Reform & Oversight.

Congressman Fattah has been nationally acknowledged for his achievements: The Hill Newspaper, ranked him as one of six *Rising Political Stars of the Democratic Party;* Time Magazine recognized him as one of *America's 50 most promising young leaders; and* Ebony Magazine identified him as one of *100 most influential African Americans in the nation.* As an effective commentator on public policy in the 104th Congress, he was featured regularly on the News Hour with Jim Lehrer and National Public Radio's *Talk of the Nation* Show. He has addressed national audiences for the National Urban League, the National Association of Social Workers, the National Black Caucus of State Legislators, the National Baptist Convention, AFL-CIO and the National Dental Association.

Chaka Fattah is an experienced lawmaker who served six years in the Pennsylvania State House of Representatives and six years in the State Senate. While in the Senate, he was Chairman of the Senate Education Committee, Chairman of the Pennsylvania Higher Education Facilities Authority, Chairman of the Executive Board of the Pennsylvania Higher Education Assistance Agency (PHEAA), and a member of the Pennsylvania State Board of Education. For the past decade, he has sponsored the annual Graduate Opportunities Conference which offers information, motivation and scholarships to aspiring minority graduate school students. He is a Trustee of Lincoln University and Community College of Philadelphia, and also served as a Trustee of Temple University and Penn State University.

As a legislator, Congressman Fattah's innovative approach to leadership has resulted in numerous honors. He received an Honorary Degree from St. Paul's College of Lawrenceville, Virginia, and he is a recipient of the Excellence in Education Award for distinguished service from the Philadelphia Board of Education, the Philadelphia Jaycees 1995 Outstanding Young Leader Award and the Pennsylvania Public Interest Coalition's State Legislator of the Year Award. He has also achieved international recognition as a member of the British/American Project for the Successor Generation.

Congressman Fattah attended Philadelphia public schools, Community College of Philadelphia, the University of Pennsylvania Wharton School, and the University of Pennsylvania Fels School of State and Local Government, where he earned a Master's Degree in Government Administration. Additionally, he completed the Senior Executive Program for State Officials at Harvard University's John F. Kennedy School of Government.

Fattah

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A number of private programs have had success in improving educational outcomes for impoverished youth by guaranteeing -- at an early age -- that the money will be there for college if they choose to go. These programs are based on the theory that middle- and upper-class families benefit enormously from the family and school expectation that they will be graduating from high school and attending college. At high-poverty schools, where dropout rates are high and few parents have college degrees, these expectations are absent. These early intervention programs aim to change those expectations. Many of the programs stress that, while the financial aid is an important hook for the child and family, additional mentoring, tutoring, and other support services are a key to success.

Rep. Chaka Fattah (D-Penn.) has introduced legislation to establish a large-scale, national effort of this type. He would guarantee a maximum Pell Grant to all of the children graduating from high-poverty elementary schools (75% poverty). The "21st Century Scholars Act" would provide these students with:

- an entitlement to four years of the maximum Pell Grant at the time the promise is made or at the time the student attends college, whichever amount is higher;

- an annual notice from the Department of Education reminding the student and family of the future availability of the college aid; and,

- automatic *eligibility* for services under current (TRIO) early intervention, mentoring, counseling ~~and other~~ services.

The Education Department estimates that the Fattah legislation would apply to 7,300 schools with about 500,000 sixth graders (approximately 15% of the national total). Assuming inflation-based increases in the maximum Pell Grant, each of these students in the sixth grade in 1998-99 would be promised a total of almost $14,000 in aid over four years.

The Department estimates that on average, this type of program could increase college participation rates by this population by about 8 percent, meaning that just over half of the students would use all or a portion of the promised aid. (Without this program, 45 percent of these students would be expected to enroll in some type of postsecondary education within two years of graduating from high school.[1] Just under half of those students would be expected to still be enrolled by the fourth year of college.[2] With a successful early intervention program, the Education Department estimates that college enrollment rates for this population could be increased so that they matched the enrollment rates for students at schools with 31-50 percent low-income students -- an increase of 8 percentage points, to 53 percent.)

While this increase in enrollment may seem low, college is only one of the intended outcomes of early intervention programs. They also seek to promote high school completion, job readiness, and lower incidence of drug abuse and delinquent behavior.

Rep. Fattah introduced his bill on February 13. He now has 63 cosponsors, including five Republicans (Christopher Shays, Ken Calvert, J.C. Watts, Jr., Richard Baker, and James Greenwood). On May 5, he testified before the House Education and the Workforce Committee's postsecondary subcommittee and received an unusually warm reception from both sides of the aisle. One Republican, Marge Roukema, opposed the concept because it would be a new entitlement. The House hopes to move a bill reauthorizing the Higher Education Act by the end of this year. No companion bill has been introduced in the Senate [CHECK].

ANALYSIS

There are a number of issues and concerns to consider with respect to the Fattah legislation:

1. Inefficient targeting and higher-than-expected cost

Supporters have argued that virtually any student at a high-poverty school probably would have qualified for a full Pell Grant anyway, even without the guarantee -- therefore, any costs are only associated with successfully encouraging youth to go to college. The data do not bear this out: more than 40 percent of the cost of this program would be for students who would have gone to college anyway but wouldn't have gotten as much aid as the guarantee is providing. It appears that many families who are poor when their children are in middle school, improve their financial situation somewhat by the time their children graduate from high school. In addition, the students who go to college are more likely to be from the relatively higher income families. The Education Department estimates that the outlays associated with the first cohort of sixth graders would be $2.5 billion. These outlays (which begin for the 2005-6 school year) would be composed of:

- $1 billion, or 40%, for Pell Grant amounts that would have been spent anyway on these

1 21 percent at four-year colleges, 19 percent at less-than-4-year public institutions (mostly community colleges), and 5 percent at less-than-4-year private institutions (mostly proprietary trade schools).

2 83 percent would be retained in the second year, 67 percent in the third year, and 48 percent in the fourth year., based on data from the Beginning Postsecondary Survey, [YEAR], [for a similar population??]

students who would have gone to college anyway;

- $400 million, or 16%, for students who attend college **because of** the promised aid (students induced by the program); and,

- $1.1 billion, or 44%, for additional aid provided to students who would have gone to college anyway but would not have been eligible for the full $3,000 (or would not have received a Pell Grant at all).

The *added* cost, therefore, from this first group of sixth graders, is $1.5 billion over four years. As each of the first four cohorts get phased in, the cost will increase to a fully phased in incremental cost of _____, which would increase thereafter roughly by inflation. Less than one-third of that cost will be for students who attend college because of the aid.

2. Need for additional support services

Research has shown that mentoring, counseling, tutoring and support services are *essential* to prevent students from dropping out of school and to increase their academic preparation and aspirations that lead to college. Rep. Fattah's proposal does not expand the availability of early intervention services (it simply makes participants eligible for the few programs we fund now). But without those services, the early Pell Grant promise *probably will not have a significant impact*. The I Have a Dream program estimates that the support services for each new cohort, provided primarily by volunteers, cost about $150,000 for a coordinator and other expenses. For the 7,300 high-poverty schools, the cost of this type of program of support services would be $1 billion (per year). Education thinks this estimate is low.

does that mean a given 6th grade class?

3. The issue of a new entitlement

The Fattah legislation is written as an entitlement, and in order to comply with the budget agreement, the proposal would at least need to remain on the mandatory side of the budget.[3] As an entitlement, the proposal could be portrayed as (1) another potential area of runaway spending, and (2) a gimmick to provide promises now for spending that is outside the 5-year budget window.

4. Inequities and perverse incentives

As with empowerment zones and any other effort to draw a line around a "very" poor area,

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[3] The "promise" of aid would count as budget authority in the year that the promise is made, even if the student never uses the promised aid. If the program was on the discretionary side, this BA would need to be counted within the Function 500 limits. Given that much of the BA will never result it outlays, this would not be a priority use of the scarce funds.

there will be some apparent inequities. A school with 76 percent poverty will get the benefit, while a 73 percent poverty school nearby will be denied it. In addition, school populations change, so a school may be part of the program one year, then be denied the next.

In addition, there would be inequities among students at a school: Most sixth graders attend a different school within 1-3 years. At most of the higher-poverty junior high and high schools, not all of the students will have come from the highest-poverty elementary schools. There could be some odd incentives as well. If a student who attends a particular school for one part of one year can get a promise of at least $14,000 in financial aid, someone will find a way to game the system. It may even create incentives for further concentration of poverty in order to provide the Pell Grant promise to poor students who had attended a school with a lower concentration of poverty.

5. Entitlement without Accountability

Some of your advisors object to providing expanded college aid without demanding more from students (and schools) before they reach college. The Fattah proposal does not require any particular level of achievement or high-skill curriculum. Indeed, it does not even require high school graduation (since Pell Grants are available to non-high school graduates for job training and remedial courses in some circumstances).

OPTIONS

Below we provide three possible approaches to providing poor families with early information about the potential for college. Our assumption is that any option you choose -- while it could be announced soon in outline form -- would ultimately become part of the Administration proposal for the reauthorization of the Higher Education Act. Secretary Riley will be testifying before the House Committee on June 19, and hopes to be able to provide some detail of the direction of the Administration's plans. Education expects to send that legislation to the Hill later in the Summer. We do not expect Congress to complete action on the reauthorization until next year.

A. Endorse the 21st Century Schools Act

In this approach, you would announce your support for the Fattah bill, and it would be included in the Education Department's reauthorization proposal coming later in the Summer.

Arguments for option A:

- This approach is simple and dramatic -- it will get the message to poor communities.

- The bill already has the support of the Black Caucus *and* Republican J.C. Watts. With the bipartisan support and the warm reception in Committee, Republicans would find it more difficult to dismiss or criticize the proposal.

- We could acknowledge that there are details that need to be addressed, and pledge to work closely with Congress. Because we would be endorsing someone else's legislation, we would not be put in as much of a position of having to defend each and every element. Essentially, we would be challenging Congress to work with us on the concept, using the Fattah bill as the starting point of the discussion.

Arguments against option A:

- There are many problems with the design of the Fattah proposal, and we would have to respond to them. This could get us into public disputes with the Black Caucus as details were being developed, rather than working out some of those issues in private prior to an announcement.

- The cost is high (in out-year outlays), and may not be the most cost-effective use of the resources (since this is not being considered as part of a comprehensive review of potential initiatives). The opportunity costs are unknown.

- Much of the incremental cost of this proposal is wasted on less-poor families who would have attended college anyway.

- Low-income families need *information*, and *support services* (tutoring, mentoring, counseling) ~~more than~~ they need a guarantee of aid.
  as much as

B. Modified Fattah proposal

This option would adopt Rep. Fattah's basic approach, but would provide the Secretary with flexibility in identifying cohorts of eligible students in areas with high concentrations of poverty. This would allow the Secretary to select, for example, all of the elementary schools that serve a particular high school, so that all of the students at the high school would qualify. The legislation could set parameters that would reduce the cost from the level of the Fattah bill (for example, it could be limited to schools with 10 percent of the total national student population, or it could cap the budget authority). This option would also set the promised aid amount at $3,000 per year ($12,000 total), rather than pegging it to unknown future Pell Grant maximums. This would further reduce the projected costs.

There are a number of other changes to the Fattah legislation that you might want to consider:

- Add funding for support services.

Additional funds -- perhaps $200 million per year -- could be distributed through States, for a matching program to encourage States to partner with the private sector to "adopt" sixth grade classes at high-poverty schools and provide early intervention services.

- Require high school graduation or the equivalent.

  Pell Grants are currently available to dropouts who can show, through a test, that they have an "ability to benefit" from training being offered by a postsecondary vocational institution. Since part of the purpose of this program is to encourage students to finish high school, in order to use the guarantee, students must have a high school diploma or a GED. (Someone who dropped out would still be able to use ability-to-benefit if they meet the Pell Grant eligibility at that time; they simply would not get the guaranteed maximum).

- Require guaranteed aid to be used within two years of high school graduation.

  Students are much more likely to finish college if they start right after high school. In order to maintain the guarantee, students must enroll within two years of finishing high school [GED?] and must use all four years of the guarantee within six years of first enrolling in college.

- Require participants to attend college at least half-time.

  The Pell Grant program provides partial grants for less-than half time attendance. While this helps working people to gain skills or a degree over time, students are much more likely to finish a program if they attend as close to full time as possible. The guarantee should only apply if the students are taking at least a half-time course load, and the amount should be reduced if they are not full-time.

Arguments for option B:

- This approach is still simple and dramatic, while it addresses some of the problems with the rigid design of the Fattah bill.

- Even if you select all of the possible alterations, it is still close enough to Rep. Fattah's legislation to take advantage of the bipartisan support it has garnered.

Arguments against option B:

- Even with flexibility for the Secretary, there will be practical difficulties in administering this type of widely-distributed entitlement. The hard decisions and the drawing of lines will simply come later.

- Still, much of the incremental cost of this approach is wasted on less-poor families who would have attended college anyway.

- Even with the additional funds for support services, many participating schools will not provide the support that many feel is critical to the success of a program such as this.

C. A Guarantee with a Private Sector Challenge

Under this approach, the Federal government would challenge the private sector to establish strong mentoring programs at some of the highest poverty schools in the country.[4] If businesses and the community step forward to establish the support structure, the Federal government will guarantee a foundation of aid for college for those children. To ensure that programs (and students) sustain their efforts, the value of the promise could be increased with certain milestones (for example, $1000 at the start, $2000 after three years in a mentoring program, and $3000 upon high school graduation). The Education Department could work with organizations like the I Have a Dream Foundation to help certify that programs met the criteria (Note: AmeriCorps is involved in some of the IHAD projects).

Instead of broadly applying to any school meeting certain criteria, the legislation would set out specific amounts of mandatory budget authority, which the Department would then parcel out through organizations and/or States that apply. The amounts could start small, so that some of the administrative issues could be worked out before the program got too big.

The design issues in option B would also be relevant to this option.

Arguments for option C:

- Provides the dramatic "promise" of aid, without an open-ended entitlement. Provides flexibility so that the program can fit within a budget figure, and can steer around some of the strict eligibility and other inequities that would arise under the larger approach.

- Guarantees the provision of mentoring, counseling and support services that many say are critical to the success of programs.

- Gives school leaders a hook for bringing businesses and community groups into the schools.

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[4]This could be a good follow-up to the Service Summit, given all of the businesses and organizations that pledged volunteers.

Argument against option C:

- Would promise aid to far fewer students than the Fattah bill, particularly in the early years.

- Students who already have aggressive, innovative principals are most likely to benefit; many students with no hope, in the worst of schools, would be no better off.

- Like options A and B, would continue to spend precious funds on students who would have gone to college anyway.

- It's not clear that we could say that the concept has bipartisan support from the Hill (because it departs significantly from the Fattah approach).

<u>D. Rewarding achievement with an aid guarantee.</u>

This approach addresses the argument that any additional entitlement for higher education must be linked to achievement. Also focused on high-poverty schools, this option would guarantee an increasing amount of Federal aid based on a student's achievement. Milestones that might be rewarded include:

- finishing sixth grade, having passed the fourth grade reading test;

- passing the eighth grade math test;

- graduating from high school;

- graduating from a high school that has curriculum standards.

This approach could be combined with option A or B/C.

Arguments for option D:

- Sends a message that opportunity will come with effort aimed at concrete goals.

- Provides another reason for States and schools to adopt the tests.

Arguments against option D:

- Undermines the clarity of the message of the Fattah approach: college aid is yours.

- Puts the testing issue on Congress's plate; probably would drive away current Republican cosponsors of the Fattah bill.

- Administratively more complex for the Education Department and for schools.

E. Financial aid for all - national information campaign

This approach adopts the view that the poor *already* are guaranteed aid through the Pell Grant program. It is not necessary -- nor would it be productive -- to create a complicated, administratively burdensome new program to tell them about aid. In fact, doing so only adds to the mistaken impression that aid is not available, and will not be available unless Congress acts affirmatively. Instead, we should be telling **all** American families about the aid that is available **now**.

Under this approach, we would creatively inform America about Pell Grants, about loans, about income-contingent repayment, and other aid that is available now, to anyone who wants to go to college or to plan for their children's education. The message could be focused particularly (but not exclusively) on low-income Americans. We could use the Title I program to get information -- and counseling -- to parents of children in elementary school. We could consider using tax or other data to send information to families that would likely qualify for college aid. It could include added funds for a matching program to encourage States to partner with the private sector to "adopt" cohorts of low-income students and provide early intervention services.

Arguments for option E:

- Particularly with the successes in the budget agreement, the Federal government already has a strong financial aid system, particularly for the poor. We should spread the news rather than undermining our win with the message that aid is not secure enough.

- This approach avoids a class-war pitfall of the Fattah bill: that it sends the message that the poor get handouts, while the middle class struggles to make ends meet.

Arguments against option E:

- Whether or not we have a Pell Grant guarantee, an information campaign makes sense. This should not take the place of a guarantee for the poor.

- Funding for early intervention will not be as successful if it isn't associated with a dramatic commitment to helping the poor afford college. Just as early intervention is important for any "promise" to be effective, it is critical to have a promise to go along with the early intervention effort.

ADVISOR VIEWS

[This is my draft based on my conversations with staff, not principals. --Bob]

[DPC, OMB, ED and I all agree that a creative information campaign -- in option E -- makes sense regardless of your decision on the Pell Grant guarantee.]

[OMB strongly advises against any new guarantee or entitlement, and would recommend option E only. The funds are not well targeted, there are major administrative issues that have not been worked out, and the proposals would detract from the strong financial aid system that we already have. A guarantee represents a major out-year commitment of funds -- a decision that should be made in the context of other possible priorities, both in and outside of the higher education programs. Finally, it is politically dangerous, in the midst of attempting to enact the budget agreement, to propose a new entitlement that increases spending primarily outside even the 10-year budget window.]

[ED supports an integrated option: a guarantee that is available only where there are strong support service programs, and where there is a demanding curriculum with accountability mechanisms. This would combine options B, C, and D.]

[DPC feels that it would be better to consider this program in the context of the urban initiative this is (what is status?). If you decide to move more quickly on this issue, DPC supports the integrated option supported by ED.]

[NEC?]

Michael Cohen
06/02/97 02:25:24 PM

Record Type: Record

To: Robert M. Shireman/OPD/EOP

cc: See the distribution list at the bottom of this message
Subject: Re: Chaka Fattah

Several reactions to the options paper, and then an addition option to propose:

1. While the Eugene Lang model is impressive, I have real problems with the Pell Grant guarantee as originally proposed, and as modified in your option 1. The cost is high, the message of a new entitlement is all wrong, the targeting is inefficient, and without the intensive support services it probably won't work very well.

2. Regardless of what else we do, the type of information campaign envisioned in option 2 is a good idea. I agree with Barry White's comments on this option; particularly (1) that it needs to be combined with an effective program of support services, and (2) that the Title 1 reference is obscure at best; Barry's idea about helping and requiring Title 1 schools to provide information on student aid is a very good one.

3. I am troubled about any proposal to provide a new entitlement for student financial aid, without requiring anything from the student. If there is to be an initiative that provides additional financial aid, it ought to include a component that is directly linked to academic performance. Any proposal that promises additional and guaranteed financial aid, without demanding acceptable levels of academic performance in return, will be criticized as wasting funds and as sending the wrong message -- all opportunity and no responsibility. It will also be seen as undermining our efforts to raise academic standards, and to send kids a message that achievement and performance counts. Surely getting the messge right is especially important in schools with large concentrations of disadvantaged students, where expectations are low and where academic accomplishment is as likely to be disparaged by peers as it is to be concretely rewarded by anyone. While making financial aid contingent on academic performance faces enormous political obstacles -- especially if this standards is applied only to students with the lowest incomes -- I believe it can be done, especially if carefully designed and incorporated into a new initiative.

Here is the outline of one approach we could advance:

- **As in Option 3, target schools with the highest concentrations of poverty, and target schools/communities which assume the responsibility for providing support services.** The number of schools we start with, and the rate of growth, could be geared to the funding levels available.

- o **Instead of a guaranteed Pell Grant, provide students who graduate from elementary school with an Education Trust Fund -- a interest-bearing savings account available solely for college tuition.** The federal government should provide an initial deposit of $500. Families and community groups should be encouraged to make additional deposits (though we would need to figure out what to do with nonfederal contributions in the event the student does not go on to college).

- o **The federal government should provide students with an additional $500 deposit when they graduate from middle/junior high school, and again when they complete high school and are accepted into a postsecondary insitution.** The idea here is to provide periodic incentives for completing the steps that will lead to college.

- o **The federal government should provide students with an additional $1,000 if they pass the 8th grade math test, or meet a comparable academic requirement approved in advance by the Secretary of Education.** Several points here. First, this provides a real incentive for academic performance (though it doesn't hedge the entire package of additional aid on it). It should provide an incentive for students to work hard, and also an incentive for parents, teachers and community members to give the kids the support they need. Parents, business leaders, school boards, mayors, etc. ought to be outraged at schools where the kids lose out because of inadequate preparation.

  Second, this approach provides an additional incentive for states and cities to sign up for the test. But it also provides two ways to deal with situations in which the state doesn't sign up; I think both are important to consider as safety valves. One approach would be to create testing centers in states/communities that don't participate in the testing program. Kids could go to the testing sight on a Saturday morning and take the test administered separately from the school system apparatus, just as they do with the SAT's. Alternatively, a state or district could convince the Secretary that it gives an 8th grade math test that is just as rigorous as the national test and suitable for these purposes.

This approach would provide a student with up to $2500 in financial aid for college, all tied to successful progress through school and some tied directly to meeting national math standards. The value of the funds to the student would exceed $2500, because the portions of the funds would earn interest for 4-6 years before being used.

One additional thought. Any of the options that provide new funds for student financial aid is likely to target a significant portion of the funds to low income students in urban areas. Keep in mind that the Education Department is considering a proposal to provide incentives for people to teach in urban areas, as part of Title V of the Higher Education Act. And we will continue to face pressure, especially from urban areas, to do something on school construction. I do not believe we should advance any new initiative targeted to urban areas without putting all of the possible ones on the table at the same time, because it is unlikely there will be sufficient funds for them all.

Message Copied To:

Kenneth S. Apfel/OMB/EOP
pauline_abernathy @ ed.gov @ inet
William R. Kincaid/OPD/EOP
Kathryn B. Stack/OMB/EOP
Barry White/OMB/EOP
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William R. Kincaid
06/01/97 03:37:40 PM

Record Type: Record

To: Robert M. Shireman/OPD/EOP

cc: See the distribution list at the bottom of this message
Subject: Re: Chaka Fattah

I think you have gotten some comments from Mike Cohen, and I think Barry makes a number of good points (especially on the critical importance of the support services). Here are few additional thoughts:

- A historical note -- In 1989, Gov. Clinton proposed and the Arkansas legislature passed the Arkansas Opportunity Scholarship Act, which bears some resemblance to your option 3. The Act was designed to foster I Have a Dream-type activities at the local level. The program authorized had two main features: l) a competitive grant program through which the SEA would give awards to local school districts or community-based non-profits for support services (including mentoring/tutoring/counseling) for students at risk of dropping out/failing to attain a postsecondary education; 2) a scholarship program, through which the state department of higher education would match locally funded scholarships for individual high school graduates, taking into account student need, local resources, etc. I'm not sure what the funding history of the program has been, but I do know that some amendments were made in 1993 (such as making students receiving GED's eligible). I'll give you a copy of the Ark. Code provisions.

- I agree that Option 1 should not go forward without going much further to resolve the severe practical problems inherent in guaranteeing grant assistance (7 to 10 years down the road) to all students who reside within a geographic zone that has a certain poverty level.

- I agree with Barry that the memo should more strongly develop the option of a much more aggressive attempt to "market" to late elementary and secondary school students and their families the substantial federal student financial aid resources that are already available to high school graduates and their families. Part of the equation might be (Fattah may have had something like this in his bill) a simple letter from the Secretary to every sixth-grader's parents that would lay out generally the kinds of assistance that their students may be eligible for if they graduate and go to college or some other postsecondary education. This could be in addition to other approaches--e.g. through Title I compacts. (I find the Title I compact idea intriguing; Pauline should check with Jessica Levin on what's really happening with these and how workable this could be).

- While Barry is right to highlight the federal resources already available to students, I do think that there is something much more powerful about being able to guarantee a child that $X will be waiting for him or her upon graduating high school and starting college, without making lots of little qualifications about parental income, etc. Certainty matters, and the programs as currently structured don't lend themselves to statements of certainty to young students or their parents. And as anxiety-producing as loans are to most middle class families, imagine marketing the access provided by a sizeable loan to a sixth grader and parents in an 80% poverty area. So, if the many practical problems could be solved, something that looks like more of a guarantee than we have now, for at least our poorest students, would be desirable.

- One last worry--if something along the lines of Fattah is proposed and then doesn't fly, isn't there a serious risk that this failure would actually undermine our ability to market what we already worked hard to include in the budget agreement and exacerbate the public's sense that college is out of reach for many students?

Message Copied To:

Kenneth S. Apfel/OMB/EOP
Michael Cohen/OPD/EOP
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ARKANSAS CODE OF 1987 ANNOTATED

*** CURRENT THROUGH THE 1995 SUPPLEMENT ***
*** (1995 FIRST SPECIAL SESSION) ***

TITLE 6. EDUCATION
SUBTITLE 2. ELEMENTARY AND SECONDARY EDUCATION GENERALLY
CHAPTER 15. EDUCATIONAL STANDARDS AND QUALITY GENERALLY
SUBCHAPTER 7. OPPORTUNITY PARTNERSHIP PROGRAM

Ark. Stat. Ann. @ 6-15-701 (1995)

@ 6-15-701. Grants -- Generally

The State Department of Education shall award, from the Opportunity Scholarship Fund, grants for the purpose of providing support services to students enrolled in public schools who are identified as having a high risk of dropping out of school or otherwise failing to attain a postsecondary education. Such awards shall be made on a competitive basis to local school districts or not-for-profit community-based organizations.

HISTORY: Acts 1989, No. 611, @ 7.

NOTES:
CROSS REFERENCES. Opportunity scholarships, @ 6-82-901 et seq.

NOTES APPLICABLE TO ENTIRE TITLE

PUBLISHER'S NOTES. Acts 1993, No. 294, @ 1 provided: "The General Assembly hereby acknowledges that many of the laws relating to elementary and secondary education in this state are either antiquated or ambiguous or are inconsistent with more recently enacted provisions of law. Consequently, it is the intent of the General Assembly and the purpose of this Act to adopt the recommendations of the Education Laws Revision Commission established under Act 979 of 1991 to clarify the relevant chapters of Title 6 of the Arkansas Code Annotated of 1987."

NOTES APPLICABLE TO ENTIRE CHAPTER

CROSS REFERENCES. Education Service Cooperative Act, @ 6-13-1001 et seq.

RESEARCH REFERENCES

ALR. Tort liability of public schools and institutions of higher learning for educational malpractice. 1 ALR 4th 1139.

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*** (1995 FIRST SPECIAL SESSION) ***

TITLE 6. EDUCATION
SUBTITLE 2. ELEMENTARY AND SECONDARY EDUCATION GENERALLY
CHAPTER 15. EDUCATIONAL STANDARDS AND QUALITY GENERALLY
SUBCHAPTER 7. OPPORTUNITY PARTNERSHIP PROGRAM

Ark. Stat. Ann. @ 6-15-702 (1995)

@ 6-15-702. Grants -- Applications -- Amount

(a) All opportunity partnership grant applications shall contain the following:

(1) A program for identifying students who are at risk of dropping out as measured by academic performance, attendance, discipline problems, and other factors affecting school performance including, but not limited to, teenage pregnancy or parenting, alcohol or substance abuse, residence in an unstable or temporary living arrangement, or child abuse or neglect;

(2) A program for encouraging the use of volunteers from the community to serve as mentors, tutors, and counselors for individual students who are at risk;

(3) A program that demonstrates a significant degree of cooperation among various local leadership groups and service providers and the prospect of integrating an intensive monitoring of at-risk students with existing programs and services;

(4) A program that entails a substantial strategy for subdivision (a)(1) of this section, as well as others not referred to in this section and @ 6-82-701 et seq., by the use of the opportunity partnership grant to establish activities including, but not limited to, after-school tutoring, substance abuse counseling, and field trips to institutions of higher education which are designed to heighten the student's interest in postsecondary study.

(b) The department shall establish the maximum amount which any single recipient will receive in any single year.

HISTORY: Acts 1989, No. 611, @ 7.

USER NOTE: For more generally applicable notes, see notes under the first section of this part, article, subchapter, chapter, subtitle, or title.

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TITLE 6. EDUCATION
SUBTITLE 2. ELEMENTARY AND SECONDARY EDUCATION GENERALLY
CHAPTER 15. EDUCATIONAL STANDARDS AND QUALITY GENERALLY
SUBCHAPTER 7. OPPORTUNITY PARTNERSHIP PROGRAM

Ark. Stat. Ann. @ 6-15-703 (1995)

@ 6-15-703. Construction

Nothing in this subchapter is intended to imply that an opportunity scholarship be a replacement or substitute for any other state educational grant or loan which the student is otherwise eligible to receive. Opportunity scholarships are to supplement other state educational assistance.

HISTORY: Acts 1989, No. 611, @ 6.

USER NOTE: For more generally applicable notes, see notes under the first section of this part, article, subchapter, chapter, subtitle, or title.

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*** (1995 FIRST SPECIAL SESSION) ***

TITLE 6. EDUCATION
SUBTITLE 6. POSTSECONDARY EDUCATION -- FINANCIAL ASSISTANCE PROGRAMS
CHAPTER 82. SCHOLARSHIPS
SUBCHAPTER 9. OPPORTUNITY SCHOLARSHIPS

Ark. Stat. Ann. @ 6-82-901 (1995)

@ 6-82-901. Title

This subchapter shall be known and referred to as the "Arkansas Opportunity Scholarship Act".

HISTORY: Acts 1989, No. 611, @ 1.

NOTES:
A.C.R.C. NOTES. Acts 1989, No. 611, @ 5, provided that, for the first two years that Opportunity Scholarships are awarded, all of these scholarships must be awarded to eligible students who reside in a school district which participates in the Opportunity Partnership Program.

CROSS REFERENCES. Opportunity Partnership Program, @ 6-15-701 et seq.

NOTES APPLICABLE TO ENTIRE TITLE

PUBLISHER'S NOTES. Acts 1993, No. 294, @ 1 provided: "The General Assembly hereby acknowledges that many of the laws relating to elementary and secondary education in this state are either antiquated or ambiguous or are inconsistent with more recently enacted provisions of law. Consequently, it is the intent of the General Assembly and the purpose of this Act to adopt the recommendations of the Education Laws Revision Commission established under Act 979 of 1991 to clarify the relevant chapters of Title 6 of the Arkansas Code Annotated of 1987."

NOTES APPLICABLE TO ENTIRE CHAPTER

A.C.R.C. NOTES. References to "this chapter" in subchapters 1-9 may not apply to subchapter 10 which was enacted subsequently.

RESEARCH REFERENCES

AM. JUR. 15 Am. Jur. 2d, Colleges & U., @ 19.

C.J.S. 14 C.J.S., Colleges & U., @ 28.

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TITLE 6. EDUCATION
SUBTITLE 6. POSTSECONDARY EDUCATION -- FINANCIAL ASSISTANCE PROGRAMS
CHAPTER 82. SCHOLARSHIPS
SUBCHAPTER 9. OPPORTUNITY SCHOLARSHIPS

Ark. Stat. Ann. @ 6-82-902 (1995)

@ 6-82-902. Legislative findings and declarations

(a) The legislature hereby finds that the failure of many young Arkansans to complete their secondary education limits their opportunity for a life of economic independence and productivity, prevents them from advancing into postsecondary education, and hinders the state's efforts to provide a well-trained work force for business and industry.

(b) The legislature further finds that failure of students to complete their secondary education can result in great costs to the state from lost tax revenues and from the expense of dealing with crime, drug addiction, and other social ills that often correlate with low educational achievement.

(c) The legislature further finds that programs which encourage young people to complete their secondary education and adopt postsecondary educational goals, and assure that limited family income will not be a barrier to seeking a postsecondary education can motivate students to complete high school and to pursue further education. Accordingly, the legislature hereby establishes:

(1) The opportunity scholarship program to provide young people the opportunity to pursue a college education upon their graduation from high school; and

(2) The opportunity partnership program which will foster community support for these students, with specific provision for counseling and personal support services to encourage successful high school completion.

HISTORY: Acts 1989, No. 611, @ 2.

USER NOTE: For more generally applicable notes, see notes under the first section of this part, article, subchapter, chapter, subtitle, or title.

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TITLE 6. EDUCATION
SUBTITLE 6. POSTSECONDARY EDUCATION -- FINANCIAL ASSISTANCE PROGRAMS
CHAPTER 82. SCHOLARSHIPS
SUBCHAPTER 9. OPPORTUNITY SCHOLARSHIPS

Ark. Stat. Ann. @ 6-82-903 (1995)

@ 6-82-903. Opportunity Scholarship Fund

The State Department of Higher Education shall immediately establish with appropriated funds an Opportunity Scholarship Fund. Beginning with the 1992-93 academic year, and for each academic year thereafter, the State Department of Higher Education shall, pursuant to the terms of this subchapter and @@ 6-15-701 and 6-15-702 and the State Department of Higher Education's regulatory guidelines, award matching grants from the Opportunity Scholarship Fund to eligible students as defined in @ 6-82-904.

HISTORY: Acts 1989, No. 611, @ 3.

USER NOTE: For more generally applicable notes, see notes under the first section of this part, article, subchapter, chapter, subtitle, or title.

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TITLE 6. EDUCATION
SUBTITLE 6. POSTSECONDARY EDUCATION -- FINANCIAL ASSISTANCE PROGRAMS
CHAPTER 82. SCHOLARSHIPS
SUBCHAPTER 9. OPPORTUNITY SCHOLARSHIPS

Ark. Stat. Ann. @ 6-82-904 (1995)

@ 6-82-904. Eligible students

Opportunity scholarships shall be awarded, contingent upon state funds becoming available, to all eligible students:

(1) Who have applied for this scholarship in accordance with procedures established by the State Department of Higher Education;

(2) Who live in Arkansas;

(3) Who have graduated from an accredited secondary school in Arkansas or have passed the General Educational Development (GED) test and received a high school equivalency diploma;

(4) Who have demonstrated financial need; and

(5) For whom a local matching scholarship award has been made available by a school or community foundation in compliance with the State Department of Higher Education's published guidelines for the establishment and operation of these local private scholarship funds.

HISTORY: Acts 1989, No. 611, @ 4; 1993, No. 198, @ 1.

NOTES:
AMENDMENTS. The 1993 amendment substituted "contingent upon ... all eligible students" for "to persons under twenty-four (24) years of age" in the introductory language; and added the language beginning "or have passed" in (3).

USER NOTE: For more generally applicable notes, see notes under the first section of this part, article, subchapter, chapter, subtitle, or title.

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TITLE 6. EDUCATION
SUBTITLE 6. POSTSECONDARY EDUCATION -- FINANCIAL ASSISTANCE PROGRAMS
CHAPTER 82. SCHOLARSHIPS
SUBCHAPTER 9. OPPORTUNITY SCHOLARSHIPS

Ark. Stat. Ann. @ 6-82-905 (1995)

@ 6-82-905. Amount of scholarships

(a) The State Department of Higher Education shall have the complete authority to fix the dollar value of each opportunity scholarship to be awarded.

(b) In determining the appropriate level of each award, the State Department of Higher Education shall consider the individual student's financial need, the size of the local matching award relative to the local community's capacity to lend private financial support, the availability of other sources of student financial assistance, plus any additional factors deemed significant by the State Department of Higher Education at the time of the award.

(c) In determining a student's financial needs, the State Department of Higher Education shall take into account a student's tuition and room and board, as well as additional expenses related to enrollment and matriculation, such as books and travel.

HISTORY: Acts 1989, No. 611, @ 6; 1993, No. 198, @ 2.

NOTES:
AMENDMENTS. The 1993 amendment deleted "matching" following "each" in (a); and made minor punctuation changes.

USER NOTE: For more generally applicable notes, see notes under the first section of this part, article, subchapter, chapter, subtitle, or title.

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TITLE 6. EDUCATION
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CHAPTER 82. SCHOLARSHIPS
SUBCHAPTER 9. OPPORTUNITY SCHOLARSHIPS

Ark. Stat. Ann. @ 6-82-906 (1995)

@ 6-82-906. Construction

Nothing in this subchapter is intended to imply that an opportunity scholarship be a replacement or substitute for any other state educational grant or loan which the student is otherwise eligible to receive. Opportunity scholarships are to supplement other state educational assistance.

HISTORY: Acts 1989, No. 611, @ 6.

USER NOTE: For more generally applicable notes, see notes under the first section of this part, article, subchapter, chapter, subtitle, or title.

Barry White
05/31/97 12:06:49 PM

Record Type: Record

To: Robert M. Shireman/OPD/EOP

cc: See the distribution list at the bottom of this message
Subject: Re: Chaka Fattah

Set up. Your first page is a little misleading in its set up for the discussion. In fact we already have a statutory "guarantee" for all the poor (and for everybody else for that matter) for loan aid, and the equivalent of a guarantee for all the poor for grant aid through Pell. There may be other rhetorical bells and whistles that would give comfort to some, that seem to enhance these guarantees, but they are not significant compared to what is already in place -- especially since no Congress can really bind a future Congress irrevocably.

Current programs through loans alone, but still more so with Pell, enable every individual who can get accepted into an approved school to meet their costs. They can't all go to Harvard, but they can all get a public education, which is where over 80% of America goes to postsecondary education anyway. (And they can pay for good trade schools, which for many is more important).

Short of repealing these laws, which nobody in America has proposed, these are guarantees, and our policy officials should understand them as such. The added gloss that some new statutory formulation of a "guarantee" might add is optics and rhetoric, not reality.

The real issue, as you correctly state it in your preamble, is that money alone doesn't make the difference in aspirations or attendance.

Personally, I have long argued for aggressive action by Education to promote and publicize, in the lower elementary grades as well as high school, the availability of this money. For reasons I cannot fathom, no Administration has wanted to do this. (I was thus much amused by the EASI assumption that this is a straightforward Federal role.)

But apparently, poor people don't trust a promise from the Government as much as they do a promise from a short rich guy who actually appears in their classroom and makes it to their face. I understand this, and have no answer for it. (Few Feds I know would be as convincing to kids. Maybe Secretary Riley if we can clone him a sufficient number of times?). Aggressive information dissemination should still be done, and with help from higher ed trade associations, freebie advertising, the school counselors, lobbying groups for the poor and minorities, foundations, and others, there's no reason why it has to cost any significant amount of Federal dollars.

So we come down to the programmatic key to the success of Lang's program, which is the hands on assistance throughout the school years. This money can buy, and money is what we are best at generating.

So the programmatic issue lies in whether and if so how to get the services delivered in a systematic and pervasive way.

The analysis. All your "concerns" points are very good.

The Options:

Money. $200 m a year, if we take the budget agreement seriously, is not a "modest amount" on either the discretionary or the mandatory side. You need to tell the man that this $ will compete with funds within the fixed cap on the discretionary side, or if mandatory, have to be offset. I assure you, $1 billion over 5 years, on either side, is not modest when searching for an offset.

You could, of course, readily suggest a list of low priority, low interest other Education programs that could be repealed to finance this, such as Perkins loans, virtually any selection of non-student aid HEA programs, Tech prep, and many more. (I'm not kidding).

Option 1. It isn't good enough to pass off the eligibility issue with "greater flexibility" to ED to define the terms. You can't really make this make sense with any eligibility terms set 6 years before anyone knows if the individual's family will be poor or that she will be smart enough to get into postsecondary ed, or will even want to. If, on the other hand, you focus on the reality of the current guarantee, then the promotional point is straightforward and the aid money is already in the budget:

Every child who completes high school and performs well enough to get accepted to an approved postsecondary education institution is guaranteed loan aid; every such child whose family is poor is also guaranteed a Pell grant; every such child is guaranteed enough money to be able to attend at least the average community college or (maybe) public 4-year college.

On the Arguments, I still see nothing in this proposal that is any more of an "iron clad" guarantee than current law, except for the fixed amount, which is a bad idea given the unknown cost of education (higher or lower) years out in the future at the institutoni the kid gets in to. Remember too, that even if the BA is appropriated 6 to 10 years in advance of expected outlay (a sort of new gurantee), that BA remains susceptible to rescission during any of the many budget cutting exercises that will occur in the intervening years, even if it is technically obligated in the first year -- it will not be available for outlay, so if rescinded, nobody will "lose" anything they already have. With 10 year budget windows looming, the risk is still greater.

Find a way to highlight the second "con"; it is the key point. We know the money guarantee just won't do anything important. We should not mislead the President into thinking it will, even if it buys temporary political advantage (which I accept can be a legitimate goal on its own).

Option 2. The lead paragraph doesn't capture the fact that the option's real impact is through services that cost.

I think the reference to the Commission is highly misleading. The Commission's goal was to get Pell tripled or more, not to tell the truth about what current law guarantees to the poor (besides it was chaired by an ex Republican Senator). I would skip the reference and instead show the sum of Pell and loan guarantees now extant compared to the average cost of community, public 4-year, and trade shool. That will capture the point. In fact this belongs in your preamble, along with my first point in this e-mail.

I think you are giving too short shrift to the services point. This is the heart of the matter for the poor.

You should first describe the scope and impact of what services we now have.

Then, using whatever data ED has, show what the scope of non-federal services is, and the degree to which they do or do not succeed.

Then you should explore how the current level of TRIO spending could be made vastly more effective and pervasive, for example by breaking away (over a phase out period) from the current narrow set of contractors) and moving toward providing the money to the el/sec schools (mainly title I schools, I would think) which, as a condition of receipt of a title I or voc ed or bilingual or other ED grant, would be required to match it in a system of the necessary Lang-type services. (A similar effort with college level TRIO would go miles further on enhancing retention).

And only then, talk about extra money as providing critical gap-filing or incentives, or development or dissemination of successful models, or whatever.

The allusion to Title I compacts is obscure. Do we really have millions of parents (assuming lots of the kids at issue have parents) signing onto such things? I haven't heard of it. Its an okay idea. But if you want to deal only with communications in this Option, then I'd still be much more interested in making receipt of a title I grant in each school contingent on the school having in place and using proven methods of communicating to poor kids and parents what student aid is available.

Option 3. I know that challenges are a motif for this Administration, and they do seem to play well, but is the "private sector" ever going to weary of being "challenged"? Do you have in the WH, a master list of challenges extant? Is there an ongoing process of assessing the degree to which previous challenges are resulting in results? There is such a thing as going to the well too often.

I'm not averse to private sector participation, or even lead, but I don't know that there is a widespread private sector interest in this issue. It isn't like el/sec or the quality of high schooling, which is more central to the ordinary employment needs of business. Business already thinks of lots of post-sec as largely doing at that level what high school should do. With near universal access to post sec through public post sec already, I'm not sure what the hook, other than philanthropic, is for business here.

I think the lead more naturally would rest with groups that want to advance the postsecondary educational attainment of the poor and minorities. Unfortunately, I don't know of one off hand, except, in a far too narrow way, the UNCF. But maybe a consortium is possible: UNCF, some lead Hispanic groups and Asian groups, reps from the few native american post sec schools, and the general purpose poor people's advocates (civil rights groups), some big foundations, a select number of major corporations who hire college grads (i.e., not McDonalds, but maybe McDonald-Douglass), and (sigh) the lead education assocations .

I would strongly urge involving Janet Reno in this. She is one of the most forceful advocates for doing concrete things to help poor students and poor people that the Administration has. She could see this as an important way to reduce the number of kids steered to gangs and serious crime.

And you could commit to some Federal glue money -- I can't see why as much as $200 m is necessary, but if the President likes this thing, I also can't see why he wouldn't be willing to get Secretary Riley to agree to come up with that much or much more, from within the caps or offset it on the mandatory side (there's always more GA reserves around for offsets).

I even think Republicans would support it. It would play well with their (and the President's) long term welfare reduction goals as well.

You could focus first on getting a handful of important group and business leaders to form a quiet steering committee to flesh out the ways and means, and recommend to the President spending a few months putting this sort of consortium and operating plan together so that there is a boffo idea ready to be launched with the next State of the Union/budget.

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Good discussion of Fattah

None compelling yet

① Be supporting Scholarship leg — in books / never funded — support local private efforts — Foundation nationally

② What about a competitive grant program where guarantee ~~but~~ do for X sites that come up with the best plan for local support systems.

DRAFT 5/29

A number of private efforts have tested the proposition that providing students with early knowledge of college aid, combined with mentoring and support services, will increase academic achievement, high school completion, and college enrollment among low-income youth. These programs -- most notably the efforts associated with Eugene Lang's "I Have a Dream" Foundation -- have shown that it *does* work. But the promise of college financial aid **alone** has only a small impact. A strong program of mentoring, tutoring and counseling through the rest of the school years is important to ensure success.

After analyzing a legislative proposal Rep. Chaka Fattah (D-Penn.), this memo presents three possible approaches for a Federal program aimed at raising the aspirations of low-income youth, so that they stay in school and consider going to college:

A broad guarantee for the poor. Option 1 is a modification of Fattah's legislation. Its primary focus is a guaranteed Pell Grant for students at high-poverty schools, with a modest additional Federal impetus for support services.

Financial aid for all, extra support services for the poor. Option 2 focuses on an information campaign aimed at *all* Americans -- and especially the poor -- about the financial aid that is (and will be) available under the budget agreement. This option would also put modest resources toward early intervention services for students at high-poverty schools.

A guarantee *contingent* on private sector help. Option 3 would seek to leverage assistance from the community by providing a Federal guarantee to students in high-poverty schools *where there is a program of support services* linked to the aid guarantee.

③ Simple letter from Riley to every student in 6th grade or parents saying this is what they can get in Federal aid

④ Think thru support services

⑤ If proposal don't get, does it undermine Pell/HOPE message?

⑥ What would it cost to guarantee every 6th grader in America 2 or 4 years of Pell Grant?

every student below ~~X000~~

ANALYSIS OF FATTAH PROPOSAL

Rep. Fattah's "21st Century Scholars Act," would provide students who complete any high-poverty elementary school (75% poverty) with:

- an entitlement to four years of the maximum Pell Grant at the time the promise is made or at the time the student attends college, whichever amount is higher;
- an annual notice from the Department of Education reminding the student and family of the future availability of the college aid; and,
- automatic eligibility for services under current (TRIO) early intervention, mentoring, counseling and other services.

There are about 7,300 schools with a sixth grade at which 75 percent or more of the students are from families in poverty. About 500,000 sixth graders attend these schools each year, approximately 15% of the national total. The legislation calls for each of these students to receive a promise of four years of the maximum Pell Grant (the maximum at the time the promise is made, or when the student attends college, whichever is higher). Assuming inflation-based increases in the maximum Pell Grant, students in the sixth grade in 1998-99 would be promised a total of almost $14,000 in aid over four years. Therefore, the Federal obligation (**budget authority** in the year the promise is made) would be **$7 billion per year** in "promised" aid.

How much of the promised aid would actually be used? Without this program, 45 percent of these students would be expected to enroll in some type of postsecondary education within two years of graduating from high school.[1] Just under half of these students would be expected to still be enrolled by the fourth year of college.[2] With a successful early intervention program, the Education Department estimates that college enrollment rates for this population could be increased so that they matched the enrollment rates for students at schools with 31-50 percent low-income students -- an increase of 8 percentage points, to 53 percent.

Since not all of the students who are promised aid will use all of it (either because they don't enroll at all, or don't enroll full-time or for four years), the **actual outlays would be lower** than the budget authority. These outlays would occur when the students go to college, starting in 2005-6). The Education Department estimates that the outlays associated with the first cohort of sixth graders would be $2.5 billion. These outlays would be composed of:

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[1] 21 percent at four-year colleges, 19 percent at less-than-4-year public institutions (mostly community colleges), and 5 percent at less-than-4-year private institutions (mostly proprietary trade schools).

[2] 83 percent would be retained in the second year, 67 percent in the third year, and 48 percent in the fourth year., based on data from the Beginning Postsecondary Survey, [YEAR], [for a similar population??]

- $1 billion, or 40%, for Pell Grant amounts that would have been spent anyway on these students who would have gone to college anyway;

- $400 million, or 16%, for students who attend college **because of** the promised aid (students induced by the program); and,

- $1.1 billion, or 44%, for additional aid provided to students who would have gone to college anyway but would not have been eligible for the full $3,000 (or would not have received a Pell Grant at all).

Concerns about the Fattah bill

Out-year spending/Entitlement: Because of the large BA "cost" of this approach, this program would almost certainly need to be on the mandatory side of the budget, where outlays are all that matter. As an entitlement, the proposal could be portrayed as (1) another potential area of runaway spending, and (2) a gimmick to provide promises now for spending that is outside the 5-year budget window.

Too narrow a message. With all of the financial aid that is available to families in all income ranges, we should not feed into the middle class myth that "all of the aid goes to the poor." While the promise of a "$12,000 scholarship" for poor children will go over well in those communities that benefit, far too many Americans will get the impression that all of the Federal help is going to "them."

Insufficient support services: Research has shown that mentoring, counseling, tutoring and support services are *essential* to prevent students from dropping out of school and to increase their academic preparation and aspirations that lead to college. Rep. Fattah's proposal does not expand the availability of early intervention services (it simply makes participants eligible for the few programs we fund now). But without those services, we cannot be confident that the early Pell Grant promise will have any significant impact. The I Have a Dream program estimates that the support services for each new cohort cost about $150,000. For the 7,300 high-poverty schools, the cost of an effective program of support services would be $1 billion.

Ineffective targeting: Except for the low-income students who are induced to consider college as a result of this program, most of the incremental cost of this proposal is the amount that we are providing to students who otherwise would *not* have been judged needy enough to get a full Pell Grant. (One response to this argument is that college attendance is only one of the goals of these programs: equally important are increases in high school achievement and graduation rates).

Inequities between schools and other practical difficulties: As with empowerment zones and any other effort to draw a line around a "very" poor area, there will be some apparent inequities. A school with 76 percent poverty will get the benefit, while a 73 percent poverty converse incentive to move in

school nearby will be denied it. In addition, school populations change, so a school may be part of the program one year, then be denied the next. In addition, there could be inequities among students at a school: Most sixth graders attend a different school within 1-3 years. Not all of the students at that junior high or high school will have come from the highest-poverty elementary schools. There could be some odd incentives as well. If a student who attends a particular school for one part of one year can get a promise of at least $12,000 in financial aid, someone will find a way to game the system. It may even create incentives for further concentration of poverty in order to provide the Pell Grant promise to poor students who had attended a school with a lower concentration of poverty.

OPTIONS

Below we provide three possible approaches to providing poor families with early information about the potential for college. Our assumption is that any option you choose -- while it could be announced soon in outline form -- would ultimately become part of the Administration proposal for the reauthorization of the Higher Education Act. Education expects to send that legislation to the Hill in the Summer. We do not expect Congress to complete action on the reauthorization until next year.

Option 1: a broad guarantee for the poor

This part is weak

This option would adopt Rep. Fattah's basic approach, with an additional, modest investment of funds -- perhaps $200 million per year -- distributed through States, for a matching program to encourage States to partner with the private sector to "adopt" sixth grade classes at high-poverty schools and provide early intervention services.

If necessary, the cost of the proposal could be reduced by focusing on schools with a higher concentration of poor children. To address some of the concerns about the Fattah proposal, the Department would be provided with greater flexibility to clarify approaches to identifying cohorts of students. ?

The promise would be $3,000 per year, rather than whatever the future maximum may be. In addition, some of the rules that apply to the current Pell Grant program would be changed for the purposes of this program:

> *High school graduation.* Pell Grants are currently available to dropout who can show, through a test, that they have an "ability to benefit" from training being offered by a postsecondary vocational institution. Since part of the purpose of this program is to encourage students to finish high school, in order to use the guarantee, students must have a high school diploma or a GED. (Someone who dropped out would still be able to use ability-to-benefit if they meet the Pell Grant eligibility at that time; they simply would not get the guaranteed maximum).

Timing. Students are much more likely to finish college if they start right after high school. In order to maintain the guarantee, students must enroll within two years of finishing high school [GED?] and must use all four years of the guarantee within six years of first enrolling in college.

Credit hours. The Pell Grant program provides partial grants for less-than half time attendance. While this helps working people to gain skills or a degree over time, students are much more likely to finish a program if they attend as close to full time as possible. The guarantee should only apply if the students are taking at least a half-time course load, and the amount should be reduced if they are not full-time.

Arguments for option 1:

- The intent of the original Pell Grant program was to provide the poorest students with *early and certain knowledge* of a Federal commitment to help them pay for college. This finally allows us to achieve that goal.
- This approach is simple and dramatic -- it will get the message to poor communities.
- Low-income families are cynical about government. Nothing short of an iron-clad guarantee will convince them.

Arguments against option 1:

- Much of the incremental cost of this approach is wasted on less-poor families who would have attended college anyway. ?
- Low-income families need *information* and *counseling* more than they need a guarantee of aid.
- Arbitrariness
- Even with flexibility for the Secretary, there will be practical difficulties in administering this type of widely-distributed entitlement.

Option 2: Financial aid for all, extra support services for the poor

This approach adopts the view that too few Americans, particularly the poor, are aware of the availability of Federal aid for attending college. Therefore, an information campaign aimed at all Americans would provide the kind of hope that the Fattah legislation hopes to promote, without risking angering middle class families who might assume they are being left out.

This option would consist of three components:

Letter for Riley

P.R. Campaign. A Commission in 1993 recommended that Federal aid programs be packaged so that the Federal government could declare that everyone has access to $14,000 in annual aid for college (the mix of grants, work-study, and loans varies depending on family income). Education could develop this type of a plan, and an unprecedented information dissemination plan.

Support Services for the Poor. Provide $200 million per year for a matching program to encourage States to partner with the private sector to "adopt" cohorts of low-income students and provide early intervention services.

what does this mean?

Use Title I. The current "compacts" between schools and parents under Title I would be a good vehicle for delivering information about the availability of financial aid. Schools would specify that they will promote college awareness, while parents would be expected to encourage academic achievement by reinforcing the notion that college is a realistic aspiration.

interesting but how powerful

Arguments for option 2:

- Particularly with the successes in the budget agreement, the Federal government already has a strong financial aid system, particularly for the poor. We should spread the news.

Arguments against option 2:

- Whether or not we have a Pell Grant guarantee, an information campaign makes sense. This should not take the place of a guarantee for the poor.

- Funding for early intervention will not be as successful if it isn't associated with a dramatic commitment to helping the poor afford college. Just as early intervention is important for any "promise" to be effective, it is critical to have a promise to go along with the early intervention effort.

Option 3: A guarantee *contingent* on private sector help

Under this approach, the Federal government would challenge the private sector to establish strong mentoring programs at some of the highest poverty schools in the country. If businesses and the community step forward to establish the support structure, the Federal government will guarantee a foundation of aid for college for those children. To ensure that programs sustain their efforts, one year of aid could be guaranteed to the student for each year of participation in the mentoring program (up to four years). The Education Department could work with organizations like the I Have a Dream Foundation to help certify that programs met the criteria (Note: AmeriCorps is involved in some of the IHAD projects).

This would not need to be an open-ended entitlement -- although it probably makes sense for it to be on the mandatory side of the budget.[3] A set amount of budget authority would be appropriated, which the Department would then parcel out through organizations and/or States that apply. The amounts could start small, so that some of the administrative issues could be worked out before the program got too big.

The $200 million per year could also be appropriated to help provide the infrastructure for the school-community partnerships.

Arguments for option 3:

- Provides the dramatic "promise" of aid, without the open-ended entitlement. Provides flexibility so that the program can fit within a budget figure, and can steer around some of the strict eligibility and other inequities that would arise under the larger approach.

- Guarantees the provision of mentoring, counseling and support services that are critical to the success of programs.

- Gives school leaders a hook for bringing businesses and community groups into the schools.

Argument against option 3:

Not dramatic carrot

- Would promise aid to far fewer students than option 1, particularly in the early years.

- Students who already have aggressive, innovative principals are most likely to benefit; many students with no hope, in the worst of schools, would be no better off.

- Like option 1, would continue to spend precious funds on students who would have gone to college anyway.

RECOMMENDATIONS

NEC, DPC, OMB, Education.

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[3] Because the budget authority would still be larger than ultimate outlays, placing it on the discretionary side would squeeze out other spending in Function 500.