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June 1 Letter to CEO's

Stack:
S

Row:
66

Section:
2

Shelf:
5

Position:
2

INDEX OF FILES

JUNE 1 LETTER TO CEO'S
INVITATION TO NAT. SERVICE BILL SIGNING
SPONSER REQUEST
POSSIBLE VOLUNTEERS
NEW LETTERS OF SUPPORT OR ENDORSEMENTS
LETTERS FROM PRESIDENT TO CONG FOR HOUSE VOTE ON BILL
POINTS OF LIGHT / ONS MAILING
CORPORATE ENDORSEMENTS
SUMMER OF SERVICE SITES + LETTERS
LETTERS TO CEO'S w/ FACTSHEETS
INFO PACKETS TO CONGRESS + PUBLIC
GRAPHICS FOR LEGISLATION DEMONSTRATION / HOUSE
RANDOM RESUMÉS SENT
LETTERS SENT w/ PERSONAL LINE OF THANKS
CONGRESSIONAL MAILING
DRAFTED LETTERS FROM THE PRESIDENT
SUMMER OF SERVICE CHALLENGE
INFORMATION PACKETS

THE WHITE HOUSE
WASHINGTON

June 1, 1993

Mr. Alan Seelenfreund
Chairman & CFO
McKesson Corporation
One Post Street
San Francisco, CA 94104-5292

Dear Mr. Seelenfreund:

As we work toward passage of national service legislation, the White House Office of National Service wants to share with you the enclosed information about the initiative. In the weeks ahead, the President will be working aggressively to make this vision a reality - to expand educational opportunity, reward individual responsibility, and build the American community by bringing citizens together to tackle common problems.

This week hearings continue before the House Committee on Education and Labor. Hearings before the Senate Committee on Labor and Human Services will be completed on June 8. Mark-ups in both the House and Senate committees are scheduled for June 9.

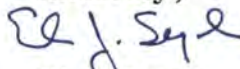
In his message to Congress transmitting the proposed national service legislation, the President emphasized the singular importance of partnerships in rebuilding our communities. In the 1990's, more and more businesses are recognizing that long term profitability is linked to a commitment to the community. Research shows that businesses which promote service have higher productivity, a more satisfied work force, and better community relations. Businesses shape the direction and values of their environment with innovative and responsible policies which unite their own success to that of their communities. President Clinton's national service proposal encourages further growth of this alliance.

Your support will help ensure the success of national service. Letters to the President can be faxed to (202) 456-6420. This is an ongoing process; please let us know of your willingness to help.

Nancy Rubin, Director of Private Sector Liaison, would like to know of your company's interest in national service as soon as possible. She can be reached at (202) 456-6444.

With your participation, we will continue to renew our communities and rebuild our country.

Sincerely,



Eli J. Segal
Assistant to the President
Director of National Service

FACT SHEET

NATIONAL SERVICE TRUST ACT OF 1993

The "National Service Trust Act of 1993" is innovative public policy founded on traditional American values: offering educational opportunity, demanding personal responsibility, and building the American community. In affirming these values, the initiative also rejects big bureaucracy -- reinventing government to unleash the initiative of the American people.

The President's support for service extends from the youngest elementary school students to our oldest citizens, and includes everything from part-time volunteer activities to full-time public service jobs.

The President's initiative will:

- Build the American community through a new domestic Peace Corps that brings Americans together to tackle pressing national problems.
- Offer educational opportunity and reward individual responsibility by providing educational awards to hundreds of thousands of Americans who serve our country.
- Reinvent government by streamlining Federal bureaucracies, relying on locally driven initiatives, and creating flexibility for students and competition among programs.

The Act will establish a Corporation for National Service that will offer Americans who do vital work in the national service initiative an educational award.

The Corporation will establish quality criteria and require measurable impacts, but within these bounds, communities will be able to design programs that meet their own pressing needs. Programs will be expected to educate their participants both in the particular skills their service demands and in the civic responsibility that our democracy requires. In all respects, the Act is designed to build partnerships -- among Federal Government, State governments, and the private sector; and within communities, among the schools, businesses, and civic organizations that seek to fight common problems. Assistance will be distributed on a competitive basis and no program will have a right to funding, but a wide variety of organizations will have a chance to establish programs that serve our country.

Definition of National Service

- Meets unmet educational, environmental, human, or public safety needs.
- Improves the life of the participant, through citizenship education and training.
- Does not displace or duplicate the functions of existing workers.

Organization

- To reduce waste and promote an entrepreneurial government culture, a new government Corporation for National Service will be established, combining the Commission on National and Community Service and ACTION.
- While maintaining existing programs such as VISTA, the new program makes investments in new initiatives; neither the Corporation nor the State commissions will operate them.
- A small bipartisan Board will share power with a Chairperson.
- Flexible and quality-driven personnel policies will include pay-for-performance and a 7-year limit on most tenures.
- The Corporation may solicit and accept private contributions.
- At the state level, commissions on national service will be established to mirror and cooperate with the Federal Corporation.
- Like the Corporation Board, commissions will be composed of bipartisan members from a variety of fields. To ensure a genuine Federal/State partnership, a representative of the Corporation will sit on the State commissions, and a State representative will sit on the Corporation Board.
- All programs will have to compete for support; none will be guaranteed funding.
- One-third of funds will be allocated by population-based formula to State commissions with approved plans for competitive distribution of funds; at least one-third to State commissions on a competitive basis for competitive distribution; and up to one-third will be reserved to the Corporation for allocation on a competitive basis.

Programs

- National quality criteria for programming will be developed for every type of program in conjunction with experts in the field.
- Performance goals and independent evaluations will be required in every program.

- An Inspector General will police fraud and abuse and perform oversight of funded programs.
- To encourage public/private partnership, programs must provide a 15 percent cash match on stipends and health care and a 25 percent match for other program support.
- Entities ranging from small community organizations to Federal agencies will be eligible to operate service programs.
- A broad array of possible programs will be eligible for funding: from youth corps for at-risk youth, to specialized service programs for college graduates, to diverse community corps for Americans of all backgrounds. Many other models are possible, and venture capital will be available for new efforts.

Participants

- To encourage wide and diverse participation, individuals aged 17 and over may serve before, during, or after post-secondary education.
- To target program participation to participant interests and community needs, participants will be recruited and selected by approved local programs. A national or State recruitment system will also be established to disseminate information and help interested individuals locate placements in local programs. Information about available positions will be widely disseminated through high schools, colleges, and other placement offices.
- To earn an educational award, a participant must complete at least 1 year of full-time or 2 years of part-time service in an approved program. An individual may serve up to two terms and earn up to two educational awards.
- Educational awards of \$5,000 will be provided for each term of service. Awards may be used for past, present or future expenses, including 2- and 4-year colleges, training programs, and graduate or professional programs.
- Programs will set stipends within a limited range based at minimum wage. Health and child care will be provided to those who need them.

Encouraging Service by All

- The Act enhances the Serve-America program for school-age youth.
- The Act extends and improves the VISTA and Older Americans Volunteer Programs.
- The Act reauthorizes support for the Civilian Community Corps.
- The Act reauthorizes support for the Points of Light Foundation.

BACKGROUND ON SUMMER OF SERVICE

- o On March 1, 1993, in a speech at Rutgers University, the President outlined his vision for national service. On April 30 in New Orleans, he unveiled the first part of that vision -- a legislative initiative creating a national service program. By offering increased educational opportunity, the program will make it easier for Americans to afford college. In return, national service will demand responsibility from Americans for rebuilding our country and our communities -- city by city, neighborhood by neighborhood, block by block.
- o A second aspect of the President's vision of national service is the "Summer of Service" -- an immediate initiative designed to meet critical needs of at-risk children this summer, while at the same time building future national service leaders.
- o This effort will involve approximately 1,500 young people (ages 17-25) across the country in serving the educational, health, public safety and environmental needs of children at-risk.
- o The Commission on National and Community Service, which is responsible for implementing the Summer of Service, received more than 430 grant applications from community service organizations in all 50 states and three territories. The White Office of National Service received more than 6,000 letters expressing interest in the program.
- o The Office of National Service and the Commission announced on May 6, 1993, sixteen Summer of Service grant recipients from across the country. The programs range from a primary healthcare project for children at-risk, to a low-income housing safety inspection and smoke detector installation project, to a middle school tutoring and mentoring program. Groups that received grants are now in the process of recruiting and selecting the young people to serve in the programs. All of the initiatives will demonstrate the tangible and measurable community benefits that can result from national service.
- o Summer of Service will kick off with a national leadership training week June 20-25. All of these young national service pioneers will gather in the San Francisco Bay Area for an intensive "boot-camp" style training to prepare them for the summer and to build a core of young leaders for national service. They will be trained by leaders from such programs as the Peace Corps, Outward Bound, Youth Build and Boston's City Year and learn how to bring their national training experience home to the communities in which they live. In addition to going out into the Bay Area and performing a wide range of service projects, the participants will be immersed in an interactive leadership development curriculum including classroom work, community case studies and group leadership exercises of the type favored by many Fortune 500 companies.
- o The summer will end with a Summit on Service hosted by the President where he and the service pioneers will meet to discuss the challenges of the summer and lay future plans for national service.

CLINTON PROPOSES SERVICE PROGRAM TO AID STUDENTS

National Service Plan

\$10,000 per student in school grants would be available in return for community work (\$5,000 per year of service).

Students would also be paid at least the minimum wage, and receive health care and child care assistance if needed.

25,000 students would take part in 1994, working in human services, education, the environment and safety.

Student Loan Overhaul

MONEY would be lent to students directly by the Government.

REPAYMENT would be based on a percentage of a worker's income. Those with lower-income jobs would have longer to pay.

WAGE WITHHOLDING might be used by the Internal Revenue Service to enforce loan collection.

ALSO URGES LENDING

\$10,000 Grants Planned in Return for 2 Years in Community Jobs

By THOMAS L. FRIEDMAN

Special to The New York Times

NEW ORLEANS, April 30 — President Clinton outlined a plan today to overhaul the way Americans pay for college, offering students up to \$10,000 for college or vocational training in return for two years of community service. In addition, he would change the student loan program to allow students to borrow money directly from the Government.

Mr. Clinton unveiled the aid program — a central promise of his campaign, with great appeal to middle-class voters — to a cheering audience of students at the University of New Orleans, saying that if adopted by Congress, it would “revive America’s commitment to community and make affordable the cost of a college education for every American.”

G.I. Bill of the 90’s?

He said his National Service Trust Act would be to the 1990’s what the G.I. Bill was for the 1950’s and the Peace Corps was for the 1960’s — the place “where higher learning goes hand in hand with the higher purpose of addressing our unmet needs.”

If Congress passes the national service bill this year, Mr. Clinton said, the program can start in 1994. The National Service budget calls for \$400 million in 1994, which would cover about 25,000 community service jobs, rising to \$3.4 billion a year for 150,000 participants in 1997.

They would do minimum-wage jobs in education, the environment, public safety and human services. On top of their wages, about \$8,500 a year, they would get \$5,000 a year to repay college loans or otherwise pay for education and training.

Bypassing Banks

The other major component of the aid program, to be introduced as a separate bill, is direct student loans from the Federal Government. Such loans are now guaranteed by the Government but made by banks, which earn a profit on the interest. The President said direct aid would eliminate bank profits, making loans available at lower rates.

In 1992, banks made \$13.6 billion in federally insured student loans. Administration officials estimate that demand for such loans could rise to \$20 billion to \$25 billion a year after five years. The Government would raise the money it lends in the bond market, not from taxes.

The legislation will include a proposal to allow graduates to repay tuition loans at a monthly rate linked to their income, thereby reducing defaults and encouraging graduates to

Continued on Page 10, Column 1

Clinton Offers New Plan To Aid College Students

Continued From Page 1

take low-paying community service jobs. The payments would be collected through the Internal Revenue Service, Mr. Clinton said, most likely through payroll deductions or as part of income tax filings.

Contrary Opinions

Administration officials said they were cautiously optimistic that the plan would have bipartisan support in Congress, but early reaction was mixed.

"The President's plan gets two A's from me because it makes a college education or better job training more affordable and accessible to our young people and our workers," said Representative William D. Ford, of Michigan, chairman of the House Education and Labor Committee.

But Representative Marge Roukema of New Jersey, the senior Republican on Mr. Ford's committee, said the President "should be concentrating on reducing the deficit, instead of proposing new multibillion-dollar entitlement programs."

The night before his announcement, Mr. Clinton decided to slash the compensation for community service from a maximum of \$13,000 for two years'

tion by giving states the opportunity to get more if they come up with creative ideas. The states would decide which groups would get slots and the National Service Corporation in Washington will simply ratify the choices.

A community service program authorized for three slots, for instance, can make this offer to three people ages 17 years or older: If they will work for the minimum wage of \$4.25 an hour for one year, the national service trust fund will provide up to \$5,000 toward their tuition, room and board. That money, if used for tuition payments, would be paid by the Government directly to the college of the student's choice; money for loan repayment for former students would be made directly to the bank.

Anyone could volunteer for national service and receive the grants regardless of family income. If a volunteer works for two years, the government would pay \$10,000 toward his education, the maximum available under the program. The money must be used for education within five years of the service work. The Federal government would also pay 85 percent of the \$4.25 minimum wage — roughly \$6,000 a year per person — with state and local authorities expected to pick up the rest.

The states would be responsible for monitoring the local service organizations to prevent fraud, and the National Service Corporation would also have its own inspector general to monitor the programs. Any program caught in fraud would be removed.

As for the student loan programs, Mr. Clinton proposed two fundamental changes. The first is the establishment of what is being called one-stop direct student loans. Student loans are now provided by commercial banks at below-market interest rates and guaranteed by the Government. When students default, the Government pays the banks; defaults cost the Government about \$3 billion a year.

Under the new program detailed by Mr. Clinton today, the Federal Government would provide a pool of public money for student loans, replacing the private capital being provided by commercial banks. The government would grant student loans, with colleges and vocational schools working as the middlemen. Mr. Clinton said he would like to phase in this program, beginning with roughly \$500 million in loan capital for fiscal 1994 and eventually growing to cover all loans by 1997.

The commercial banking industry is expected to fight this proposal.

Mr. Clinton argued that in the long run this program would save taxpayers money, primarily because the gov-

The National Service Plan



Who is eligible?

High school graduates and those with a General Equivalency Diploma, 17 or older, can qualify for school grants in return for community service.

How long will participants serve?

At least one year of full-time service.

How much are the awards worth?

Awards of \$5,000 will be paid for each year of service; students can choose one or two years. The money could be used to repay college loans, or to pay for other education or training. Students would also receive at least minimum wage stipends, along with health care and child care assistance if needed.

What kinds of jobs will be available?

Service will be in four broad areas. Here are examples:

Education: Assisting teachers in Head Start or in classrooms.

The Environment: Working on recycling or conservation projects.

Human services: Providing care to homebound elderly. Helping to build housing for the homeless.

Public safety: Teaching drug education seminars. Serving as a community service officer with a police department.

Assistance that appeals to the middle-class.

work to \$10,000, in hopes of pre-empting complaints from Republicans about costs, and to deal with Pentagon concerns that too much cash would lure young people away from the military which has its own scholarship program in return for service.

Mr. Clinton said his proposal, which is the work of Eli Segal, the director of the White House national service bureau, had been designed to put as much of the bureaucratic burden as possible on state and local institutions.

Bones of the Program

It would work as follows: A National Service Corporation would be set up by the Government to allocate National Service slots to states, which would allot them to community service groups and municipalities.

The number of a state's slots would be based on population, but the Administration hopes to encourage competi-

ment will no longer have to extend a subsidy to commercial banks to keep the loans below market rate, because bank profits will be taken out of the equation and because the Government can borrow money for student loans more cheaply than banks can. The loan program is intended to pay for itself.

In the 1991-92 school year, annual costs — tuition, room, board, books and expenses — at four-year public institutions averaged \$7,584, according to the College Board, while the costs of four-year private institutions averaged \$16,292.

The last program Mr. Clinton unveiled is called Excel Accounts, under

which the Government would provide all students with the opportunity to pay back their student loans as a percentage of their income over time; the less the graduate makes, the more time he has to pay off the loan. The value of this program, he said, is that graduates, freed from the pressure of large loan payments, would be encouraged to take low-paying public service jobs.

Mr. Clinton directed the Secretaries of the Treasury and Education to come up with a plan for I.R.S. collection of student loans, through wage withholdings or some other means, to reduce defaults and simplify the system for borrowers.

Response to the President's National Service Initiative

Corporation: _____

Address: _____

Phone #: _____

Name of Contact: _____

The Office of National Service is putting together a list of endorsements for the President's Initiative on National Service.

- _____ Yes, my organization would like to be added to the list of endorsements.
- _____ No, my organization is unable to add its name to the list of endorsements at this time.
- _____ Please keep us informed of how we can support National Service.

Please fax responses to Nancy Rubin, (202) 456-6420, by June 18, 1993.