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DESCRIPTION OF MODIFICATIONS
TO CHAIRMAN'S MARK
OF AN AMENDMENT TO S. 1133
("PARENT AND STUDENT SAVINGS ACCOUNT PLUS ACT")

Scheduled for Markup

By the

SENATE COMMITTEE ON FINANCE

on February 10, 1998

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION

February 10, 1998

JCX-7-98

CONTENTS

INTRODUCTION

The Senate Committee on Finance has scheduled a markup on February 10, 1998, on a proposed Chairman's amendment ("Chairman's mark") to S. 1133 ("Parent and Student Savings Account Plus Act"). A description of the proposed Chairman's amendment in the nature of a substitute is contained in *Description of Chairman's Mark of an Amendment to S. 1133 ("Parent and Student Savings Account Plus Act")* (JCX-5-98), February 6, 1998, prepared by the staff of the Joint Committee on Taxation.

This document,[1] prepared by the staff of the Joint Committee on Taxation, provides a description of modifications to the Chairman's mark. It contains a description of a provision relating to the treatment of National Health Corps Scholarships; a clarification of the treatment of after-school programs for purposes of education IRAs; and certain tax incentives for the rehabilitation and construction of public schools.

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[1] This document may be cited as follows: Joint Committee on Taxation, *Description of Modifications to Chairman's Mark of an Amendment to S. 1133 ("Parent and Student Savings Account Plus Act")* (JCX-7-98), February 10, 1998.

1. Qualified zone academy bonds; qualified high-growth school assistance bonds

Present Law

Tax-exempt bonds

Interest on State and local governmental bonds generally is excluded from gross income for Federal income tax purposes if the proceeds of the bonds are used to finance direct activities of these governmental units, including the financing of public schools.

Zone academy bonds

Certain financial institutions (i.e., banks, insurance companies, and corporations actively engaged in the business of lending money) that hold "qualified zone academy bonds" are entitled to a nonrefundable tax credit in an amount equal to a credit rate (set by the Treasury Department) multiplied by the face amount of the bond. The credit rate applies to all such bonds issued in each month. A taxpayer holding a qualified zone academy bond on the credit allowance date (i.e., each one-year anniversary of the issuance of the bond) is entitled to a credit. The credit is includible in gross income (as if it were an interest payment on the bond). The credit may be claimed against regular income tax and AMT liability.

The Treasury Department will set the credit rate each month at a rate estimated to allow issuance of qualified zone academy bonds without discount and without interest cost to the issuer. The maximum term of the bond issued in a given month also is determined by the Treasury Department so that the present value of the obligation to repay the bond is 50 percent of the face value of the bond. Such present value will be determined using as a discount rate the average annual interest rate of tax-exempt obligations with a term of 10 years or more issued during the month.

"Qualified zone academy bonds" are defined as any bond issued by a State or local government, provided that (1) 95 percent of the proceeds are used for the purpose of renovating, providing equipment to, developing course materials for use at, or training teachers and other school personnel in a "qualified zone academy" and (2) private entities have promised to contribute to the qualified zone academy certain equipment, technical assistance or training, employee services, or other property or services with a value equal to at least 10 percent of the bond proceeds.

A school is a "qualified zone academy" if (1) the school is a public school that provides education and training below the college level, (2) the school operates a special academic program in cooperation with businesses to enhance the academic curriculum and increase graduation and employment rates, and (3) either (a) the school is located in an empowerment zone or enterprise community[2], or (b) it is reasonably expected that at least 35 percent of the students at the school will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

A total of $400 million of "qualified zone academy bonds" may be issued in each of 1998 and 1999. The $800 million aggregate bond cap will be allocated to the States according to their respective populations of individuals below the poverty line. Each State, in turn, will allocate the credit to qualified zone academies within such State. A State may carry over any unused allocation into subsequent years.

Description of Chairman's Mark

Qualified zone academy bonds

The proposal would increase the amount of tax credits available to holders of qualified zone academy bonds. The enhanced credit would reduce the outstanding principal amount of the bond by 15 percent per year and would be available over a four-year period. The maximum amount by which the principal could be reduced would be 60 percent.

Qualified high-growth school assistance bonds

The proposal would permit State and local governments to issue a total of $600 million of "qualified high-growth school assistance bonds" in 1999 and $400 million of such bonds in 2000. Qualified high-growth school assistance bonds would be used to fund the construction or rehabilitation of public schools that are located in school districts with rapidly growing student populations.

As with qualified zone academy bonds, certain financial institutions (i.e., banks, insurance companies, and corporations actively engaged in the business of lending money) that hold "qualified high-growth school assistance bonds" would be entitled to a nonrefundable tax credit in an amount equal to a credit rate (set by the Treasury Department) multiplied by the face amount of the bond. The credit rate would apply to all such bonds issued in each month. A

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[2] Pursuant to the Omnibus Budge Reconciliation Act of 1993 (OBRA 1993), the Secretaries of the Department of Housing and Urban Development (HUD) and the Department of Agriculture designated a total of nine empowerment zones and 95 enterprise communities on December 21, 1994. Designated empowerment zones and enterprise communities were required to satisfy certain eligibility criteria, including specified poverty rates and population and geographic size limitations. The Code provides special tax incentives for certain business activities conducted in empowerment zones and enterprise communities. In addition, the Taxpayer Relief Act of 1997 provides for the designation of 22 additional empowerment zones and designates the District of Columbia as an empowerment zone.

taxpayer holding a qualified high-growth school assistance bond would be entitled to a credit for each year the taxpayer holds the bond. The credit would be includible in gross income (as if it were an interest payment on the bond), but may be claimed against regular income tax and AMT liability.

The Treasury Department would set the credit rate each month at a rate estimated to allow issuance of qualified high-growth school assistance bonds without discount and without interest cost to the issuer. The maximum term of the bond issued in a given month also would be determined by the Treasury Department so that the present value of the obligation to repay the bond is 50 percent of the face value of the bond. Such present value would be determined using as a discount rate the average annual interest rate of tax-exempt obligations with a term of 10 years or more issued during the month.

"Qualified high-growth school assistance bonds" would be defined as any bond issued by a State or local government, provided that 95 percent of the proceeds are used for the purpose of renovating or constructing qualified public school facilities. A school would be a "qualified public school facility" if the school is located in a "high-growth district." A "high-growth district" generally would be defined as a school district with enrollment of at least 5,000 students in 1995 that experienced an increase in student enrollment of 20 percent or more during the period 1990-1995. In certain circumstances, States would be permitted to develop alternative criteria for defining a high-growth district.

The proposal would provide an enhanced credit to holders of certain qualified high-growth school assistance bonds used to finance qualified public school facilities at which it is reasonably expected that at least 35 percent of the students at the school will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act. The enhanced credit would reduce the outstanding principal amount of the bond by 15 percent per year and would be available over a four-year period. The maximum amount by which the principal could be reduced would be 60 percent. The enhanced credit would be available on not more than $300 million of qualified high-growth school assistance bonds issued in 1999 and not more than $200 million of qualified high-growth school assistance bonds issued in 2000.

A total of $600 million of "qualified high-growth school assistance bonds" could be issued in 1999 and $400 million in 2000. The $1 billion aggregate bond cap would be allocated $5 million to each State and the remainder would be allocated among the States that have high-growth districts. Each State, in turn, would allocate the credit to qualified public schools within such State. A State could carry over any unused allocation into subsequent years.

Effective Date

The proposals would be effective on the date of enactment.

2. Clarification of treatment of after-school program K-12 expenses for purposes of education IRAs.

Present Law

Amounts distributed from education IRAs (as described in sec. 530) are excludable from gross income to the extent that the amounts distributed do not exceed qualified higher education expenses of the designated beneficiary during the year the distribution is made (provided that a HOPE credit or Lifetime Learning credit is not claimed under sec. 25A with respect to the beneficiary for the same taxable year.

Description of Chairman's Mark

For purposes of the Chairman's mark--which, with respect to contributions made during the period 1999 through 2002 (and earnings attributable thereto), would allow tax-free distributions from education IRAs to cover qualified elementary and secondary education expenses--the proposal would clarify that such expenses would include expenses incurred in connection with after-school programs administered for students enrolled in the grades K through 12.

Effective Date

The proposal would be effective for expenses paid in taxable years beginning after December 31, 1998.

3. National Health Corps Scholarship exclusion

Present Law

Section 117 excludes from gross income amounts received as a qualified scholarship by an individual who is a candidate for a degree and used for tuition and fees required for the enrollment or attendance (or for fees, books, supplies, and equipment required for courses of instruction) at a primary, secondary, or post-secondary educational institution. The tax-free treatment provided by section 117 does not extend to scholarship amounts covering regular living expenses, such as room and board. In addition to the exclusion for qualified scholarship, section 117 provides an exclusion from gross income for qualified tuition reductions for certain education provided to employees (and their spouses and dependents) of certain educational organizations.

Section 117(c) specifically provides that the exclusion for qualified scholarships and qualified tuition reductions does not apply to any amount received by a student that represents payment for teaching, research, or other services by the student required as a condition for receiving the scholarship or tuition reduction.

Description of Chairman's Mark

S. 1286 (introduced by Senator Jeffords on October 9, 1997) would provide that amounts received by an individual under the National Health Corps Scholarship Program--administered under section 338A(g)(1)(A) of the Public Health Service Act--would be eligible for tax-free treatment as a qualified scholarship under section 117, without regard to the fact that the recipient of the scholarship is obligated to later provide medical services in a geographic area (or to an underserved population group or designated facility) identified by the Public Health Service as having a shortage of health care professionals. The tax-free treatment would not apply to amounts received by students to cover living regular living expenses, such as room and board.

Effective Date

The proposal would apply to amounts received in taxable years beginning after December 31, 1993.

U.S. DEPARTMENT OF EDUCATION

FAX TRANSMISSION

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PAGES: 6 **, including cover.**

FROM: **Susan Frost**
Dan Bernal
Elizabeth Gregory
Office of the Secretary

SUBJECT: letters opposing Coverdell

COMMENTS:

LETTERS OPPOSING COVERDELL K-12 IRAS
February 10, 1998

1. **The National Coalition for Public Education** — **February 9, 1998**
   (Including thirty-six organizations which oppose the tax subsidy)
2. **The National Education Association** — **February 6, 1998**
3. **National School Boards Association** — **February 9, 1998**

Th Natl nal Coalition for Public Education

February 9, 1998

Members of the U.S. Senate Committee on Finance
Washington, D.C. 20510

Dear Senator:

The following members of the National Coalition for Public Education urge you NOT to support "Parent and Student Savings Account Plus Act," or any similar measure, designed to create tax subsidies for individuals who enroll their children in private and religious schools. This tax shelter would expand the higher education provisions of P.L. 105-34 to allow parents, relatives, and corporate entities to deposit up to $2,000 up to four years and $500 in the remaining years into special accounts. This amendment is problematic in that it would also make tax-free withdrawals on the interest and principal to pay for elementary and secondary education tuition and expenses.

As you and the other members of the Finance Committee consider the "Parent and Student Savings Account Plus Act" for its revenue implications, you will note its projected price tag of more than $1.5 billion over five years. Instead of creating a tax plan that disproportionately favors wealthier families, federal policies should direct limited public dollars to public schools where over 89 percent of America's children are educated. Further, these tax subsidies do nothing to raise academic standards for all children, provide safe learning environments for children, provide for more teacher training, or increase parent involvement in schools.

A recent report by the Congressional Research Service correctly pointed out significant flaws in education IRAs. Education tax subsidies grow slowly and may be unable to amass the amount of money needed to pay for private school tuition, particularly for young children. Families unable to save, including most families earning less than $55,000 a year, would not benefit at all. Finally, high income families who already send their children to private schools would be able to shelter some of their existing assets from taxes by transferring them to education savings accounts.

Similarly, in a letter to Ways and Means Chair William Archer, Treasury Secretary Robert Rubin and Education Secretary Richard Riley point out that this tax plan disproportionately favors wealthier families. Higher income taxpayers are more likely to have the extra money needed to save, and therefore, lower and working families would get little benefit from the compounding tax-free earnings in an education IRA.

1090 Vermont Ave. NW, Suite 1200, Washington, DC 20005-4905 (202) 289-6790 Fax: (202) 289-6791

The undersigned groups oppose the "Parent and Student Savings Account Plus Act" tax subsidy. Like vouchers, this is merely a scheme to benefit private and religious schools.

American Association of School Administrators
American Association of University Women
American Civil Liberties Union
Americans for Religious Liberty
Americans for Democratic Action
American Federation of Teachers
American Federation of State, County and Municipal Employees
American Humanist Association
American Jewish Committee
American Jewish Congress
Americans United for Separation of Church and State
Association for Supervision and Curriculum Development
Anti-Defamation League
Council of Chief State School Officers
Council of the Great City Schools
General Board of Church and Society of the United Methodist Church
Hadassah
International Reading Association
Labor Council for Latin American Advancement
National Association of Bilingual Education
National Association of Elementary School Principals
National Association of State Boards of Education
National Association of State Directors of Special Education
National Council of Jewish Women
National Education Association
National Organization for Women
National Parent Teacher Association
National School Boards Association
National Rural Education Association
People for the American Way Action Fund
Public Employee Department, AFL-CIO
The Federation of Temple Sisterhoods
Union of American Hebrew Congregations
Unitarian Universalist Association
United Auto Workers
Women of Reform Judaism

nea
NATIONAL EDUCATION ASSOCIATION

Robert F. Chase, President
Reg Weaver, Vice President
Dennis Van Roekel, Secretary-Treasurer

Don Cameron, Executive Director

1201 16th Street, N.W.
Washington, D.C. 20036-3290
(202) 822-7000 Fax (202) 822-7974
Executive Office

February 6, 1998

The Honorable Richard Riley
U.S. Department of Education
600 Independence Ave., S.W.
Washington, D.C. 20202

Dear Secretary Riley:

On behalf of the 2.3 million members of the National Education Association (NEA), I reiterate our opposition to the Education Savings Act for Public and Private Schools (re-introduced in S.1590). The bill would create tax-free savings accounts to pay for private and religious schools and would do nothing to improve teaching or learning in our public schools and would benefit primarily wealthier families who send their children to private and religious schools.

The public and parents say they want federal investments that would improve teacher training, promote safe schools, and establish programs to help all students reach high standards. A tax shelter such as the one created by S.1590 and other tax credit schemes would do nothing to help achieve these goals. In fact, the bill would disproportionately benefit those families who opt to send their children to private or religious schools, while doing nothing to create high quality public education for the 89 percent of America's children and youth who attend public schools.

Further, this tax-free savings account would not guarantee parents a choice of schools. As it does today, the choice would remain in the hands of private school admission offices, which retain the right to deny admission to any child. The September 11, 1997 issue of the Christian Science Monitor editorial stated the following: "Sounds innocent enough. But where does it lead? It's a small step toward positioning government behind private -- most often church-related -- elementary and secondary education." No modification of this bill would change that outcome.

NEA urges the defeat of S.1590 and instead, urges Congress to move forward legislation that would enable communities to focus on improving public schools for the majority of our nation's children through school modernization, class size reduction, and the recruitment and training of qualified teachers.

Sincerely,

Bob

Bob Chase
President

NSBA

Excellence and Equity in Public Education through School Board Leadership

Office of Advocacy

- William B. Ingram, President
- Anne L. Bryant, Executive Director
- Michael A. Resnick, Associate Executive Director

February 9, 1998

The Honorable John H. Chafee
Senate Committee on Finance
505 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Chafee:

The National School Boards Association (NSBA) and the 95,000 school board members we represent through our federation of 53 states and territories are unequivocally opposed to the so-called "Education IRA," which is due to be considered by the Senate Finance Committee on February 10, 1998. The committee will be marking up a chairman's mark in the nature of a substitute to S. 1133 (known as the "Parent and Student Savings Account PLUS Act").

The bill is a new, public tax subsidy that would provide tax breaks for "educational expenses" including tuition and fees at public, private, and religious schools. The bill would allow parents, relatives and corporations to deposit up to $2,000 per child per year and to make tax free withdrawals of the principal and interest for a broad list of educational expenses.

The plan will do nothing to improve our public schools. The Education IRA, diverts public tax resources to a myriad of inappropriate uses including private school tuition. Qualified expenses are so broadly defined in the bill that funds could support inappropriate uses remotely connected to schooling. Secretary of Treasury Robert E. Rubin has also noted that "distinguishing between an appropriately tax-free withdrawal and others that should be [taxed] would lead to significant additional tax complexity for families." Not only is this bad education policy, it is bad tax policy.

Public funds should be used to support our public schoolchildren, not private school attendance. The original bill was scored to cost $2.5 billion over five years. The tax revenue lost to the IRA would have a far greater impact if targeted to our public schools by providing, for instance, 62,000 well-trained teachers to reduce class size, or computer access for 8.3 million students.

While we understand that the bill may include some resources for school construction, we believe that the fundamental problems of misdirecting tax resources to private school tuition and fees make opposition to this package critical.

For these reasons, we urge you to oppose the Education IRA, and instead, provide resources to enhance learning and student achievement opportunities for public schoolchildren across the country. Should you have any questions, please do not hesitate to contact Michelle Richards, Director of Federal Programs at 703-838-6208.

Sincerely,

William B. Ingram
President

Anne L. Bryant
Executive Director

National School Boards Association
1680 Duke Street • Alexandria, Virginia 22314-3493 • (703) 838-6722 • FAX: (703) 683-7590 • http://www.nsba.org

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

February 9, 1998

The Honorable Daniel Patrick Moynihan
Committee on Finance
United States Senate
Washington, D.C. 20510-6200

Dear Senator Moynihan:

We write to express our strong opposition to S. 1133, which we understand your Committee may soon consider. Last summer, when the Senate passed a similar proposal, the President stated that he would veto the legislation that contained it. S. 1133 raises concerns similar to those raised by last year's Senate bill and by H.R. 2646, which the House passed last fall. As we stated in October 1997, we would recommend that the President veto S. 1133.

Every American child deserves a high quality elementary and secondary education. We believe that targeting our limited Federal resources to build stronger public schools will help ensure that all of our children receive the education they need to be productive citizens. Public schools serve approximately 90 percent of students in grades K-12 and currently face record-breaking enrollments. By focusing resources on public schools, we can leverage community investment to help parents, teachers, and administrators meet the important educational challenges they face in serving the vast majority of our children: meeting high standards for learning and discipline; fixing school buildings; and providing a safe, drug-free environment for children. In contrast, S. 1133 diverts needed attention and resources from our public schools.

The bill disproportionately benefits the most affluent families and provides little benefit to lower and middle-income families. Additionally, given the expansion of tax-preferred savings vehicles in last year's bill, we do not believe that further increasing the contribution limits for tax-preferred savings opportunities will generate much additional savings and would, instead, reward families, particularly those with significant means, for what they would otherwise do.

We are also concerned that the bill would create significant compliance problems. The legislation allows tax-free withdrawals from Education IRAs for, among other things, supplementary expenses required for the child's enrollment or attendance at a public, private, or religious school, but provides no guidance in identifying what these expenses are. Distinguishing between an appropriately tax-free withdrawal and one that should be subject to tax penalty would lead to significant additional tax complexities for families.

We therefore strongly urge the Committee not to approve this legislation.

Sincerely,

Robert E. Rubin
Secretary of the Treasury

Richard W. Riley
Secretary of Education

CAROL MOSELEY-BRAUN
UNITED STATES SENATOR – ILLINOIS
324 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510
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Fax Cover Sheet

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FAX #: 456-2223

FROM: Steven Collens

DATE: 2/9

TOTAL PAGES: 18 (including this page)

COMMENTS:

FYI

1) CMB amendment w/2 possible offsets

2) Graham amendments

Moseley-Braun Amendment

The amendment creates and expands tax incentives to help States and school districts meet their school repair, modernization, and construction priorities. The amendment includes three provisions.

(1) Qualified School Modernization Bonds

The amendment allows state and local governments to issue "qualified school modernization bonds" to fund the construction, modernization, and rehabilitation of public schools. Bondholders, instead of receiving interest, would receive annual Federal income tax credits. The maximum term of the bonds would be 15 years.

A total of $9.7 billion of authority to issue qualified school modernization bonds would be allocated in each of 1999 and 2000, half to states and half to the 100 largest school districts. (The District of Columbia is considered both a state and a large school district, and Puerto Rico is considered a state.) The cap would be allocated to the 100 large districts based on the amounts of Federal assistance received under Title I of the Elementary and Secondary Education Act of 1965, and to States based on the same formula, adjusted for amounts allocated to the 100 large districts. A small portion of the total cap would be set aside for each U.S. possession (other than Puerto Rico) based on its share of the total U.S. poverty population. A State, possession, or eligible school district would be permitted to carry forward any unused portion of its allocation until September 30, 2003.

Under the proposal, a bond would be treated as a qualified school modernization bond if three requirements are met. First, the Department of Education must approve a school construction plan of the state, territory, or school district that: (1) demonstrates that a survey has been undertaken of the construction and renovation needs in the jurisdiction, (2) describes how the jurisdiction will assure that bond proceeds are used for the purposes of this proposal, and, for States with high percentages of Federally-owned or Indian Trust land that is not subject to local taxation, (3) describes how they plan to meet the school construction needs of schools serving Indian and military-dependent children. Second, the issuing government must receive an allocation for the bond from the State, territory, or eligible district. Third, 95 percent or more of the bond proceeds must be used to construct or rehabilitate public school facilities.

(2) Qualified Zone Academy Bonds

The amendment makes three changes to the existing qualified zone academy bonds (created in the Taxpayer Relief Act of 1997). First, the amendment increases the 1999 bond cap from $400 million to $1.4 billion and adds an additional $1.4 billion of bond cap in 2000. Second, the amendment expands the list of permissible uses of proceeds to include new school construction. Third, the amendment sets the maximum term of qualified zone academy bonds at 15 years.

(3) Tobacco Settlement

The amendment establishes a trust fund that will be used to pay the obligations created by the issuance of qualified school modernization and qualified zone academy bonds. If tobacco taxes are increased as part of legislation settling disputes between the tobacco industry and the States, revenue generated by those taxes shall be deposited into the trust fund in amounts sufficient to meet the obligations created by the allocation of new qualified school modernization and qualified zone academy bond authority.

(3) Tobacco Taxes

The amendment increases the excise tax on tobacco products by amounts sufficient to meet the obligations created by the allocation of new qualified school modernization and qualified zone academy bond authority.

Graham Education Construction Package

5 Amendments:

1. Increase in Arbitrage Rebate Exception for Governmental Bonds Used to Finance Qualified Educational Facilities
[$144 million/5-years; $796 million/10-years]

2. 3-Year Safe Harbor Exception from Rebate for Certain Proceeds to be Used to Finance Construction Expenditures for Qualified Educational Facilities
[$77 million/5-years; $321 million/10-years]

3. Qualified Educational Facility Obligations Not Taken Into Account in Determining Status of Small Issuer
[$42 million/5-years; $174 million/10-years]

4. Treatment of Qualified Educational Facilities Bonds as Exempt Facilities Bonds
[$223 million/5-years; $1.031 billion/10-years]

5. Accelerated Depreciation for Tax-Exempt Bond Financed Educational Facilities
[$232 million/5-years; $390 million/10-years]

Summary of Five Tax Proposals to Assist Local School Districts with Education Construction and Rehabilitation

February 7, 1998

1. **Tax-Exempt Bond Simplification Through the Raising of the Small Issuer Exemption.**

Since 1986, the small issuer exemption to the arbitrage rebate rules was set at $5 million until Congress passed an increase to $10 million, specifically for school construction, in the 1997 Taxpayer Relief Act. An additional increase to $25 million would reduce costs incurred by any issuer with general taxing authority.

Small and rural school districts issuing bonds for smaller education construction and rehabilitation projects would benefit from this treatment. GFOA-NACO's survey of state and local governments indicates that this change, as well as the following proposal, (proposal #2) are overwhelmingly supported.

2. **Tax-Exempt Bond Simplification Through Extending the Arbitrage Rebate Spend Out Exception Rule to Three Years.**

Under current law, the arbitrage rules do not apply to an issuer if the available construction proceeds are spent for the purpose of the borrowing at least at specified rates during the 24-month period after the bonds are issues. Many issuers are not able to take advantage of the 6-, 18-, or 24-month rebate exceptions for spending schedules currently allowed by the IRS.

This safe harbor would not be available for acquisitions of qualified educational facilities. The proposal is intended to spur new construction and rehabilitation activities. Issuers of bonds for smaller school construction and rehabilitation projects would particularly benefit from this treatment.

3. **Increase Small Issue Bond Investment Exemption Applicable to Banks.**

Raise the small issue exemption that limits banks' ability to invest in tax-exempt bonds while claiming interest deductions on interest on unrelated debt. To be consistent with proposal #1, the limit would be raised from $10 million to $25 million. This change would facilitate greater investment by banks in development within its own communities, including school construction and rehabilitation. The proposal gets to the "bottom-line" cost of financing.

4. **Establish Education Bonds as a Qualified Exempt Facility Bond.**

Modify Section 142 to include education infrastructure projects as a purpose that qualifies under the facility tax-exempt bond rules. The proposal would add "education infrastructure projects" as a thirteenth qualified item under Section 142 (a) and Section 146 (g) would be amended to take such projects out from under the volume caps (similar to solid waste facilities).

These changes provide flexibility for innovative financing and are analogous to treatment offered in higher education. The modifications would also allow both public and private entities to take advantage of this treatment. Although public use of this treatment is predominant, currently private entities involved in high speed rail development are qualified under Section 142 for such tax-exempt treatment.

5. **Modify the Depreciation Rules that Apply to School Construction and Rehabilitation Activities.**

For education facilities, eliminate the requirement that straight line depreciation be used where the facility is financed with tax-exempt bonds or leased to a tax-exempt organization. This would facilitate public-private partnerships to build education facilities.

Public-Private Partnership in Education Construction

February 7, 1998

> The GAO estimates that $112 billion is needed to bring existing education infrastructure up to a state of good repair (i.e. requiring only routine maintenance and minor repairs).

> This figure does not include the costs associated with meeting the needs of schools already overcrowded, particularly those in high growth areas.

> The financing of school construction and renovation is typically a local function. Tax-exempt bond issues, which generally must be approved through a referendum and rely on local property taxes, are sold to finance capital spending. However, in recent years taxpayers have been less willing to approve bond referenda to pay for school construction projects. The GAO reports that 33 percent of school districts have had an average of two bond issues fail in the past 10 years.

> The costs associated with school construction financing, made higher by federal tax requirements and fees, contribute to taxpayer reluctance to support school construction bonds. Small issuers, such as rural and small school districts, are disproportionately affected by these costs.

> Faced with these financing challenges and decreasing federal financial assistance, communities are considering, and some developers are poised to offer, innovative and creative financing options. These include public-private partnerships and private construction of public schools. However, federal tax law provisions limit the ability of school districts to undertake such financing.

> **Goal**: (1) Reduce the cost of financing and (2) stimulate public-private partnerships in school construction activities. Private participation would be enhanced by providing access to tax-exempt financing for private entities that develop education facilities, including charter schools.

Examples of How Public-Private Partnerships, Through the Creation of Exempt Facilities Bonds for School Construction, Can Enhance Education Construction Activities

February 7, 1998

Satellite Learning Centers
Dade County (Miami), Florida

Several businesses have built schools on their property near offices or production facilities. The school district has provided the staff on site and administer the public school program. The arrangements also provide day-care before and after-school activities.

IBM Corporation "Reinventing Education" Project
Charlotte-Mecklenburg, North Carolina

IBM Corporation is equipping four new schools being constructed on a 200 acre site near an IBM plant.

Disney Corporation "Celebration City" Project
Osceola County, Florida

The Disney Corporation has constructed a model city outside of Orlando, Florida. The city, "Celebration City," includes three schools and a teacher education/development center. Disney Corporation provided the major share of the funding for the education facilities, after the district contributed $15 million and the county provided $1.5 million of impact fees exemption.

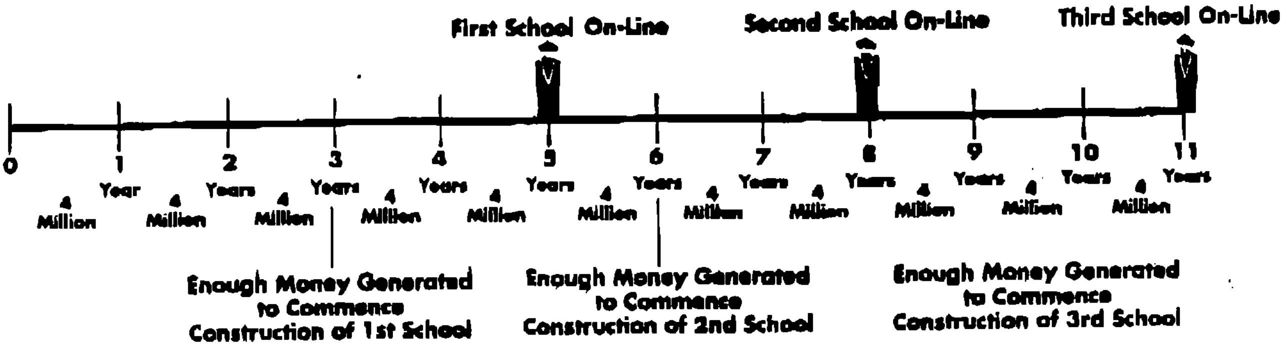
Corporations to "Design, Finance and Build Public Schools"
Tennessee

Two companies have formed to design, finance, and build public schools which they then sell to local governments. Their most recent projects include building 12 schools in three counties and have already saved an estimated $500,000 to one county alone via cost effective measures found in private construction.

An Example of the a Public-Private Partnership Model for School Construction Compared to Traditional "Build-Own" Practices

Typical "Build-Own" Model Used Today:

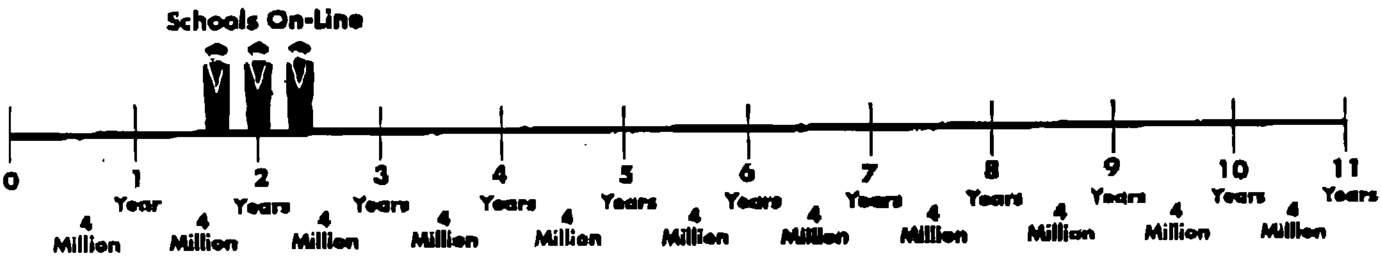
Traditional Pay-As-You-Go Practice



It Would Take At Least 8 Years to Have 2 Schools Built and Operational
It Would Take 11 Years for 3 Schools

Example of Public-Private Partnership Model:

Innovative Leased/Buy-Back Financing Model



$4 Million/Year Generates Enough Revenue to Cover Debt Service for 3 Schools. At An Assumed Cost of $12 Million 3 Schools Could Be Operational Within 18 months of Notice-to-Proceed.

Depending on how developers and local school districts choose to arrange the financing plan, a "build-lease" financing scenario, like the one featured above, could result in:

* Reduction or elimination of construction risks to the school district.
* Accelerated construction and delivery of the school facility.
* Reduction in overall cost of financing and construction.

Amendment #1: Increase in Arbitrage Rebate Exception for Governmental Bonds Used to Finance Qualified Educational Facilities

INCREASE IN ARBITRAGE REBATE EXCEPTION FOR GOVERNMENTAL BONDS USED TO FINANCE QUALIFIED EDUCATIONAL FACILITIES.

(a) IN GENERAL.—Section 148(f)(4)(D) (relating to exception for governmental units issuing $10,000,000 or less of bonds) is amended by adding at the end the following new clause:

"(vii) INCREASE IN EXCEPTION FOR BONDS FINANCING QUALIFIED EDUCATIONAL FACILITY CAPITAL EXPENDITURES.—

"(I) IN GENERAL.—In the preceding provisions of this subparagraph, each of the $10,000,000 amounts shall be increased by the lesser of $25,000,000 or so much of the aggregate face amount of the bonds as are attributable to financing the construction (within the meaning of subparagraph (C)(iv)) of qualified educational facilities, and such provisions, in the case of such bonds, shall be applied to governmental units without regard to the taxing powers of such units.

"(II) QUALIFIED EDUCATIONAL FACILITIES.—For purposes of subclause (I), the term 'qualified educational facilities' means any facility which is a public elementary school, a public secondary school, a public institution of higher education that awards an associate's degree, or a public postsecondary vocational institution (within the meanings of those terms under the Elementary and Secondary Education Act of 1965 and the Higher Education Act of 1965)."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to bonds issued after December 31, 1997.

Amendment #2: 3-Year Safe Harbor Exception from Rebate for Certain Proceeds to be Used to Finance Construction Expenditures for Qualified Educational Facilities

3-YEAR SAFE HARBOR EXCEPTION FROM REBATE FOR CERTAIN PROCEEDS TO BE USED TO FINANCE CONSTRUCTION EXPENDITURES FOR QUALIFIED EDUCATIONAL FACILITIES.

(a) IN GENERAL.—Section 148(f)(4)(C) (relating to exception from rebate for certain proceeds to be used to finance construction expenditures) is amended by adding at the end the following new clause:

"(xvii) SPECIAL RULES FOR CONSTRUCTION EXPENDITURES FOR QUALIFIED EDUCATIONAL FACILITIES.—In the case of an expenditure of the available construction proceeds of a construction issue for the construction of qualified educational facilities (within the meaning of subparagraph (D)(vii), clause (ii) shall be applied—

"(I) in subclause (I), by substituting '15 percent' and '1-year period' for '10 percent' and '6-month period', respectively,

"(II) in subclause (II), by substituting '40 percent' and '2-year period' for '45 percent' and '1-year period', respectively, and

"(III) in subclause (III), by substituting '95 percent' and '3-year period' for '75 percent' and '18-month period', respectively."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to bonds issued after December 31, 1997.

Amendment #3: Qualified Educational Facility Obligations Not Taken Into Account in Determining Status of Small Issuer

QUALIFIED EDUCATIONAL FACILITY OBLIGATIONS NOT TAKEN INTO ACCOUNT IN DETERMINING STATUS OF SMALL ISSUER.

(a) IN GENERAL.—Section 265(b)(3)(C)(ii) (relating to obligations not taken into account in determining status of qualified small issuer) is amended by striking "or" at the end of subclause (II), by striking the period at the end of subclause (III) and inserting ", or", and by adding at the end the following new subclause:

"(IV) an obligation issued as part of an issue during the calendar year the aggregate face amount of which does not exceed the lesser of $25,000,000 or so much of the aggregate face amount of obligations of such issue as are attributable to financing the construction (within the meaning of section 148(f)(4)(C)(iv)) of qualified educational facilities (as defined in section 148(f)(4)(D)(vii))."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after December 31, 1997.

Amendment #4: Treatment of Qualified Educational Facilities Bonds as Exempt Facilities Bonds

TREATMENT OF QUALIFIED EDUCATIONAL FACILITY BONDS AS EXEMPT FACILITY BONDS.

(a) TREATMENT AS EXEMPT FACILITY BOND.—Subsection (a) of section 142 (relating to exempt facility bond) is amended by striking "or" at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting ", or", and by adding at the end the following:

"(13) qualified educational facilities."

(b) QUALIFIED EDUCATIONAL FACILITIES.—Section 142 is amended by adding at the end the following:

"(k) QUALIFIED EDUCATIONAL FACILITIES.—

"(1) IN GENERAL.—For purposes of subsection (a)(13), the term 'qualified educational facility' means any facility which is a public elementary school, a public secondary school, a public institution of higher education that awards an associate's degree, or a public postsecondary vocational institution (within the meanings of those terms under the Elementary and Secondary Education Act of 1965 and the Higher Education Act of 1965).

"(2) ANNUAL AGGREGATE FACE AMOUNT OF TAX-EXEMPT FINANCING.—

"(A) IN GENERAL.—An issue shall not be

treated as an issue described in subsection (a)(13) if the aggregate face amount of bonds issued by the State pursuant thereto (when added to the aggregate face amount of bonds previously so issued during the calendar year) exceeds an amount equal to $10 multiplied by the State population.

"(B) ALLOCATION.—The State shall allocate the amount described in subparagraph (A) under rules similar to the rules of section 146."

(c) EXEMPTION FROM GENERAL STATE VOLUME CAPS.—Paragraph (3) of section 146(g) (relating to exception for certain bonds) is amended—

(1) by striking "or (12)" and inserting "(12), or (13)", and

(2) by striking "and environmental enhancements of hydroelectric generating facilities" and inserting "environmental enhancements of hydroelectric generating facilities, and qualified educational facilities".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after December 31, 1997.

Amendment #5: Accelerated Depreciation for Tax-Exempt Bond Financed Educational Facilities

ACCELERATED DEPRECIATION FOR TAX-EXEMPT BOND FINANCED EDUCATIONAL FACILITIES.

(a) IN GENERAL.—Section 168(g)(5) (relating to tax-exempt bond financed property) is amended by adding at the end the following new subparagraph:

"(D) QUALIFIED EDUCATIONAL FACILITIES.—The term 'tax-exempt bond financed property' shall not include any qualified educational facility (within the meaning of section 142(a)(13))."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 1997.

UNITED STATES
DEPARTMENT OF EDUCATION NEWS

FOR RELEASE: January 20, 1998

Contact: Julie Green (202) 401-3026

STATEMENT BY U.S. SECRETARY OF EDUCATION RICHARD W. RILEY
regarding release of Senate Republican education agenda

The American people have made education a national issue and President Clinton has made education his number one priority. I look forward to working with members of both parties to advance the President's agenda. The Senate Republicans have come a long way since the days when they wanted to eliminate the U.S. Department of Education. I appreciate their focus on reading, charter schools and support for special education.

Unfortunately, the Senate agenda is too narrow. School construction is an urgent concern in many states, yet the Senate leadership proposal pays scant attention to this pressing need. This proposal also includes plans to divert public tax dollars to support private school vouchers, unaccountable block grants and provisions that would divert resources from America's public schools that educate 90% of America's children. Many of these same proposals were rejected by the full Congress last year.

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DRAFT

February 25, 1998
(Senate)

S. 1133 - Parent and Student Savings Account PLUS Act
(Coverdell (R) Georgia and 43 cosponsors)

If S. 1133 were presented to the President, the Secretaries of Education and the Treasury would recommend that he veto the bill because it is bad education policy and bad tax policy.

Every American child deserves a high-quality elementary and secondary education. Targeting limited Federal resources to build stronger public schools will help ensure that all our Nation's children receive the education they need to become productive citizens. S. 1133 would divert needed resources from these schools.

S. 1133 would disproportionately benefit the most affluent families and provide little benefit to lower- and middle-income families. Families in the highest income bracket that saved the maximum amount permitted by S. 1133 would receive more than twice the benefit of families in the lowest tax bracket that saved the same amount. Moreover, given the expansion of tax-preferred savings vehicles in the Taxpayer Relief Act of 1997, the bill would not create a significant incentive for families to increase their savings for educational purposes. Instead, S. 1133 would reward families, particularly those with substantial incomes, for what they are already doing.

S. 1133 would also create significant compliance problems for families. The bill permits tax-free withdrawals from Education IRAs for supplementary expenses required for a child's enrollment in a public, private, or religious school but provides no guidance concerning what a taxpayer can legitimately claim.

* * * * * * *

Aa Bb Cc Dd Ee Ff Gg Hh Ii Jj Kk Ll Mm

Support **B.O.O.K.S.** for America!

U.S. SENATOR PAUL COVERDELL (R-GA)
The Better Opportunities for Our Kids and Schools Act

Nn Oo Pp Qq Rr Ss Tt Uu Vv Ww Xx Yy Zz

GOP EDUCATION MEDIA HOTLINE: Phone 202-224-8049 FAX 202-228-3196

Better Opportunities for Our Kids and Schools Act (B.O.O.K.S.)

Title I: <u>A+ Accounts for Public and Private Schools</u>.

Allows parents to contribute to an "A+ Account" to be used for a child's education at any school -- public, private, religious or home school -- from kindergarten through high school. Parents, grandparents, or scholarship sponsors may contribute up to $2,500 a year per child in post-tax dollars. The buildup of interest within that account is tax-free if used for the child's education.

For a child attending public school, this money could be used for after-school tutoring, carpooling or other transportation costs, school uniforms, or for a home computer. "A+ Accounts" could pay for the costs of private or home schooling, including tuition. And parents of special needs children could use this money for lifelong educational expenses such as tutoring, skill development for independent living, occupational therapy, or vocational training.

Title II. <u>Dollars to the Classroom</u>

Redirects federal K-12 education dollars away from Washington and toward states and local school districts where these funds can better and more efficiently serve children. States would receive funds through a block grant, administered by the Governors, which then could be used by states and local school districts for those purposes they think most important, for example, by hiring more teachers or building more schools -- without direction from Washington. Requires that a minimum of 95% of about $10 billion of federal funds reach the classroom in order to ensure that most of the dollars are not wasted on excess administrative overhead.

Title III. <u>Educational Opportunity and Safety for Low-Income Children</u>

Authorizes a 5-year demonstration program, funded at $75 million in the first year and with such monies as necessary in the subsequent years, that provides for grants to education entities that would provide educational certificates ("vouchers") to low-income parents whose children attend an "unsafe school." The vouchers could be used at any other school, including public, charter, private, and sectarian schools. "Low-income" is defined as 185% of the poverty line. "Unsafe school" is defined as a school that has high rates of criminal, drug, and/or disciplinary problems. The demonstration program would be for between 20 and 30 pilot programs nationally.

Title IV. Testing and Merit Pay for Teachers

This title is designed to help states reward good teachers, and weed out the bad. Makes clear that federal education funds may be used by states to carry out an assessment of the performance of each elementary school or secondary school teacher; and to establish merit pay programs for teachers.

Title V. Reading Excellence

This title seeks to turn around our nation's alarmingly high illiteracy rates by focusing on training teachers to teach reading, increasing parental involvement and sending more dollars to the classroom.

Provides $210 million for research, teacher training and individual grants for K-12 reading instruction. Requires that funds for teacher training be spent on programs that are demonstrated by scientific research to be effective, such as phonics.

Authorizes grants to parents for tutorial assistance for their children. Requires states to use a portion of their grant to fund tutorial assistance programs for Title I schools in Empowerment and Enterprise Communities. Parents with children experiencing reading difficulties could apply for these funds and purchase additional help for their children. Also provides literacy and other appropriate assistance for parents of these children to help them become their child's first and most important teacher.

Ensures that 95% of the funds go to successfully teaching children to read, not on administrative overhead.

Title VI. Teacher and Student Safety

This title is designed to protect schoolchildren and teachers from harm by ensuring that victims and witnesses of crimes at school are protected, and to encourage states and local communities to provide stronger responses to criminal and drug activities on school property.

Subtitle A. Student Safety and Family Choice
Amends the Elementary and Secondary Education Act to remove any federal barrier to the use of state and local funds -- and allow the use of federal funds -- to pay the costs of a student who has been a victim of a violent criminal offense at his or her school to attend another school, whether public, private or sectarian.

Subtitle B. Victim and Witness Assistance Programs for Teachers and Students
Amends the Victims of Crime Act to allow funds to be used to provide compensation and services to elementary and secondary school students who are the victims of school violence, as defined by the state; and authorizes the Department of Justice to make grants for demonstration projects to assist local education agencies in developing, establishing, and operating programs designed to A) protect victims and witnesses of incidents of school violence; and B) support student safety toll-free hotlines for confidential reporting of crimes and drugs use in schools.

Subtitle C. Innovative Programs to Protect Teachers and Students
Establishes a grant program for innovative programs to improve unsafe schools. States, or state or local education agencies that have implemented policies which provide protections for victims and witnesses to a school crime; which provide for the expulsion of students who sell drugs or commit a violent offense that causes serious bodily injury (as defined by the state); and which require referral to law enforcement/juvenile authorities of any such offense shall be eligible to receive such funds.

Report Cards on School Violence
Priority is given to those eligible states, or state or local education agencies which also institute innovative programs that:

- provide an annual report to parents and teachers listing all incidents at school involving physical violence, weapon possession, or drug activity;
- provide immediate parent/teacher notification about incidents involving physical violence, weapon possession, and drug use at school;
- establish enhanced security measures at schools, such as metal detectors and canine patrols;

Title VII. **Charter School Expansion**

This title encourages the growth of high-quality charter schools (independent public schools), by better directing funds to states which are committed to strong charter schools; ensuring that charter schools are eligible for their fair share of federal funding, e.g., Title I and IDEA; and increasing financing options available to charter schools and allowing them to utilize funds from the Title VI block grant program for startup costs.

Title VIII. **Full Funding of Part B., Individuals with Disabilities Education Act (IDEA)**

This title provides an authorization level of an additional $9.3 billion over 6 years to keep the commitment toward fully funding IDEA.

NEWS RELEASE
Paul Coverdell
United States Senator - Georgia

EMBARGOED FOR RELEASE
2 p.m. Tuesday, January 20, 1998

CONTACT: Jonathan Baron
(202) 224-8049

GOP SENATE LEADERSHIP UNVEILS EDUCATION PLAN

--"B.O.O.K.S." bill puts more money in the classroom--

WASHINGTON, D.C. -- U.S. Senator Paul Coverdell (R-GA), Majority Leader Trent Lott (R-MS), and other members of the Senate GOP Leadership today unveiled the details of their ambitious primary and secondary education proposal for 1998. The legislation -- titled *The Better Opportunities for Our Kids and Schools Act* (B.O.O.K.S.) -- would allow local school districts greater autonomy to hire teachers, buy computers, build schools, or address other problems identified by individual communities.

"This comprehensive legislation is designed to help parents send their children to the very best schools possible. By making sure more money goes directly to the classroom, our proposal gives local school districts greater freedom to solve the specific challenges confronting their communities.

"From hiring teachers to buying computers, our initiative will help local schools improve student performance and reward teachers for classroom excellence," remarked Coverdell at an afternoon press conference with Senators Lott, Asst. Majority Leader Don Nickles (R-OK), Conference Chairman Connie Mack (R-FL), NRSC Chairman Mitch McConnell (R-KY), Judd Gregg (R-NH), and Alfonse D'Amato (R-NY).

Coverdell -- who serves as GOP Conference Secretary and head of the Education Task Force created by Lott last year -- is the principal author and sponsor of the B.O.O.K.S. bill. The initiative contains Coverdell's A+ Education Savings Accounts (ESAs), block grants for states and local school districts, school safety voucher programs, teacher testing and merit pay, a literacy initiative, expansion of charter schools, and funding for the Individuals with Disabilities Education Act (IDEA).

"Our education plan could pay the salaries of over 50,000 teachers and buy over 1 million new computers every year; or school districts could construct 500 new elementary schools. The main point is that the decision is made by parents and communities, not Washington bureaucracies. Congressional Democrats and the President should embrace this common-sense education reform plan," Coverdell concluded.

###

Office of the House Majority Leader

For immediate release --
January 20, 1998

Contact: Michele Davis
(202) 225-6007

House Majority Leader Dick Armey made the following comments on the Senate Republican Leadership's education agenda unveiled today:

" I applaud Senate Republicans for proposing a comprehensive agenda to encourage local innovation and increase parental involvement in schools across America.

"Every parent holds as their highest goal and greatest responsibility raising their children to be the best that they can be. Parents deserve the freedom to meet that responsibility. Returning power from Washington to the states and school boards across America means parents have a place to go to make their concerns heard and see them addressed. And giving parents options -- through low-income scholarships, charter schools, and education savings accounts – gives parents greater influence and allows them to choose schools that reinforce values like responsibility and honesty that parents try so hard to teach at home.

"The BOOKS Act, together with the House Republican Agenda for the American Learner unveiled last September, make clear this Congress' dedication to preparing our children for success in the 21st century. We are determined to make children's learning once again the highest priority in education policy."

-- 30 --

U.S. Senator for Kentucky
MITCH McCONNELL

For Immediate Release
January 20, 1998
98-3

McCONNELL PUSHES 1998 EDUCATION PLAN

-- *McConnell says every school needs "B.O.O.K.S."* --

WASHINGTON, D.C. – U.S. Senator Mitch McConnell (R-KY) along with other members of the Senate GOP Leadership held a press conference today to discuss one of the top priorities of 1998 – Education. The Better Opportunities for Our Kids and Schools Act (BOOKS), which puts more money in the classroom, was unveiled today on Capitol Hill.

The BOOKS Act responds to the primary concerns of parents and local school systems – more money for classrooms, greater flexibility for productive reforms, and school safety. Highlights of the bill include A+ Accounts to help parents save for the cost of their child's education, public or private, from kindergarten through college. The bill sends more federal dollars to the classroom (95% of $10 billion in federal education funds must go to local classrooms). It promotes school safety through school choice demonstration projects and innovative programming to protect students and teachers.

"Quality education is a priority for every American, however parents today have serious doubts about the federal government's commitment to our children's future," said McConnell. "The BOOKS Act provides parents and educators with the resources and flexibility they need to make our nation's schools safe and successful."

-30-

FOR MORE INFORMATION CONTACT ROBERT STEURER, PRESS SECRETARY, (202) 224-8288, FAX (202) 228-3416. SR-361A, WASHINGTON, D.C. 20510-1702.

REPUBLICAN GOVERNORS ASSOCIATION

NEWS RELEASE

For Immediate Release:
January 20, 1998

Contact: Kirsten Fedewa
Tel: 202/863-8587

GOP GOVERNORS AND CONGRESSIONAL LEADERS PLACE EDUCATION REFORM AT TOP OF '98 AGENDA

WASHINGTON, D.C. – Republican Governors Association (RGA) Chairman David M. Beasley (SC) today warmly praised the efforts of U.S. Senator Paul Coverdell (R-GA) and the Senate Republican leadership for introducing innovative education legislation this week to improve the nation's schools.

The legislation will establish tax-free education savings accounts for tuition for kindergarten through college, move more education dollars from bureaucracies to students to enhance learning in the classroom, improve safety in schools, reward good teachers and achieve better reading skills.

"Senator Coverdell's 'Better Opportunities for Our Kids and Schools' bill takes great strides at moving toward safer learning environments, rewarding good teachers, improving reading skills, and targeting more dollars to enhance learning for students in the classroom," said Beasley.

"Improving education performance -- by supporting parents and teachers -- is a joint goal of Republican governors and our friends in Congress. Senator Coverdell's proposal will help ensure that young Americans are ready to compete in the global economy of the 21st century," said Governor Terry E. Branstad (IA), immediate past chairman of the RGA.

The legislation includes the following provisions:

- Creates "A+ accounts" that allow parents, grandparents or scholarship sponsors to contribute post-tax dollars to be used for a child's education;
- Provides students who are currently condemned by economic circumstances to attend unsafe schools with an opportunity to attend schools where the emphasis is on learning, not survival;
- Focuses on training teachers to teach reading, increasing parental involvement and sending more dollars to the classroom;
- Protects schoolchildren and teachers from harm by ensuring that victims and witnesses of crimes at school are protected, and to encourage states and local communities to provide stronger responses to criminal and drug activities on school property.

-MORE-

Now America's Majority

Improving education through an exchange of ideas was the primary focus of the Republican governors during their 1997 Annual Conference in November in Miami. During the meeting, Republican governors joined with Republican leaders in Congress in announcing the creation of a joint task force to continue to pursue further education reforms. Details of the task force will be released after Congress reconvenes later this month.

"We applaud the efforts of Republicans in Congress to begin to give GOP governors the flexibility to do with federal education funding exactly what they did with welfare three years ago," said former RGA Chairman John Engler (MI).

"I am particularly impressed with the local control provisions in Senator Coverdell's proposal. The states and local districts and schools certainly know what's better for students than the federal government. I also am pleased with the parental involvement included in the bill. It's time to give parents more control and choice in deciding how well their children are educated. It's not just a question of how much we spend on education, but how we spend it and what we expect from our public education system. The higher the expectations, the better the product," said Governor Frank Keating, vice chairman of the RGA.

"From parental school-choice and vouchers, to class-size reductions to distance learning, GOP governors are about real education reform," said Governor Tommy G. Thompson (WI), who headed an RGA task force on education in 1997.

"When it comes to education, Republican governors believe parents – not government – should be making the decisions," said Thompson.

"Republican governors will continue to work with the Senate and the House to build upon states' education reform accomplishments. Republican leaders in Congress know what we've proven to be true at home: meaningful education reform occurs at the state, local and parental level," said Beasley.

# # # #

Communications Unit
122 Maryland Avenue, NE
Washington, DC 20002

AMERICAN CIVIL LIBERTIES UNION
WASHINGTON NATIONAL OFFICE

(202) 675-2312
Fax: (202) 546-1440
http://www.aclu.org
America Online: keyword "ACLU"

ELEASE NEWS RELEASE NEWS RELEASE NEWS RELEAS

Republican Leadership Masquerades as Booster of Beleaguered Public Schools

FOR IMMEDIATE RELEASE
Tuesday, January 20, 1998

Contact: Jennifer Helburn
(202) 675-2312

Washington – The American Civil Liberties Union greeted the "new" Republican eight-point education package with skepticism today, saying that the plan appears to include more attacks on public education under the guise of school vouchers and tax credits for religious and private school tuition.

While stressing that the entire platform was not yet available for review, Terri Schroeder, Legislative Representative for the ACLU, reacted to initial reports indicating the GOP leadership's platform includes school voucher schemes and tax credits for religious and private school tuition:

"This appears to be yet another attempt to wipe away the mark of shame they carry as a party that has consistently attacked quality public education for all children. Unfortunately, it appears that through this platform, the GOP leadership is yet again pushing measures that will take taxpayers' money from public school children to benefit religious and private schools," said Schroeder.

The ACLU has long opposed these unconstitutional voucher schemes. Among the ACLU's concerns is that vouchers could divert millions of taxpayers' dollars to schools which are not subject to common standards of accountability, including compliance with federal anti-discrimination laws.

"I do not think the American public would favor their tax dollars funding parents who wish to send their children to schools run by people like David Koresh. Yet that is just what previous voucher and tax credit schemes would have allowed," said Schroeder.

###

vouchers

ROUTING SLIP
DATE: 12/ 2/97

FROM: Stephanie Streett
Assistant to the President and Director of Presidential Scheduling

SUBJECT: Meet with Senators Coverdell, Lieberman, Torricelli, and Coats and Speaker Newt Gingrich on Voucher Proposals

Virginia Apuzzo		Sylvia Mathews	
David Beaubaire		Mike McCurry	✓
Paul Begala		Mack McLarty	
Sandy Berger		Katie McGinty	
Anthony Bernal	✓	Bob Nash	
Sidney Blumenthal		Chip Payson	✓
Erskine Bowles		John Podesta	
Peg Cusack		Bruce Reed	✓
Rahm Emanuel		Dan Rosenthal	
Maria Echaveste		Charles Ruff	
Jack Gibbons		Patti Solis-Doyle	
Nancy Hernreich		Craig Smith	
John Hilley	✓	Doug Sosnik	
Mickey Ibarra		Gene Sperling	✓
Ron Klain		Todd Stern	
Ann Lewis	✓	Ann Stock	
Bruce Lindsey		Kim Tilley	
Capricia Marshall		Melanne Verveer	
Thurgood Marshall, Jr.		Michael Waldman	✓
		Elisa Millsap	✓

FILE: Accept

COMMENTS: January - Date TBD

ROUTING SLIP
DATE: 10/31/97

FROM: Stephanie Streett
Assistant to the President and Director of Presidential Scheduling

SUBJECT: Meet with Senators Coverdell, Lieberman, Torricelli, and Coats and Speaker Newt Gingrich on Voucher Proposals

Virginia Apuzzo		Sylvia Mathews	
David Beaubaire		Mike McCurry	✓
Paul Begala		Mack McLarty	
Sandy Berger		Katie McGinty	
Anthony Bernal	✓	Chip Payson	✓
Sidney Blumenthal		John Podesta	
Erskine Bowles		Bruce Reed	✓
Peg Cusack		Dan Rosenthal	
Rahm Emanuel		Charles Ruff	
Maria Echaveste		Patti Solis-Doyle	
Jack Gibbons		Craig Smith	
Nancy Hernreich		Doug Sosnik	
John Hilley	✓	Gene Sperling	✓
Mickey Ibarra		Todd Stern	
Ron Klain		Ann Stock	
Ann Lewis	✓	Kim Tilley	
Bruce Lindsey		Melanne Verveer	
Capricia Marshall		Michael Waldman	✓
Thurgood Marshall, Jr.		Elisa Millsap	✓

FILE: Accept 11/5/97

COMMENTS: After Filing Time

ROUTING SLIP
DATE: 10/15/97

FROM: Stephanie Streett
Assistant to the President and Director of Presidential Scheduling

SUBJECT: Meet with Senators Coverdale, Lieberman, Torricelli and Coats, and Speaker Newt Gingrich on Voucher Proposals

David Beaubaire		Sylvia Mathews	
Paul Begala		Mike McCurry	✓
Sandy Berger		Mack McLarty	
Erskine Bowles		Katie McGinty	
Peg Cusack		Chip Payson	✓
Rahm Emanuel		John Podesta	
Maria Echaveste		Bruce Reed	✓
Jack Gibbons		Dan Rosenthal	
Shanan Guinn	✓	Charles Ruff	
Nancy Hernreich		Patti Solis-Doyle	
John Hilley	✓	Craig Smith	
Mickey Ibarra		Doug Sosnik	
Ron Klain		Gene Sperling	✓
Ann Lewis	✓	Todd Stern	
Bruce Lindsey		Kim Tilley	
Capricia Marshall		Melanne Verveer	
Thurgood Marshall, Jr.		Michael Waldman	✓
		Elisa Millsap	✓

FILE: Accept 10/30/97

COMMENTS:

ROUTING SLIP
DATE: 9/29/97

FROM: Stephanie Streett
Assistant to the President and Director of Presidential Scheduling

SUBJECT: Meet with Senators Coverdell, Lieberman, Torricelli and Coats, and Speaker Newt Gingrich on Voucher Proposal

David Beaubaire	____	Sylvia Mathews	____
Paul Begala	____	Mike McCurry	✓
Sandy Berger	____	Mack McLarty	____
Erskine Bowles	____	Katie McGinty	____
Peg Cusack	____	Chip Payson	✓
Rahm Emanuel	____	John Podesta	____
Maria Echaveste	____	Bruce Reed	✓
Jack Gibbons	____	Dan Rosenthal	____
Shanan Guinn	____	Charles Ruff	____
Nancy Hernreich	____	Patti Solis-Doyle	____
John Hilley	✓	Craig Smith	____
Mickey Ibarra	____	Doug Sosnik	____
Ron Klain	____	Gene Sperling	✓
Ann Lewis	✓	Todd Stern	____
Bruce Lindsey	____	Kim Tilley	____
Capricia Marshall	____	Melanne Verveer	____
Thurgood Marshall, Jr.	____	Michael Waldman	✓
		Elisa Millsap	✓

FILE: Pending

COMMENTS: ____

SCHEDULING PROPOSAL DATE: September 19, 1997

____ Accept ____ Regret ____ Pending

19 A6:13

TO: Stephanie Streett
Deputy Assistant to the President and
Director of Scheduling

FROM: John Hilley
Senior Advisor to the President and
Director for Legislative Affairs

REQUEST: To meet with Senators Coverdell, Lieberman, Torricelli, and Coats, and Speaker Newt Gingrich.

PURPOSE: To discuss Senator Coverdell's school voucher proposal.

BACKGROUND: On July 29, 1997, the President spoke with Speaker Gingrich about Sen. Coverdell's school voucher amendment to the Taxpayer Relief Act of 1997. During that conversation, the President threatened to veto the tax bill if the Coverdell amendment was not removed. In exchange for the removal of this provision, the President committed to meeting with Senator Coverdell and others to discuss his school voucher proposal. (Please see attached letter from Speaker Gingrich.)

DATE AND TIME: The week of September 29, 1997.

DURATION: Briefing: 15 minutes
Meeting: 30 minutes

LOCATION: The Oval Office

PARTICIPANTS: Speaker Gingrich (R-GA)
Senator Coverdell (R-GA)
Senator Lieberman (D-CT)
Senator Torricelli (D-NJ)
Senator Coats (R-IN)
Family from Washington, DC
Representative from Orthodox Union

VP ATTENDANCE: TBD

OUTLINE OF EVENTS: TBD

REMARKS:	TBD
MEDIA COVERAGE:	No
RECOMMENDED BY:	John Hilley
CONTACT:	Elisa Millsap 6-7848
ORIGIN OF PROPOSAL:	Request from Speaker Newt Gingrich (R-GA).

ewt Gingrich
th District
Georgia

(202) 225-0600

Office of the Speaker
United States House of Representatives
Washington, DC 20515

September 4, 1997

The Honorable William J. Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

As you may recall, on July 29, 1997, you and I discussed Senator Coverdell's plan to extend the education savings account concept that you endorsed to children in grades K-12, which was a provision included in the Taxpayer Relief Act of 1997. You demanded that we remove this provision from the bill or face a veto of the balanced budget agreement. At your request we did remove the education savings account provision in the interest of providing tax relief to all Americans.

In exchange for the removal of this provision you personally committed that you would meet during September with Senator Coverdell, Senator Lieberman, parents and students who want to have the personal power to leave ineffective and dangerous schools. You have not yet extended the invitation for this meeting and I am hopeful you will do so in the next week or two.

As I am sure you will agree, it is immoral to trap children in schools where they cannot learn. I strongly believe that parents should not be forced by government to send their children to schools that are failing. Learning occurs best when local parents, teachers and schools collaborate to create learning environments that maximize each individual child's ability. Let's give families the power and flexibility they need to provide the best possible educational opportunities to their children. I look forward to hearing from you on this important matter.

Sincerely,

Newt

Newt Gingrich