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DRAFT

November 3, 1997

MEETING WITH SENATOR COVERDELL, SPEAKER GINGRICH, SENATOR COATS, SENATOR LIEBERMAN, SENATOR TORRICELLI & FAMILY

DATE: November X, 1997
LOCATION: Oval Office
TIME: X:XX p.m. to X:XX p.m.
FROM: John Hilley
Andy Blocker

I. PURPOSE

To meet with Senators Coverdell, Coats, Lieberman, Torricelli and Speaker Gingrich to discuss Senator Coverdell's voucher amendment to the tax portion of the balanced budget agreement.

II. BACKGROUND

During Senate consideration of the tax portion of the balanced budget agreement, Senator Coverdell introduced an amendment which expanded the use of penalty-free withdrawal education savings accounts from use only for postsecondary education expenses to also include use for elementary and secondary education expenses. This provision was passed by the Senate 59 to 41. (See Attachment B: Senate Vote Count.) In conference, Republicans were insisting that the Coverdell amendment remain in the final bill. In order to persuade the Republicans to drop the provision from the bill, you (1) issued a veto threat of the entire tax package if the provision was not removed and (2) agreed to meet with Senator Coverdell and Speaker Gingrich to discuss his amendment. (See Attachments C & D.)

Since its removal from the budget reconciliation package, Republicans in both the House and Senate have worked together to expand upon Senator Coverdell's original proposal. The new proposal, H.R. 2646, the Education Savings Act for Public and Private Schools, would allow taxpayers to make tax-free withdrawals from education individual retirement accounts to pay for elementary and secondary school expenses as well as expenses for post-secondary education. It would increase the maximum annual contribution from $500 to $2,500 per beneficiary. The withdrawals could be used to pay for tuition, fees, tutoring, special needs services, books, supplies, equipment, transportation and supplementary expenses required for the enrollment or attendance at a public, private religious, or private nonsectarian school, or for home schooling.

On October 23rd, the House of Representatives approved H.R. 2646 by a vote of 230 to 198. (See Attachment E: House Vote Count.) The Senate attempted to consider H.R. 2646 earlier today. However, Senate Democrats objected and forced Senator Lott to file a cloture petition in order to proceed to the bill. The vote on cloture will occur this Friday. update

Prior to consideration of the bill in the House, Secretary Riley and Secretary Rubin signed a joint letter stating that they would both recommend that you veto the legislation if it came to your desk. (See Attachment F: Riley/Rubin Letter.) As an alternative, the Secretaries note their support for Congressman Rangel's substitute amendment which devotes Federal revenue to improving public schools, rather than legislation having the effect of subsidizing private alternatives.

Below are rebuttals to Senator Coverdell's favorite arguments for his proposal. (See Attachments F & G for more background.)

(1) *It is not a "voucher."*

While the Coverdell proposal may not be a "voucher" in the purest sense of the word, it would have the same effect as a "voucher." It would shift resources toward supporting the costs of private schools which otherwise would be available to meet the urgent need to improve public schools. The public schools continue to serve 90 percent of young Americans.

(2) *No federal money is used, it simply allows people to use their own money.*

The Coverdell proposal does involve Federal dollars. The Treasury Department estimates that it will cost $1.6 billion in lost revenue through 2002 and $6.4 billion in lost revenue through 2007. This lost revenue could be used instead to improve the public schools that serve 90% of our children.

(3) *It is an equitable proposal. Over 70% of the tax benefit will go to families earning less than $75,000 a year.*

The Treasury Department estimates that the Coverdell proposal would disproportionately benefit affluent families. Over 73% of the benefits of this proposal accrue to families in the top 20% of the income distribution, and more than 33% of the benefits accrue to families in the top 10%.

(4) It does help people in public schools

III. PARTICIPANTS

Briefing
Secretary Riley
Secretary Rubin
John Hilley
Bruce Reed
Andy Blocker
Mike Cohen

Sperling

Meeting
Speaker Gingrich
Senator Coverdell
Senator Coats
Senator Lieberman
Senator Torricelli
Family
Secretary Riley
Secretary Rubin

IV. PRESS PLAN

Closed Press

V. ATTACHMENTS

A. Suggested Remarks for Meeting.

B. Senate Vote Count on Original Coverdell Amendment.

C. Letter from President to Speaker Gingrich threatening to veto tax bill.

D. Letter from Speaker Gingrich to President confirming meeting on Coverdell.

E. House Vote Count on H.R. 2646, the Education Savings Act for Public and Private Schools.

F. Letter from Secretary Riley and Secretary Rubin in opposition to H.R. 2646.

G. Treasury Department Policy Concerns with Income Distribution Charts.

H. Presidential Memorandum to the Secretary of Education on Turning Around Low-Performing Public Schools. (October 28, 1997)

Attachment A

SUGGESTED REMARKS FOR COVERDELL VOUCHER MEETING

- I appreciate the opportunity to talk to you about this issue.

- We all have the same goal. We want to provide the best opportunity for our children to receive a worthwhile education.

- However, I object to your proposal for the following reasons:

  1. Your proposal shifts Federal resources from the Federal Treasury where it could potentially be used to build stronger public schools to tax incentives supporting the cost of private schools.

  2. Your proposal also disproportionately benefits affluent families. Over 73% of your tax benefits go to families in the top 20% of the tax bracket.

- Instead, I believe that we should focus our attention on helping the 90% of American children who are served by public schools. Making public schools better is what will have the greatest impact on our children.

- Earlier this week, in a memorandum to Secretary Riley, I directed him to produce guidelines on effective approaches to turning around low-performing public schools based primarily on the experiences of cities and States that have already successfully intervened in low-performing schools. I also directed him to help cities and States use existing Department of Education resources to turn around low-performing schools.

- In addition, you know that my Administration has worked to raise academic standards , promote accountability, and provide greater competition and choice **<u>within</u>** the public schools, including support for a dramatic increase in charter schools.

- Moreover, we have worked to make the investments necessary to improve teaching and learning in classrooms across America, through efforts to keep our schools safe and free of drugs; to provide students who need it extra help to master the basics; to increase parental and community involvement; to recruit, prepare, and provide continuing training to teachers and reward excellence in teaching; and to make sure every school has access to and can effectively use 21st century technology.

- Thank you for taking the time to present your case. However, we will have to agree to disagree on this issue.

ATTACHMENT B

**** 1997 CQ SENATE VOTE 150 ** S949**
Fiscal 1998 Budget Reconciliation - June 27, 1997

Revenue - Elementary Schools. Coverdell, R-Ga., amendment to expand the education individual retirement account and allow tax credits to be spent on elementary and secondary education expenses without penalty. Adopted 58-42: R 50-5; D 8-37 (ND 6-31, SD 2-6)

*** YEAS(59) ***

DEMOCRATS (8)

Biden J (DE)	Kohl H (WI)	Lieberman J (CT)
Breaux J (LA)	Landrieu M (LA)	Torricelli R (NJ)
Harkin T (IA)	Leahy P (VT)	

INDEPENDENTS (0)

REPUBLICANS (51)

Abraham S (MI)	Frist B (TN)	McCain J (AZ)
Allard W (CO)	Gorton S (WA)	McConnell M (KY)
Ashcroft J (MO)	Gramm P (TX)	Murkowski F (AK)
Bennett R (UT)	Grams R (MN)	Nickles D (OK)
Bond C (MO)	Grassley C (IA)	Roberts P (KS)
Brownback S (KS)	Gregg J (NH)	Roth W (DE)
Burns C (MT)	Hagel C (NE)	Santorum R (PA)
Campbell B (CO)	Hatch O (UT)	Sessions J (AL)
Coats D (IN)	Helms J (NC)	Shelby R (AL)
Cochran T (MS)	Hutchinson T (AR)	Smith G (OR)
Coverdell P (GA)	Hutchison K (TX)	Smith R (NH)
Craig L (ID)	Inhofe J (OK)	Specter A (PA)
D'Amato A (NY)	Kempthorne D (ID)	Stevens T (AK)
DeWine M (OH)	Kyl J (AZ)	Thomas C (WY)
Domenici P (NM)	Lott T (MS)	Thompson F (TN)
Enzi M (WY)	Lugar R (IN)	Thurmond S (SC)
Faircloth L (NC)	Mack C (FL)	Warner J (VA)

*** NAYS (41) ***

DEMOCRATS (37)

Akaka D (HI)	Feingold R (WI)	Levin C (MI)
Baucus M (MT)	Feinstein D (CA)	Mikulski B (MD)
Bingaman J (NM)	Ford W (KY)	Moseley-Braun C (IL)
Boxer B (CA)	Glenn J (OH)	Moynihan D (NY)

Bryan R (NV)
Bumpers D (AR)
Byrd R (WV)
Cleland M (GA)
Conrad K (ND)
Daschle T (SD)
Dodd C (CT)
Dorgan B (ND)
Durbin R (IL)
Graham B (FL)
Hollings E (SC)
Inouye D (HI)
Johnson T (SD)
Kennedy E (MA)
Kerrey B (NE)
Kerry J (MA)
Lautenberg F (NJ)
Murray P (WA)
Reed J (RI)
Reid H (NV)
Robb C (VA)
Rockefeller J (WV)
Sarbanes P (MD)
Wellstone P (MN)
Wyden R (OR)

INDEPENDENTS (0)

REPUBLICANS (4)
Chafee J (RI)
Collins S (ME)
Jeffords J (VT)
Snowe O (ME)

*** NOT VOTING (0) **

ATTACHMENT C

THE WHITE HOUSE

WASHINGTON

July 29, 1997

Dear Mr. Speaker:

I want to again thank you for working in a productive, bipartisan manner to develop this bipartisan budget agreement. I feel particularly good about the strong education package that is included in the tax bill. As you know, in working out the final agreement, I strongly opposed the Coverdell amendment. I would veto any tax package that would undermine public education by providing tax benefits for private and parochial school expenses.

Sincerely,

Bill Clinton

The Honorable Newt Gingrich
Speaker of the
House of Representatives
Washington, D.C. 20515

Newt Gingrich
Sixth 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

**** 1997 CQ HOUSE VOTE 524 ****
HR2646 - Education Savings Act for Public and Private Schools
Passage - October 23, 1997

Passage of the bill to expand contribution limits for education individual retirement accounts to $2,500 a year per child to be spent tax-free for public or private elementary and secondary education expenses. Passed 230-198: R 215-8; D 15-189 (ND 7-143, SD 8-46); I 0-1,

*** YEAS(230) ***

DEMOCRATS (15)

Bishop S (GA)	Flake F (NY)	McHale P (PA)
Boyd A (FL)	Goode V (VA)	Moran J (VA)
Clement B (TN)	Hall R (TX)	Tanner J (TN)
Condit G (CA)	Hall T (OH)	Tauscher E (CA)
Danner P (MO)	Lipinski W (IL)	Taylor G (MS)

INDEPENDENTS (0)

REPUBLICANS (215)

Aderholt R (AL)	Gilchrest W (MD)	Paxon B (NY)
Archer B (TX)	Gillmor P (OH)	Pease E (IN)
Armey D (TX)	Gilman B (NY)	Peterson J (PA)
Bachus S (AL)	Gingrich N (GA)	Petri T (WI)
Baker R (LA)	Goodlatte R (VA)	Pickering C (MS)
Ballenger C (NC)	Goodling B (PA)	Pitts J (PA)
Barr B (GA)	Goss P (FL)	Pombo R (CA)
Bartlett R (MD)	Graham L (SC)	Porter J (IL)
Barton J (TX)	Granger K (TX)	Portman R (OH)
Bass C (NH)	Greenwood J (PA)	Pryce D (OH)
Bereuter D (NE)	Gutknecht G (MN)	Quinn J (NY)
Bilbray B (CA)	Hansen J (UT)	Radanovich G (CA)
Bilirakis M (FL)	Hastert D (IL)	Ramstad J (MN)
Bliley T (VA)	Hastings R (WA)	Redmond B (NM)
Blunt R (MO)	Hayworth J (AZ)	Regula R (OH)
Boehner J (OH)	Hefley J (CO)	Riggs F (CA)
Bonilla H (TX)	Herger W (CA)	Riley B (AL)
Bono S (CA)	Hill R (MT)	Rogan J (CA)
Brady K (TX)	Hilleary V (TN)	Rogers H (KY)
Bryant E (TN)	Hobson D (OH)	Rohrabacher D (CA)
Bunning J (KY)	Hoekstra P (MI)	Ros-Lehtinen I (FL)
Burr R (NC)	Horn S (CA)	Roukema M (NJ)
Burton D (IN)	Hostettler J (IN)	Royce E (CA)
Buyer S (IN)	Hulshof K (MO)	Ryun J (KS)

Callahan S (AL)
Calvert K (CA)
Camp D (MI)
Campbell T (CA)
Canady C (FL)
Cannon C (UT)
Castle M (DE)
Chabot S (OH)
Chambliss S (GA)
Chenoweth H (ID)
Christensen J (NE)
Coble H (NC)
Coburn T (OK)
Collins M (GA)
Combest L (TX)
Cook M (UT)
Cooksey J (LA)
Cox C (CA)
Crane P (IL)
Crapo M (ID)
Cunningham R (CA)
Davis T (VA)
Deal N (GA)
DeLay T (TX)
Diaz-Balart L (FL)
Dickey J (AR)
Doolittle J (CA)
Dreier D (CA)
Duncan J (TN)
Dunn J (WA)
Ehlers V (MI)
Ehrlich R (MD)
Emerson J (MO)
English P (PA)
Ensign J (NV)
Everett T (AL)
Ewing T (IL)
Fawell H (IL)
Foley M (FL)
Forbes M (NY)
Fowler T (FL)
Fox J (PA)
Franks B (NJ)
Frelinghuysen R (NJ)
Gallegly E (CA)

Hunter D (CA)
Hutchinson A (AR)
Hyde H (IL)
Inglis B (SC)
Istook E (OK)
Jenkins B (TN)
Johnson S (TX)
Jones W (NC)
Kasich J (OH)
Kelly S (NY)
Kim J (CA)
King P (NY)
Kingston J (GA)
Klug S (WI)
Knollenberg J (MI)
Kolbe J (AZ)
LaHood R (IL)
Largent S (OK)
Latham T (IA)
LaTourette S (OH)
Lazio R (NY)
Leach J (IA)
Lewis J (CA)
Lewis R (KY)
Linder J (GA)
Livingston R (LA)
Lucas F (OK)
Manzullo D (IL)
McCollum B (FL)
McCrery J (LA)
McDade J (PA)
McInnis S (CO)
McKeon H (CA)
Metcalf J (WA)
Mica J (FL)
Miller D (FL)
Moran J (KS)
Myrick S (NC)
Nethercutt G (WA)
Neumann M (WI)
Ney B (OH)
Northup A (KY)
Norwood C (GA)
Nussle J (IA)
Oxley M (OH)

Salmon M (AZ)
Sanford M (SC)
Saxton J (NJ)
Scarborough J (FL)
Schaefer D (CO)
Schaffer B (CO)
Sensenbrenner F (WI)
Sessions P (TX)
Shadegg J (AZ)
Shaw E (FL)
Shays C (CT)
Shimkus J (IL)
Shuster B (PA)
Skeen J (NM)
Smith B (OR)
Smith C (NJ)
Smith L (WA)
Smith L (TX)
Smith N (MI)
Snowbarger V (KS)
Solomon G (NY)
Souder M (IN)
Spence F (SC)
Stearns C (FL)
Stump B (AZ)
Sununu J (NH)
Talent J (MO)
Tauzin W (LA)
Taylor C (NC)
Thomas B (CA)
Thornberry W (TX)
Thune J (SD)
Tiahrt T (KS)
Upton F (MI)
Walsh J (NY)
Wamp Z (TN)
Watkins W (OK)
Watts J (OK)
Weldon C (PA)
Weldon D (FL)
Weller J (IL)
White R (WA)
Whitfield E (KY)
Wicker R (MS)
Wolf F (VA)

Ganske G (IA)	Packard R (CA)	Young C (FL)
Gekas G (PA)	Pappas M (NJ)	Young D (AK)
Gibbons J (NV)	Parker M (MS)	

*** NAYS (198) **

DEMOCRATS (189)

Abercrombie N (HI)	Gutierrez L (IL)	Oberstar J (MN)
Ackerman G (NY)	Hamilton L (IN)	Obey D (WI)
Allen T (ME)	Harman J (CA)	Olver J (MA)
Andrews R (NJ)	Hastings A (FL)	Ortiz S (TX)
Baesler S (KY)	Hefner W (NC)	Owens M (NY)
Baldacci J (ME)	Hilliard E (AL)	Pallone F (NJ)
Barcia J (MI)	Hinchey M (NY)	Pascrell B (NJ)
Barrett T (WI)	Hinojosa R (TX)	Pastor E (AZ)
Becerra X (CA)	Holden T (PA)	Payne D (NJ)
Bentsen K (TX)	Hooley D (OR)	Pelosi N (CA)
Berman H (CA)	Hoyer S (MD)	Peterson C (MN)
Berry M (AR)	Jackson J (IL)	Pickett O (VA)
Blagojevich R (IL)	Jackson-Lee S (TX)	Pomeroy E (ND)
Blumenauer E (OR)	Jefferson W (LA)	Poshard G (IL)
Bonior D (MI)	John C (LA)	Price D (NC)
Borski R (PA)	Johnson E (TX)	Rahall N (WV)
Boswell L (IA)	Johnson J (WI)	Rangel C (NY)
Boucher R (VA)	Kanjorski P (PA)	Reyes S (TX)
Brown C (FL)	Kaptur M (OH)	Rivers L (MI)
Brown G (CA)	Kennedy J (MA)	Rodriguez C (TX)
Brown S (OH)	Kennedy P (RI)	Roemer T (IN)
Capps W (CA)	Kennelly B (CT)	Rothman S (NJ)
Cardin B (MD)	Kildee D (MI)	Roybal-Allard L (CA)
Carson J (IN)	Kilpatrick C (MI)	Rush B (IL)
Clay W (MO)	Kind R (WI)	Sabo M (MN)
Clayton E (NC)	Kleczka J (WI)	Sanchez L (CA)
Clyburn J (SC)	Klink R (PA)	Sandlin M (TX)
Conyers J (MI)	Kucinich D (OH)	Sawyer T (OH)
Costello J (IL)	LaFalce J (NY)	Schumer C (NY)
Coyne W (PA)	Lampson N (TX)	Scott R (VA)
Cramer R (AL)	Lantos T (CA)	Serrano J (NY)
Cummings E (MD)	Levin S (MI)	Sherman B (CA)
Davis D (IL)	Lewis J (GA)	Sisisky N (VA)
Davis J (FL)	Lofgren Z (CA)	Skaggs D (CO)
DeFazio P (OR)	Lowey N (NY)	Skelton I (MO)
DeGette D (CO)	Luther W (MN)	Slaughter L (NY)

Delahunt B (MA)
DeLauro R (CT)
Dellums R (CA)
Deutsch P (FL)
Dicks N (WA)
Dingell J (MI)
Dixon J (CA)
Doggett L (TX)
Dooley C (CA)
Doyle M (PA)
Edwards C (TX)
Engel E (NY)
Eshoo A (CA)
Etheridge B (NC)
Evans L (IL)
Farr S (CA)
Fattah C (PA)
Fazio V (CA)
Filner B (CA)
Foglietta T (PA)
Ford H (TN)
Frank B (MA)
Frost M (TX)
Furse E (OR)
Gejdenson S (CT)
Gephardt R (MO)
Gordon B (TN)
Green G (TX)

Maloney C (NY)
Maloney J (CT)
Manton T (NY)
Markey E (MA)
Martinez M (CA)
Mascara F (PA)
Matsui R (CA)
McCarthy C (NY)
McCarthy K (MO)
McDermott J (WA)
McGovern J (MA)
McIntyre M (NC)
McKinney C (GA)
McNulty M (NY)
Meehan M (MA)
Meek C (FL)
Menendez R (NJ)
Millender-McDonald J (CA)
Miller G (CA)
Minge D (MN)
Mink P (HI)
Moakley J (MA)
Mollohan A (WV)
Murtha J (PA)
Nadler J (NY)
Neal R (MA)

Smith A (WA)
Snyder V (AR)
Spratt J (SC)
Stabenow D (MI)
Stark P (CA)
Stenholm C (TX)
Stokes L (OH)
Strickland T (OH)
Stupak B (MI)
Thompson B (MS)
Thurman K (FL)
Tierney J (MA)
Torres E (CA)
Towns E (NY)
Traficant J (OH)
Turner J (TX)
Velazquez N (NY)
Vento B (MN)
Waters M (CA)
Watt M (NC)
Waxman H (CA)
Wexler R (FL)
Weygand B (RI)
Wise B (WV)
Woolsey L (CA)
Wynn A (MD)
Yates S (IL)

INDEPENDENTS (1)
Sanders B (VT)

REPUBLICANS (8)
Barrett B (NE)
Bateman H (VA)
Boehlert S (NY)
Johnson N (CT)
LoBiondo F (NJ)
McHugh J (NY)
Morella C (MD)
Paul R (TX)

*** NOT VOTING (6) ***
DEMOCRATS (2)
Gonzalez H (TX) ?
Visclosky P (IN) -

ATTACHMENT F

October 22, 1997

Dear Member of Congress:

We write to express our strong opposition to H.R. 2646, the Education Savings Act for Public and Private Schools, on which the House of Representatives is scheduled to vote this week. Last summer, when a similar proposal was passed by the Senate, the President stated that he would veto the legislation that contained it. This bill raises the same concerns as the proposal in the Senate bill. We would recommend that the President veto this bill should it reach his desk.

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 all 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, the Education Savings Act for Public and Private Schools 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. First, the average family typically saves a modest amount, and, therefore, would get little reward from the compounding of tax-free earnings in an Education IRA. By contrast, wealthy families save more, and, therefore, would have greater accumulations of tax-free earnings in an Education IRA. Second, the benefit of tax-free accumulation under the bill increases with a family's marginal tax rate. Thus, for example, a family in the 31 percent marginal tax bracket that saved $2,500 per year for six years would realize twice the tax benefit under the bill ($1046) as a family in the 15 percent bracket saving the same amount ($514).

We are also concerned the bill would create significant tax compliance problems. The legislation allows tax-free withdrawals from Education IRAs for "supplementary expenses required for [the child's] enrollment or attendance at a public, private or sectarian 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 and penalty would lead to significant additional tax complexity for families.

Finally, we do not believe that increasing the contribution limits for tax-preferred saving opportunities will generate much additional saving and instead, will reward families, particularly those with significant means, for what they would otherwise do.

We understand that Congressman Rangel intends to offer an amendment in the nature of a substitute that would use the revenue that would be lost by the Education Savings Act for Public and Private Schools to increase the volume of qualified zone academy bonds. We strongly prefer the Rangel proposal and other alternatives that devote Federal revenue to improving the public schools, rather than legislation having the effect of subsidizing private alternatives, so that a high-quality education is available to every American child regardless of their family income. The qualified zone academy bond program helps public schools with a substantial number of low-income students afford improvements in their infrastructure, their equipment and their teacher training. Therefore, we support Congressman Rangel's substitute.

Sincerely,

Robert E. Rubin
Secretary of the Treasury

Richard W. Riley
Secretary of Education

October 29, 1997

Background Material on the Coverdell Parent and Student Savings Account Plus Act

The Coverdell legislation, as passed by the House (HR 2646), would allow taxpayers to make tax-free withdrawals from education individual retirement accounts to pay for elementary and secondary school expenses (for contributions made through 2002), as well as expenses for postsecondary education. It would increase the maximum annual contribution to such accounts from $500 to $2,500 per beneficiary through 2002. The contribution limit would revert back to $500 thereafter. Withdrawals of amounts contributed through 2002, plus the earnings attributable to those amounts, would be tax-free if used to pay for tuition, fees, tutoring, special needs services, books, supplies, equipment, transportation and supplementary expenses required for the enrollment or attendance at a public, private religious, or private non-sectarian school, or for home schooling.

Principal Policy Concerns

- This proposal disproportionately benefits affluent families.

  - Standard Treasury distribution tables are based on fully phased-in law (i.e., 2007 law). However, because the law would be the same in 2007 under this proposal as it is currently, the standard distribution tables would show this proposal has no distributional effect (relative to current law).

  - The proposal has short-run distributional effect because it raises contribution limits through 2002. The attached <u>short-run</u> distribution tables (based on 2002 law) show that 73.8 percent of the benefits of this proposal accrue to families in the top 20 percent of the income distribution, and 33.9 percent accrue to families in the top 10 percent. It is easy to see why this is the case.

    -- First, low- and moderate-income families are unlikely to contribute to education IRAs because they hold few financial assets, and those that do participate are likely to contribute less than the limit. In 1995, the median amount of financial assets was $5,400 for families with $10,000- $24,999 of income, and $12,100 for families with $25,000- $49,999 of income. Financial asset holdings are even lower for families with young children.

    -- Second, the benefit of the proposal depends directly on the family's marginal tax rate. A family in the 31 percent marginal tax bracket, for example, that saved $2,500 per year from 1998 to 2002 would have twice the tax benefit after six years ($1,001) of a family in the 15 percent bracket saving the same amount ($492).

-- Third, upper income families are much more likely than others to incur the costs of sending their children to private schools, and hence will receive disproportionate benefits from the ability to pay elementary and secondary school tuition and fees from education IRAs.

- The proposal is fiscally irresponsible.

  - Treasury scores Coverdell as losing $1.6 billion through 2002 and $6.4 billion through 2007. Treasury scores the pay-for as raising only a small fraction of what Coverdell will cost. Therefore, Treasury believes the bill will lose **$1.3 billion** through 2002 and **$6.0 billion** through 2007.

    -- The pay-for overturns the recent Schmidt Baking decision. The case would lead to significant erosion of the future tax base. Standard Administration score-keeping conventions treat this pay-for as restoring the existing baseline receipts forecast, but not providing additional receipts to finance new initiatives.

    -- Using revenues that result from overturning the Schmidt Baking decision to pay for Coverdell would guarantee that the tax base erosion caused by that decision will be permanent.

- We expect education IRAs to do very little to stimulate private saving. With the revenue loss associated with the provision, public saving will fall, so it may actually reduce *national* (public plus private) saving.

  - All but very high income taxpayers have the opportunity to save in tax-preferred conventional or Roth IRAs. Hence, the incremental saving incentive provided by education IRAs is very small, since the typical family will not make even their full conventional or Roth IRA contribution.

    -- Education IRAs disproportionately reward affluent families who already have large amounts of existing assets to shuffle or who would have saved otherwise.

- The tax benefit would encourage families to leave the public schools by providing tax subsidies to private schools.

  - By drawing affluent families out of the public schools, the proposal will diminish community interest in devoting resources to improving public schools, and hence signal a retreat from the country's historic commitment to universal free elementary and secondary education regardless of a student's ability to pay.

Short Run Analysis
Coverdell Parent and Student Savings Account Plus Act (1)

(1998 Income Levels)

Family Economic Income Quintile (2)	Number of Families (millions)	Average Tax Change ($)	Total Tax Change: Amount (3) ($M)	Total Tax Change: Percent Distribution (%)	Tax Change as a Percent of: Current Federal Taxes (4) (%)	Tax Change as a Percent of: Family Economic Income (%)
Lowest (5)	21 6	-0	-9	0.3	-0.07	-0.00
Second	22.2	-1	-30	1.0	-0.05	-0.01
Third	22.3	-6	-125	4.3	-0.08	-0.01
Fourth	22.3	-27	-600	20.6	-0.19	-0.04
Highest	22.3	-97	-2,153	73.8	-0.24	-0.05
Total (5)	111.3	-26	-2,919	100.0	-0.20	-0.04
Top 10%	11.1	-89	-991	33.9	-0.15	-0.03
Top 5%	5.6	-39	-216	7.4	-0.04	-0.01
Top 1%	1.1	-1	-1	0.0	-0.00	-0.00

Department of the Treasury
Office of Tax Analysis

October 29, 1997

(1) This table distributes the estimated change in tax burdens due to the Parent and Student Savings Account Plus Act introduced by Senator Coverdell, as passed by the House of Representatives.

(2) Family Economic Income (FEI) is a broad-based income concept. FEI is constructed by adding to AGI unreported and under-reported income; IRA and Keogh deductions; nontaxable transfer payments such as Social Security and AFDC; employer-provided fringe benefits; inside build-up on pensions, IRAs, Keoghs, and life insurance; tax-exempt interest; and imputed rent on owner-occupied housing. Capital gains are computed on an accrual basis, adjusted for inflation to the extent that reliable data allow. Inflationary losses of lenders are subtracted and gains of borrowers are added. There is also an adjustment for accelerated depreciation of noncorporate businesses. FEI is shown on a family rather than a tax-return basis. The economic incomes of all members of a family unit are added to arrive at the family's economic income used in the distributions.

(3) The change in Federal taxes is estimated at 1998 income levels but assuming short run (2002) law and behavior. The change is measured as the present value of the tax savings from one year's contributions. The technical correction pertaining to mandatory distributions at age 30 with a ten percent penalty for distributions not used for education expenses is assumed to have been passed.

(4) The taxes included are individual and corporate income, payroll (Social Security and unemployment), and excises. Estate and gift taxes and customs duties are excluded. The individual income tax is assumed to be borne by payors, the corporate income tax by capital income generally, payroll taxes (employer and employee shares) by labor (wages and self-employment income), excises on purchases by individuals by the purchaser, and excises on purchases by business in proportion to total consumption expenditures. Federal taxes are estimated at 1998 income levels but assuming 2007 law and, therefore, exclude provisions that expire prior to the end of the Budget period and are adjusted for the effects of unindexed parameters.

(5) Families with negative incomes are excluded from the lowest quintile but included in the total line.

NOTE: Quintiles begin at FEI of: Second $16,950; Third $32,563; Fourth $54,758; Highest $93,222; Top 10% $127,373; Top 5% $170,103; Top 1% $408,551.

Short Run Analysis
Coverdell Parent and Student Savings Account Plus Act (1)

(1998 Income Levels)

Family Economic Income Class (2) (000)	Number of Families (millions)	Average Tax Change ($)	Total Tax Change: Amount (3) ($M)	Total Tax Change: Percent Distribution (%)	Tax Change as a Percent of: Current Federal Taxes (4) (%)	Tax Change as a Percent of: Family Economic Income (%)
0 - 15	18.5	-0	-7	0.2	-0.08	-0.00
15 - 30	21.8	-1	-25	0.9	-0.05	-0.01
30 - 40	12.1	-3	-31	1.1	-0.05	-0.01
40 - 50	9.7	-6	-58	2.0	-0.08	-0.01
50 - 60	7.9	-12	-95	3.3	-0.12	-0.02
60 - 75	9.4	-19	-177	6.1	-0.15	-0.03
75 - 100	11.7	-51	-592	20.3	-0.30	-0.06
100 - 200	15.6	-119	-1,852	63.4	-0.43	-0.09
200 & over	3.9	-20	-80	2.7	-0.02	-0.00
Total (5)	111.3	-26	-2,919	100.0	-0.20	-0.04

Department of the Treasury
Office of Tax Analysis

October 29, 1997

(1) This table distributes the estimated change in tax burdens due to the Parent and Student Savings Account Plus Act introduced by Senator Coverdell, as passed by the House of Representatives.

(2) Family Economic Income (FEI) is a broad-based income concept. FEI is constructed by adding to AGI unreported and under-reported income; IRA and Keogh deductions; nontaxable transfer payments such as Social Security and AFDC; employer-provided fringe benefits; inside build-up on pensions, IRAs, Keoghs, and life insurance; tax-exempt interest; and imputed rent on owner-occupied housing. Capital gains are computed on an accrual basis, adjusted for inflation to the extent that reliable data allow. Inflationary losses of lenders are subtracted and gains of borrowers are added. There is also an adjustment for accelerated depreciation of noncorporate businesses. FEI is shown on a family rather than a tax-return basis. The economic incomes of all members of a family unit are added to arrive at the family's economic income used in the distributions.

(3) The change in Federal taxes is estimated at 1998 income levels but assuming short run (2002) law and behavior. The change is measured as the present value of the tax savings from one year's contributions. The technical correction pertaining to mandatory distributions at age 30 with a ten percent penalty for distributions not used for education expenses is assumed to have been passed.

(4) The taxes included are individual and corporate income, payroll (Social Security and unemployment), and excises. Estate and gift taxes and customs duties are excluded. The individual income tax is assumed to be borne by payors, the corporate income tax by capital income generally, payroll taxes (employer and employee shares) by labor (wages and self-employment income), excises on purchases by individuals by the purchaser, and excises on purchases by business in proportion to total consumption expenditures. Federal taxes are estimated at 1998 income levels but assuming 2007 law and, therefore, exclude provisions that expire prior to the end of the Budget period and are adjusted for the effects of unindexed parameters.

(5) Families with negative incomes are included in the total line but not shown separately.

ATTACHMENT H

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release October 28, 1997

October 28, 1997

MEMORANDUM FOR THE SECRETARY OF EDUCATION

SUBJECT: Turning Around Low-Performing Public Schools

Since taking office in 1993, and with your strong leadership, my Administration has pursued a comprehensive effort to strengthen public schools. We have worked to raise academic standards, promote accountability, and provide greater competition and choice within the public schools, including support for a dramatic increase in charter schools. Moreover, we have worked to make the investments necessary to improve teaching and learning in classrooms across America, through efforts to keep our schools safe and free of drugs; to provide students who need it extra help to master the basics; to increase parental and community involvement; to recruit, prepare, and provide continuing training to teachers and reward excellence in teaching; and to make sure every school has access to and can effectively use 21st century technology.

This strategy is starting to produce results. We know that all students can learn to high standards, and that every school can succeed if it has clear instructional goals and high expectations for all of its students; if it creates a safe, disciplined and orderly environment for learning; helps parents be involved in their children's education; and uses proven instructional practices. All schools must be given the resources, tools, and flexibility to help every student reach high standards.

Yet, no school improvement strategy can succeed without real accountability for results, as measured by student achievement. Excellent schools and schools that show significant improvement must be recognized and rewarded. At the same time, schools that demonstrate persistently poor academic performance -- schools that fail to make adequate progress in educating all students to high standards -- must be held accountable. No American child deserves to get a second-class education. Instead, State and local education officials must step in and redesign failing schools, or close them down and reopen them with new, more effective leadership and staff.

A growing number of cities and States have begun to take these steps. Cities such as Chicago, San Francisco, Philadelphia, and New York, and States such as Maryland and Kentucky identify low-performing schools and take steps to intervene if these schools fail to make progress. These steps often include the implementation of school improvement plans -- providing after-school academic help to students, strengthening training and assistance for school staff, creating smaller and more personal settings, such as schools-within-schools -- and, where necessary, reconstitution of the school and replacement of the school principal and other staff.

more

(OVER)

We must encourage and help more cities and States to take up the challenge of turning around low-performing schools and helping the students they serve get back on the path to achievement. We can do this by making widely available information on what works and what doesn't, and by ensuring that Department of Education resources are most productively used for these purposes.

In order to accomplish this, I am directing the Department of Education to take the following actions within 90 days:

1. Produce and Widely Disseminate Guidelines on Effective Approaches to Turning Around Low-Performing Schools. There is much of value to be shared from the experiences of cities and States that already have successfully intervened in low-performing schools; from research and development on effective school improvement practices; and from business experience in managing high-performance organizations and in turning around low-performing companies. We know of several promising models of reform, ranging from the New American Schools designs to the Success for All program. These lessons must be summarized in clear and useable forms, and made widely available to educators, parents, State and local policymakers, business leaders, and others working to improve public education.

2. Help Cities and States Use Existing Department of Education Resources to Turn Around Low-Performing Schools. First, Department of Education programs should help and encourage more cities and States to develop and implement sound, comprehensive approaches to turn around low-performing schools and help students in them get a better education. The Department should develop a plan to provide technical assistance to cities and States seeking to turn around failing schools. In addition, the Department should inform cities and States of how they can use funds from existing Department programs to support their objectives. Many programs, such as Title I, Goals 2000, the Public Charter Schools Program, and the 21st Century Schools Program, are well suited for intervening in failing schools, because they can be used to provide extra help to students during and after the school day; to support high quality professional development for teachers; and to plan and implement effective school reforms. The Department should ensure that local school districts can easily and effectively access Federal funds from such programs and use them in an integrated fashion to support comprehensive efforts to improve low-performing schools. Where there are statutory barriers to accomplishing this purpose, such barriers should be identified so we can work with the Congress to change them.

Together, these initiatives can help local school districts turn failing schools into successful schools by improving teacher training, strengthening instructional practices, overhauling school management, and implementing schoolwide reforms. They can provide students who need it with extra help, during and after school hours. And they can provide students with additional choices within the public schools.

WILLIAM J. CLINTON

# # #

Vouchers

Neera Tanden 10/28/97 09:09:12 AM

Record Type: Record

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

cc:

Subject: Today's NY Times -fyi

There is an anti-Coverdell op-ed in today's NY Times:

A Not-So-Innocent Tax Exemption

By RICHARD C. LEONE

ast week, the House of Representatives took time out from beating up the Internal Revenue Service to approve a fresh tax loophole. The proposal would authorize households to use up to $2,500 of after-tax money to establish "school" accounts, whose earnings would be tax free if used for certain education-related purposes.

Lots of silly numbers were thrown around during the debate, but common sense tells us that the measure's promise for most taxpayers isn't just hollow, it's trivial. For the 80 percent of families with incomes of less than $50,000 a year, the payoff in tax savings would probably be a princely $15 a year or less -- not much of a down payment on the private school tuition, home computers and such that would be among the permitted uses for the money. Indeed, $15 won't even buy a school uniform.

Realistically, the full tax benefit of the school account could be captured only by someone whose income was close to the bill's highest allowable level, $95,000, and who was a consistently lucky investor. Such people, of course, are the ones whose children are most likely to attend private schools; the 90 percent of American children who go to public schools would not be helped significantly.

These arguments, however, are seldom persuasive in Washington because they ignore the underlying explanation for the complexity of the tax code: most tax benefits reward those who vote regularly and, even more important, contribute to campaigns. Tax breaks are always worth more the higher your tax bracket. With a rate of 15 percent, a $1,000 tax deduction is worth $150; for those in the 40 percent bracket, it's worth $400.

Of course, we expect the rich to reap rewards for their political largess. But this innocent-sounding little exemption would become a real danger if it were made bigger. And it is just one piece of the agenda of privatization now being pushed by the right -- an agenda that offers [illegible] choices and seeks to [illegible] the public and community sphere, further dividing the haves and the have-nots.

The school accounts now being proposed are cousins of individual health accounts that will compete with Medicare, proposals to create private accounts to replace all or part of Social Security, and other every-man-for-himself ideas so popular on the right. In each case, those with the largest incomes, the best health or the most wealth can opt out of the national mechanism for sharing risk and responsibility.

Supporters of the school-accounts idea insist that it would provide new choices for average families. Nonsense. How could the tiny tax savings for most families provide the crucial margin in decisions about private versus public schools? All that this new loophole would do is help those whose children already attend private school to stay there.

More generally, it would reinforce the notion that education is something to be bought, to be bid on. This is its most damaging feature, for when each of us buys our own education, will all of us get enough?

We all have a stake in an educated citizenry, even if we don't have children in school. Public schools, after all, are not some radical new idea. Nor is the notion of a national insurance program for the elderly. They are the glue that makes us one people. They, like fair taxes, reflect our shared interest in community and one another.

Those in the monied class already are insulated from the rest of America. That's their choice; that's capitalism. But let's at least try to keep them involved in the most basic of civic enterprises, public education.

Richard C. Leone is president of the Twentieth Century Fund.

Message Sent To:

Michael Cohen/OPD/EOP
William R. Kincaid/OPD/EOP
Tanya E. Martin/OPD/EOP
Jonathan H. Schnur/OVP @ OVP
Robert M. Shireman/OPD/EOP

TALKING POINTS

USE OF TITLE VI FUNDS FOR VOUCHERS

ISSUE: Whether funds under Title VI of the Elementary and Secondary Education Act may be used for vouchers to enable students to attend public, private, or religious schools.

CONCLUSION: The stronger legal conclusion is that Title VI funds under the current authority may not be used for such vouchers. However, an argument can be made that Title VI funds may be used for vouchers.

POINTS AGAINST USING TITLE VI FUNDS FOR VOUCHERS:

1. Title VI does not contain any specific authority to use its funds for a voucher program, nor is there any legislative history that expressly supports this interpretation. Moreover, the statutory structure of the program presupposes that LEAs are responsible for providing educational services, either directly or through contract. Although Title VI authorizes funds to be used for "promising education reform projects," the better reading of that authority is that it allows funds to be used for reform of public schools.

2. Title VI contains a supplement, not supplant provision under which Title VI funds must be used to supplement funds that, in the absence of the Title VI funds, would be available from non-federal sources; Title VI funds may not be used to supplant non-federal funds. Because an LEA is responsible for providing free public education to students within its jurisdiction, using Title VI funds for vouchers would relieve the LEA from that responsibility by paying the cost of a student's basic education.

3. Title VI contains specific statutory provisions (such as that Title VI services must be "secular, neutral, and nonideological") providing for equitable, supplemental services for students attending private schools. These provisions do not authorize using Title VI funds to send students to private schools. Moreover, these provisions do not extend to statewide education reform projects.

POINTS SUPPORTING USE OF TITLE VI FUNDS FOR VOUCHERS:

1. Title VI funds may be used for "promising education reform projects." Arguably, this authority is sufficiently broad to support a voucher program.

2. There is no specific prohibition against using Title VI funds for a voucher program.

UNITED STATES
DEPARTMENT OF EDUCATION NEWS

Contact: David Frank 401-3026
Erica Lepping 401-2571

Vouchers

Remarks of
Richard W. Riley
U.S. Secretary of Education

In opposition to the Archer/Coverdell IRA Proposal
October 22, 1997

I here today to join Cong. Rangel and Cong. Stenholm in opposing the Archer/Coverdell IRA proposal. s proposal is a good example of the Congressional leadership fiddling on the margins again and not tting serious about what needs to be done to improve American education.

Families making less than $50,000-- and that's the majority of American families--will only get a tax cut of $2.50 from this legislation. That's just ridiculous. You can't even buy a good box of crayons for that amount of money. Families who are in the upper brackets -- over $100,000 -- will get $97.00 This piece of legislation is not well thought-out. Seventy percent of the benefits goes to the top 20 percent of American families.

This is an empty promise if ever there was one. I want to contrast this empty promise with the many well-thought out tax cuts to help families pay for their children's higher education that were included in the balanced budget bill. These tax cuts included the $1,500 Hope Scholarship, the $1,000 Lifetime Learning Tax credit, the creation of a $500 Education IRA to pay for higher education, a student loan interest deduction worth up to $1,000 in 1998, and a tax-free community service loan forgiveness provision.

We focused these tax cuts on higher education for two very clear reasons. First, college tuition rates have been consistently going up for many years now at a time when college tuition aid in the form of grants has not been keeping pace. College tuition has been taking a serious slice out of family income. We wanted to make sure that all Americans have the financial opportunity and access they need to go to college.

Second, we did not extend this provision to elementary and secondary schools (K-12) for the very simple reason that almost 90% of all of America's children go to free public schools. You don't pay tuition to go to your local neighborhood school. Providing free public education is a state responsibility and many states have made the principle of a free, public education a central part of their state constitution.

So we accomplished a lot in passing the balanced budget bill. The one thing we did not accomplish was getting the Republican majority in the Congress to support the President's $5 billion school construction initiative. If the Congress wants to revisit any education issue that is really pressing, it should revisit school construction within a balanced budget framework.

I have been traveling all around the country -- from Alaska to Florida -- and I can tell you that school construction and overcrowding are something I hear about constantly from parents and teachers. It's a suburban, urban and rural issue, and in some states like Florida, Texas, New York and California, the problem has just about reached a crisis level.

We have 52.2 million children in our nation's schools, a new national record, and we are going to break that record every year for the next ten years. We estimate that this country has to build 6,000 new schools and modernize thousands of others. This is a problem that isn't going to go away. Local school districts certainly could use some help in reducing their interest rates.

The worst thing we can do with classrooms bursting at the seams right now is to shift public tax dollars out of public education and into some voucher-like program. I say that as a friend of private and parochial education. So if Congress is going to revisit any education issue on the tax side of the equation it should revisit school construction within a balanced budget framework. The Rangel "academy bonds" alternative gets us moving in that direction.

The truth of the matter is this: the House Ways and Means Committee is trying to sell the American people a regressive tax policy that is masquerading as something good for education. It doesn't give any real financial help to low-income, working and middle class families and it certainly doesn't help us in the classroom either.

This is simply bad education policy. It diverts attention from what really matters: mastering the basics once and for all -- improving reading and math -- higher standards, better-trained teachers, more accountability. I have yet to figure out what essential "educational problem" this IRA is trying to solve.

Now, I want to be very clear that I do everything I can to support private and parochial education. They bring a great strength to our democracy. But we should not go down the road toward vouchers, either directly or indirectly, as this proposal would do.

Once again, I urge the Congressional leadership to get serious about education. Stop fiddling on the margins. Get focused on the essentials. We need a reading bill. We need the voluntary national tests. We need an education appropriations bill. The Senate should pass the voc-ed bill. And I urge strong support for bipartisan charter school legislation which will help us increase public school choice.

Thank you.

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Vouchers

October 9, 1997

The Honorable William Archer
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

We write to express our strong opposition to The Education Savings Act for Public and Private Schools which the House Committee on Ways and Means is scheduled to consider today. Last summer, when a similar proposal was passed by the Senate, the President stated that he would veto the legislation that contained it. This bill raises the same concerns as the proposal in the Senate bill. We would recommend that the President veto this bill should it reach his desk.

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 all 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 the Education Savings Act for Public and Private Schools 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. First, the average family typically saves a modest amount, and, therefore, would get little reward from the compounding of tax-free earnings in an Education IRA. By contrast, wealthy families save more, and, therefore, would have greater accumulations of tax-free earnings in an Education IRA. Second, the benefit of tax-free accumulation under the bill increases with a family's marginal tax rate. Thus, for example, a family in the 31 percent marginal tax bracket that saved $2,500 per year for six years would realize twice the tax benefit under the bill ($1046) as a family in the 15 percent bracket saving the same amount ($514).

We are also concerned the bill would create significant tax compliance problems. The legislation allows tax-free withdrawals from Education IRAs for "supplementary expenses required for [the child's] enrollment or attendance at a public, private or sectarian 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 and penalty would lead to significant additional tax complexity for families.

Finally, we do not believe that increasing the contribution limits for tax-preferred saving opportunities will generate much additional saving and instead, will reward families, particularly those with significant means, for what they would otherwise do.

We understand that you intends to offer an amendment in the nature of a substitute that would use the revenue that would be lost by the Education Savings Act for Public and Private Schools to increase the volume of qualified zone academy bonds. We strongly prefer the your proposal and other alternatives that devote Federal revenue to improving the public schools, rather than legislation having the effect of subsidizing private alternatives, so that a high-quality education is available to every American child regardless of their family income. The qualified zone academy bond program helps public schools with a substantial number of low-income students afford improvements in their infrastructure, their equipment and their teacher training. Therefore, we support your substitute.

Sincerely,

Robert E. Rubin
Secretary of the Treasury

Richard W. Riley
Secretary of Education

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE GENERAL COUNSEL

October 9, 1997

Telefax Transmittal Sheet

TO: Ron Jones, OMB/LRD

FAX NO: 395-3109

FROM: Paul Riddle, Division of Legislative Counsel
Phone: (202) 401-6267 Fax: (202) 401-5391

TIME: 11:39 am

PAGES (including this sheet): 4

FYI, re: H.R. 2373. Attached are a letter the Secretary sent to Senator Coverdell on Tuesday (I'm trying to track down Coverdell's letter to which this is a response) and an article the Secretary authored in the September 15 Washington Times on the Coverdell proposal. I just found out about these items and I have no idea whether Treasury knows about them. They weren't handled through our A-19 process, that's for sure.

I'll send you Coverdell's incoming and the joint Rubin-Riley letter on the House bill as soon as I get them, probably early this afternoon.

UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

October 7, 1997

Honorable Paul D. Coverdell
United States Senate
Washington, DC 20510

Dear Paul:

This is in response to your letter of September 25, 1997, regarding legislation to establish education savings accounts. I understand your strong interest in this legislation and your desire to promote it. I respect your right to disagree, but in my view your K-12 IRA proposal would have the same effect as a voucher. It would shift resources toward supporting the costs of private schools which otherwise would be available to meet the urgent need to improve public schools. The public schools continue to serve 90 percent of young Americans.

My work in education over the years from the local school level to the state and now national level has led me to the very firm belief that we need to take the direct approach to addressing educational issues. In other words, if there is a failing or unsafe school, fix it directly. If there is a need for after-school programs, bring together parents, principals, and community-based organizations and use the resources of neighborhood school buildings as after-school safe havens for learning. If there is a need to boost reading, strengthen instruction, provide tutors linking them to that instruction and test the students to see if they are progressing so needed changes can be made. If schools need to be renovated or built, let's do that. If schools are failing, let's reconstitute them.

The cost to taxpayers of the Coverdell Amendment in my estimation, will not address directly the key concerns in American education that merit our attention and focus. Instead, it would siphon resources away from public education.

I regret we disagree on this issue.

Yours sincerely,

Dick

Richard W. Riley

The Clinton administration's arguments, even if wrong, do highlight one reality: The debate about A+ accounts is about more than a modest tax proposal, it is about a big idea — ultimately that the power to choose is the winning and right course of action. The Clinton administration is fighting a rear-guard action to defend policies that have provided failure for too long.

RILEY

children to private schools and who already have the money available to set aside in a tax-free IRA/voucher. In contrast, the vast majority of middle-income working families, and certainly poor families, who send their kids to public schools and volunteer their personal time to make them better, would have no need for this tax break. At the same time, their tax dollars would subsidize the tax-free IRA/voucher. The result is clear — a special federal tax benefit paid by all Americans to support the private-schooling costs of citizens who have the money to afford private school.

Even if the benefit of a K-12 IRA/voucher were not directed primarily at the wealthiest among us, the misguided nature of this kind of tax policy ought to sink this proposal. It is regressive to include a tax benefit for savings for elementary and secondary education. The goal of an IRA and similar tax policies is to encourage long-term savings for major events later in life such as retirement, home ownership or a college education.

This confused policy stands in sharp contrast to the very sensible tax incentive recently signed into law to help families save and pay for college. Free public education from kindergarten through 12th grade is a guarantee to all children that is provided for in state constitutions. But for higher education, the young adult student is on his or her own. Thus, tax credits for higher education to help the student are appropriate, while tax credits for K-12 private schools are duplicative and amount to a tax benefit on top of a constitutional guarantee of free public education. Additionally, a college education is becoming increasingly important in our society, and saving for this goal clearly is a long-term investment.

The by-product of vouchers is the damage to our local public schools by shifting tax dollars to private schools.

There are other serious practical and administrative problems with vouchers. For instance, while public schools must accept all children who apply — regardless of their socioeconomic status, language proficiency, race, physical disability or gender — private and parochial schools, by their very nature, are largely exempt from these legal requirements. They play under a different set of rules. This is inappropriate in schools that receive public monies, as these "private" schools would under a voucher or IRA/voucher program. These so-called technical issues reveal the heart and value of our public-school system and our democratic heritage and demonstrate why a diversion of taxpayer dollars for private use would be inappropriate at best and unconstitutional at worst. Furthermore, they invite regulation of nonpublic schools.

Equally problematic for advocates of private and parochial schools is the issue of maintaining the quality of those schools. As the "free money" would become more available, many new schools would spring up. Without the normal accountability that public schools face, these new private schools could develop their own nontraditional, even extremist, agendas. On a less dramatic level, this lack of accountability might rear its head in financial improprieties, as has been the case in some schools in Milwaukee where a voucher program is being tested. The result is not simply misappropriation of tax dollars but the harm that comes with abruptly closing a school in the middle of the year. Again, it is the children who are hurt.

A final key point to consider is that education IRA/vouchers are likely actually to hurt private schools because they ultimately will make them more public, forcing them to lose their private/parochial features. With religious schools accounting for 85 percent of private-school enrollment in the United States, religious groups are likely to feel this impact more than any other segment of the population.

In short, vouchers make private schools less private and parochial schools less parochial. I strongly support quality private and parochial schools as valuable parts of educational variety in our democracy. We should not consider any action that would interfere with a religious school's ability to make its particular beliefs a major part of its curriculum.

There is no credible evidence that vouchers or IRA/vouchers represent a success in education. Anyone who ever has thought about educational improvement understands that it requires more than a magic potion to fix a school. It requires hands-on involvement and long-term community commitment, a focus on building quality schools for all students that puts young people on the right course. We don't need additional efforts that would polarize communities when we should be bringing them together in support of better education.

Every parent has the right to choose to educate his or her child in either a public, private or religious school. But having that right doesn't mean having the guarantee of a federal subsidy. Public schools always have had a special mission in this nation. They have been, and are, the foundation for our democracy and free-enterprise system — a guarantee that everyone has a fair chance to get ahead without having to pay tuition, regardless of skin color, religious faith or other individual characteristics. We need to come together in support of public education that can be second to none.

WASHINGTON TIMES

No: Such a tax break would divide communities and divert funds needed for public schools.

BY RICHARD W. RILEY

Riley has been secretary of education since 1993 and is a former governor of South Carolina, where he championed several educational reforms.

As responsible policymakers, we are forced to make tough choices and to set priorities for the public's well-being and the future of our nation. It is against this backdrop that we should consider Sen. Paul Coverdell's efforts to attach a K-12 individual retirement account/ voucher plan to the balanced-budget bill. The proposed law offers a prime example of what happens when one is unwilling to make the necessary tough choices to develop actions and policies that benefit all students and works instead to develop plans that help only a small portion of the student population. Such policies are unnecessary, divisive and diversionary.

As secretary of education, I have spoken with students, teachers, parents and community leaders in hundreds of schools throughout this great country. I have seen communities facing great adversity in their schools and I have seen communities that have come together and turned around failing schools. In virtually every community I have visited, folks are working together to develop solutions and support creative ways to improve their schools, to build firm discipline policies, to help their children master the basics and to meet challenging standards.

There is no more important subject than education. Nothing else offers as significant an opportunity to create a better future — and nothing else so limits an individual's future when it is denied. Americans understand the crucial importance of education and that successful public education must draw support from every corner of the community.

The Coverdell proposal would begin the unraveling of this uniquely American fabric — the public school that is open to all. His proposal is another attempt to force private-school vouchers on the 89 percent of Americans who are fighting to improve their public schools. Vouchers are bad public policy for many reasons. First, they divert attention and taxpayer dollars from public schools. Second, they divide communities when we need to bring them together with concerned citizens working as partners for quality schools. Third, if we have failing schools, let's fix them, or close them and shift to charter schools or some other public-school option. Vouchers are politically inspired distractions from the real business of creating quality education. Instead of offering constructive options for improving teaching and learning, they present a "magic solution" that is no solution at all. At their best, they would be available to only a small portion of the population, and they are very harmful to the quality of private and parochial schools and those who attend them because they make them less private and less parochial.

Finally, vouchers, or a related measure, educational savings accounts for K-12 education, have no accountability guarantees. The uneducated easily can fall prey to overzealous entrepreneurs or extremists.

This is not the first voucherlike proposal that Sen. Coverdell has made. But what is common to them, and what is the most destructive and divisive aspect of voucher proposals, is that their primary by-product is the damage to our local public schools by shifting public tax dollars to private schools of any type. They would erode community control over how hard-earned education tax dollars are spent. They would distract from conscientious efforts to improve public schools — keeping drugs away from our children and schools, raising standards, emphasizing the basics, improving professional development of teachers and getting computers and the newest technologies into every classroom. The last thing we need is to "bleed off" money to benefit a small number of students, rather than working to strengthen the existing system that is attended by more than 89 percent of the children in this country.

President Clinton has made education the No. 1 priority of his administration — not with the use of political gimmicks such as vouchers, but with fundamental changes and improvements. We are working to make our schools safer, to help bring challenging standards of learning to every classroom and to ensure every child can read well and independently by the end of the third grade and can handle basic math, including algebra and some geometry, by the end of the eighth grade.

Equally important, President Clinton has promoted the option of expanded public-school choice — including charter schools, magnet schools, schools within schools and district-wide controlled public-school choice. All of these offer real alternatives to the traditional public-school system while maintaining the kind of accountability that is crucial to ensuring a quality education and which build on community support and cooperation. Charter schools are independent, but, because they remain public, they have strong accountability as set out in their charters, and they do not siphon taxpayer dollars from the public schools.

Although this latest effort to sidetrack and divert attention from these successful initiatives is unfortunate, it is not unexpected. It is just the latest in a long line of attempts to shift the federal role in education from one that helps states and local governments serve all students and improve public education to one in which only a small number of students receive the benefits of tax dollars — in the form of a subsidy for private and religious schools.

The Coverdell IRA/voucher proposal compounds this problem because its primary beneficiary will be a small number of children of mostly well-to-do parents who want to send (or already do send) their *(continued on page 27)*

Mike Sm.th
Scott F.
Susan F.
Terry P.

PAUL D. COVERDELL
SENATOR OF GEORGIA
CONFERENCE SECRETARY
KYLE McSLARROW
CHIEF OF STAFF

57651

United States Senate

SENATE REPUBLICAN CONFERENCE

OFFICE OF THE SECRETARY
WASHINGTON, DC 20510-7062

September 25, 1997

1997 SEP 30 P 2:
DEPT. OF EDUCATION
EXEC SEC/CCCU

The Honorable Richard W. Riley
Secretary of Education
United States Department of Education
400 Maryland Avenue, SW
Washinton, DC 20202

Dear Mr. Secretary:

You have had my respect for many years, but I am disappointed that you continue to mischaracterize my legislation to establish education savings accounts for children in kindergarten through high school. I write to you today to ask that you take the time to learn a bit more about it before you speak publicly.

You repeatedly refer to the educational savings accounts as a "voucher." They are not. I happen to support vouchers in certain instances, but this legislation was designed to reach across a broad spectrum and pull together legislators who don't agree about vouchers for low income children. To give you the obvious example, Senator Torricelli, the lead Democratic sponsor of my bill, has made plain that he opposes vouchers.

As you know, the education savings accounts are set up as an IRA, identical in all respects to the IRA for college education which the Administrations supports. I doubt very seriously you would describe that IRA, or any IRA for that matter, as a "voucher." That is for a very good reason. The key difference is that not one penny of federal money is involved in the savings account. Vouchers, by contrast, involve the expenditure of federal money.

Now, of course, you should know all this. There is a certain irony in the Secretary of Education not being able to distinguish between the IRA/savings accounts and vouchers; it is the equivalent of a child in kindergarten insisting that a triangle is really a square.

Sincerely,

Paul D. Coverdell
United States Senate

URGENT

Total Pages: 12

LRM ID: CJB117

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Vouchers

Thursday, October 23, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

FROM: Janet R. Forsgren (for) Assistant Director for Legislative Reference

OMB CONTACT: Constance J. Bowers
PHONE: (202)395-3803 FAX: (202)395-6148

SUBJECT: **OMB Request for Views on HRXXXX Helping Empower Low-Income Parents Scholarship (H.E.L.P.) Act**

DEADLINE: **4:30 p.m., today Thursday, October 23, 1997**

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. **Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.**

COMMENTS: Text of Rep. Goodling's Bill, which is scheduled to be marked up tomorrow, Friday, October 24th, is attached. Please review in conjunction with ED's draft report, LRM CJB116.

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LRM ID: CJB117 **SUBJECT:** OMB Request for Views on HRXXXX Helping Empower Low-Income Parents Scholarship (H.E.L.P.) Act

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:
(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter
Please include the LRM number shown above, and the subject shown below.

TO: Constance J. Bowers Phone: 395-3803 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

The following is the reponse of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _______

_____ Other: ______________________

_____ FAX RETURN of _____ pages, attached to this reponse sheet

F:\M5\EDUCATIO\CHOICE.004 H.L.C.

105TH CONGRESS
1ST SESSION

H.R. ____

IN THE HOUSE OF REPRESENTATIVES

Mr. RIGGS introduced the following bill; which was referred to the Committee on ____________

A BILL

To amend title VI of the Elementary and Secondary Education Act of 1965 to give parents with low-incomes the opportunity to choose the appropriate school for their children.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "Helping Empower Low-income Parents (HELP) Scholarships Amendments of 1997".

SEC. 2. DEFINITIONS.

Section 6003 of the Elementary and Secondary Education Act of 1965 is amended—

(1) in the section heading by striking "DEFINITION" and inserting "DEFINITIONS";

(2) by striking "(1)", "(2)", and "(3)";

(3) in the matter preceding subparagraph (A), by striking " title the term" and inserting the following:

"title—

"(1) the term";

(4) by striking the period at the end; and

(5) by adding at the end the following:

"(2) the term 'poverty line' means the poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)) applicable to a family of the size involved; and

"(3) the term 'voluntary public and private parental choice program' means a program that meets the requirements of section 6301(b)(9), is authorized by State law, and includes 1 or more private schools to allow low-income parents to choose the appropriate school for their children.".

SEC. 3. ALLOCATION TO LOCAL EDUCATIONAL AGENCIES.

Section 6102(a) of the Elementary and Secondary Education Act of 1965 is amended to read as follows:

"(a) DISTRIBUTION RULE.—

"(1) IN GENERAL.—Except as provided in paragraph (2), from the sums made available each year to carry out this title, the State educational agency shall distribute not less than 90 percent to local educational agencies within such State according to the relative enrollments in public and private, nonprofit schools within the school districts of such agencies, adjusted, in accordance with criteria approved by the Secretary, to provide higher per pupil allocations to local educational agencies which have the greatest numbers or percentages of children whose education imposes a higher than average cost per child, such as—

"(A) children living in areas with high concentrations of low-income families;

"(B) children from low-income families; and

"(C) children living in sparsely populated areas.

"(2) EXCEPTION.—A State that has enacted or will enact a law that establishes a voluntary public and private parental choice program and that complies with the provisions of section 6301(b)(9) may reserve an additional 15 percent from the sums made available each year to carry out this title if the additional amount reserved is used exclusively for voluntary public and private parental choice programs.".

SEC. 4. USES OF FUNDS.

(a) STATE USES OF FUNDS.—Section 6201(a)(1) of the Elementary and Secondary Education Act of 1965 is amended—

(1) in subparagraph (C), by striking "and" after the semicolon;

(2) by inserting after subparagraph (C) the following:

"(D) establishing voluntary public and private parental choice programs in accordance with section 6301(b)(9); and".

(b) LOCAL USES OF FUNDS.—Section 6301(b) of the Elementary and Secondary Education Act of 1965 is amended—

(1) in paragraph (7), by striking "and" after the semicolon;

(2) in paragraph (8), by striking the period and inserting "; and"; and

(3) by inserting after paragraph (8) the following:

"(9) voluntary public and private parental choice programs that—

"(A) are located in an area that has the greatest numbers or percentages of children—

"(i) living in areas with a high concentration of low-income families;

"(ii) from low-income families; or

"(iii) living in sparsely populated areas;

"(B) ensure that participation in such a voluntary public and private parental choice program is limited to families whose family income does not exceed 185 percent of the poverty line;

"(C) ensure that—

"(i) the maximum amount of a voluntary public and private parental choice scholarship does not exceed the per pupil expenditure of the local educational agency in which an applicant for a voluntary public and private parental choice scholarship resides;

"(ii) the minimum amount of a voluntary public and private parental choice scholarship is not less than 60 percent of the per pupil expenditure of the local educational agency in which an applicant for a voluntary public and private parental choice scholarship resides or the cost of tuition at a private school, whichever is less;

"(D) ensure that for a private school that chooses to participate in a voluntary public and private parental choice program—

"(i) such a school is permitted to impose the same academic requirements for all students, including students selected for a scholarship as provided under this paragraph;

"(ii) receipt of funds under this title is not conditioned with requirements or regulations that preclude the use of such funds for sectarian educational purposes or require removal of religious art, icons, scripture, or other symbols; and

"(iii) such a school is in compliance with all State requirements applicable to the operation of a private school that are in effect in the year preceding the date of the enactment of the Helping Empower

Low-income Parents (HELP) Scholarships Amendments of 1997;

"(E) may allow State, local, and private funds to be used for voluntary public and private parental choice programs; and

"(F) ensure priority for students who were enrolled in a public school in the school year preceding the school year in which a voluntary public and private parental choice school begins operation.".

SEC. 5. EVALUATION.

Part D of title VI of the Elementary and Secondary Education Act of 1965 is amended—

(1) by adding at the end of section 6402 the following new subsection:

"(f) APPLICATION.—This section shall not apply to a State or local educational agency that uses funds to establish a voluntary public and private parental choice program in accordance with section 6301(b)(9).''; and

(2) by adding at the end of such part the following new section:

"SEC. 6404. EVALUATION.

"(a) ANNUAL EVALUATION.—

"(1) CONTRACT.—The Comptroller General of the United States shall enter into a contract, with an evaluating agency that has demonstrated experience in conducting evaluations, for the conduct of an ongoing rigorous evaluation of the programs established under section 6301(b)(9).

"(2) ANNUAL EVALUATION REQUIREMENT.—The contract described in paragraph (1) shall require the evaluating agency entering into such contract to evaluate annually each program established under section 6301(b)(9) in accordance with the evaluation criteria described in subsection (b).

"(3) TRANSMISSION.—The contract described in paragraph (1) shall require the evaluating agency entering into such contract to transmit to the Comptroller General of the United States the findings of each annual evaluation under paragraph (1).

"(b) EVALUATION CRITERIA.—The Comptroller General of the United States, in consultation with the Secretary, shall establish minimum criteria for evaluating each program established under section 6301(b)(9). Such criteria shall provide for—

"(1) a description of the implementation of each program established under section 6301(b)(9) and the program's effects on all participants, schools, and communities in the program area, with particular attention given to the effect of parent participation in the life of the school and the level of parental satisfaction with the program; and

"(8) a comparison of the educational achievement of all students in the program area, including a comparison between—

"(A) students receiving a voluntary public and private parental choice scholarships under section 6601(b)(8); and

"(B) students not receiving a voluntary public and private parental choice scholarships under such section.

"(c) EVALUATION FUNDS.—Pursuant to the authority provided under section 14701, the Secretary shall reserve not more than 0.50 percent of the amount of funds made available under section 6002 to carry out this section.

"SEC. 6605. APPLICABILITY.

"(a) NOT SCHOOL AID.—Subject to subsection (b), funds used under this title to establish a voluntary public and private parental choice program shall be considered assistance to the student and shall not be considered as assistance to any school that chooses to participate in such program.

"(b) NOT INCOME.—For purposes of Federal tax laws or for determining eligibility for any other Federal program, a voluntary public and private parental choice scholarship provided under this title shall not be treated as income or assistance to the student or the parents of such student.

"(o) NO FEDERAL CONTROL.—The Secretary is not permitted to exercise any direction, supervision, or control over curricula, program of instruction, administration, or personnel of any school that chooses to participate in a voluntary public and private choice program established under 6309(b)(9).".

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JONATHAN M. ORSZAG
NATIONAL ECONOMIC COUNCIL
THE WHITE HOUSE
WASHINGTON, D.C. 20502
(202) 456-5367
FAX (202) 456-2223
orszag_j@a1.eop.gov

TO: Marty Krautsinger

FAX NUMBER: 202 776 9570

ORGANIZATION:

FROM: JON ORSZAG
ECONOMIC POLICY ADVISOR

DATE: 10/23

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COMMENTS: The Census Bureau released the homeownership ... 1997 and it

FAX

Oklahoma Federal Executive Board

215 Dean A. McGee, Suite 320
Oklahoma City, OK 73102

Date 10 23 97

Number of pages including cover sheet 2

To:		From:	
Tom Kalil		LeAnn Jenkins	
Phone		Phone	(405) 231-4167
Fax Phone	202-456-2223	Fax Phone	(405) 231-4165
CC:			

REMARKS:

☐ Urgent ☐ For your review ☐ Reply ASAP ☒ Please comment

This was fax'd to Elaine Kamarck; however, I know she is no longer in the Vice President's office. Since you are aware of this project, I would ask your advise on whom to send this request. Thank-you for your time.

OKLAHOMA FEDERAL EXECUTIVE BOARD
215 DEAN A. MCGEE, STE 320
OKLAHOMA CITY, OK 73102-3422
(405) 231-4167
http://www.mmac.jccbi.gov/feb-okc/

October 21, 1997

Honorable Al Gore
Vice President of the United States
1600 N. Pennsylvania Ave.
Washington, DC 20005

Dear Vice President Gore:

We find ourselves in need of additional assistance from your National Performance Review Office.

Mayer Max, employed at the NPR, introduced LeAnn Jenkins, Executive Director of the Oklahoma Federal Executive Board, to the "Web-text" concept when she was on a recent two-month detail to the NPR office. As a facilitator of government services from Washington to the local area, the FEB feels Web-text would be an invaluable tool to assist our "partners" in the Oklahoma City Schools help children meet state and national education standards. The web-text provides an interactive forum for students to learn science. This product provides audio for students with dyslexia, which would also serve students with English as a second language.

The FEB Director received a "demo" disk with which she introduced the Assistant Superintendent of Educational Services to the Web-text. The Oklahoma City Schools currently have teachers who are excited and prepared to incorporate this teaching tool into their curriculum at the earliest possible date. They see the possibilities for using this to tailor curriculum to engage students of varying learning levels and make education exciting for all. We respectfully request a site visit by Mr. Mayer Max to:

1. Meet with Oklahoma City Schools' Educational Services Department and teachers wishing to participate to instruct on the additional purposes which might be served by this multi-faceted educational tool;
2. Provide instruction on how to coordinate utilization as a "test-bed" for evaluation (the Research and Evaluation Department is standing ready with a base-line to measure progress and significance of differences, if any); and
3. Provide information about grants, which may be available to fund such an effort.

Based upon your support of this initiative, proposed meeting dates are October 28th, 29th or 30th, 1997, if schedules can accommodate. If more information is necessary for consideration of this request, please contact the Federal Executive Board Office at (405) 231-4167.

Sincerely,

Margaret Milner

Margaret Milner
Chairperson

Vouchers

October 20, 1997

Staff Summary of Proposed Voluntary Parental Choice Bill

<u>**Purpose**</u>. To empower low income parents in poverty-stricken areas to send their children to the best public or private schools.

<u>Amends Title VI Block Grant (Old Chapter 2 Program)</u>. Permits State Educational Agencies and Local Educational Agencies to use their Title VI (old chapter 2 program) education block grant funds, if they choose, for public and private school choice at the state and local levels.

The prerequisite for using Title VI funds for parental choice is the enactment into law, by a state legislature, of school choice legislation.

Provides the opportunity/incentive for demonstration/pilot programs to be developed by state and local officials.

<u>Permissible Use of Funds</u>. This would be a permissible use of funds under Title VI for the State Educational Agencies and Local Educational Agencies and would be in addition to the uses of funds provided under current law in Title VI.

<u>Broad Guidelines for School Choice Program</u>. Any State Educational Agency or Local Educational Agency that wishes to use such funds in a State or locally-developed public and private school choice program, shall ensure that such state program meets the following criteria.

> **The parental choice program would be in low income communities.**
>
> **The parental choice program would be limited to low-income families.**

<u>Evaluation of School Choice</u>. The bill would provide for periodic evaluations/studies of the school choice programs on such things as academic achievement, parental satisfaction with choice, etc.

H.E.L.P. SCHOLARSHIP ACT
Helping Empower Low-Income Parents Scholarship Act

PURPOSE

To empower low-income parents living in poverty stricken areas to send their children to the best school they see fit. States and localities would be able to use existing federal funds (Title VI) to run a low-income public and private school choice program. Scholarships would go only to students whose families are at or below 185 percent of the poverty rate. The scholarship would be used to cover the cost of tuition at any private, public, or religious school located in an impoverished neighborhood.

FUNDS

States and localities would be able to use existing funds under the Title VI "Innovation in Education" block grant of the Elementary and Secondary Education Act (ESEA). Title VI received $310 million for FY 1997 (it should be noted that the Clinton Administration proposed zero funding for the FY 1998 funding cycle).

EMPOWERING LOW-INCOME FAMILIES

The state or local choice program would be means-tested so that only parents with the lowest incomes would be eligible to receive scholarships for their children. The area in which a choice program would be run must be economically depressed and one of pervasive poverty.

PUBLIC SCHOOLS WOULD NOT BE HURT

Public schools would not be financially at risk if students opted to attend another school. Annual funds given to public schools located in a choice community would not decrease based on the number of students that left because of the scholarship program.

MAXIMUM AND MINIMUM DOLLAR AMOUNTS FOR SCHOLARSHIPS

The maximum value of the scholarship can be no more than the per pupil expenditure in that locality. The minimum amount can be no less than 60% of the per pupil expenditure or the cost of the private tuition, whichever is less.

PRIVATE SCHOOL PROTECTIONS

The bill clearly states that private and religious schools that accept scholarship students would not be interfered with by the federal or state government. Keeping schools free of regulations is of utmost importance to retaining the integrity and success of these educational institutions.

10/14/97