

EDUCATION ALERT



"You and I know it would be self-defeating to cut our investments in education. Cutting education today would be like cutting defense budgets at the height of the cold war."

*President Clinton
Remarks to the National Education Association
July 6, 1995*

In the last two weeks, both the House and the Senate have taken a variety of actions that are direct attacks on our nation's investment for the future---education. On September 28, the House Educational and Economic Opportunities Committee approved a bill that would dramatically reduce federal support for Americans going to college and eliminate President Clinton's Direct Lending program. President Clinton is strongly opposed to any action which would raise the cost of college for students and their families. In particular, the President has indicated that he will oppose any plan that contains an unwise and unjustified elimination of his Direct Lending program. This program is already saving taxpayers billions of dollars and students are getting their funds with less government red tape. In addition, students are getting flexible repayment plans, schools have less administrative costs, and thousands of intermediaries and attendant complexities are eliminated. President Clinton remains committed to the existence and to the critical expansion of the Direct Lending program. It is inexcusable for Congress to allow the banks and special interest to pass a law that would take away the choice for hundreds of schools.

On September 26, the Republican majority in the Senate Labor and Human Resources Committee voted to cut \$10.8 billion from student loans over the next seven years. Tucked in this legislation is a series of provisions that sign over \$1.8 billion of taxpayers' money to guaranty agencies in the student loan program. In the name of balancing the budget, the Senate committee has voted to cut back funds available to students while padding the pockets of this little-known special interest.

President Clinton has proposed to balance the budget over the next ten years by cutting wasteful spending, streamlining programs, and ending unneeded subsidies. Yet, he would increase the investment in education by \$40 billion over the next seven years; and provide for tax cuts which would help middle-income Americans raise their children, and save to pay for post-secondary education.

President Clinton firmly believes that the American people want to balance the budget to lift the burden of debt off of our children and to strengthen our economy. But he also believes that the American people want to strengthen families, expand our economy, and raise living standards and that nothing is more critical to that effort than education. His budget proposal proves that it is possible to deal with the deficit while investing in human capital. Education is the key to the future of America and demolishing our investment in education is not the means to balance the budget.

To reiterate the President's position and to provide more information, we are enclosing two of his recent speeches and two fact sheets. These speeches - at Pueblo Community College in Pueblo, Colorado and the O'Farrell Community School in San Diego - highlight his commitment to education.

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FACT: President Clinton's budget proposal **INCREASES** funding for education, training and aid to students and families by \$40 billion while balancing the budget in 10 years. The Republican proposals **CUT** education and training by \$36 billion -- including \$10 billion in loan benefits to students.

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FACT: President Clinton proposes increasing the award level to \$2,620 in FY 1996, and \$3,128 by FY 2002. Republicans would raise the maximum award \$100 to \$2440.

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FACT: The President's Direct Lending Program is already saving taxpayers \$6.8 billion, lowering interest rates for students, making loans simpler and faster, and allowing flexible repayment plans. House Republicans would eliminate the program. Senate Republicans are proposing to cap participation in the program at 20 percent and claim savings from their proposal by cutting funds for administering both direct and guaranteed loan programs by \$750 million over 7 years. Further, they have engaged in budget trickery -- ordering the Congressional Budget Office to include the administrative costs of Direct Lending but not of guaranteed loans so that Direct Lending will appear more expensive than the current system.

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FACT: President Clinton has proposed increasing funding by \$349 million next year, providing nearly 50,000 community service and college aid opportunities. Republicans have voted to eliminate the program denying college aid and service opportunities to hundreds of thousands of young Americans.

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FACT: President Clinton supports retaining federal interest subsidies for a six month grace period. For the student borrowing the max of \$17,125 for 4 years, Republican plans to eliminate the grace period would raise the cost of education by as much as \$706.

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THE WHITE HOUSE

Office of the Press Secretary
(Denver, Colorado)

For Immediate Release
September 20, 1995

REMARKS BY THE PRESIDENT
TO THE PUEBLO COLLEGE COMMUNITY

Pueblo Community College
Pueblo, Colorado

2:33 P.M. MDT

THE PRESIDENT: Thank you so much. (Applause.)

AUDIENCE: I love you --

THE PRESIDENT: I love hearing it. Thank you very much. Thank you very much. (Applause.)

Ladies and gentlemen, let me begin by thanking you all for making me feel so very welcome. Thank you, Dr. May, for opening your fine institution and for bringing all your students and a lot of the folks from the surrounding area here. Thank you, Governor Romer, for your leadership and your friendship.

Ladies and gentlemen, I had the privilege of being a governor of my home state for 12 years before I was elected President. I was never part of the Washington scene, but I knew quite a lot about what it took to be a governor. And by the time I left office most of us thought Roy Romer was probably the best governor in the United States of America, and was doing more for education than anybody else. (Applause.)

Thank you, Diana, for your introduction and for the power of your example. You and your family are the best of what this country is all about. And I came here to talk about your future and the future of all the students here and, in fact, this entire country.

I'm glad to be back in Pueblo. Anyplace where I can wear my cowboy boots and feel comfortable and has an Arkansas River is all right as far as I'm concerned. (Applause.) I also believe in community colleges. When I was a governor I helped start several. I saw it open the doors of opportunity for people

MORE

of all ages and all backgrounds. They are truly the "community colleges" -- the most open and democratic and opportunity-filled institutions in the United States today. And I know I am at a good one today and I'm proud to be here. (Applause.)

You know, our country has come a long way in over 200 years because we believe that we could always make the future, and we believe we had an obligation to try. Pueblo was established in 1862, and one of the county commission's first acts was to collect money for a school. They knew that education could be better than gold way back in 1862, and in 1995 it is more important than ever before. (Applause.)

I am here because the future of your education and those who come behind you is going to be affected by decisions which will be made in Washington, D.C. in the next two to three months. All of you know that we are in a period of great change in our country. I believe that this period will be written up by the historians as a period of most profound change in 100 years, since the time we became an industrial society from a rural and agricultural one. Today, we are becoming a global economy, an information-based, technology-based society. We know that, and we know we have to make some changes so that we will be able to benefit from all these things that are going on in the world.

We know that one of the things we have to do is to provide lifetime learning for all of our people, to give everybody the opportunity to do well. And I've worked hard at that. I want to get more kids off to a good start at school. That's why we expanded Head Start. I want higher standards -- (applause) -- I want higher standards and smaller classes and more computers and other opportunities for our school's students. That's what Governor Romer and I worked on Goals 2000 for. (Applause.)

I want more opportunities for young people who don't go on to the four-year schools to get good jobs with good prospects for the future. That's what the School-To-Work Program that your president talked about is all about. (Applause.) I want more scholarships, more opportunities for community services and more affordable loan programs for young people to go to college and for people who aren't so young to be able to go back to college. It's important. (Applause.)

Make no mistake about it, my fellow Americans: every dollar we spend investing in education has a big economic payoff not just for the people who benefit from it. Every year of education after high school today generates between six and 12 percent of higher income for the people who get it.

But it's more important than that. It gives more dignity, more meaning, more possibility to people's lives. And it makes our nation stronger. We know we must do this.

I want to ask you today to think about all the things you know are going on in your Nation's Capital and the big argument we're having over the budget in terms of this fundamental fact: We're living in a global economy; what we can learn becomes what we can earn. We have an obligation to pass on to the next generation a stronger, better America. We also have an obligation to balance the budget. That is part of passing on to the next generation a stronger, better America. (Applause.)

And so I ask you to consider this: How should we do that? That's the big question -- not whether we should, but how we should. I think we need new ideas and our old-fashioned values. We need to make decisions about this budget rooted in our devotion to freedom and responsibility; to work and to family; to giving young people a chance to do better; to fulfilling our obligations to the elderly, the disabled, and to poor children; to finding common ground instead of cheap and easy political rhetoric; and to doing the right thing for the future even if it's unpopular in the moment. We have to create the right kind of future for the United States of America. (Applause.)

We need to balance the budget. Your country never had a permanent structural deficit before 1981. In the 12 years before I moved to Washington as your President we quadrupled the national debt over the previous 200. There's no excuse for that. It's so bad now that the budget of your country would be balanced today if it weren't for the interest we pay on the debt run up in the 12 years before I took office. (Applause.)

And we have cut the deficit of your country from \$290 billion a year down to \$160 billion in just three years. And it's the first time in 45 years that we've been able to do that. (Applause.)

So the question now is, how do we go all the way? How do we balance the budget consistent with our obligations and our values? I believe that we should balance the budget in the same way I've been reducing the deficit -- by cutting other things and increasing our investment in education, because that will make us a stronger country as well. (Applause.)

You know, almost half the people at this community college have Pell Grants. I want to see more people have access to Pell Grants, so more people with modest incomes can go on to college. (Applause.) Next year the University of Southern Colorado will join so

many others around the country in participating in our Direct Student Loan Program, and this fine community college has applied to participate in it. Let me tell you what it does. The Direct Student Loan Program enables the government to get rid of all the red tape, the banks and the middle men and all the excessive costs from the student loan program, to send money directly to a school to give to the students at lower costs with better repayment terms, receiving the money more quickly.

Every school I have talked to that has participated in this program loves it because it's a lower cost for the school, lower cost for the students, and there are many more options to repay. One of the most important things about this Direct Loan Program is that a young person can repay his or her loans based on a percentage of the income they earn when they go to work. So you never need to fear that you can't afford to borrow money because you may not have a lot of money when you get out. (Applause.)

I believe in the Direct Loan Program. I believe in the Pell Grant Program. I believe in the AmeriCorps Program, the national service program which enables people to earn money for college. Here in Colorado you have young people working to keep kids out of gangs, to teach adults to read, to renovate vacant houses for working families, to clean up parks for children to play in -- and in return, earning some money to go to school.

And I also believe that we can balance the budget and have the right kind of tax cut. But I favor a smaller, more targeted tax cut for middle-income American families to educate themselves and their children and to raise their children. Let's value child-rearing and education. If we're going to have a tax cut, let's finance more people going on to school. (Applause.)

The last thing I want to say is I think we ought to have special educational opportunities for people who lose their jobs through no fault of their own. (Applause.) When I was -- 30 years ago when I was in college, eight in 10 people who were laid off from work were called back to the same old job as soon as the economy got better. Today, eight in 10 people who are laid off from work are not called back to the same old job because the economy is changing.

So I have asked this Congress to take about 70 different training programs the government has, put it into a pool of money and just simply give a voucher to a person who loses a job worth up to \$2,600 a year

to take to the local community college to get trained for a better life, a new start, a stronger beginning. (Applause.)

If we do this and balance the budget, over the next seven years 20 million more people will be eligible for lower-cost, better repayment college loans. Three million more people will get the Pell Grant scholarships that enable so many of you to be here. If we keep this commitment, we can have over 1.1 million people going on to college by the end of this decade, and we can do all that and balance the budget.

The question is, will we? The debate we're having in Washington today -- I want to emphasize again -- is not over whether to balance the budget, it's over how to balance the budget consistent with the fundamental values of this country. A majority of people in the Congress have a plan that reflects very different value choices. If their plan prevails, we won't be able to help as many poor kids get off to a good start in school; we won't even be able to keep helping as many as we are now; we won't be able to help as many schools to achieve those smaller classes and higher standards and more computers in the classrooms. And we certainly will see it become harder and more expensive to finance a college education which means not as many people will go. There will be no more AmeriCorps, no national service program. There will be over 4 million fewer people getting Pell Grants over the next seven years. The direct lending program that this school wants to get into is going to be either severely limited or abolished, and the application that you have to give all your people here a better chance to go on and succeed will never see the light of day.

Now, we learn that some in the Senate even want to charge colleges to process the government loans. The president of the University of Kansas was quoted today as saying, "That's like charging people who run grocery stores to handle food stamps. Can you believe that? They actually want to start making the community college pay just to have people here with college loans. They want to raise the interest charged to working families who take out loans to send their children to college. They also, believe it or not, want to do some other things which will dramatically undermine the ability of people to go to college and, all told -- listen to this -- all told, will cost over \$7 billion for students, their families and their schools over the next seven years.

Now, this is not about money. This is not about balancing the budget. This is about what kind of

country we're going to be and what our obligations to each other are. They have made three value choices in Congress. They say we have to balance the budget in seven years, even if we could increase education and still balance it in eight, nine or 10 years.

Then, they say, we have to give a huge tax cut of \$250 billion, half of it going to upper-income people like me who don't need it and don't want it. But they're determined to give it anyway, even if they take it away from you and your education and your children's future. (Applause.) And, they say, that we're going to take some of this student loan money away from the students and give it back to the banks and the middlemen, even though it raises the cost of going to college, provides more paperwork headaches for the schools, delays the loans getting to the students, and robs you of the option of repaying based on a percentage of your earnings. They say these interest groups didn't like it when they lost the money, we're cutting education, but we're going to give them some of their money back.

Now, those are value judgments. This is not just about money. Our solemn obligation is to reward people who are willing to work to make the most of their own lives, to make sure that the enthusiasm these young people have shown us today becomes mirrored in brilliant, successful, happy lives that make America a stronger place and guarantees that their children will have an even better America to grow up in. That's what this is all about. (Applause.)

So I challenge Congress to work with me to find common ground -- to balance the budget without raising the cost of going to college to pay for a tax cut. It is not necessary and it is not right. It is not consistent with basic American values. We can balance the budget, cut taxes for middle-class people who need it to educate and raise their children, and still increase our investment in education. Let us do this the right way and advance what America really stands for. That's what this is all about. (Applause.)

I saw a very moving picture in the newspaper here today of the trip that President Kennedy made in 1962. He came here to honor the citizens who had built Pueblo 100 years before. And he said this: "I hope that those of us who hold positions of public responsibility in 1962 are as far-seeing about the needs of the country in 1982 and 1992 as those men and women." Well, President Kennedy's generation was. They went to the moon. They explored new frontiers of science and technology. They ensured that we would win

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the Cold War. They advanced the cause of education and economic growth and world peace.

In this day and age, the popular thing to do would be just to go along with all of this because the popular thing is to tell you that your government is the cause of all your problems, all government is bad and all tax cuts are good. I know that would be popular. But, friends, almost all the money the government spends today is on medical care for the elderly and the disabled, Social Security, the national defense, interest on the debt and education and other investments in our future. I want to cut it some more. I want to get rid of some of the things we don't need. I want to balance the budget. But the popular view is not right.

Your government is you. And we better invest in your education and your future. Twenty, thirty, forty years from now the people who are sitting here on this great lawn will appreciate it if they know we balanced the budget and secured our financial future in a way that protected the educational future, the economic well-being and the fundamental values of the United States of America. Let us resolve to do that and to do it together.

Thank you, and God bless you all.
(Applause.)

END

2:53 P.M. MDT

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**INVESTING IN THE FUTURE OF AMERICA VS.
CUTTING EDUCATION AND TRAINING
JUST THE FACTS
September 22, 1995**

In a speech today at the O'Farrell Community School in San Diego, President Clinton reiterated his commitment to education and his willingness to fight any Republican plan that denies young people an opportunity to get the quality education they need and deserve. Much as they are doing with higher education, Republicans are proposing to balance the budget and provide unnecessary tax cuts by retreating from a historically bipartisan commitment to elementary and secondary education. Below are the facts:

FACT: President Clinton wants to invest in the future of Americans by **INCREASING** funding for improving education, training, and financial aid to students by \$40 billion while balancing the budget in 10 years. The Republican proposals **CUT** education and training by \$36 billion – denying education and training opportunities to millions of students and increasing costs to families.

GOALS 2000 --- EDUCATION QUALITY

FACT: President Clinton proposes to increase funding to \$750 million in FY 1996, enabling local communities and states to improve their schools and raise standards of academic achievement and discipline for more than 8 million children in 17,000 schools next year. House Republicans have approved a bill that would eliminate Goals 2000 – the nation's most important school reform initiative, developed and passed with bipartisan support.

IMPROVING BASIC AND ADVANCED SKILLS --- TITLE ONE

FACT: President Clinton proposes to increase funding by \$300 million in 1996, which will serve as many as 300,000 more children, in our poorest communities, to learn core subjects. The House Republicans want to reduce funding by \$1.1 billion in FY 1996, which would deny needed learning opportunities to 1.1 million children.

SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES

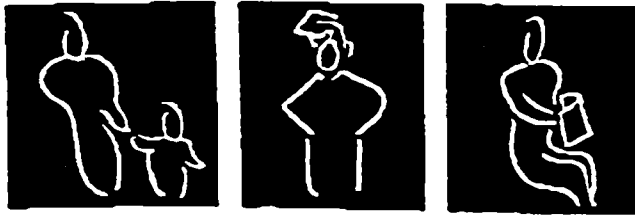
FACT: President Clinton proposed \$500 million per year to provide safer and more drug-free learning environments for 39 million children in 14,575 out of 15,000 school districts. Republicans want to dismantle the program used by school districts to keep crime, violence, and drugs out of schools and away from students, depriving 23 million students of services next year.

SUMMER JOBS FOR YOUTH

FACT: President Clinton budget proposes funding for up to 600,000 jobs for young people during the summer of 1996. Republicans plan to eliminate the program, which would deny job opportunities for almost 4 million youths over the next 7 years.

HEAD START

FACT: President Clinton proposes that the FY 1996 funding be increased by \$400 million and that 32,000 new Head Start slots be added for children in 1996. The Republican plan would fund Head Start at \$500 million less than the President's request and if program quality were to be maintained at such a reduced level, the action would deny services to more than 45,000 children.



COMMITTEE FOR EDUCATION FUNDING

DATE 9/28/95

FAX TRANSMITTAL FORM

TO: Gaynor McCown

FROM: Ed Kealy

The Committee for Education Funding

Phone: (202) 543-6300

Fax: (202) 546-2683

NUMBER OF PAGES (excluding cover): 1

MESSAGE: FYI

PLEASE CALL US IF YOU DO NOT RECEIVE ALL OF THE PAGES FOLLOWING THE
TRANSMITTAL FORM. THANK YOU.

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IMMEDIATELY AT:



COMMITTEE FOR EDUCATION FUNDING

Member
United States Senate
Washington, DC 20010

PRESIDENT

JOHN B. FORKENBROCK
National Association of
Federally Impacted Schools

September 27, 1995

VICE-PRESIDENT

VIOLET A. BOYER
National Association of
Independent Colleges and
Universities

Dear Senator,

The Committee for Education Funding (CEF), a coalition of over 90 major organizations reflecting a broad spectrum of the education community, cannot support the \$2.4 billion in cuts to education in H.R. 2127, the FY96 Labor, Health and Human Services, and Education appropriations bill reported out by the Senate Committee on Appropriations on September 15, 1995.

TREASURER

CARNE C. HAYES
Council of Chief State
School Officers

We appreciate the efforts of the committee to allocate \$1.3 billion more than the House bill for education. But the bill still cuts many programs below FY95 levels and leaves large holes in key programs like the Title I program for disadvantaged students.

EXECUTIVE DIRECTOR

EDWARD R. KEALY

CEF strongly supports amendments to further restore cuts to education programs such as those that may be offered by Senator Jeffords (R-VT) and Senator Daschle (D-SD). CEF opposes any amendment that cuts education programs further or cuts one education program to benefit another education program.

While the Committee bill maintains funding for some vital education programs, it cuts Title I by over \$700 million resulting in over 650,000 students losing services to improve their basic reading and math skills. The bill also leaves schools without 60% of the funds they need to maintain programs for safe and drug free schools. Moreover, the Goals 2000 school reform program is also cut by \$62 million or 17% and vocational education basic grants are cut by \$83 million or 9%.

The Senate bill, like the House bill which cut \$3.7 billion, is a result of the deeply flawed priorities in the FY96 Budget Resolution which sharply reduces investment in education. Again, we urge you to support amendments in the Senate to allocate to education the funds necessary to make needed investments in the educational opportunities of the nation's children, youth, and adults and to oppose further cuts to education.

If these amendments are not approved, we urge Congress to work with the President on a revised budget that makes education investment a priority. Only through increased investment in education can the nation achieve the economic growth necessary to reduce the federal deficit and provide for the future prosperity and well being of all Americans.

Sincerely,

John Forkenbrock
President



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

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Participants:

The Secretary of Education could accompany the President on this trip. The President would give remarks, with founding parents, teachers, business, and labor partners nearby. The state superintendent of schools would also be present. Supportive political, business, and labor leaders could be in the audience. The President would be given a tour of the charter school by a founding parent and teacher, as well as a student.

Participating in the roundtable discussion would be about 10-12 parents, teachers, students, and school board and/or political officials involved in developing charter schools.

Outline of Events:

All of this event, except the roundtable discussion, would be open to the press. The President would begin with the roundtable discussion, which would be closed to the press except for a short pool spray. The President would then take a tour of the charter school for about 30-45 minutes; this would be open to the press.

Immediately following the tour, the President, teachers, parents, and students would go to an auditorium for the public announcement of the grant, and for remarks about the importance of charter schools, education, and the budget.

Remarks required:

The President would open the roundtable discussion with some introductory comments, and make brief remarks to announce the grant.

If desired, talking points and briefing materials would be prepared by the Secretary's office.

Media coverage:

Full coverage by electronic and print media, except for the roundtable discussion. Discussion would be covered by a brief pool spray, probably video only.

Recommended By:

Richard Riley, Secretary of Education

Contacts:

Terry Peterson, Counselor to the Secretary
of Education (202)-401-3000

600 INDEPENDENCE AVE., S.W. WASHINGTON, D.C. 20202



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

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Leslie Thornton, Deputy Chief of Staff and
Counselor to the Secretary of Education
Telephone: (202)-401-3000

Jon Schnur, Special Assistant to the Deputy Secretary of Education
Telephone: (202)-401-3598



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE UNDER SECRETARY

October 27, 1995

MEMORANDUM

TO : The Secretary
The Deputy Secretary
The Under Secretary

FROM : Sally H. Christensen *Sally Christensen*

SUBJECT: House and Senate 1996 Reconciliation Bills

On Thursday, October 26, the House passed the 1996 Reconciliation bill by a vote of 227-203. In the final tally four Democrats voted in favor and ten Republicans voted against the bill.

The House did not modify any provisions from the Committee bill that affect education programs. Under the House bill the Direct Loan program is terminated, the 6-month grace period on interest accrual is eliminated, the interest rate on PLUS loans is raised, and banks and guaranty agencies are subject to additional fees.

Prior to the House floor action, the Budget Committee accepted the addition of legislation from Congressman Horn (R-CA) to give the government greater tools to collect loans, including student loans. Most of this additional language was suggested by the Administration and will have minimal operational impact. However, the language includes a provision giving the Secretary of the Treasury discretion to require that all defaulted loans be sent to Treasury for collection. The Department strongly opposes this provision because our collection capabilities are the most effective in the Government, and final discretion regarding the disposition of student loans should rest with the Secretary of Education.

The Senate is currently debating its version of the Reconciliation Bill. A final vote is expected today. Senators Kassebaum and Snowe and other Republicans successfully offered an amendment that maintains the current interest rate on PLUS loans, restores the interest grace period, and eliminates the proposed .85 percent institutional fee for all new loans. The Direct Loan program is still capped at 20 percent of loan volume. No other education amendments are expected.

A conference to work out the differences between the two bills is scheduled to begin next week.

Attached is an updated comparison of the House and Senate bills, including their impact on students and schools.

Attachment

cc: Senior Staff

Reconciliation Proposals - page 3**REDUCE SUBSIDIES TO GUARANTEED LOAN MIDDLEMEN**● **Cut Subsidies to Lenders and Loan Holders**

- Provisions include increased lender fees, reduced Federal guarantees on defaulted loans, a new fee on loan holders, and a rebate from lenders to the government on interest earnings from parent loans.

CBO Savings: \$2.6 billion● **Cut Subsidies to Lenders and Loan Holders**

- Provisions are similar to those included in the Senate package, but lender and holder fees are structured differently, leading to substantially reduced savings.

\$1.3 billion● **Cut Subsidies to Guaranty Agencies**

- Provisions include an annual cap of \$170 million on administrative payments and a reduction in the amount of default collections agencies can retain.

CBO Savings: \$1.4 billion● **Cut Subsidies to Guaranty Agencies**

- Provisions include a new fee, a reduction in the amount of default insurance agencies can receive, and the replacement of Federal administrative payments with a fee paid by lenders.

\$3.1 billion**TOTAL SAVINGS:****Senate: \$5.4 billion****House: \$10.4 billion****SAVINGS FROM PARENTS AND STUDENTS****Senate: \$1.4 billion
(25% of total)****House: \$6.0 billion
(58% of total)**

10/27/95

-- Many schools that like the Direct Loan program will be unable to offer it to their students. As many as 700 schools--half the total currently in Direct Loans--would arbitrarily be forced from the program.

-- All schools that like the Direct Loan program would not be able to offer it to their students. The 1,400 schools currently in Direct Loans would arbitrarily be forced from the program.

CBO Savings: \$600 million

\$890 million

* Budget savings estimates for these proposals are based on a new Congressional scoring rule that skews cost comparisons in favor of guaranteed loans.

THREATEN THE DELIVERY AND INTEGRITY OF ALL STUDENT AID

Senate

- Reduce administrative funds for FFEL and Direct Loans by 51 percent.

-- Cuts of this size could seriously undermine management and oversight for all Federal student aid and lead to increased fraud, waste, and abuse.

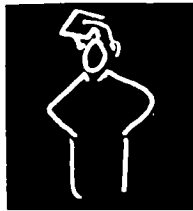
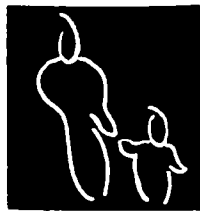
House

- Reduce administrative funds for FFEL and Direct Loans 59 percent.

-- Impact similar to Senate package.

CBO Savings: \$750 million

\$810 million



COMMITTEE FOR EDUCATION FUNDING

LAST CHANCE TO STOP FEDERAL EDUCATION CUTS Updated CEF Volunteer's Action Kit

PRESIDENT

JOHN B. FORKENBROCK
National Association of
Federally Impacted Schools

November 8, 1995

VICE-PRESIDENT

VIOLET A. BOYER
National Association of
Independent Colleges and
Universities

TREASURER

CARNIE C. HAYES
Council of Chief State
School Officers

EXECUTIVE DIRECTOR

EDWARD R. KEALY

Dear Friend of Education Funding,

The next several weeks will be our last chance this year to stop federal education cuts. CEF is pleased to distribute an updated version of last summer's widely used Volunteer's Action Kit to Stop Federal Education Cuts. The booklet is intended to be used by CEF members and other interested organizations to promote broad grassroots activity to defeat education cuts. **Once again we urge you to copy it, edit it, alter it, add to it-- but please use it!**

The success of CEF's strategic action plan for the last rounds of the FY96 budget battle depends on all CEF member organizations mobilizing their fields to participate in these activities. We cannot roll back the \$5 billion in cuts to student aid pending in the reconciliation conference and the \$4 billion in cuts to discretionary programs pending in appropriations without strong support from the people directly affected.

The Action Kit includes Thanksgiving recess activities centered around visits with members of Congress, local forums and outreach to local media. We have provided model letters and tips on working with the media. **We also supply a flyer for all organizations to use in promoting November 29th as National Call-in Day to Congress to protest the education cuts.**

We ask all organizations that use the kit to collect copies of letters to Congress, pressclips, op-eds and event schedules generated by your fields. Please send them to CEF so that we can document the progress and impact of our strategic action plan.

Thanks again to all who contributed to this kit. Please take full advantage of our last chance this year to convince Congress to stop the cuts and invest in education for America's future. For further information contact Edward Kealy, Executive Director at (202) 543-6300.

Between now and the end of this Congress is the last chance to speak out for children and education in next year's programs.

**LAST CHANCE
FOR EDUCATION**

Volunteer Action Kit To Stop Education Cuts

**LAST CHANCE
FOR EDUCATION**

November 1995

Dear Friend of Education:

Between now and the end of this session of Congress -- likely to come in late December -- is the last chance to speak out for education. Education continues to be a brightly outlined target for federal budget cutters, despite the fact that Americans overwhelmingly oppose cuts in education as a means of reducing the federal budget deficit.

Without your action now, students -- children and adults -- will lose the help they need to master basic skills, learn and grow in safe school environments, get access to college and other postsecondary education, and prepare for good jobs in the future.

Over the next several weeks, you will hear about votes in Congress on the federal budget and appropriations. They are deciding two things: 1) how much to invest in specific programs next year, and 2) targets for spending over the next seven years. More than ever before, children, youth, and adult students need you to speak on their behalf through phone calls, letters, and visits with Members of Congress.

Enclosed are tools to help you be an effective advocate for children and education. Please take time to communicate with your elected representatives -- House and Senate -- whose principle job is to carry out the will of the people.

Let them know children, students, and the future are important to you. Act now, before it's too late.

**LAST CHANCE
FOR EDUCATION**

Six Things You Can Do To Stop Federal Education Cuts

- 1. Write a letter to your Member of Congress or Senator** and get five other community leaders to sign on or write their own letters.
- 2. Write a letter to the editor** to your newspaper to convey the need for federal education funding in your community.
- 3. Speak out about the federal investment in education** on your local radio and television talk shows. Use call-in or public affairs shows to talk about the proposed cuts and their impact. Any one can be a caller on an open forum talk show. Or contact your radio or television station about being on as a guest.
- 4. Invite your Member of Congress to tour a school or college** and let them see for themselves the positive contributions federal dollars make to your school. Even if they don't make the visit, you can describe what impact federal help has on students and schools.
- 5. Attend a town hall meeting.** You can find out when one is scheduled by calling your Member of Congress's local district office. Discuss the impact of the education cuts on your community. Or organize your own forum, rally, or teach-in to speak out for education.
- 6. Visit your Member of Congress.** You can call the district office to make an appointment. Remember, your Member of Congress is in the district every weekend to hear what you have to say.

**Plus participate in the
National Call-in Day
to Save Education
November 29th!**

LAST CHANCE FOR EDUCATION

Talking Points on Impact of Education Budget Cuts

Congress is working on a budget that makes unprecedented cuts in federal education programs. The House-passed spending bill, H.R. 2127, would cut education by \$4 billion over the previous year. H.R. 2491, the reconciliation bill would cut student aid by \$5 billion over seven years, and cap total spending -- forcing a cut of more than \$30 billion in education over the next seven years.

- **If enacted, these education cuts would be the largest setback to education in U.S. history.** Under these proposals, education would be cut by 17 percent; overall spending would be cut by 4 percent, and Department of Defense spending would increase by 5 percent.
- **These proposals would deny millions of America's children, youth, and adults precious educational opportunities.** Federal cuts would come at a time when schools are facing other economic pressures, including a projected 18 percent increase in enrollment over the next decade.
- **Congress has alternatives in its efforts to reduce the federal budget deficit,** including reducing the size of the proposed tax cuts, cutting spending for weapons systems the Pentagon says it doesn't need, or reducing direct aid and tax breaks for big business.
- **Congress would slash funding for basic and advanced skills.** Some 1.1 million students would be denied crucial help in reading, writing, mathematics, and advanced reasoning.
- **They would jeopardize the education of children with disabilities** by eliminating some \$1 billion in Medicaid funds for health-related services for more than 1 million children with disabilities.
- **They would eliminate help for safe and drug-free schools** by cutting off funds for drug education, peer mediation, and non-violent conflict resolution programs in more than 14,000 school districts.
- **They would halt progress on school reform and innovation** by eliminating grants to schools to develop standards, cutting teacher education programs, and decimating help with educational technology.
- **They would deny access to Head Start** for 180,000 children in 2002 compared to 1995.

- They would deny access to college by raising the cost of student loans for students and families by \$5 billion over seven years and eliminating student aid Pell grants for 280,000 students. And it would cut out federal funds that leverage resources for state student aid.
- If Congress enacts its education cuts, parents can expect their children to have:
 - less individualized attention.
 - more crowded classrooms.
 - poorer basic skills.
 - greater chances of dropping out.
 - classrooms with less order and discipline.
 - fewer computers.
 - schools with more drugs and violence.
 - less access to technology.
 - poorer prospects for well-paying jobs.
 - less opportunities to get ahead.
 - fewer chances to go to college.
 - higher college bills.
 - more debt after graduation.
- Without continued federal investment in education, Americans can expect to:
 - learn less than citizens of other countries.
 - be less productive.
 - pay more state and local taxes.
 - earn less income.
 - be unprepared for the information age.
 - have a poorer quality of life.
- Polls show Americans overwhelmingly oppose cuts in education as a means of balancing the federal budget (78 percent). Almost all Americans want the federal government to spend at least the same on education (92 percent), and most want it to spend more (68 percent).
- Congress and the White House do have options to reverse cuts to education this year, including a joint Congressional-White House overall budget agreement or amendments to final consideration of appropriations and reconciliation bills. President Clinton has vowed to veto the budget unless it contains an increased investment in education.

**LAST CHANCE
FOR EDUCATION**

SAMPLE LETTER TO MEMBER OF CONGRESS

The Honorable (Name)
U.S. House of Representatives
Washington, DC 20515

The Honorable (Name)
U.S. Senate
Washington, D.C. 20510

Dear (Representative name) (Senator name):

I urge you to oppose the unprecedented \$4 billion in cuts to school programs and \$5 billion in cuts to student aid proposed in the federal budget for education. These cuts will do immediate and extensive damage to the level of education opportunities available to America's students and will undermine our long-term economic vitality.

Every community, including (your town) will be directly affected. These federal resources support direct services to students, including help with basic math and reading skills, safe and drug-free schools, assistance to families to pay for the costs of postsecondary education, and other programs that help prepare young people for jobs in the future.

Federal education programs are strongly supported by the very people responsible for implementing local control, including school board members, school administrators, teachers and other education employees, parents, and students. The loss of these federal funds can not be easily replaced, either by local tax increases, tuition increases, or private efforts.

In our town alone, (insert local impact here) The cuts proposed for education are not shared sacrifice. Cuts in federal education programs are more than four times greater than the average cuts for the other domestic programs. Please support America's students by opposing cuts in federal education programs and providing students and schools the resources they need to extend educational and economic opportunity to every American.

Sincerely,

LAST CHANCE FOR EDUCATION

Contacting the Media

Education and children's advocates face a serious challenge in their efforts to prevent this Congress from dismantling successful federal education programs. Few Americans are aware of the magnitude of cuts proposed by this Congress or are aware — in more than a vague way — what role federal education programs play in the lives of their children and their communities.

You can help by drawing attention to programs in your community — and explaining the implications of the loss of these programs on students and on the community.

There are three basic ways to get your message out:

- 1) **Newspaper stories.**
- 2) **Opinion editorials (op-eds) and letters to the editor.**
- 3) **Talk radio.**

Getting on the local television news is possible, but television news stations are generally less accessible. Classroom or college settings make good visuals, and if you get the interest of the TV news desk, it can have a major impact. But newspapers and radio rely heavily on participation of those in the community.

Getting in print. Read your local newspaper to find the name of reporters most likely to be interested in the topic you want to suggest. Many newspapers have a regular education beat reporter. Call the reporter to discuss your idea. Be concise, specific, and factual. It also helps to provide written information that describes what you want to convey. When writing about a national story — federal budget cuts, for example — present details about the local impact, such as number of students affected by the cuts. Be sensitive to newspaper deadlines and style.

Write it yourself. You may want to write the story yourself, either as a feature or opinion editorial. Talk with the editor to get a sense of their willingness to print copy not written by staff or from wire reports. Many smaller papers are open to such participation. In addition, all papers print letters to the editor, so long as they are short, well-written, and timely. Letters to the editor pages provide a lively forum for discussion in the community and can help shape public opinion.

Participate in talk radio. Find out what kinds of subjects a talk radio program is interested in. Write down the call-in number, and keep trying. Callers routinely wait 30 minutes or more for the most popular shows. When you get through, tell the producer your name, place, and subject and get in line. One way to move up in line is to offer an answer or explanation to the previous caller. Present your direct information about the experience of successful federal education programs with some background information about what is happening. Avoid jargon.

Communicating successfully in all of these areas requires honing your message. Especially when you are calling a reporter or radio show, give some thought to what you want to say. Find out the facts about the impact of federal budget cuts on your school, students in your community, or your children. Write down what you think are the strongest points, crossing out statements that are too complex or defensive and underlining those that are clear, direct, and compelling.

LAST CHANCE FOR EDUCATION

SAMPLE LETTER TO THE EDITOR

To the Editor:

Congressional leaders will soon be meeting to come to an agreement on budget and spending bills. In their attempt to reach a balanced budget, Members of Congress will be considering major funding cuts to basic education programs, school lunch, student loans and other education programs.

The House versions of the budget and spending bills cut more than \$5 billion from student financial aid over the next seven years, and \$4 billion next year alone from discretionary education programs. While the Senate versions of these bills make less drastic cuts, neither body addresses the needs of America's children, youth and adults for expanded educational opportunities.

Billions of dollars in cuts over the next seven years mean millions of students will lose basic skills instruction; millions of students will take on greater student loan debt or forego higher education altogether; schools will not be able to continue efforts to reduce violence and drug use in schools; thousands of school districts will not have the resources to implement higher standards, and dozens of other vital education programs will be drastically reduced or eliminated.

(Insert local information, such as "In our state/town/school district, cuts like these translate into students paying \$700 to \$9,000 more for college, X students sitting through first grade hungry," etc.)

The state of _____ cannot make up for this loss of federal help.

Congress should find ways to reduce the federal deficit without sacrificing education. Reducing the deficit through cuts in these programs will greatly hinder the way children learn, grow, and become active members of society.

Congress must make education, children and the nation's future our first priority. Only a greater investment will expand educational opportunities and provide the economic growth needed to reduce the deficit and ensure the well being of our nation.

Congress has one last chance to save education.

(approx. 300 words)

LAST CHANCE FOR EDUCATION

SAMPLE OPINION EDITORIAL

The Education Earthquake
by _____

Members of Congress keep telling us they were elected with a mandate to "shake things up in Washington." Maybe so. But the dangerous cuts they're proposing to our education system are creating a veritable earthquake, one whose aftershocks will be felt for generations to come.

Balancing the federal budget should be a top priority for this Congress. The question is how best to achieve that goal. Balancing the budget on the backs of America's 50 million schoolchildren is shortsighted. Over the next seven years, Congress wants to cut more than \$30 billion from the education and training budget. But what does that really mean?

It means taking away basic skills. Congress is proposing to reduce basic skills funding by more than \$1 billion in 1996. This will cut off more than 1.1 million children from the extra teaching they need to develop basic reading, writing and math skills. As a result, one out of every six children now getting basic skills help will be cut adrift.

It means jeopardizing school safety. At a time when new national surveys show an increase in drug use by students and when an estimated 135,000 children bring guns to school every day, Congress proposes to gut the Safe and Drug-Free Schools Act. The proposed cut for 1996 alone is a whopping 60 percent. This dramatic reduction would deprive more than 39 million students of these services next year.

It means denying our children future opportunities. Congress is attacking students' opportunity of attending college by proposing cuts in the Pell Grant program, cutting off grants to 280,000 students in 1996 alone. The budget proposals will also boost the cost of a college education for millions of students. Five million students will pay as much as \$9,000 more for college loans.

Here in _____, that translates into _____ fewer children in Head Start, _____ fewer students receiving help with basic skills, _____ school districts losing funds for Safe and Drug-Free schools, and college students denied Pell Grants. (insert local statistics)

It is inconceivable that our elected officials could be so blind to the effects of chopping the education budget in such a haphazard manner. Yes, we must balance the federal budget, but we as a nation also have other long-term goals. Our focus on the economic future is meaningless if we do not also provide today's younger generations with the skills and knowledge necessary to make that future worthwhile.

Poll after poll shows that education is the number one issue facing our country. Overwhelming numbers of Americans want to see our education budget increased, not gutted. They want more students to go to college, to be healthy, and ready to learn when they start school.

Look at the numbers:

- When asked how the federal government should spend money on research and development, 90 percent of those asked agreed that improving education so all kids will learn and be productive should be our top goal. Importantly, the respondents in this poll were evenly divided between Republicans and Democrats. (Public Opinion Strategies, July 1995)
- Additionally, 76 percent of Americans oppose reducing federal funding for low income school districts, 77 percent oppose discontinuing the summer jobs program for youths, and 65 percent oppose eliminating the National Service Corps, which gives young people money for college tuition in return for volunteer service. (Times Mirror Center, August 1995)

Clearly, education funding is one issue on which Congress and the American people are heading in opposite directions. For a group swept into office because they tapped into the pulse of the electorate, these leaders are way off base.

The sudden destruction of an earthquake is terrifying. But, worse yet is the devastation it leaves behind. The approaching debacle in education funding will leave rubble in its wake for years to come, driving the U.S. further behind our competitors and making it nearly impossible to catch up.

Please let CEF know where you have placed the opinion editorial

**LAST CHANCE
FOR EDUCATION**

SAMPLE INVITATION TO MEMBER OF CONGRESS (K-12)

November 1995

Dear (Representative) (Senator):

I would like to invite you to visit my school at your earliest opportunity. I read in the newspapers about the claim that federal education programs are ineffective or, even worse, counterproductive to children's needs and our nation's goals.

Please don't judge these programs on the basis of what other people say. Come see for yourself what a difference federal help makes in our community. Come meet and talk with students who get help in school lunch and Title I basic math and reading programs. Ask them if they consider federal help ineffective or inappropriate. While you're here, you can tour our computer lab made possible with Title VI or technology funds. You can talk with students about our drug education and peer mediation programs, made possible with the financial help of the federal government.

I understand that Congress is considering cuts in education programs of as much as \$4 billion. This is the wrong way to balance the budget. Education is truly an investment in our nation's economic growth and vitality.

Let us know when you will be in town. I will be happy to arrange for you to get a first-hand look at how federal help makes a real difference for the better.

Sincerely,

**LAST CHANCE
FOR EDUCATION**

SAMPLE INVITATION TO MEMBER OF CONGRESS (HIGHER ED)

November 1995

Dear (Representative) (Senator):

I would like to invite you to visit my college at your earliest opportunity. I read in the newspapers about the claim that federal education programs are ineffective or, even worse, counterproductive to academic excellence.

Please don't judge these programs on the basis of what other people say. Come see for yourself how vital federal support is to postsecondary education. Come meet and talk to students who rely on federal grants or loans to get access to college. Find out first-hand what their options would be if federal assistance were diminished.

While you are here, you can tour our campus and find out where federal funds are being used to provide technology and information that make our college a part of the 21st century. Without federal support for computer links, for example, students would be hampered by having access to only as much information as can be readily stored on campus.

I understand that Congress is considering cuts in education programs and student loan assistance of more than \$30 billion over seven years. This is the wrong way to balance the federal budget. Education is truly an investment in our nation's economic growth and vitality.

Let us know when you will be in town. I will be happy to arrange for you to tour our campus and talk with students and faculty.

Sincerely,

**LAST CHANCE
FOR EDUCATION**

Commitment Form

YES, I want to help!

I will:

- ☐ Write my Representative and Senators.
- ☐ Write a letter to the editor.
- ☐ Speak out about the federal investment in education.
- ☐ Invite my Representative and Senators to visit my school or college.
- ☐ Attend a town hall meeting or host an education forum.
- ☐ Visit my Member of Congress.
- ☐ Participate in National Call-in Day on November 29th.

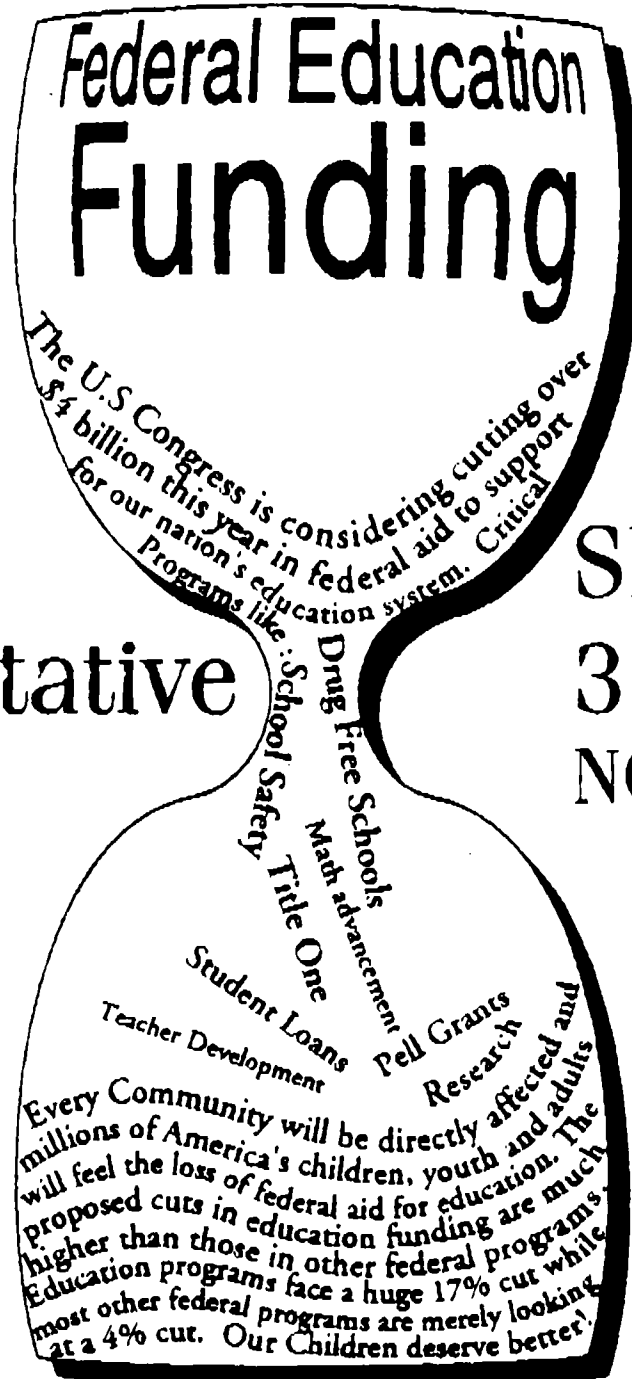
Name _____

Address _____

Phone _____

Return to your national organization.

Time is Running Out FOR



Call Your
Representative
And

Senators

(202) 225-3121

or

(202) 224-3121

SET ASIDE
3 MINUTES
NOVEMBER 29

National Education Call-In Day Wednesday November 29, 1995

TELL YOUR MEMBER THAT CONGRESS IS MAKING THE WRONG CHOICES TO BALANCE THE BUDGET. DON'T CUT EDUCATION. INVEST IN EDUCATION TO SECURE AMERICA'S FUTURE!

Copy DPL STAFF

THE WHITE HOUSE
WASHINGTON

September 21, 1995

Honorable Newt Gingrich
Speaker
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

At last week's White House meeting with the joint leadership, President Clinton expressed his desire to avoid a shutdown of government if Congress does not complete its work on the fiscal 1996 appropriations bills by the October 1 deadline. He was gratified that the leadership expressed willingness to work with him on a continuing resolution that would prevent a shutdown.

We remain committed to working with you. Consequently, I was disappointed that I had to read in the newspaper this morning about your proposal for a continuing resolution instead of hearing it from you directly. I am encouraged, however, that you and the Republican leadership are focusing on this issue. With that in mind, I want to state clearly the Administration's position when it comes to a short-term continuing resolution.

Presuming that Congress will not finish its work on time, the President wants to sign a short-term continuing resolution that is "clean" -- free of legislative language -- and that does not prejudice the outcome on unfinished appropriations. We are pleased that you plan a clean bill, but disturbed by the spending formula that you want to impose. You apparently want to provide programs with the lowest of the House-proposed, Senate-proposed, or enacted 1995 levels of funding, while providing minimal funding for programs that would otherwise receive nothing. Such a formula would, indeed, bias spending decisions against the President's priorities, particularly because the Republican majority has targeted key presidential priorities, such as education and the environment, for elimination or deep cuts.

For purposes of the continuing resolution only, the President would accept the savings level established by the 602 (a) allocation for discretionary spending in the Congressional Budget Resolution, but he wants an across-the-board formula for spending levels that treats programs equally, leaving final judgments about specific spending levels and priorities to each of the 13 appropriations bills.

That is a formula that makes sense. It accepts, for purposes of the continuing resolution, the overall level of discretionary spending that you proposed in your budget resolution. But it does

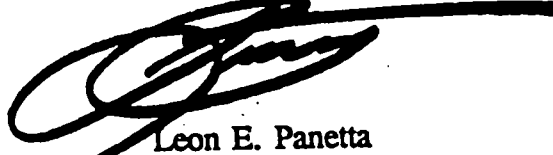
Honorable Newt Gingrich
September 21, 1995
Page 2

does not lean towards anyone's specific priorities -- those of the Congress or those of the President.

Finally, the President would prefer a short continuing resolution. You have proposed one that lasts some six weeks. We believe Congress should be able to complete its work more quickly.

Again, we pledge to work with you on a fair short-term continuing resolution that will avoid a shutdown and give Congress time to complete the work that remains on appropriations bills.

Sincerely,

A handwritten signature in black ink, appearing to be "Leon E. Panetta", with a long horizontal flourish extending to the right.

Leon E. Panetta
Chief of Staff

Identical letters sent to Honorable Bob Dole, Bob Livingston, Mark Hatfield

FISCAL YEAR 1996 DEPARTMENT OF EDUCATION BUDGET

Impact of Senate Appropriations Committee Action

Overall Department Budget: The Senate Appropriations Subcommittee would reduce 1996 total discretionary funding for Department of Education programs to \$22.3 billion. This amount is \$2.2 billion, or 9 percent, below the 1995 post-rescission level of \$24.5 billion; and \$3.8 billion, or 15 percent, below the President's budget request. The Senate level would severely limit effective Federal support for improving academic achievement, creating safer school environments, and bringing innovative technology into the Nation's classrooms.

Goals 2000: The Senate bill would provide \$310 million for Goals 2000, a reduction of \$62 million, or 17 percent, from the 1995 level and 60 percent less than the \$750 million requested by the President for 1996. The Senate level includes \$300 million for State Grants and \$10 million for Parental Assistance Centers. The Senate bill would terminate funding to 1,600 of the 9,000 schools participating this year — just as States and communities have completed their planning and begun to implement comprehensive reforms based on their own high academic standards — while the President's proposal would have extended funding to a additional 8,000 schools, for a total of 17,000 participating schools. In addition, the Senate proposes not to fund Goals 2000 National Programs, which support essential research, evaluation, demonstration, and technical assistance activities that help States and communities carry out effective reform.

Title I Education for Disadvantaged Students: The Senate would cut funding for LEA Grants by \$679 million, or 10 percent, denying assistance that would help about 650,000 disadvantaged children achieve to high academic standards. The Senate also rejected the President's proposal to target Title I funds more precisely on schools and communities with the greatest need.

Safe and Drug-Free Schools: The Senate bill would slash by nearly 60 percent funding for school-based drug and violence prevention efforts currently serving about 39 million students in 97 percent of the Nation's school districts. Further, the bill would eliminate all support for national dissemination, demonstration, and innovation efforts — which have produced educational and informational materials that are extremely popular with educators and parents — as well as all funding for prevention efforts at colleges and universities.

Page 2 - Senate Education Budget

Educational Technology: The Senate would provide only \$15 million of the \$50 million requested for the K-12 Technology Learning Challenge, denying at least 14 communities the opportunity to form partnerships with business and higher education to develop new and effective applications of technology in schools. In addition, the Senate failed to fund the \$20 million Adult Technology Learning Challenge, which would mobilize businesses, schools, and others in 20 communities to develop innovative approaches to using technology for adult education.

Bilingual Education: The Senate bill would reduce funding for Instructional Services by \$9.4 million, or 8 percent, from a 1995 level already hit hard by a 25 percent rescission earlier this year. The Senate bill would support 303 fewer local projects, serving 254,000 fewer children, than would be the case under the President's budget. Moreover, a 40-percent reduction for Professional Development would undermine the Federal effort to help ensure that an adequate, well-trained teaching force is available to educate limited English proficient children. Finally, the bill would terminate the Department's research, evaluation, and dissemination efforts.

School-to-Work Opportunities: The Senate would hold this program to the 1995 level of \$122.5 million, stalling school-to-work efforts after just 27 States have received support to start implementing their school-to-work systems. Under the President's budget, with combined funds from ED and DOL, 15 additional States would begin receiving their 5-year implementation grants.

Vocational Education: The Senate would cut Basic Grant funding from the 1995 level by nearly \$83 million, or 9 percent, denying assistance needed by communities and States to prepare youth and adults to pursue productive careers in a changing economy.



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

THE DIRECTOR

September 19, 1995

Honorable William F. Goodling
Chairman
House Economic and Education
Opportunities Committee
U.S. House of Representatives
2181 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Goodling:

The President asked me to respond to your September 12 letter, in which you objected to the way he had characterized Republican plans to make savings in the student loan programs. I am pleased to do so.

I believe that the President's statements were correct, based on oral and written statements that were made by Republican leaders, including yourself.

One of the savings proposed in your letter is to eliminate the Direct Student Loan program to save \$1.5 billion. We strongly disagree with this policy. Direct lending works. Some 1,300 schools are already in the program and hundreds more have already filed applications for the school year beginning July 1, 1996. Students and school administrators in the program are near-unanimous in their preference for direct lending.

The Education Department estimates that at least \$1 billion of this \$1.5 billion in savings that is attributable to direct lending comes not from the repeal, but from simultaneously cutting funds available to monitor all student loan programs -- a move that would put students at considerable risk in both loan programs. As the General Accounting Office has repeatedly observed, there are significant problems in the guaranteed loan program. This is due to its near-unmanageable statutory structure. Constant Federal oversight is essential.

The remainder of the \$1.5 billion occurs under the special scoring rule for direct loans which the Budget Resolution directs the Congressional Budget Office (CBO) to use. This directive addressed the way the Federal Credit Reform Act (FCRA) requires the government to score the budgetary consequences of credit programs. That Act, which predated the enactment of direct lending, treats Federal administrative costs differently from other costs. Most, but not all, administrative costs in guaranteed lending are in the form of mandatory payments to banks, guaranty agencies and secondary markets. The FCRA

includes these costs on a net present value basis on the guaranteed loan program subsidy.

In contrast, direct lending administration is primarily by Federal contract, so that taxpayers get the benefit of the lowest cost possible each year. The FCRA scores these costs outside of the direct lending subsidy. The combination of the structure of the two programs and the workings of the FCRA results in scoring direct lending as substantially less expensive than guaranteed lending.

The Budget Resolution instructed CBO to move scoring toward a more "level playing field" by scoring Federal administration in a manner similar to mandatory payments for administration in guaranteed lending. Unfortunately, the directive stopped there, and did not apply to same treatment to the remaining administrative costs of guaranteed lending. This results in artificially lower costs for guaranteed lending.

This Administration would be glad to join the Congress in a scoring rule change to level the playing field for student loan programs so that the administrative costs of both programs are treated in the identical manner. By doing this, we can take this technical scoring debate off the table, and debate the real benefits and costs of the two approaches to student loans.

When we look fairly at the two programs, we see that each provides loan capital to students, but the Direct Loan program does so with far greater ease of administration and far less complexity, and with additional benefits to students through flexible repayment options. Students get their funds with less government red tape, schools get simple administration and low administrative costs, students get better ways to pay their loans, and thousands of intermediaries and attendant complexities are eliminated. Under direct lending, banks, guaranty agencies, and secondary markets lose the billions they have been receiving from Federal subsidies and from excessive charges to students. Advances in technology have made direct lending the better deal for the taxpayer, without regard to technical scoring issues. That is what the public should hear in this debate.

In examining the remaining proposals you outlined, this Administration welcomes your willingness to take billions of dollars out of the excess profits of the guaranteed loan program, and will support your efforts to reduce federal costs. We further welcome your willingness to set aside most of your earlier plans to eliminate in-school interest subsidies for poor students. But we will oppose proposals that will eliminate or cap direct lending, or increase student costs for their loans.

With level playing field scoring, your proposals for eliminating profits from the guaranteed loan industry and a

reasonable phase in path for direct lending, I can foresee the basis of an agreement that will result in reasonable levels of savings from the loan programs without hurting students.

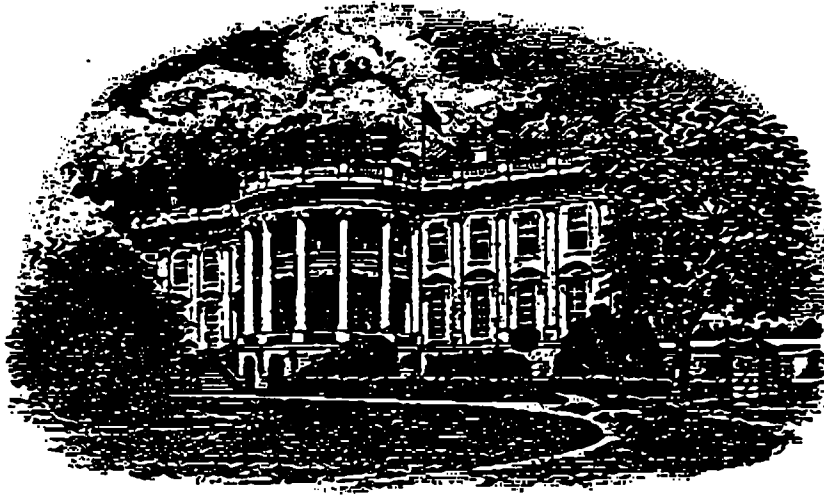
The Administration looks forward to working with you in the weeks ahead.

Sincerely,

A handwritten signature in black ink, appearing to read "Alice M. Rivlin", with a stylized, looping flourish at the end.

Alice M. Rivlin
Director

Similar Letters Sent to Honorable McKeon
and Honorable Boehner

EXECUTIVE OFFICE OF THE PRESIDENT**Office of Management and Budget****FAX TRANSMITTAL COVER SHEET**Number of pages (including cover sheet) 4Date: 9-26-95To: Raymond (Mc) CoenFax No. 6 7028 Voice No. _____Comments: Let me know if this
is not what you need!From: Rob Warren

Fax No.: 202-395-5730

Voice No. 202-395-4844



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

September 19, 1995

Honorable William F. Goodling
Chairman
House Economic and Education
Opportunities Committee
U.S. House of Representatives
2181 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Goodling:

The President asked me to respond to your September 12 letter, in which you objected to the way he had characterized Republican plans to make savings in the student loan programs. I am pleased to do so.

I believe that the President's statements were correct, based on oral and written statements that were made by Republican leaders, including yourself.

One of the savings proposed in your letter is to eliminate the Direct Student Loan program to save \$1.5 billion. We strongly disagree with this policy. Direct lending works. Some 1,300 schools are already in the program and hundreds more have already filed applications for the school year beginning July 1, 1996. Students and school administrators in the program are near-unanimous in their preference for direct lending.

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Sincerely,

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Alice M. Rivlin
Director

Similar Letters Sent to Honorable McKeon
and Honorable Boehner

United States Student Association

"Organizing and Advocating for Student Across the Country"

For Immediate Release
September 25, 1995

Contact:
Kellye McIntosh
202/347-8772

•••PRESS RELEASE•••

Student Aid: An Issues of Priorities

WASHINGTON, DC- This week the Senate Labor & Human Resources Committee will continue to deliberate a reconciliation package that pushes over \$7.6 billion in budget cuts to college students and allows the multi-billion dollar loan industry to escape the mighty budget ax virtually unscathed. The main issues of concern to students include a 0.85% tax on institutions based on their total student loan volume, a twenty percent cap on the Direct Lending program, and elimination of the Stafford Loan six month grace period.

Students say that the issue is simply one of priorities. Currently, seventy percent of the cuts proposed by the committee are targeted at low income students and their families. At the same time, the student loan industry, which profits from student borrowing are working to protect their interest by killing the direct lending program. The United States Student Association, representing millions of students across the country, maintains the position that Congress should not direct any cuts towards financially strapped students in its efforts to meet the reconciliation instructions.

USSA President Jeannette Galanis says, "Students around the country are watching to see if Congress will use their leadership to ensure that our nation's budget priorities include ensuring access to education for all people or the protection of wealthy business interest."

The United States Student Association (USSA) is the country's oldest and largest national student organization, representing millions of students across the country. Founded in 1947, USSA is the only national student organization in Washington, DC and is the student voice on Capitol Hill, in the White House, and in the Department of Education. USSA advocates for student interests by tracking and lobbying on federal legislation and policy and by voicing student concerns on issues affecting access to education. USSA has registered over a quarter of a million students to vote since 1992.

EDUCATION ALERT



INVESTING IN EDUCATION AND TRAINING VS. CUTTING EDUCATION AND TRAINING

INVESTMENTS	PRESIDENT CLINTON'S BALANCED BUDGET	REPUBLICAN CUTS
PELL GRANTS for Eligible Students	- Increases maximum award to record \$2,620, reaching 200,000 more students next year. - Assistance for 800,000 more students by 2002.	- Sets maximum award at \$2,440. <u>Eliminates</u> eligibility for 360,000 students.
STUDENT LOANS	Retains federal interest subsidies and six month grace period after graduation for loans to all eligible students.	Could raise the costs of college loans by as much as \$3,100 for undergraduates and as much as \$9,400 for graduate students.
DIRECT LENDING Student Loan Reform	Expands lending program which is already saving taxpayers \$6.8 billion; lowers interest rates for students; and allows for flexible repayment plans.	- Could <u>eliminate</u> program. - Could prevent all interested schools from participating in the program.
NATIONAL SERVICE AmeriCorps	- Increases funding by \$345 million next year. - Nearly 50,000 community service and college aid opportunities next year.	<u>Eliminates</u> 50,000 AmeriCorps opportunities next year. <u>Eliminates</u> more than 4 million other service opportunities over 7 years.
HEAD START	- Increases funding by \$400 million, adding 32,000 new Head Start children next year. - Services for 50,000 more children by 2002.	- Funds Head Start \$500 million less than the President's request. - Up to 230,000 children would be denied Head Start in 2002.
GOALS 2000 School Reform	- Increases funding to \$750 million next year, enabling communities to help all children meet higher standards. - Helps states reform education for more than 8 million children in 17,000 schools next year.	<u>Eliminated.</u>
SAFE AND DRUG-FREE SCHOOLS	- Funds at \$500 million per year. - Safer, more drug-free learning environments for 39 million children in 14,575 out of 15,000 school districts.	- Cuts program by 60% to \$200 million. - Deprives over 23 million students of services next year.
TITLE I Improving Basic and Advanced Skills	Increases funding by \$300 million, reducing class size, and helping as many as 300,000 more children master basic and advanced skills next year.	Reduces funding by \$1.1 billion, denying learning opportunities for 1.1 million children next year.
SUMMER JOBS	Funds 615,000 jobs for young people next year.	<u>Eliminates</u> job opportunities for almost 4 million youth over the next 7 years.
JOB TRAINING	- Increases funding by \$2 billion by 2002. 800,000 Skill Grant recipients next year.	- Cuts funding by \$1.4 billion. - No training opportunities for over 500,000 dislocated workers and 84,000 adults next year.
ALL EDUCATION AND TRAINING	<u>INCREASES</u> EDUCATION, TRAINING, AND AID TO STUDENTS BY \$40 BILLION WHILE BALANCING THE BUDGET IN 10 YEARS.	<u>CUTS</u> EDUCATION AND TRAINING BY \$36 BILLION INCLUDING \$10 BILLION IN LOAN BENEFITS TO STUDENTS WHILE BALANCING THE BUDGET IN 7 YEARS.

**House
REPUBLICAN
Conference**

Issue Brief

JOHN BOEHNER
Chairman
8th District, Ohio

September 11, 1995

BIG LIE ON CAMPUS

Without a plan to balance the budget, save Medicare, or reform welfare, Democrats launch student loan scare campaign

Republicans in Congress have a mission: We are working to balance the federal budget, reform welfare, and save Medicare from bankruptcy. This bold agenda represents change that Washington hasn't seen in a generation. This agenda also, according to recent polls, enjoys the overwhelming support of the American people.¹ In the face of this popular challenge to the status quo, President Clinton and his Democrat allies are again attempting to distract the American people with scare tactics and outright falsehoods. We've seen this before: First it was school kids; then it was seniors; now they have decided to target college students and their families. Democrats, instead of working with Republicans to craft a plan to save student loans and the rest of the federal government from bankruptcy, have decided to play cheap politics and distort the truth about efforts now underway to balance the budget.

Below is a list of facts that should provide a balanced picture of what Republicans are (and Democrats aren't) doing to save student loans – and our entire federal government – from bankruptcy. If there is a claim by a Democrat official or their surrogate not addressed in this paper, please call John Czwartacki with the House Republican Conference (202/225-5107) for an appropriate – and factual – rebuttal.

THE GOP PLAN

**FACTS ABOUT REPUBLICAN PLANS TO BALANCE THE BUDGET
AND SAVE STUDENT LOANS**

FACT: STUDENT LOANS ARE INCREASED

Congress' balanced budget proposal does not cut a single student loan. In fact, under the GOP plan to balance the budget and save student loans, more loans will be available next year than ever in the history of the program – rising from 6.6 million loans in 1995 to 7.1

million in 1996.² In addition, funding for student loans will increase 50 percent over the next seven years – from \$24 billion today to \$36 billion in 2002.³

FACT: IN-SCHOOL INTEREST SUBSIDY REMAINS

Congress' balanced budget proposal does not eliminate – as has been claimed by the White House chief of staff⁴ – the in-school interest subsidy for students. Period. Perhaps Mr. Panetta was thinking of his Budget Director Alice Rivlin's recommendation in 1994 to eliminate the in-school subsidy.⁵

FACT: LOAN FEES ARE NOT INCREASED

Congress' balanced budget proposal does not increase – as the president's chief of staff has also stated⁶ – loan origination fees. One thing is clear, this White House will not let facts stand in the way of scaring the American people.

FACT: GOP FUNDS BIGGEST PELL GRANT AWARD

Congress' balanced budget proposal **INCREASES** the maximum Pell Grant award to \$2,440 per student – its highest level in the history of the program.⁷

FACT: SIX-MONTH GRACE PERIOD REMAINS

Congress' balanced budget proposal preserves the post-college six-month grace period. The only proposed change would ask these graduates to pay the interest that accumulates during this period. This would be repaid over the span of the loan and only after the grace period expires. This adjustment will not make a single loan applicant ineligible for a loan; will only cost these college graduates at most an average of \$9 per month; and will save the taxpayers – both college grads and non-college grads alike – \$3.5 billion.⁸

FACT: PERKINS LOANS TOTAL \$6 BILLION

Congress' balanced budget proposal accepts the recommendation of President Clinton's 1995 budget and did not add any new funds into the \$6 billion Perkins Loan account. As the Administration explained, *"the current student loan programs, together with new Perkins Loans funded from existing revolving funds will provide adequate sources of capital for new student borrowing."*⁹

FACT: STUDENT AID IS NOT CUT

Congress' balanced budget proposal maintains the FY1995 funding levels for a variety of programs.¹⁰ Among these programs are:

- **College Work Study** - The College Work Study program is fully funded at its current level of \$617 million.
- **Supplemental Education Opportunity Grants** - The Supplemental Education Opportunity Grants are fully funded at the current level of \$583 million.
- **TRIO** - The TRIO program, which benefits minority and disadvantaged students, is fully funded at its current level of \$463 million.

SEP 11 '95 02:29PM

P. 4

09/10/95

PLEASE DELIVER TO: J. C. Watts

- **Historically Black Colleges** - The historically black colleges program is fully funded at the current level of \$100 million.
- **Historically Black Graduate Institutions** - The historically black graduate institutions program is fully funded at the current level of \$29.6 million.

PRESIDENT CLINTON'S PLAN

FACTS ABOUT DEMOCRAT PLANS TO INCREASE THE NATION'S DEBT AND HAVE THE FEDERAL GOVERNMENT TAKE OVER STUDENT LOANS

FACT: CLINTON STAGES TAKE-OVER OF LOAN PROGRAM

The Clinton Administration and the last Democrat Congress began a federal takeover of student loans with a program called Direct Student Loan Program. Through this program, Clinton will replace the current privatized system, known as the Guaranteed Student Loan Program, by expanding the current federal education bureaucracy. In other words, President Clinton thinks that the federal government can better act as a bank for student loans than private financial institutions – and would make the Department of Education the biggest lending bank in America. This is just one more example of the Clinton Democrats' approach to most issues facing Americans today – the bigger the government bureaucracy, the better.

FACT: CLINTON'S DIRECT LENDING PROGRAM COSTS TAXPAYERS AN ADDITIONAL \$1.5 BILLION

President Clinton continues to claim that the Direct Student Loan Program saves the taxpayers \$5.2 billion. This claim is contrary to two independent studies of the program. The Congressional Research Service and the Congressional Budget Office (CBO) have each found that Direct Lending is a money loser for the taxpayer.¹¹ CBO, in a study released in July 1995, indicates a loss to the taxpayers of \$1.5 billion over the next seven years.¹²

FACT: DIRECT LENDING COST HURTS OTHER STUDENT AID

Direct lending is such a bad idea that even members of the president's own party point out its flaws. Not only will it cost the taxpayer a billion-and-a-half dollars, it will force cuts to other student programs, according to four leading House Democrats. In a "Dear Colleague" letter, these four Democrats write: "...the direct loan program's higher cost could actually take away funding for other types of student assistance."¹³

FACT: CLINTON HAS NO PLAN TO BALANCE BUDGET

Despite his claims to the contrary, the "Balanced Budget" plan released by the president in June does not balance the budget in 10 years. In fact, it never balances the budget. This according to the agency Clinton himself called "closer to right" than any other – the Congressional Budget Office (CBO).¹⁴ Beyond providing budget numbers that don't add up, the president failed to release any specific policy plan on how to balance the budget. All the American people received were 15 pages of "talking points," big charts, and no details on how we can save this country from bankruptcy.¹⁵

SEP 11 '95 02:30PM

09/18/95

PLEASE DELIVER TO: J. C. Watts

FACTS ABOUT A BALANCED BUDGET

SOME FACTS ABOUT THE FEDERAL DEBT AND WHAT THE REPUBLICAN BALANCED BUDGET WILL MEAN TO STUDENTS, AND ALL AMERICANS

If we don't balance the budget...

...In less than two years we will pay more for interest on the national debt alone than we will for our entire nation's defense.

...Before a child born today graduates from high school, she will live in a country where every dollar in taxes paid by every American will be needed just to pay for entitlements and interest on the debt. That means: no money for student loans, roads, bridges, the national defense, school lunches, or countless other programs.

...A child born today will pay, over her lifetime, \$187,150 just for her share of the interest payments on the federal debt.

If we enact a balanced budget...

...Interest rates for borrowed money will decrease by at least 2%.

...A student who originally borrows \$11,000 for college at 8% could see the cost of that loan decrease by \$2,187.

...A working mother who originally borrows \$15,000 at 9.75% for a car will see the cost of that car reduced by \$3,624.

...A family who originally borrows \$75,000 at 8.75% on a 30 year home mortgage will save \$1,248 - each year!

¹ Gallop for CNN/USA Today, 8/28-30 Congress should... Balance the budget - 88%; Save Medicare - 61%; Reform Welfare - 88%

² Source: House Economic and Educational Opportunities Committee, Aug. , 1995

³ Source: House-Senate FY1996 Budget Resolution

⁴ Panetta, Leon. White House Chief of Staff "Dear editor" letter dated Sept. 4, 1995

⁵ Rivlin, Alice. "Big Choices" Memorandum, Oct. 1, 1994

⁶ Panetta letter, Sept. 4, 1995

⁷ Source: House Economic and Educational Opportunities Committee, Aug. , 1995

⁸ Source: House Economic and Educational Opportunities Committee, Aug. , 1995

⁹ Budget of the United States Government, Fiscal Year 1995

¹⁰ Source: House Economic and Educational Opportunities Committee, Aug. , 1995

¹¹ Source: Congressional Research Service. "Critique of the Administration's estimated savings from direct lending for student loans." April 29, 1995

¹² Source: Congressional Budget Office. letter and analysis to Chairman William F. Goodling. July 26, 1995

¹³ Reps. Gordon, Pomeroy, Peterson, Stenholm. "Direct lending at all costs?" Dear Colleague letter received Aug. 1995 (letter undated)

¹⁴ Clinton, Bill. Speech to a Joint Session of Congress, Feb. 17, 1993.

¹⁵ "The President's Economic Plan: A Balanced Budget that Puts People First" June 13, 1995.

6 6210

MAJORITY MEMBERS:
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CHAIRMAN

E. PETER W. BRIDGES
NEW JERSEY
JAMES H. BRIDGES
NORTH CAROLINA
CASE BALLENGER
NORTH CAROLINA
BILL BARTETT
MISSISSIPPI
FRANK "DART" CUNNINGHAM
CALIFORNIA
PETER HENNINGSEN
MISSISSIPPI
HOWARD P. "BUCK" MERRILL
CALIFORNIA
MICHAEL N. CHETLE
DELAWARE
JAN MYERS
KANSAS
SAM JOHNSON
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MISSOURI

COMMITTEE ON ECONOMIC AND EDUCATIONAL OPPORTUNITIES

U.S. HOUSE OF REPRESENTATIVES

2101 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-8100

September 12, 1995

Sensitive Letter

OMB

Tennie

President Bill Clinton
The White House
Washington, DC

Dear Mr. President:

We the undersigned wish to express to you our shock and dismay at your presentation yesterday to more than 50 college campuses, where you blatantly misrepresented the details of the Republican plan to balance the budget — specifically with regard to student loans.

The partisan tone of your rhetoric and the misleading of countless of students and parents about student loans serves no useful purpose except to scare Americans into maintaining the status quo and allowing Washington to run this nation further into debt.

We are urging you to publicly apologize to the American people for misinforming them about Republican student loan proposals, and use the Presidential public relations mechanisms at your disposal to rectify this unfortunate situation. As you are well aware, the Republican proposals soon to be voted on in the House Economic and Educational Opportunities Committee and in the full House are as follows:

- Republicans are preserving the inschool interest subsidy for undergraduate and graduate students (its elimination was recommended by your Budget Director, Alice Rivlin in her suggestions as to how to balance the budget). We plan to eliminate only the interest subsidy for the six month grace period following graduation, during which time no payments are made. The grace period will remain intact, but the borrower will repay the interest accrued during that six month period when payments begin, adding only about \$4 to the monthly loan payment.
- Republicans are asking the private lenders to carry much of the burden for reforms in the loan program in order to achieve a balanced budget in seven years. In fact, reforms to the student loan industry will save the taxpayers nearly \$5 billion.
- We will eliminate your Direct Student Loan program in order to save the American taxpayers more than \$1.5 billion over seven years, according to Congressional Budget Office calculations.

AFT

- We will not increase the origination loan fee paid by students, nor will we increase the interest rates on loans for students.
- We do not take away the interest rate reduction students are to receive for new loans effective July, 1998.
- We keep your Presidential Budget (FY 95) proposal on Perkins Loans -- a revolving fund that perpetuates itself -- adding no new funds, and therefore encouraging lower default rates by tougher collection measures.
- Pell Grant awards will be the largest in history in 1996, and the Supplemental Educational Opportunity Grant Program (SEOG) and Work Study program will be funded at last year's level with no cuts.

Republicans believe the single most important issue facing young Americans is the skyrocketing national debt that threatens the future of our country, and that balancing the federal budget may be the single most important thing we can do for our children.

It is a great disservice to this country to use the Presidency to spread misinformation and partisan propaganda and we strongly encourage you to set the record straight on Republican student loan proposals. Americans should not erroneously be led to believe by their President that a balanced budget can only be achieved through great sacrifice and pain. While it may certainly be embarrassing to Democrats that Republicans are willing and able to deliver a balanced budget to the American people by making a few sound, reasonable, and relatively painless reforms, we strongly recommend that you resist the inclination to resort to misinforming them for purely political reasons.

Again, we ask that you publicly apologize for misleading the American public immediately, and provide the truth about the Republican student loan proposals.

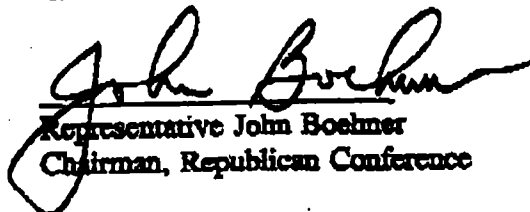
Sincerely,



Representative Bill Goodling
Chairman, House Economic and
Educational Opportunities Committee

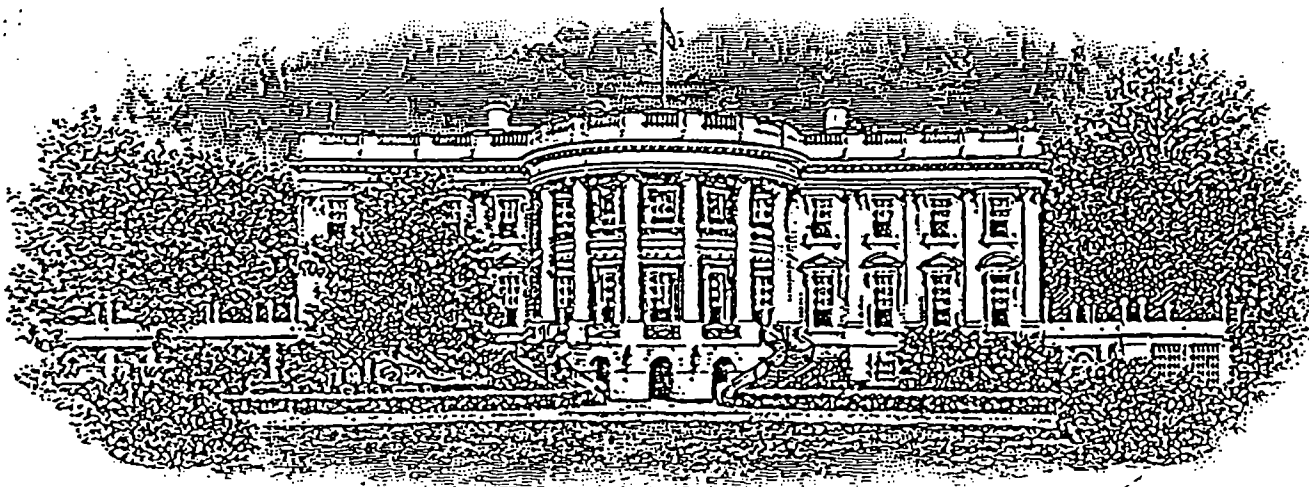


Representative "Buck" McKeon
Chairman, Subcommittee on Postsecondary
Education and Training



Representative John Boehner
Chairman, Republican Conference

The White House



DOMESTIC POLICY

FACSIMILE TRANSMISSION COVER SHEET

TO: M.C. Glyn

FAX NUMBER: 6-6210

TELEPHONE NUMBER: _____

FROM: Caro MCo

TELEPHONE NUMBER: _____

PAGES (INCLUDING COVER): _____

COMMENTS: Per our discussion. Hope MCo is useful.

THE WHITE HOUSE

WASHINGTON

September 4, 1995

Dear Editor:

As students, teachers, and administrators return to schools all over the country, I want to remind you of a critical battle that will take place this fall in Washington over the issue of education. To put it bluntly, our educators, students, and parents need to be aware that our nation's investments in education -- in our children's future -- are under direct attack by the Republican majority in the House.

The President is firmly committed to a comprehensive economic policy based on balancing the budget, reducing trade barriers worldwide, and creating jobs here at home. But he is convinced that to strengthen families, expand our economy, and raise the living standards for the American people, nothing is more critical to our nation's future than ensuring that all Americans have the education and skills they need.

Education has become the fundamental fault-line in the standard of living for American families. Many Americans have seen their incomes stagnate over the last 15 years; the real income of the typical family has actually declined. Yet those with the most education and training have bucked the trend. Today, the typical college graduate earns 74 percent more than a worker with only a high school degree. Studies also show that for every year of training a person gets after high school, his or her earnings rise by 6 to 12 percent. Education is the key to growth in our economy, in wages, and in our standard of living.

To allow individuals to make the most of their lives, and to provide every American the chance to realize the American Dream, the President has been fighting for better education and training, by investing in Head Start and Safe and Drug-Free Schools, by providing resources to train teachers and raise school standards, and by improving the student loan program. During the last Congress, Republicans and Democrats together enacted a historic series of initiatives to assist families, communities, schools and colleges to expand educational opportunity in America.

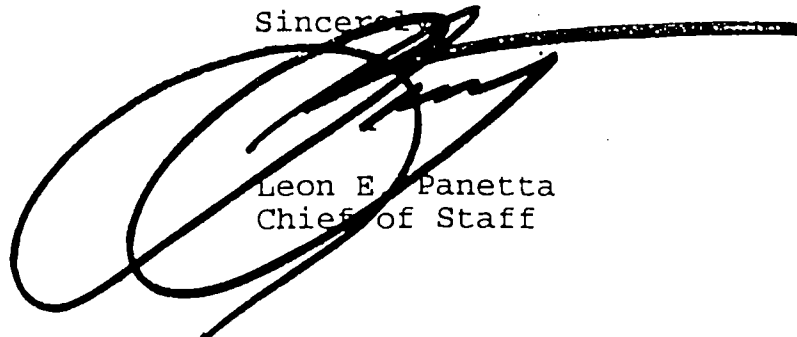
President Clinton has proposed to balance the budget over the next ten years. He would do so by cutting wasteful spending, streamlining programs, and ending unneeded subsidies. Yet he would preserve and increase investment in education by \$40 billion over the next seven years; protect Medicaid, Medicare and the environment; and provide for a targeted tax cut that would help middle-income Americans raise their children, save for the future and pay for post-secondary education.

By contrast, there are proposals in Congress threatening to--
cut \$36 billion from education and training to help them balance
the budget in seven years and provide a huge tax cut to those who
need it least. They have proposed: slashing investments in Head
Start; abolishing the Goals 2000 school reforms; cutting crucial
assistance to students from disadvantaged backgrounds; abolishing
the Technology Learning Challenge, which leverages private money
for technology in schools and communities; cutting funding for
apprenticeship training in half; abolishing AmeriCorps - the
heart of the President's National Service program; raising
students' costs of loans by \$10 billion over seven years; halting
progress on the President's Direct Lending program; and denying
Pell Grants to 360,000 students in 1996 alone.

These latter cuts would be particularly devastating for
access to post-secondary education and training. By slashing
grants and loans, we would turn back the clock on recent
successes in expanding access, forcing some students to drop out
and denying others the opportunity to begin their education. To
achieve the level of savings they are proposing, Congress would
have to raise the costs of college education by as much as \$3,100
for undergraduates and as much as \$9,400 for graduate students.
They would not only eliminate any interest subsidy for graduate
and professional students, but also hit college students with
substantially higher fees--for example, eliminating the six-month
grace period for interest after college or raising the
origination fee that every student must pay to obtain their
loans. There are also proposals to reduce and possibly eliminate
the Direct Lending Program, preventing more schools from
participating in this initiative, which is already saving
taxpayers \$6.8 billion, lowering interest rates for students, and
allowing borrowers to choose flexible repayment arrangements.

I firmly believe that the American people want to balance
the budget and continue to increase investments in education.
The President has shown that it is possible. Nevertheless, there
are those in Congress who are determined to go forward with these
extreme cuts. The debate over this issue will be one of the most
significant in the coming months, if not years. The future of
this great nation is at stake.

Sincerely,

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Leon E. Panetta
Chief of Staff

THE WHITE HOUSE
Office of the Press Secretary
(Denver, Colorado)

For Immediate Release
September 20, 1995

REMARKS BY THE PRESIDENT
TO THE PUEBLO COLLEGE COMMUNITY

Pueblo Community College
Pueblo, Colorado

2:33 P.M. MDT

THE PRESIDENT: Thank you so much. (Applause.)

AUDIENCE: I love you --

THE PRESIDENT: I love hearing it. Thank you very much. Thank you very much. (Applause.)

Ladies and gentlemen, let me begin by thanking you all for making me feel so very welcome. Thank you, Dr. May, for opening your fine institution and for bringing all your students and a lot of the folks from the surrounding area here. Thank you, Governor Romer, for your leadership and your friendship.

Ladies and gentlemen, I had the privilege of being a governor of my home state for 12 years before I was elected President. I was never part of the Washington scene, but I knew quite a lot about what it took to be a governor. And by the time I left office most of us thought Roy Romer was probably the best governor in the United States of America, and was doing more for education than anybody else. (Applause.)

Thank you, Diana, for your introduction and for the power of your example. You and your family are the best of what this country is all about. And I came here to talk about your future and the future of all the students here and, in fact, this entire country.

I'm glad to be back in Pueblo. Anyplace where I can wear my cowboy boots and feel comfortable and has an Arkansas River is all right as far as I'm concerned. (Applause.) I also believe in community colleges. When I was a governor I helped start several. I saw it open the doors of opportunity for people

MORE

of all ages and all backgrounds. They are truly the "community colleges" -- the most open and democratic and opportunity-filled institutions in the United States today. And I know I am at a good one today and I'm proud to be here. (Applause.)

You know, our country has come a long way in over 200 years because we believe that we could always make the future, and we believe we had an obligation to try. Pueblo was established in 1862, and one of the county commission's first acts was to collect money for a school. They knew that education could be better than gold way back in 1862, and in 1995 it is more important than ever before. (Applause.)

I am here because the future of your education and those who come behind you is going to be affected by decisions which will be made in Washington, D.C. in the next two to three months. All of you know that we are in a period of great change in our country. I believe that this period will be written up by the historians as a period of most profound change in 100 years, since the time we became an industrial society from a rural and agricultural one. Today, we are becoming a global economy, an information-based, technology-based society. We know that, and we know we have to make some changes so that we will be able to benefit from all these things that are going on in the world.

We know that one of the things we have to do is to provide lifetime learning for all of our people, to give everybody the opportunity to do well. And I've worked hard at that. I want to get more kids off to a good start at school. That's why we expanded Head Start. I want higher standards -- (applause) -- I want higher standards and smaller classes and more computers and other opportunities for our school's students. That's what Governor Romer and I worked on Goals 2000 for. (Applause.)

I want more opportunities for young people who don't go on to the four-year schools to get good jobs with good prospects for the future. That's what the School-To-Work Program that your president talked about is all about. (Applause.) I want more scholarships, more opportunities for community services and more affordable loan programs for young people to go to college and for people who aren't so young to be able to go back to college. It's important. (Applause.)

Make no mistake about it, my fellow Americans: every dollar we spend investing in education has a big economic payoff not just for the people who benefit from it. Every year of education after high school today generates between six and 12 percent of higher income for the people who get it.

But it's more important than that. It gives more dignity, more meaning, more possibility to people's lives. And it makes our nation stronger. We know we must do this.

I want to ask you today to think about all the things you know are going on in your Nation's Capital and the big argument we're having over the budget in terms of this fundamental fact: We're living in a global economy; what we can learn becomes what we can earn. We have an obligation to pass on to the next generation a stronger, better America. We also have an obligation to balance the budget. That is part of passing on to the next generation a stronger, better America. (Applause.)

And so I ask you to consider this: How should we do that? That's the big question -- not whether we should, but how we should. I think we need new ideas and our old-fashioned values. We need to make decisions about this budget rooted in our devotion to freedom and responsibility; to work and to family; to giving young people a chance to do better; to fulfilling our obligations to the elderly, the disabled, and to poor children; to finding common ground instead of cheap and easy political rhetoric; and to doing the right thing for the future even if it's unpopular in the moment. We have to create the right kind of future for the United States of America. (Applause.)

We need to balance the budget. Your country never had a permanent structural deficit before 1981. In the 12 years before I moved to Washington as your President we quadrupled the national debt over the previous 200. There's no excuse for that. It's so bad now that the budget of your country would be balanced today if it weren't for the interest we pay on the debt run up in the 12 years before I took office. (Applause.)

And we have cut the deficit of your country from \$290 billion a year down to \$160 billion in just three years. And it's the first time in 45 years that we've been able to do that. (Applause.)

So the question now is, how do we go all the way? How do we balance the budget consistent with our obligations and our values? I believe that we should balance the budget in the same way I've been reducing the deficit -- by cutting other things and increasing our investment in education, because that will make us a stronger country as well. (Applause.)

You know, almost half the people at this community college have Pell Grants. I want to see more people have access to Pell Grants, so more people with modest incomes can go on to college. (Applause.) Next year the University of Southern Colorado will join so

many others around the country in participating in our Direct Student Loan Program, and this fine community college has applied to participate in it. Let me tell you what it does. The Direct Student Loan Program enables the government to get rid of all the red tape, the banks and the middle men and all the excessive costs from the student loan program, to send money directly to a school to give to the students at lower costs with better repayment terms, receiving the money more quickly.

Every school I have talked to that has participated in this program loves it because it's a lower cost for the school, lower cost for the students, and there are many more options to repay. One of the most important things about this Direct Loan Program is that a young person can repay his or her loans based on a percentage of the income they earn when they go to work. So you never need to fear that you can't afford to borrow money because you may not have a lot of money when you get out. (Applause.)

I believe in the Direct Loan Program. I believe in the Pell Grant Program. I believe in the AmeriCorps Program, the national service program which enables people to earn money for college. Here in Colorado you have young people working to keep kids out of gangs, to teach adults to read, to renovate vacant houses for working families, to clean up parks for children to play in -- and in return, earning some money to go to school.

And I also believe that we can balance the budget and have the right kind of tax cut. But I favor a smaller, more targeted tax cut for middle-income American families to educate themselves and their children and to raise their children. Let's value child-rearing and education. If we're going to have a tax cut, let's finance more people going on to school. (Applause.)

The last thing I want to say is I think we ought to have special educational opportunities for people who lose their jobs through no fault of their own. (Applause.) When I was -- 30 years ago when I was in college, eight in 10 people who were laid off from work were called back to the same old job as soon as the economy got better. Today, eight in 10 people who are laid off from work are not called back to the same old job because the economy is changing.

So I have asked this Congress to take about 70 different training programs the government has, put it into a pool of money and just simply give a voucher to a person who loses a job worth up to \$2,600 a year

to take to the local community college to get trained for a better life, a new start, a stronger beginning. (Applause..)

If we do this and balance the budget, over the next seven years 20 million more people will be eligible for lower-cost, better repayment college loans. Three million more people will get the Pell Grant scholarships that enable so many of you to be here. If we keep this commitment, we can have over 1.1 million people going on to college by the end of this decade, and we can do all that and balance the budget.

The question is, will we? The debate we're having in Washington today -- I want to emphasize again -- is not over whether to balance the budget, it's over how to balance the budget consistent with the fundamental values of this country. A majority of people in the Congress have a plan that reflects very different value choices. If their plan prevails, we won't be able to help as many poor kids get off to a good start in school; we won't even be able to keep helping as many as we are now; we won't be able to help as many schools to achieve those smaller classes and higher standards and more computers in the classrooms. And we certainly will see it become harder and more expensive to finance a college education which means not as many people will go. There will be no more AmeriCorps, no national service program. There will be over 4 million fewer people getting Pell Grants over the next seven years. The direct lending program that this school wants to get into is going to be either severely limited or abolished, and the application that you have to give all your people here a better chance to go on and succeed will never see the light of day.

Now, we learn that some in the Senate even want to charge colleges to process the government loans. The president of the University of Kansas was quoted today as saying, "That's like charging people who run grocery stores to handle food stamps. Can you believe that? They actually want to start making the community college pay just to have people here with college loans. They want to raise the interest charged to working families who take out loans to send their children to college. They also, believe it or not, want to do some other things which will dramatically undermine the ability of people to go to college and, all told -- listen to this -- all told, will cost over \$7 billion for students, their families and their schools over the next seven years.

Now, this is not about money. This is not about balancing the budget. This is about what kind of

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country we're going to be and what our obligations to each other are. They have made three value choices in Congress. They say we have to balance the budget in seven years, even if we could increase education and still balance it in eight, nine or 10 years.

Then, they say, we have to give a huge tax cut of \$250 billion, half of it going to upper-income people like me who don't need it and don't want it. But they're determined to give it anyway, even if they take it away from you and your education and your children's future. (Applause.) And, they say, that we're going to take some of this student loan money away from the students and give it back to the banks and the middlemen, even though it raises the cost of going to college, provides more paperwork headaches for the schools, delays the loans getting to the students, and robs you of the option of repaying based on a percentage of your earnings. They say these interest groups didn't like it when they lost the money, we're cutting education, but we're going to give them some of their money back.

Now, those are value judgments. This is not just about money. Our solemn obligation is to reward people who are willing to work to make the most of their own lives, to make sure that the enthusiasm these young people have shown us today becomes mirrored in brilliant, successful, happy lives that make America a stronger place and guarantees that their children will have an even better America to grow up in. That's what this is all about. (Applause.)

So I challenge Congress to work with me to find common ground -- to balance the budget without raising the cost of going to college to pay for a tax cut. It is not necessary and it is not right. It is not consistent with basic American values. We can balance the budget, cut taxes for middle-class people who need it to educate and raise their children, and still increase our investment in education. Let us do this the right way and advance what America really stands for. That's what this is all about. (Applause.)

I saw a very moving picture in the newspaper here today of the trip that President Kennedy made in 1962. He came here to honor the citizens who had built Pueblo 100 years before. And he said this: "I hope that those of us who hold positions of public responsibility in 1962 are as far-seeing about the needs of the country in 1982 and 1992 as those men and women." Well, President Kennedy's generation was. They went to the moon. They explored new frontiers of science and technology. They ensured that we would win

the Cold War. They advanced the cause of education and economic growth and world peace.

In this day and age, the popular thing to do would be just to go along with all of this because the popular thing is to tell you that your government is the cause of all your problems, all government is bad and all tax cuts are good. I know that would be popular. But, friends, almost all the money the government spends today is on medical care for the elderly and the disabled, Social Security, the national defense, interest on the debt and education and other investments in our future. I want to cut it some more. I want to get rid of some of the things we don't need. I want to balance the budget. But the popular view is not right.

Your government is you. And we better invest in your education and your future. Twenty, thirty, forty years from now the people who are sitting here on this great lawn will appreciate it if they know we balanced the budget and secured our financial future in a way that protected the educational future, the economic well-being and the fundamental values of the United States of America. Let us resolve to do that and to do it together.

Thank you, and God bless you all.
(Applause.)

END

2:53 P.M. MDT

**INVESTING IN THE FUTURE OF RURAL AMERICA VS.
CUTTING EDUCATION AND TRAINING
THE FACTS ON THE WAR ON RURAL EDUCATION**

FACT: President Clinton wants to invest in the future of Rural America by **INCREASING** funding for improving education, training, and financial aid to students while balancing the budget in 10 years. The Republican proposals **CUT** education and training, denying education and training opportunities to millions of students and increasing costs to families, many of whom live in rural areas.

GOALS 2000 --- EDUCATION QUALITY

FACT: Both the House and the Senate have approved a bill that would eliminate all funds for high poverty rural areas, depriving about 20 rural districts of at least \$9 million in funds that could be used to design and implement their own school reform plans.

IMPROVING BASIC AND ADVANCED SKILLS --- TITLE ONE

FACT: Republican cuts will deny 113,000 rural children basic and advanced skills education -- at a time when many small-town and rural schools are already having trouble making ends meet.

SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES

FACT: Republicans want to dismantle the program used by school districts to keep crime, violence, and drugs out of schools and away from students. Rural school districts, most of which have small enrollments, are likely to be disproportionately affected, because the majority of funds are allocated on a per-pupil basis.

SCHOOL-TO-WORK

FACT: House Republicans would reduce the amount of direct grants to local partnerships, depriving 25 rural areas of grants to institute school-to-work systems. Under both House and Senate proposals, no new state awards could be made.

STAR SCHOOLS

FACT: House Republicans have voted to eliminate this funding for 1996, which promotes statewide or multistate telecommunications partnerships to enhance educational opportunities for rural areas.

EISENHOWER PROFESSIONAL DEVELOPMENT

FACT: House Republicans would cut this program by 80%, severely disabling professional development for educators in rural areas. Eisenhower funds are distributed on a formula basis and due to small enrollments, most rural districts will be unable to operate effective programs.

ADULT EDUCATION AND LIFELONG LEARNING

FACT: Congressional Republicans have approved bills that would deny approximately 9,000 rural adults the adult education and literacy services they need and deserve.

Effect of Proposed FY '96 Congressional Action: Technology Challenge Grants and Rural Areas

On October 10th, the President announced the award of the first 19 challenge grants for technology in education. These grants provide funding to local school districts and their community partners to harness technology to help all students learn to challenging academic standards. Leveraging matching funds from other public and private participants (roughly three times the size of the federal investment), the grants will support the involvement of 380 local partners, including 153 school districts--**70 of which, nearly half, are rural school districts.**

The President has proposed that the Department of Education increase its commitment for this initiative from \$ 9.5 million this year to \$50 million for FY '96. This would allow as many as 40 new grants to as many as 750 new partners. **A significant portion of the new grants would likely go to rural districts which present innovative proposals for working with their partners to get technology into the classroom.** Meanwhile, the House appropriations bill only includes \$25 million for technology challenge grants, and the Senate only includes \$15 million -- only enough to continue those grants that have already been made.

Here are some approved grants and how they can improve teaching and learning in rural areas:

South Dakota's "Technology in Education Challenge for Rural America" consortium, led by the **Black Hills Special Services Cooperative, Sturgis, South Dakota**, has organized a state-wide, community-focused education program to advance the effective use of technology in school improvement by introducing innovative education technologies in a statewide redesign of K-12 curricula, instruction and assessment and capitalizing on new technologies to promote student achievement. The program will help over 14,000 rural students in the first year, and over 35,000 throughout its duration, improving teaching and learning and leading to the attainment of challenging academic standards by all children.

The Newaygo County Advanced Technology Service, Newaygo County Intermediate School District, White Cloud, Michigan, is a consortium that has been established to develop and maintain an advanced fiber optic cable telecommunication network that will enrich the education process throughout this isolated, rural, low-income county. The service's education program enhances education opportunities for over 9,000 disadvantaged students and adults. Moreover, the network supports data, video, and voice communications capabilities that are available to all county residents. It provides student access to challenging curriculum in science, mathematics, and modern languages, and it supports professional development opportunities for teachers. The program has strong school-home, school-community, and school-work components.

New Vision, lead by the **Towanda Area School District in Towanda, Pennsylvania**, is a consortium of 23 school districts, six post-secondary institutions, museums and private industries that use emerging technologies to expand and improve educational opportunities in rural, remote, and poor school districts. Through video-conferencing, New Vision can offer high-level classes seldom offered due to low enrollment, use outstanding teachers to cover hard-to-fill positions in several districts at once, and offer advanced placement courses. The project will involve over 54,000 students in rural areas of three states: **Pennsylvania, New Jersey and New York.**

nea news

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NATIONAL EDUCATION ASSOCIATION

Communications

For Immediate Release:
October 17, 1995

Contacts:

Brian Faith
Eric Hauser
202-667-0901

*Given to me by
an advocate who said this is a
good point
to make
Diana*

NEA COMPARES HUGE JUMP IN SCHOOL ENROLLMENT WITH DEEP CUTS IN EDUCATION FUNDING PROPOSED BY CONGRESS

*Congress Prepares To Slash \$36 Billion from Education and Training Spending
Even as Enrollment Is Projected To Rise 25 Percent by 2005*

WASHINGTON -- As the congressional initiative to cut education and training funding an unprecedented \$36 billion over seven years heads toward the final stages of debate, the National Education Association (NEA) released statistics on Tuesday projecting that public school enrollment in grades 9-12 will jump a dramatic 25 percent nationwide between 1993 and 2005.

"These figures paint a chilling picture of classrooms filling up with more and more students who won't be given the tools they need to learn," NEA President Keith Geiger said. "If Congress abandons its historical, bipartisan commitment to providing our children the educational opportunities they need to succeed, the states will be forced to pick up the tab and they simply will not be able to keep up."

The statistics show that between 1993 and 2005, the number of 9-12th grade students enrolled in public schools will increase by nearly 3 million. There are 20 states whose public high school enrollment will jump by more than 25 percent. The West will see particularly dramatic increases -- as a region, the number of students in public schools will jump nearly 39 percent. States such as Nevada, California, and Washington will see increases of more than 40 percent.

"How can we ask states with skyrocketing student enrollments to shoulder the burden alone?" Geiger asked. "Quality education is a national imperative that requires a national commitment."

The Congress has voted to cut nearly \$36 billion over seven years in federal education and training funds -- the largest cut in U.S. history. As the first step to implement the budget cuts, the House has passed a Fiscal Year 1996 education appropriations bill that would:

- Reduce funding for Title 1 basic skills instruction by \$1.1 billion next year, denying critical learning opportunities to 1.1 million pupils.
- Eliminate Goals 2000, an important program aimed at improving education standards for 17,000 schools nationwide.
- Cut the Safe and Drug-Free Schools Program by 60 percent and deprive 39 million students of the important safety provisions and counseling opportunities the program provides.
- Terminate eligibility for Pell college grants for 360,000 students. A separate proposal slated for the House floor next week would increase the cost of college loans for millions of students.

The NEA is conducting a nationwide grassroots and media campaign to fight the cuts. Television ads calling on Congress to abandon its plan to slash education spending have been running in targeted congressional districts around the country.

"It's important that Congress hears the voices of parents, students, and concerned citizens who are opposed to these draconian cuts," Geiger said. "In an increasingly competitive economic environment, these cuts put our children's future standard of living in jeopardy."

The Senate is expected to vote on the proposed cuts later this month.

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Increase in Public School Enrollment (1993-2005)

vs.

Decrease in Federal Education Spending (1996-2002)

<u>Region and State</u>	<u>Increase in Enrollment 1993-2005 (Grades 9-12)*</u>	<u>Proposed Decrease In Federal Education Spending 1996-2002**</u>
Northeast	21.3%	\$ 4.2 billion
Connecticut	21.3%	\$200 million
Maine	11.0%	\$103 million
Massachusetts	29.4%	\$422 million
New Hampshire	31.1%	\$ 94 million
New Jersey	27.5%	\$525 million
New York	19.0%	\$ 1.7 billion
Pennsylvania	17.3%	\$970 million
Rhode Island	25.8%	\$109 million
Vermont	22.6%	\$ 85 million
Midwest	15.5%	\$ 5.2 billion
Illinois	16.4%	\$ 1 billion
Indiana	13.9%	\$439 million
Iowa	8.3%	\$207 million
Kansas	19.5%	\$194 million
Michigan	17.0%	\$901 million
Minnesota	19.8%	\$325 million
Missouri	15.0%	\$435 million
Nebraska	15.1%	\$124 million
North Dakota	7.3%	\$ 91 million
Ohio	13.6%	\$991 million
South Dakota	16.0%	\$ 93 million
Wisconsin	16.6%	\$402 million

<u>Region and State</u>	<u>Increase in Enrollment</u> <u>1993-2005</u> <u>(Grades 9-12)*</u>	<u>Proposed Decrease</u> <u>In Federal Education</u> <u>Spending 1996-2002**</u>
South	24.1%	\$ 8.3 billion
Alabama	16.8%	\$434 million
Arkansas	13.6%	\$256 million
Delaware	31.2%	\$ 87 million
District of Columbia	18.6%	\$102 million
Florida	36.2%	\$ 1 billion
Georgia	29.3%	\$612 million
Kentucky	5.3%	\$411 million
Louisiana	8.1%	\$552 million
Maryland	38.0%	\$323 million
Mississippi	5.6%	\$355 million
North Carolina	33.0%	\$534 million
Oklahoma	15.8%	\$312 million
South Carolina	20.6%	\$341 million
Tennessee	21.7%	\$468 million
Texas	25.0%	\$ 1.9 billion
Virginia	34.6%	\$445 million
West Virginia	-4.6%	\$214 million
West	38.7%	\$ 4.9 billion
Alaska	40.4%	\$ 86 million
Arizona	35.7%	\$369 million
California	44.4%	\$ 2.7 billion
Colorado	37.5%	\$257 million
Hawaii	31.5%	\$101 million
Idaho	19.8%	\$104 million
Montana	14.4%	\$103 million
Nevada	51.4%	\$103 million
New Mexico	32.6%	\$191 million
Oregon	28.3%	\$237 million
Utah	15.7%	\$168 million
Washington	41.2%	\$375 million
Wyoming	13.5%	\$ 84 million

*SOURCE: National Center for Education Statistics

**These calculations include U.S. Dept. of Education discretionary funded spending only -- not all education , training, student loan and related programs.

**UNITED STATES
DEPARTMENT OF EDUCATION****NEWS**

FOR IMMEDIATE RELEASE
November 3, 1995

Contact: Kathryn Kahler
(202) 401-3026

**STATEMENT BY U.S. SECRETARY OF EDUCATION RICHARD W. RILEY
regarding reported House-Senate deal to cap Direct Student Loans
at 10 percent of loan volume**

Outrageous! For months the lending industry has been lobbying Congress to keep a stranglehold on the highly profitable student loan business. Now, they reportedly have accepted a "compromise" that will assure special interests billions more in risk-free profits -- perhaps as much as \$9 billion more -- and destroy the direct student loan program.

By capping direct lending at 10 percent of the national loan volume, the Congressional majority contradicts every stated goal of its so-called 'Contract with America': smaller government, less red tape, more competition and more choice for consumers. The fact is direct lending works for students, families and schools. And despite the claims of special interests, direct lending saves money for taxpayers.

As President Clinton said yesterday, "We should let the market work by letting the consumer decide." Each school should have the chance to choose direct lending. But special interests don't want competition. They want guaranteed profits. House and Senate Republicans appear to agree. The congressional majority would give special interests a monopoly over 90 percent of student loans.

This back-room sell-out to special interests shows just how out of touch this Congress is with the needs and dreams of the American students and their families.

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**UNITED STATES
DEPARTMENT OF EDUCATION****NEWS**

FOR IMMEDIATE RELEASE
November 2, 1995

Contact: Jane Glickman (202) 401-1307
Stephanie Babyak (202) 401-2311

**STUDENTS, SCHOOLS TO BE DROPPED FROM DIRECT LENDING
UNDER CONGRESSIONAL BUDGET PLAN**

Congress is preparing to kick out thousands of college students and hundreds of schools from the new direct loan program. Approximately 2 million college students at more than 1,350 schools have direct loans.

Under direct lending, students bypass the maze of lenders and other middlemen that comprise the old guaranteed loan system and borrow directly from the federal government through their campus financial aid office. Eliminating these middlemen saves taxpayers billions of dollars. And students are given the option of paying back their loans as a percentage of their income, so that they can repay the loans more easily.

"Congress is pitting students against special interests," said U.S. Secretary of Education Richard W. Riley. "Partisan politics and special interests are winning out over common sense and the best interests of students, schools and taxpayers. Returning to the old loan program means wasted time and hassle for students when they take out their loans, but it also means preserving billions of dollars in profits for all the middlemen that make up the old system."

Recently, Congress changed the accounting rules to show that direct lending costs more. However, respected economists disagree. For example, Lawrence Lindsey, a Bush appointee to the Federal Reserve Board, said, "As long as it is necessary to provide a profit to induce lenders to guarantee student loans, direct lending will be cheaper."

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Riley said students and parents like the program because it's faster and easier. They work directly with the school's student aid office instead of shopping around for a lender and waiting for the bank to process the paperwork and forward it to the school. As a result, loan money is available within days rather than weeks. And direct lending offers flexible repayment options, including one based on income, which gives borrowers greater control over their finances and career choices, and decreases the likelihood of defaulting.

Independent surveys of aid administrators have found that schools like direct lending's streamlined and simple processing system. It involves less paperwork, and less time and money tracking loans with lenders. Direct lending improves cash flow and allows schools to structure the loan program to fit their particular needs and capabilities. Most of all, it frees schools to offer better service to students.

Here's what schools have to say about direct lending:

"It is rare that the federal government creates a program that both saves money and improves service to its constituents. Direct lending is such a program," said Jerome Supple, president, Southwest Texas State University.

And Karen Fooks, financial aid director, University of Florida, said, "I don't even want to think about going back to the guaranteed-loan system. The whole idea of going back is a nightmare."

The House and Senate are expected to conference this week to hammer out the differences between their versions of the budget reconciliation bill. The House voted to kill direct lending altogether, which would force all schools and students now in the program to revert to the less efficient and more cumbersome bank-run loan program. The Senate imposed a 20 percent cap on direct lending, which means that about half the students with direct loans would have to return to the old system.

Direct loans currently account for nearly 40 percent of total student loan volume.

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NOTE TO EDITORS:

State-specific news releases, detailing schools and students participating in direct lending, are available on request.



UNITED STATES DEPARTMENT OF EDUCATION
PUBLIC AFFAIRS

Talking Points for
Richard W. Riley
U.S. Secretary of Education

Direct Lending Press Conference
Washington, D.C.
Thursday, November 2, 1995

* For the past few months, we have heard a lot of mind-boggling numbers thrown around in all of this talk about balancing the federal budget.

* Yes, we need to balance the budget, but we can do it without hurting education, without hurting students.

* Yet, the Congressional majority's budget plans would slash education spending by as much as \$36 billion over the next seven years. The Clinton Administration wants to balance the budget while increasing investment in our future with an additional \$40 billion for education over the same period. That is a difference of \$76 billion in the investment in education.

* Within those numbers is an equally short-sighted Congressional plan for the Direct Loan Program for college students.

* The Congressional effort to kill Direct Lending would wipe out a choice made by more than 1,350 colleges that have issued Direct Loans to over 2 million borrowers.

* Those institutions chose Direct Lending because it is a simpler, faster, and more flexible system. Direct Lending means no more long lines for students at college financial-aid offices, no more red tape for students and families.

* It eases the burden of repayment by giving students and parents more choices in how they repay their loans after graduation. Only with direct loans can students choose to base their payments on how much they earn, which enables them to work as teachers or police officers while still meeting their obligations.

* Direct Lending serves the needs of students instead of special interests served by highly paid lobbies. The perks for the special interests that the majority in Congress would provide show whose interests they want to serve.

*The Secretary may depart from prepared remarks.

* The Senate wisely voted to remove from its budget plan some measures that would have driven up the cost of borrowing for college students and their families. Unfortunately, those cuts are retained in the House package. Any concession to the House positions on the student-loan grace period, or the interest rates on loans to parents, will put students and families even deeper in red ink.

* But, both the House and Senate bills would effectively kill Direct Loans. To get the whole story on Direct Lending, it is worth asking some questions that look beyond the numbers.

* Why is the Congressional majority so intent on effectively destroying Direct Lending?

* Why did the Congressional majority rewrite federal accounting rules only as they apply to Direct Lending? When considered under the rules applied to other federal loan programs, Direct Lending produces much less red ink for taxpayers and no red tape for students.

* Why is the majority in Congress trying to kick students and schools out of a program that they chose to use?

* I am sure that many members of Congress know from personal experience how important it is to finance a college education, and how complicated the old loan system has been.

* Are they afraid of some good old-fashioned American competition between Direct Lending and the old guaranteed-loan system? What's wrong with letting institutions choose which loan program they use?

* The answer to each of those questions points toward the Congressional majority favoring the special interests that profit from the old student-loan system.

* The threat to Direct Lending is just one example of what is wrong with the majority's budget plans ... and it underscores the need for lobbying reform.

* This reconciliation package cannot be reconciled with the needs, hopes and dreams of students and their families.

* What good does it do to balance the budget today if our young people are not equipped for the challenges of tomorrow? This nation can afford to balance its budget without piling up an education deficit.

THE WHITE HOUSE

WASHINGTON

November 2, 1995

The Honorable Richard W. Riley
Secretary of Education
Washington, D.C. 20202

Dear Secretary Riley:

As the Congress moves to Conference on reconciliation, I wanted to reaffirm to you my position on Direct Lending.

I strongly oppose the Congressional majority's efforts to eliminate or cap the Direct Lending program.

Our goal should be to do everything in our power to promote opportunity for all Americans by making it more feasible for more families and students to realize the dream of a college education.

Direct Lending works to promote the goal of opportunity. This program is already saving taxpayers billions of dollars, while getting college students their funds faster, with less government red tape, better services, and less administrative costs for colleges and universities. By allowing students to pay back their loans as a small percentage of income over time, the Direct Lending program also allows students to choose the occupation of their choice and improves their ability to repay the money they borrow and cut the default rate.

Those who propose to end Direct Lending are putting the interests of middlemen and special interests above the interests of students. The best solution to the current dispute is for us in Washington to give schools across the nation the freedom to choose the student lending program that works best for them. We should let the market work by letting the consumer decide.

Every school should have the option to join Direct Lending. Let's not take that choice away by Congressional mandate. So let me be clear to Congress: do not send me a bill that limits the ability of schools to choose whether to be in Direct Lending.

Sincerely,



The GOP Is an Enduring Friend of the Banks

AS GOVERNMENT deception goes, it's nothing compared with the CIA passing along KGB-tainted intelligence to the president, or President Ronald Reagan secretly peddling arms for hostages.

The banking industry simply had the Republican Congress change the accounting rules for student loans to produce numbers that make banks look better. The new, improved numbers are needed for banks to succeed in killing off a direct government-lending program that endangers their profits. It's all in the great American tradition of cooking the books.

The bankers know a threat to easy profits when they see one. They make a nice piece of change on student loans. They earn interest, but incur little risk because the government picks up the tab if a student doesn't repay.

The banks lost big-time in 1993, when President Bill Clinton won a new program that allows students to borrow money directly from the government. The money is advanced straight to colleges and universities; the students make one application, directly to their schools. The money is applied right to the tuition bill.

Two years ago, there was bipartisan congressional concern about tinkering with student loans, a program dear to the middle class. Republicans in particular warned of creating a vast new bureaucracy that would be a wasteful nightmare. Though the



Marie Cocco

bank-loan program has been the subject of countless critical audits, they argued it was better to keep it in private hands. The compromise was to phase in direct lending slowly, to see how it would work.

A funny thing happened. It did.

Students love it. They get their money faster, fill out fewer forms — and pay lower upfront fees. Colleges love it. They've cut their administrative overhead because they don't have to chase money from hundreds of banks in dozens of states.

"It's working beautifully," said Laurie Wilcox, a spokeswoman for the American Council on Education. "It's cheaper for the institution. It's easier for the students."

The Republicans in Congress can't handle this. Their ideological war against the government in general and Clinton in particular compels them to kill the program. The House would eliminate it altogether; the Senate would limit direct lending to 20 percent of loans — effectively guaranteeing an 80-percent market share to banks.

But Republicans and their banker friends have a problem. They can't plausibly argue the program is a bureaucratic monster. So now they're saying it isn't cost-effective. And they've rejiggered the books to prove it.

In 1993, the Congressional Budget Office estimated that direct lending would save the government \$4.3 billion over five years and students another \$2 billion. That calculation was made under accounting rules set by the 1990 Credit Reform Act, a law signed by Republican President George Bush and supported by both parties as an overdue dose of truth-in-budgeting.

The credit reform had two purposes. It was meant to make uniform the disparate accounting rules

that applied to the government's hodgepodge of loan programs. And it was to give a clearer, more honest picture of the government's long-term costs due to its vast loan portfolio. Routine administrative costs were deliberately kept out of this calculus, so they could be examined in the annual congressional appropriations process for cuts.

That was fine with just about everybody until the banks that make student loans needed a way to "prove" they can do it cheaper than the government. They argued that when it comes to student loans, the Credit Reform Act should be thrown out the window. The government's administrative expenses, they insisted, should be figured in.

When Republicans took over Congress, they ordered the Congressional Budget Office to change the accounting rules for student loans. In the proposed Republican budget, on paper, direct lending doesn't "save" money; it costs "more" than the guaranteed loan program that flows through private banks making a government-subsidized profit.

The books for student loans would be kept differently from all 60 other federal loan programs. And for good measure, the new accounting includes administrative costs only for the direct loan program — it leaves out administrative expenses the government incurs in overseeing the bank-loan program. If this apples-to-oranges comparison were made fair, direct lending would be cheaper, by 4 cents on every dollar loaned.

That's \$5 billion in savings over the seven years in which the Republicans want to balance the budget. You would think they'd want to save the money. But their green eyeshades have been clouded by their zeal to kill big government. And by their enduring friendship with big banks.

But America faces a sharp choice about how to do it. The budget being proposed by the congressional majority deeply cuts education. If the congressional proposal becomes law, fewer children will go to Head Start, fewer schools will be able to teach their children to stay away from drugs or gangs, class sizes will grow, thousands of deserving students will lose their college scholarships, and the cost of college loans will shoot up. All told, the congressional plan calls for spending \$76 billion less than we need on education.

I believe this makes no sense. And I know that we don't have to cut education to balance the budget -- that we can eliminate the deficit while keeping faith with our children.

My balanced budget plan trims waste and duplication, not student aid and teacher training. And it invests where necessary. In particular, I want to mention two proposals that I strongly urge the Congress to pass. First, we should give working families a tax cut by letting them deduct the cost of their education after high school. Second, we must recognize that adults need education, too. I have urged the Congress to create a fund that would give every person who loses a job the right to a \$2,600 voucher to take to the nearest community college, junior college or other educational institution to get retrained and to invest in his or her own future.

At stake is nothing less than a fundamental moral obligation. The core of the American dream has always been this: That people who are willing to take responsibility for their own lives, to work hard to get ahead, will be rewarded for their efforts. And we have a duty to pass the American dream of opportunity on to future generations, stronger, brighter than before. Education is the key to that dream.

So I commend you for your vigorous activity. And I urge you to redouble your efforts to hold those of us in government accountable, to see to it that we balance the budget and invest in education. The American dream depends on it.

Thank you.