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001. list	[Personally Identifiable Information] [partial] (1 page)	05/05/1993	b(6)

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Christine Varney
OA/Box Number: 3728

FOLDER TITLE:

National Service

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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

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RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

WHITE HOUSE STAFFING MEMORANDUM

DATE: 5-14-46 10:28ACTION/CONCURRENCE/COMMENT DUE BY: 5-14 COBSUBJECT: National Service: Invitation to Gen. Powell

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☒	PASTER	☐	☐
McLARTY	☒	☐	RASCO	☐	☐
GEARAN	☒	☐	RUBIN	☐	☐
PANETTA	☐	☐	SEGAL	☐	☐
EMANUEL	☒	☐	STEPHANOPOULOS	☒	☐
GIBBONS	☐	☐	VARNEY 	☒	☐
HALE	☐	☐	WATKINS	☐	☐
HERMAN	☐	☐	WILLIAMS	☐	☐
LAKE	☒	☐	<u>Neel</u>	☒	☐
LINDSEY	☒	☐	_____	☐	☐
MONTOYA	☐	☐	_____	☐	☐
NUSSBAUM	☐	☐	_____	☐	☐

REMARKS:

T2
~~John~~ Haven't we gone through this? Christine

RESPONSE:

JOHN D. PODESTA
 Assistant to the President
 and Staff Secretary
 Ext. 2702

THE WHITE HOUSE

WASHINGTON

13 MAY 13 08:38

May 12, 1993

MEMORANDUM TO JOHN PODESTA

FROM: RICK ALLEN

SUBJECT: INVITATION TO GENERAL POWELL

Attached is Eli's proposed letter of invitation (on behalf of the President) to General Powell to address the opening session of the Summer of Service program at the Treasure Island Naval Base on June 20. We would like you to review and (if necessary) circulate it for clearance.

As you know, the President has encouraged the greatest possible coordination and cooperation between civilian and military national service, and we have undertaken a number of initiatives in this regard (recapped in past memoranda). We do know, however, that the NSC and perhaps others may have views about travel and appearances by General Powell.

Since we need to get on the General's schedule as soon as possible, we would appreciate receiving any comments before the close of business on Friday, May 14, 1993.

DRAFT

THE WHITE HOUSE

WASHINGTON

May 12, 1993

General Colin L. Powell
Chairman of the Joint Chiefs
of Staff
Room 2E872
The Pentagon
Washington, D.C. 20318-9999

Dear General Powell:

On behalf of the President of the United States, I would like to extend an invitation for you to speak to the Summer of Service participants at the opening ceremony at 3:00 p.m. on June 20, 1993. The ceremony will occur at Naval Station Treasure Island in San Francisco.

As you know, the national service initiative stems from the President's commitment to create a program whereby all Americans are provided the chance to rebuild their communities in exchange for expanded educational opportunities. As a precursor to this effort, the President has called for a "Summer of Service" program from mid-June through August to show what civilian national service can accomplish and to develop a corps of young leaders for future national service efforts. Sixteen programs at eleven sites across the country have been selected to put 1,500 seventeen to twenty-five year-olds (assisted by younger children and older volunteers) to work in their communities to address the needs of children at risk.

You have already made a tremendous contribution to the summer program by having your staff play a key role in coordinating the logistical and operational aspects of the program. We believe that your presence and words will further underscore the importance of national service and encourage these young Americans to commit themselves to serving their communities with vigor and dedication.

My staff will coordinate with your office to see if your schedule will permit you to speak at the opening ceremony. I would be most honored if you would.

Best regards,

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

The American Legion

★ WASHINGTON OFFICE ★ 1808 K STREET, N.W. ★ WASHINGTON, D. C. 20006 ★



OFFICE OF THE
NATIONAL COMMANDER

April 1, 1993
2-52-2

The Honorable William Jefferson Clinton
The White House
1600 North Pennsylvania Avenue
Washington, D. C. 20006

Dear President Clinton:

In your Address to Congress on February 17, 1993, you stated, "In a Clinton administration, we will put forth a domestic GI Bill that will say to any middle class or low-income person, we want you to go to college; we'll provide the money for you to go to college. It will be the best money the taxpayers ever spent. But you've got to pay it back either as a small percentage of your income over time, or with two or three years of national service where you need it--here at home--as teachers, as policemen, as nurses, as family service workers."

Your Address to Congress makes it clear that you intend to expand educational opportunities for various categories of young Americans, from pre-school children to those who would be willing to provide some form of national service. Yet, your recently announced economic plan includes a proposal which could have the effect of limiting educational opportunities for a large group of deserving Americans who are for the most part from the middle to low income category.

Your plan requires active duty personnel to pay 33 percent more of their "up front" contributions to participate in the GI Bill, an additional obligation resulting from the proposed 1 to 9 ratio of the contribution to the basic education benefit. There is no doubt that this is particularly unfair to a generation who served in Operation Desert Shield/Desert Storm, and many who continue to serve in the Armed Forces.

You and your predecessors have lauded the GI Bill--which The American Legion authored and which has maintained a track record unmatched by any other educational assistance initiative. This basic bill was reauthorized for the veterans of Korea and Vietnam, and in my opinion has provided education for millions of Americans, allowing our country to grow and prosper. It is perhaps, next to the Homestead Act, the only manpower act that has compensated for its initial cost many times over in increased taxes paid by the beneficiaries.

Army news 1993

Army Times/March 1, 1993

Talk of cutbacks cuts traffic at Army recruiting stations

By Chris Murray
Times staff writer

WASHINGTON — Ongoing talk of troop reductions and cutbacks in advertising revenues have left first-quarter recruiting numbers slightly lower than the previous year, according to Army officials.

According to statistics released by U.S. Army Recruiting Command, Fort Knox, Ky., 43,461 recruits were brought onto active duty between Oct. 1 and December 31, 1992. The recruitment goal for the 1993 budget year is 83,400. During the same period a year earlier, the Army brought in 48,939 new recruits.

Proposed cuts in the military as well as the draw-down have given the public the impression that the Army is not taking in new recruits, said command spokesman Maj. Thomas Leahy.

"There's a public perception that we are not hiring right now," he said. "We still need new privates to replace those who are leaving the Army and to maintain troop strength."

Leahy said cutbacks in television advertising have hurt Army recruiting, especially during this year's professional and college football post-season.

"You didn't see many Army commercials during [National Football League] playoffs or the Super Bowl," he said. "Since 1990, we have lost our visibility among the 18- to 24-year-old male market. Since we're not advertising like we used to, it directly af-

fects our brand recognition."

The Army is seeking to come up with alternatives to conventional media advertising, Leahy said.

"We're interacting with local businesses, government and schools to get the word out that we're still hiring," he said.

After fiscal year 1992's record-setting high of recruiting 10 percent high school graduates, quality indicators for the first quarter also have fallen. Of the 43,461 new prior-service recruits brought in during the first quarter of this fiscal year, which began on Oct. 1, 1992, 96.4 percent were high school graduates. From that group, 71.1 percent scored in the top half of the Armed Forces Qualification Test. At the same time in the previous year, 76 percent of new recruits scored in the top percentile.

The Army also took in more recruits who scored in the lowest percentile of the Armed Forces Aptitude Test. Some 25 percent of the new soldiers scored in the lowest acceptable test section, Category IV. During the first quarter of fiscal 1992, none scored in the lowest section.

"We need so many new soldiers to fill spaces in class," Leahy said. "So in order to make volume, we've had to slightly come down in quality."

The number of new reservists also fell from fiscal 1992's first-quarter mark. This year, the Army took in 10,459 new part-time soldiers, compared to 13,562 in fiscal 1992.

⑦ Nat'l
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THE WHITE HOUSE
WASHINGTON

April 30, 1993

OUTLINE OF LEGISLATION

NATIONAL SERVICE INITIATIVE

President Clinton's national service program will expand educational opportunity, reward individual responsibility, and build the American community by bringing citizens together to tackle common problems. The President's support for service extends from the youngest elementary students to our oldest citizens, and includes everything from part-time volunteer activities to full-time public service jobs.

The centerpiece of the President's initiative to support service is a new program to offer educational awards to Americans who make a substantial commitment to service. In addition to this program, which builds on the youth corps and demonstration programs of the National and Community Service Act of 1990, the National Service Trust Act includes:

- Extension and improvement of programs in the National and Community Service Act of 1990 that enhance elementary and secondary education through community service in schools, support after-school and summer programs for school-age youth, and fund service programs on college campuses.
- Support for the Points of Light Foundation, to support volunteerism.
- Extension and improvement of VISTA and the Older American Volunteer Programs authorized by the Domestic Volunteer Service Act.
- Creation of a new Investment Fund for Quality and Innovation to support model service programs and activities designed to ensure the development of high quality national service programs.

NATIONAL SERVICE TRUST ACT

Focus of Service

- National service must address unmet educational, environmental, human, or public safety needs. National priorities may be established within these areas.
- National service must improve the life of the participants, through citizenship education and training.
- Participants may not displace or duplicate the functions of existing workers.

Corporation for National Service

Structure

- The national service program will be administered by a new government Corporation for National Service, created by combining two existing independent federal agencies, the Commission on National and Community Service and ACTION.
- The corporation will be responsible for administering all programs authorized under the National and Community Service Act and Domestic Volunteer Service Act, including VISTA and the Older American Volunteer Programs. The Corporation will also fund training and technical assistance, service clearinghouses and other activities.
- The investment division of the corporation will administer the new trust program and programs currently administered by the Commission on National and Community Service.
- The operating division will administer programs currently run by the ACTION agency, including VISTA and the Older American Volunteer Programs.
- Flexible and quality-driven personnel policies will include pay-for-performance and a 5-year limit on most tenures.
- The Corporation may solicit and accept private funds.

Governance

- The corporation will have an eleven-member volunteer Board of Directors appointed by the President and confirmed by the Senate. It will be bipartisan and include persons experienced in national service and experts in providing educational, environmental, human, or public safety service.
- The first Board members will be appointed primarily from the Board of Directors of the Commission on National and Community Service. Seven Cabinet secretaries will serve as non-voting ex-officio members.

- The Board will develop the corporation's strategic plan, approve grant decisions, review other policy and personnel decisions, receive and act on reports from the Inspector General, supervise evaluations, and advise the Corporation on all issues.
- A Chairperson of the Board and a Managing Director for each division will be full-time employees appointed by the President and confirmed by the Senate.

Oversight

- An Inspector General will oversee programs to guard against fraud and abuse.
- Programs must arrange for independent audits and evaluations, and may also be required to participate in national or state evaluations.

State Commissions

Structure

- In order to receive a grant, each state must establish a commission on national service. The corporation will provide funding for the state commission.
- Commissions will have members appointed by the governors on a bipartisan basis from among the following: youth, educators, representatives of youth corps, older American volunteer programs, and other nonprofit service providers, labor, business, and experts in meeting particular unmet needs. No more than 25 percent of voting members may be state officials, although additional state agency representatives may sit on the commissions as non-voting ex-officio members. Commissions will elect their own chair.
- A representative of the corporation will sit on each commission as a voting member and act as liaison between the commission and the corporation.

Duties

- State commissions will be responsible for selecting programs to be funded under the state formula allocation, and in any competitive grant states may request.
- State commissions must also design strategic plans for service in the states, recruit participants, and disseminate information about service opportunities.
- State commissions may also support clearinghouses, training and technical assistance, and other initiatives to support service. They may not operate national service programs, but may use a portion of funds to support programs run by state agencies.

Transition

- For a period of one year, existing state agencies may assume the responsibility of the state commissions.

- The Corporation may approve an alternative agency in place of a commission at a state's request, if the agency ensures diverse participation in policy making.

Allocation of Funds

- States submitting plans approved by the Corporation will receive one-third of funds according to a population-based formula and one-third on a competitive basis.
- One-third of funds will be allocated directly by the corporation. Programs eligible for priority consideration include federal programs, national nonprofit organizations operating multiple programs or competitive grant programs, national service initiatives in more than one state and meeting priority needs, proposals to replicate successful programs in more than one state, professional corps, and innovative national service programs.

Programs

Goals

- Programs must set measurable goals regarding the impact of the service on the community and on participants.

Eligibility

- Programs eligible for national service designation include diverse community corps, youth corps, specialized service programs focusing on a specific community need, individual placement programs, campus-based service programs, programs that train and place service-learning coordinators in schools or team leaders in corps programs, intergenerational programs, national service entrepreneurship programs, and professional corps.
- Programs may be run by non-profit organizations, institutions of higher education, local governments, school districts, states, or federal agencies.
- Programs may not provide direct benefits to for-profit businesses, labor unions, or partisan political organizations, or involve participants in religious activities.

Selection

- Selection criteria include quality (based on criteria developed in consultation with experts in the field), innovation, sustainability, and replicability of programs.
- Past experience and management skills of program leadership, involvement of participants in leadership roles, and the extent to which the program builds on existing programs will also be taken into account.
- Programs serving and recruiting participants from communities of need, including those designated as enterprise zones, community redevelopment areas, areas with high poverty

rates, environmentally distressed areas, and communities adversely affected by decreased defense spending will also receive special consideration.

Funding

- All participants will receive educational awards.
- To develop programs, one-year planning grants will be available. To support national service participants, three-year renewable grants will be available for program demonstration, expansion, or replication.
- Administrative costs will be limited to five percent of all grants other than planning grants.
- Programs must pay 15 percent of the stipend and health care benefits in cash and 25 percent of other program costs receiving federal support. The 25 percent match may be in cash or in kind from any source other than programs funded under the National and Community Service or Domestic Volunteer Service Acts.
- Federal funds must supplement, not supplant, state and local dollars.

Participants

Eligibility

- Individuals may serve before, during, or after post-secondary education.
- In general, participants may be age 17 or older. Youth corps participants may be age 16 or older.
- Participants must be high school graduates or agree to achieve their GED prior to receiving educational awards.

Selection

- Participants will be recruited and selected on a nondiscriminatory basis and without regard to political affiliation by local programs designated by states or the federal government.
- A national or state recruitment system will help interested individuals locate placements in local programs. Information about available positions will be widely disseminated through high schools, colleges and other placement offices. A special leadership corps may be recruited, trained, and placed to assist in the development of new national service programs.

Term of Service

- To earn an educational award, a participant one year of full-time or two years of part-time service in a program designated by a state or the federal government. An individual may serve up to two terms and earn up to two educational awards.

Educational Awards

- Educational awards of \$5,000 will be provided for a term of service. Educational awards may be used to repay loans for higher education or to pay for higher education or training.
- Educational awards will be federally funded and deposited into a national service trust on behalf of all participants accepted into the program. Organizations and individuals may donate funds to support national service participants in the donor's community.
- Payments will be made directly to qualified post-secondary educational institutions, including two- and four-year colleges, training programs, and graduate or professional programs.
- In the case of participants with outstanding loan obligations for qualified educational activities, awards will be paid directly to lenders.
- Awards will not be taxable and must be used within five years of receipt.

Stipends

- Programs will set stipends within program guidelines. However, federal support will be limited to a match of 85 percent of an annual stipend equivalent to benefits received by VISTA volunteers. Programs may provide additional stipends up to twice this amount, with no federal match for the portion of the stipend in excess of the VISTA benefit.
- In the limited case of designated professional corps in areas of great need, such as teaching and public safety in underserved areas, participants may be paid a salary in excess of the guidelines and receive an educational award. However, no federal support will be available for a stipend.

Health and Child Care

- All participants without access to health insurance will receive health coverage. Federal dollars will pay up to 85 percent of the cost of these benefits.
- Participants may receive child care assistance, if needed.

Serve-America

The proposal extends and expands the existing Serve-America program for school-age youth and Higher Education Innovative Projects for Community Service. Modifications to these programs are described below.

Service-Learning Program

Program Goals

- To build a foundation for service among the nation's youth, inspiring them to serve and instilling in them the values and attitude to serve effectively after graduation.
- To create opportunities for all American children to serve our country.

Types of Programs

- Programs may be partnerships of local education agencies and community-based organizations.
- Local educational agencies may receive planning grants to hire service-learning coordinators.

Types of Funding

- School-based programs will be eligible for funding through state educational agencies, partly based on formula and partly through competition.
- State educational agencies must develop state plans that indicate programs to be funded and detail 3-year strategies for service-learning in their states. The Corporation must approve state plans.
- Programs may receive one-year planning grants for school-based programs. Subgranting to experienced institutions for school-based programs will also be allowed.
- All local programs will be required to provide at least 10 percent of total program costs in the first year of funding, increasing to 50 percent in the fourth. Local programs may utilize other federal education funds to meet the match requirement.

Training and Technical Assistance

- Clearinghouses will be expanded to further enable them to disseminate information and curriculum materials; train teachers, service sponsors and participants; and provide needs assessments or technical assistance.

- States will also receive additional resources to train and educate state educational personnel.

Community-based Program for School-Age Youth

- Community-based organizations working with school-age youth may receive grants from the State Commission for programs to involve such youth in community service.
- National non-profit organizations may apply to the Corporation to make subgrants or run multi-state community-service programs for this population.

Higher Education Innovative Projects

- Higher Education institutions, consortia of such institutions, or partnerships of higher education institutions and non-profit institutions may receive grants from the Corporation for student community-service programs or programs to train teachers in service-learning methods.
- Funds may supplement College Work-Study funds being used for community service placements.

Extension of the Domestic Volunteer Service Act of 1973

The proposal extends and expands VISTA and Older American Volunteer Programs authorized by the Domestic Volunteer Service Act. Following a transition period, these programs will be administered by the corporation for national service.

VISTA

- Extends authority for the VISTA program and increases number of VISTA volunteers.
- Authorizes new VISTA Summer Associate program.
- Authorizes a University Year for VISTA program to encourage student volunteer efforts addressing the needs of low-income communities.
- Removes restrictions limiting the flexibility to manage VISTA, while reaffirming commitment to recruiting a diverse group of VISTA volunteers including young and older adults.
- Increases post-service stipends by \$30 for each month of service. Such stipends are not available if VISTA volunteer accepts an educational award under the national service trust.
- Continues support for VISTA Literacy Corps.

Special Volunteer Programs

- Provides broadened authority under the Special Volunteer Programs to supporting demonstrations and innovations, provide technical assistance, and promote other entrepreneurial activities. Eliminates specific authority for student community service and drug programs, which are covered under the broadened demonstration authority and under the National and Community Service Act.

Older American Volunteer Programs

- Renames the Older American Volunteer Programs as National Senior Volunteer Corps and the Retired Senior Volunteer Program as the Retired and Senior Volunteer Program (RSVP).
- Lowers eligibility age for participation in the RSVP program to 55.
- Clarifies that Foster Grandparents may work with children with special and exceptional needs in Head Start programs, schools, and day care centers.
- Provides for a new demonstration authority to enrich and strengthen older American volunteer programs across the country.
- Eliminates restrictions that limit the flexibility to administer the program.
- Increases the stipend for low-income Foster Grandparents and Senior Companions once over the next five years to account for inflation.

Administration

- Encourages relationships between ACTION and other federal agencies where ACTION volunteers might help further the purposes of other Federal programs.
- Authorizes a Center for Research and Training on Volunteerism to strengthen volunteer programs across the country.
- Provides a technical amendment to restore the crediting of VISTA service for federal pensions.
- Provides copyright protection for the programs authorized under the Act.

STUDENT LOAN REFORM ACT OF 1993

Today, the Federal student loan programs provide billions of dollars to private lenders and other agencies -- billions of taxpayer dollars that do not go toward serving students. Furthermore, complex procedures and inflexible repayment plans create serious problems for some students. Burdened with debt and locked into insensitive repayment plans, many students cannot repay their loans, leaving taxpayers to foot the bill. The current system doesn't serve students or taxpayers well.

This legislation reforms the student loan system with a less costly and less complicated alternative. The Administration's Student Aid Reform Act will provide all borrowers with flexible repayment options, including EXCEL Accounts, which allow borrowers to repay loans as a percentage of their incomes. It also reforms the student loan system by replacing the current guaranteed student loan system with a system of direct Federal lending. These changes will:

- **Make repayment easier** by allowing borrowers to select the best way to repay their loans. Borrowers will be able to choose among several different repayment options, including fixed, graduated, extended, and income-contingent EXCEL Accounts. Providing a range of flexible repayment plans will allow students to enter lower-paying community service jobs without worrying about their debt burden and will reduce default rates.
- **Reduce costs for taxpayers** by substituting Federal borrowing for more expensive private capital and eliminating excess profits in the current system. By using low-interest rate Treasury borrowing and by eliminating excess profits, direct lending will reduce Federal costs by \$4.3 billion through fiscal year 1998.
- **Reduce costs for students** by lowering interest rates. Part of the substantial savings achieved from lowering the cost of capital and eliminating profits will be used to reduce the interest rate for student borrowers, when the plan is fully implemented.

EXCEL ACCOUNTS: EASING REPAYMENT AND ENCOURAGING SERVICE

The EXCEL Account will, for the first time, allow all borrowers to pay off their loans as a percentage of their incomes. This income contingent repayment plan, together with other flexible repayment options, will give borrowers the opportunity to choose lower-paying service jobs regardless of the level of debt incurred while in school. This new plan will also help to reduce student loan defaults.

Borrowers will have the opportunity to choose from a range of flexible repayment options to best fit their financial situation. In addition, borrowers will be able to switch repayment plans as their financial situations change.

EXCEL Accounts will provide for repayments that depend upon income. Borrowers will be able to repay over a longer period of time than in the other repayment options. The length of repayment will depend on the borrower's level of debt and income.

- The legislation requires the Secretary of Education to publish regulations on the specific provisions of this income-contingent plan, including the percentage of income to be repaid each year and the length of repayment.
- To increase accountability, the Secretary will also have the authority to require defaulters to repay through income contingency.
- The legislation will extend EXCEL Accounts to borrowers with existing loans. It authorizes the Department of Education to offer income contingent repayments to current borrowers if lenders do not offer them acceptable income sensitive repayment opportunities.

Fixed, graduated, and extended repayment plans will also be available to all borrowers.

- **Standard repayment** describes a fixed-payment, fixed-term (usually 10 years) plan that is currently used by most student loan borrowers.
- **Extended repayment** describes a plan with a lower fixed payment and a longer fixed term than available under a standard repayment plan.
- **Graduated repayment** plans expect borrowers to repay smaller amounts in the beginning when their incomes tend to be lower and larger amounts later when their incomes tend to be higher.

IRS Role

To make repayment easier and more effective, the bill contains provisions to include the Internal Revenue Service (IRS) in the collection of student loans.

- Starting in fiscal year 1994, the legislation gives the Secretary the authority to offer income contingent repayments to borrowers using information from the IRS on borrowers' incomes. The legislation will amend the current disclosure provisions to allow IRS to provide this information to the Department of Education.
- As a second step, the bill requires the Secretaries of Education and Treasury to jointly develop a plan to provide repayment options through the IRS and wage withholding.

ONE-STOP DIRECT STUDENT LOANS

The legislation calls for the Federal government to make loans directly to students,

substituting Federal borrowing for private capital. These changes will streamline the system, reduce interest rates for students, and save taxpayers billions of dollars.

The proposal will replace the Federal Family Education Loan (FFEL) programs with the Federal Direct Student Loan (FDSL) programs. Most students will receive all of their financial aid through their existing financial aid offices -- "one stop shopping".

Direct lending substitutes Federal capital for more expensive private capital and eliminates excess profits to lenders, saving \$4.3 billion through fiscal year 1998. Under the plan, direct lending will phase in over four years, beginning in academic year 1994-1995. Federal capital will be used for all new student loans. The goal is to begin with 4 percent of new loan volume in direct lending in the first year, 25 percent the second year, 60 percent the third year, and full implementation in academic year 1997-1998.

Private lenders will no longer make, or "originate", student loans. Many postsecondary institutions will make loans themselves; others will use the services of alternative originators. No institution will be required, however, to originate loans itself. In addition, no school will "service" or collect loans.

Some features of the legislation regarding origination and servicing are:

- Criteria measuring the financial and administrative capability of institutions to originate loans will be used to determine which institutions may originate loans and which should use alternative originators.
- Institutions that meet the financial and administrative criteria, but do not wish to originate loans, will also be able to use alternative originators.
- The Department of Education will pay a small fee to schools that originate loans themselves and will contract out on a competitive, fee-for-service basis to alternative originators. Alternative originators may be State agencies, private lenders, Sallie Mae, and other organizations.
- Responsibility for servicing loans while students are in school and while they are in repayment will not rest with the postsecondary institutions. The Department of Education will contract with a number of organizations to service student loans. These organizations, which could include State agencies, Sallie Mae, and private firms, will be chosen through a competitive process.

ENSURING A SMOOTH TRANSITION

The Department of Education will be responsible for monitoring and overseeing the student loan system as part of its overall oversight of the Federal student aid system. The Department is developing a detailed plan to ensure adequate loan capital in the event that private

capital dries up. The legislation will provide the Department with additional authorities to move quickly if capital shortages occur.

- Postsecondary institutions, alternative originators, servicers, and the Department of Education will share data on student loans throughout the nation. The Department will also complete work on the National Student Loan Data System. Such a system has been under development since 1989 and must be expanded to perform all the functions needed for direct loans.
- During the phase-in period, the terms and conditions for the FDSL, including loan limits, eligibility rules for loan subsidies, and number of loan programs, would be similar to the existing FFEL programs, including the provisions for loan deferment and forbearance.
- The legislation also provides for two changes to the nation's guarantee agency services, which provide in every state an intermediary for the Federal government and reinsure all loans in the current FFEL programs. The legislation ensures adequate financing for the current guarantee agencies during the transition and provides for alternative mechanisms to assure loan guarantees in the event that any of the guarantee agencies do not continue to operate.

THE WHITE HOUSE
WASHINGTON

April 30, 1993

NATIONAL SERVICE INITIATIVE

The national service initiative is innovative public policy founded on traditional American values. The initiative will build the American community through a domestic Peace Corps that brings Americans together to tackle pressing problems. It will offer educational opportunity by providing educational awards to hundreds of thousands of Americans who serve our country; and by overhauling the student loan system, to offer EXCEL Accounts and lower interest rates. The initiative will demand personal responsibility by requiring Americans who borrow to repay their loans in one of two ways -- either through service or through repayment plans that make it tougher to default. In all this, the Act will reinvent government -- to unleash the initiative of the American people.

The President's initiative has three basic components:

- **The National Service Trust**, which will establish an innovative, entrepreneurial Corporation for National Service to offer Americans educational awards in return for vital service to our country. The Corporation is designed to cut waste and promote excellence in government, encourage locally driven initiatives, create flexibility for students, and foster competition among programs.
- **EXCEL Accounts**, which will offer all borrowers income contingent repayment plans. The new income contingent repayment plan will allow borrowers to spread their loan payments over a long period of time, reduce defaults, and encourage students to take lower-paying community service jobs.
- **One-Stop Direct Student Loans**, which will save taxpayers billions of dollars in bank subsidies and defaults by replacing private capital with Federal borrowing. Students will receive some of the savings in reduced interest rates and a streamlined "one stop" loan delivery system.

THE NATIONAL SERVICE TRUST

The National Service initiative will offer an educational award to Americans who do vital work in one of four priority areas: education, human services, environment and public safety. In addition to the trust, the initiative will support a variety of other programs to develop citizenship among all Americans, ranging from elementary school "service-learning" projects to older American volunteer programs.

1. DIVERSE AND WIDE PARTICIPATION. The National Service initiative will offer Americans 17 or older opportunities to serve our country before or after college. While contributing millions of hours of service, National Service Trust participants will learn an ethic of civic responsibility. And while communities will recruit, select and place volunteers, a nationwide public awareness campaign will build a common identity for programs, disseminate information widely through college and high school placement offices, and help place a leader corps of participants across the country.

2. EDUCATIONAL AWARD WITH DIFFERENT USES. The program will provide those who complete a year of service with a \$5,000 award for college, graduate school or job training. In addition, participants in general will receive a roughly minimum wage stipend, and health and child care, if necessary.

3. PRESSING COMMUNITY NEEDS. National service means educating children, helping immunize infants, fighting crime, and stopping pollution. Within the broad priority areas, communities will be able to design programs that meet their own unmet needs. Programs will be designed in ways best suited to local needs, and range from specialized service programs with in-college training and individualized placements; to youth corps offering disadvantaged young people a second chance while they perform invaluable service; to community corps that bring together the young and the old of all economic and racial backgrounds.

4. REINVENTING GOVERNMENT. The Commission on National and Community Service and ACTION will be combined in a single government Corporation for National Service. To promote excellence, the Corporation will be governed by a bipartisan Board, offer pay-for-performance to its employees, and raise private funds for the Trust. In addition, the Corporation will establish quality guidelines for all programs. Programs themselves must also set measurable goals and demonstrate success in order to receive continued funding. Within these bounds, local programs will have flexibility to design the best ways to meet their goals. In all instances, no program will be guaranteed funding; all will have to compete for funding.

5. PARTNERSHIPS. Programs will match federal assistance with private or other support. State commissions composed of local representatives appointed by governors will work hand in hand with the national Corporation to support service.

EXCEL ACCOUNTS

The Clinton Administration will make repayment easier and encourage national and community service through EXCEL Accounts. All students will have the opportunity to repay as a percentage of their income over time. The EXCEL Account will make such "income-contingent" loans available for the first time. The EXCEL Account offers students offers Americans the chance to invest in their education and training and to pay back their loans as they start to reap the benefits.

1. FLEXIBLE AND UNIVERSAL LOANS: The EXCEL Account makes college and training accessible to all students, and to allow students the maximum flexibility in paying back their loans.

2. ENDING CRUSHING DEBT FOR YOUNG PEOPLE STARTING THEIR CAREERS: Currently our education system often makes young people pay large amounts of debt just at the moment when young people have their lowest earning potential and the hardest time finding jobs. The EXCEL Account allows a young person the ability to pay a set percentage of income, so that repayment is proportionate to income.

3. ENCOURAGE NATIONAL SERVICE: Too many of our young people are discouraged from taking lower paying jobs as teachers or police officers because they face large fixed monthly payments. The EXCEL Accounts will encourage national and community service by ensuring that young people will not have to pay an exceptionally high percentage of their income simply because they have chosen jobs where their service to their communities exceeds the size of their paychecks. The EXCEL Account will, for example, make it far easier for a recent medical school graduate -- who normally would have high fixed monthly loans -- to spend a few years serving lower-income communities without facing a crushing debt burden.

4. ENCOURAGE ENTREPRENEURSHIP: Our current loan system can discourage entrepreneurial behavior. Where a young person out of school faces fixed student loan costs, that creates a disincentive to take high risks -- like entrepreneurial activity -- where a person may make little money in the short-term in pursuit of larger rewards in the future. Allowing repayments based on income eliminates these disincentives to take risk.

5. LOWER DEFAULT RATES: Because EXCEL Accounts will determine loan payments on the basis of IRS verified incomes, they will dramatically reduce default rates by ensuring that anyone who works pays, and by not forcing borrowers into default simply because they experience a period of unemployment.

ONE-STOP DIRECT STUDENT LOANS

This initiative -- the Student Loan Reform Act of 1993 --proposes important reforms in the student loan system, which will provide one-stop shopping for student loans, reduce borrowing costs for students, and save taxpayers billions of dollars.

- 1. USING FEDERAL CAPITAL:** Because the federal government can borrow money at a lower interest rate than can the private sector, using federal capital saves taxpayers billions of dollars in high subsidies to banks and other private lenders.
- 2. SAVINGS:** The Congressional Budget Office, the General Accounting Office, and the Department of Education have all found that direct lending will save billions of dollars over the next four years, even after transition costs. Students will benefit from these savings in the form of reduced interest rates.
- 3. FLEXIBLE REPAYMENT OPTIONS:** Students will have a variety of flexible repayment options designed to ease repayment, avoid defaults and encourage community service, including the new EXCEL Accounts, which will provide the opportunity for students to repay loans as a percentage of income over time.
- 4. STREAMLINED DELIVERY:** Direct lending simplifies the current complicated maze of financial aid for students and parents by cutting down on the number of middlemen and procedures in the current system. Most students will receive all of their financial assistance through one stop at existing college financial aid offices.
- 5. INSTITUTIONS AS ORIGINATORS:** Willing and able institutions will make (or "originate") loans directly to students on campus, and will receive a fee for providing this service. No school, however, will be forced to originate loans. Institutions that do not originate loans will be provided the services of alternative originators, selected and paid for by the Department of Education. No institutions will service or collect these student loans.
- 6. THE DEPARTMENT OF EDUCATION'S ROLE:** The Department of Education will oversee an orderly transition to the new system, and monitor the new program. The Department is already working on several initiatives, including the development of a National Student Loan Data System, to improve its oversight capabilities and ensure a smooth transition to direct lending. The Department will contract with public or private entities, on a fee-for-service basis, to provide alternative origination and to service and collect loans.

① National Serv



MAY 3 1993

OFFICE OF THE SECRETARY
DEPARTMENT OF VETERANS AFFAIRS

TELEFAX TRANSMISSION COVER SHEET

DATE: May 3, 1993

TO: Christine Varney

FAX NUMBER: 456-2983

FROM: Linda Kaufmann, Executive Assistant
Department of Veterans Affairs
Office of the Secretary

PHONE: 202/535-8650 FTS: 8/535-8650

FAX: 202/535-8667 FTS: 8/535-8667

Number of pages, including FAX cover sheet 5

COMMENTS: For your information.

A M V E T S

NATIONAL HEADQUARTERS
4847 Forbes Boulevard
Lanham, Maryland 20708-4380



NEWS

■
National Affairs Newslines
FOR IMMEDIATE RELEASE
Release #93-16

CONTACT
Dick Flanagan
Tonya Swann
(301) 459-9600

**VETERANS VIEW NATIONAL
SERVICE PLAN WITH CAUTION**

WASHINGTON, Apr. 30--The head of the nation's fourth largest veterans group today voiced support for President Clinton's proposed national service program, "as long as its educational entitlement benefit does not impede the recruiting efforts of the armed forces."

James J. Kenney, national commander of AMVETS, endorsed the president's proposal after hearing Clinton announce today in New Orleans that his plan would provide \$5,000 annually in educational benefits to those entering the program.

"I cannot accept that community service equates to the rigors and hazards of service in the armed forces," said Kenney, who pointed out that his organization had strenuously opposed a higher stipend.

While saying he goes along with the concept of national service, Kenney at the same time reiterated his feeling that service in the military should be the cornerstone of the new

-more-

AMVETS

2-2-2

Release #93-16

program and that the Montgomery GI should be enhanced so that it remains the "premier" federal education program.

"Historically, the GI Bill has been used as a recruiting tool and as a reward for the sacrifices associated with military service," he said. "It also has figured significantly in the transition from the military to the civilian community."

Kenney said he looks forward to testifying later before Congress on the matter. "Veterans groups have a lot to offer," he added, "and I would hope that the president and his advisors tap into that resource."

The American Legion



For God And Country

★ WASHINGTON OFFICE ★ 1808 "K" STREET, N.W. ★ WASHINGTON, D.C. 20006-2847 ★
(202) 861-2700 ★

FOR IMMEDIATE RELEASE

Mr. President, How About a GI Bill for GIs?

WASHINGTON (April 30, 1993) — "If laying down your life for your country isn't a 'national service,' then nothing is," said Roger A. Munson, National Commander of The American Legion.

"The American Legion is not criticizing the president for introducing a national service plan that would provide education for millions of young Americans. We have always supported such education," said Munson, the top official in the 3.1-million member veterans group.

"However, we do think it a strange set of priorities when those who are currently providing national service to their country are entitled to less benefits than those who are yet to serve their nation. What do we say to brave young men and women who served with distinction in Desert Storm and who at this very moment are on duty in Somalia and flying over Bosnia?"

Munson continued: "It is only right and just that we recognize the highest form of national service — service in the Armed Forces of the United States."

"The morale of the armed forces in a nose-dive," Munson said. "First came defense cuts and involuntary discharges. Then came plans to lift the ban on homosexuals and place women in combat. Now comes an education package for 'national service' that's superior to the GI Bill, and the veterans don't even have an opportunity to participate in it."

The American Legion commander pointed out that Senator Sam Nunn sponsored an unsuccessful "Citizen Corps" bill in 1989 that would have revamped the military's GI Bill and created national service for civilians, with benefits carefully weighted to ensure that service members received better educational benefits than those yet to provide any national service.

The American Legion commander urged the administration to consider the Combat-Era Serviceperson's Readjustment Act of 1993. The measure, introduced today by Sen. Dennis DeConcini, provides for a substantial improvement in GI Bill educational benefits. Specifically, the plan calls for:

- * Ending the \$1,200 out-of-pocket contribution demanded of participants in the current GI Bill, which is called the Montgomery GI Bill.

- * Raising the maximum monthly payment to \$777, up from the current maximum of \$350.

- * Authorizing GI Bill benefits for reservists on active duty for more than 90 days, reservists and National Guardsmen recalled to active duty for the Persian Gulf War and all former service members who participated in the Montgomery GI Bill.

"The current GI Bill offers a paltry sum for risks to life and limb, for no-notice worldwide deployments, even for community-service-type missions around the world," Munson said.

The American Legion authored the original GI Bill in 1944 and is a staunch advocate of national service and education, providing tens of millions of dollars worth of scholarships over the years.

Contacts:

Phil Budahn (202) 861-2790 or (703) 354-4475
Lew Wood (317) 635-8411 or (317) 578-4750

MEMORANDUM
OF CALL

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Ph. Riggins

OF (Organization)

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Larry Rivers VFL

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John Summer Post

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Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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COLLECTION:

Clinton Presidential Records
Cabinet Affairs
Christine Varney
OA/Box Number: 3728

FOLDER TITLE:

National Service

2013-0661-F

rs2940

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

NATIONAL SERVICE MEETING
OLD EXECUTIVE OFFICE BUILDING
WEDNESDAY, MAY 5, 1993
1:45 P.M.

Room 472

⑦ Nat'l
Service

The American Legion

Philip J. Budahn

DOB:

SSN:

(b)(6)

AMVETS

Bob Jones

DOB:

SSN:

Veterans of Foreign Wars

Larry Rivers

DOB:

SSN:

DC - Office of Veterans Affairs

Cleveland Jordan

DOB:

SSN:

Disabled American Veterans

John Heilman

DOB:

SSN:

NCOA

Dick Johnson

DOB:

SSN:

Department of Veterans Affairs

Gabby Hartnett

DOB:

SSN:

Philip Riggan

DOB:

SSN:

Concerns of Vet Groups

- ① Nat'l Service Benefits exceed 6,500 per year

$\begin{array}{r} 14,400 \\ 1,200 \\ \hline 15,600 \end{array}$
 $\begin{array}{r} 14,400 \text{ Base} \\ 1,200 \\ \hline 15,600 \end{array}$
 GI Bill 50%
 3600 per yr
 for 4 yrs
 w/ 1200 total
 yr. W

- ② GI Bill incentive to recruit diminished by Nat'l Service

- ③ GI Bill should be the "crown jewel" the best of them.

Monday

14,400 of 3 yrs

$$\begin{array}{r} 14,400 \\ - 1,200 \\ \hline 13,200 = 4,400 \\ \text{per year incl} \end{array}$$

Nat'l Serv

6,500

85% of min wage based on workweek

753 (4 mo)

810 (12 mo)

653 x 4

ERNRE APR 28, 1993 200

NAME	AGENCY	PHONE	FAX
D RAY SQUITIERI	CEA	395-6982	395-6947
Charble Wong	OMB	395-6944	395-5836
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D ALAN EWERT	USDA-FS	202, 205-1092	202, 205-108
Ted Heintz	DOI	202-208-4939	208-4867
Norman Hartness	OMB	(202) 395-6840	395-1067
D Rod WEINER	NOAA	606-4360	606-4355
D Don Rosenthal	DOE	202-586-0406	202-586-5391
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ED RASTITTEN	Dept of Transp	202-366-4420	202-366-7618
D Gail Updegraff	USDA/SCS	202-720-2307	(202) 720-64
D JOEL SCHERAGA	EPA	202-260-4029	202-260-64
Dan Newlon	INSF	202-357-9174	202-35
D Sue Cronin	DOS/EB	202 647 2231	202 647 4037 ⁰³⁵
D [Signature] F. [Signature]	DOS/DES	(202) 647-4069	(202) 647-019
JOSEPH E. STIGLITZ	CEA	202 395-65036	-694

F NRK
Secure

Memorandum

To: Christine Varney

From: Eli Segal

Subject: Cabinet Secretary Events for National Volunteer Week

Date: April 15, 1993

As National Volunteer Week approaches, the office of National Service would like to encourage Cabinet Secretaries to schedule events next week which would highlight the ethic of service throughout the federal government. If you could reemphasize this message during tomorrow morning's conference call it would be greatly appreciated.

Events Already Planned -- Highlights:

Justice:

On either April 21st or 25th, Janet Reno will visit a local school which has recently been plagued by violence. She will emphasize the need to do more to improve school safety and will point to National Service and other existing programs as ways to do this.

Veterans:

This year marks the 20th anniversary of the VA Secretary's Outstanding Volunteer Service Awards ceremony. A large ceremony will be held on Monday, April 19 to commemorate this event. Today (April 15), the Secretary visited the VA Medical Center in Bay Pines, Florida, to participate in the anniversary celebration in honor of their volunteers and to present a posthumous award to recognize an individual who was a VA volunteer for 45 years.

Education:

Secretary Riley will visit Banaker High School students at Howard Universities Therapeutic Child Life Center. The students work with terminally ill children at the center through recreational activities such as playing pool or playing checkers. The secretary will get involved with the recreational activity of the day and learn more about the experiences of both sets of youth.

Deputy Secretary Kunin will visit the DC Service corps as a guest speaker. She will first speak to them about education and community service, followed by a discussion about the corps members experiences with service.

Interior:

Secretary Babbitt is probably going to visit a local environmental conservation program site in the DC metro area on Earth Day, April 22. Site possibilities include a tree planting ceremony at Greenbelt National Park.

Principals:

President Clinton will present National Volunteer Service Awards in the Rose Garden on April 22nd.

Vice President Gore will probably visit a local environmental conservation site on April 22nd.

The First Lady will participate in Public Allies/Youth Service Awards ceremony in the Rose Garden on April 20th.

Mrs. Gore will visit Birney Elementary School on April 20th where members of the DC Service Corps will be tutoring students in 10 different classrooms.

THE WHITE HOUSE
WASHINGTON

APR 23 1993

April 23, 1993

MEMORANDUM TO ATTACHED DISTRIBUTION LIST

FROM: ELI J. SEGAL

SUBJECT: Introduction of National Service Legislation

We expect to introduce our National Service legislation next week. We thought you'd like a summary of what we intend to present.

Please call Rick Allen, Deputy Director, or Jack Lew, General Counsel, at x6444 if you have any questions.

EJS:lg
attachment

CC: \

Could you
cc me on
National Service
stuff Thanks
SBS

Ⓟ Nat'l
Serv

Susan Brophy
David Dreyer
Rahm Emanuel
Mark Gearan
Alexis Herman
Tom McLarty
Regina Montoya
Dee Dee Myers
Howard Paster
John Podesta
Carol Rasco
George Stephanopolous
Todd Stern
Christine Varney

The National Service Trust Act of 1993

DRAFT

National service will be America at its best -- building community, offering opportunity, and rewarding responsibility. National service is a challenge for Americans from every background and every walk of life, and it values something far more than money. National service is nothing less than the American way to change America.

— President Bill Clinton
Rutgers University
March 1, 1993

President Clinton's national service program will expand educational opportunity, reward individual responsibility, and build the American community by bringing citizens together to tackle common problems. The centerpiece of the initiative is a new program to offer educational awards to Americans who make a substantial commitment to service. In addition to this program, which builds on the youth corps and demonstration programs of the National and Community Service Act of 1990, the National Service Trust Act includes:

- An overhaul of the student loan system. A variety of flexible repayment options will be made available to students -- including income-contingent repayment -- making it tougher to default but easier to take service jobs. At the same time, the phase-in of the direct lending program will save taxpayers and students billions of dollars and simplifying the complex system to make higher education more accessible.
- Extension and improvement of programs in the National and Community Service Act of 1990 that enhance elementary and secondary education through community service in schools, support after-school and summer programs for school-age youth, and fund service programs on college campuses.
- Extension and improvement of VISTA and the Older American Volunteer Programs authorized by the Domestic Volunteer Service Act.
- Creation of a new Investment Fund for Quality and Innovation to support model service programs and activities designed to ensure the development of high quality national service programs.

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The National Service Trust Program

Types of Service

- To qualify, service must directly benefit the community and address unmet educational, environmental, human, or public safety needs.
- National priorities may be established to ensure that pressing needs are addressed.
- Participants may not displace or duplicate the functions of existing workers.

Participants

Eligibility

- Individuals may serve before, during, or after post-secondary education.
- In general, participants may be age 17 or older. Youth corps participants may be ages 16 to 25.
- Participants must be high school graduates or agree to achieve their GED prior to their completion of service.

Selection

- Participants will be recruited and selected on a nondiscriminatory basis and without regard to political affiliation by local programs designated by states or the federal government.
- A national or state recruitment system will help interested individuals locate placements in local programs. Information about available positions will be widely disseminated through high schools, colleges and other placement offices. A special leadership corps may be recruited, trained, and placed to assist in the development of new national service programs.

DETERMINED TO BE AN ADMINISTRATIVE

MARKING INITIALS: W DATE: 1/5/16
2013-0666

DRAFT

Term of Service

■ To earn an educational award, a participant must complete at least one year of full-time or two years of part-time service in a program designated by a state or the federal government. An individual may serve up to two terms and earn up to two educational awards.

Educational Awards

■ Educational awards worth \$6,500 will be provided for each term of service.

■ Educational awards will be federally funded and deposited into a national service trust on behalf of all participants accepted into the program. Organizations and individuals may donate funds to support national service participants in the donor's community.

■ Payments will be made directly to qualified post-secondary educational institutions, including two- and four-year colleges, training programs, and graduate or professional programs.

■ In the case of participants with outstanding loan obligations for qualified educational activities, awards will be paid directly to lenders.

■ Awards will not be taxable and must be used within five years of receipt.

Stipends

■ Programs will set stipends within program guidelines. However, federal support will be limited to a match of 85 percent of an annual stipend equivalent to benefits received by VISTA volunteers. Programs may provide additional stipends up to twice this amount, with no federal match for the portion of the stipend in excess of the VISTA benefit.

■ In the limited case of designated professional corps in areas of great need, such as teaching and public safety in underserved areas, participants may be paid a salary in excess of the guidelines and receive an educational award. However, no federal support will be available for a stipend.

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Health and Child Care

- All participants without access to health insurance will receive health coverage. Federal dollars will pay up to 85 percent of the cost of these benefits.
- Participants may receive child care assistance, if needed.

Programs

Goals

- Programs must set measurable goals regarding the impact of the service on the community and on participants.

Eligibility

- Programs eligible for national service designation include diverse community corps, youth corps, specialized service programs focusing on a specific community need, individual placement programs, campus-based service programs, programs that train and place service-learning coordinators in schools or team leaders in corps programs, intergenerational programs, national service entrepreneurship programs, and professional corps.
- Programs may be run by non-profit organizations, institutions of higher education, local governments, school districts, states, or federal agencies.
- Programs may not provide direct benefits to for-profit businesses, labor unions, or partisan political organizations, or involve participants in religious activities.

Selection

- Selection criteria include quality (based on criteria developed in consultation with experts in the field), innovation, sustainability, and replicability of programs.
- Past experience and management skills of program leadership, involvement of participants in leadership roles, and the extent to which the program builds on existing programs will also be taken into account.
- Programs serving communities of need, including those designated as enterprise zones, community redevelopment areas, environmentally distressed areas, and

DRAFT

communities adversely affected by decreased defense spending will also receive special consideration.

Funding

- All participants will receive educational awards.
- To develop programs, one-year planning grants will be available. To support national service participants, three-year renewable grants will be available for program demonstration, expansion, or replication.
- Administrative costs will be limited to five percent of all grants other than planning grants.
- Programs must pay 15 percent of the stipend and health care benefits in cash and 25 percent of other costs. The 25 percent match may be in cash or in kind from any source other than programs funded under the National and Community Service or Domestic Volunteer Service Acts.
- Federal funds must supplement, not supplant, state and local dollars.

Corporation for National Service

Structure

- The national service program will be administered by a new government corporation for national service, created by combining two existing independent federal agencies, the Commission on National and Community Service and ACTION.
- The corporation will achieve streamlined operation through flexible personnel policies.
- The corporation will be responsible for administering all programs authorized under the National and Community Service Act and Domestic Volunteer Service Act, including VISTA and the Older American Volunteer Programs. It will fund training and technical assistance, service clearinghouses and other activities.
- The investment division of the corporation will administer the new trust program and programs currently administered by the Commission on National and Community Service.

- The operating division will administer programs currently run by the ACTION agency, including VISTA and the Older American Volunteer Programs.

Governance

- The corporation will have an eleven-member volunteer Board of Directors appointed by the President and confirmed by the Senate. It will be bipartisan and include persons experienced in national service and experts in providing educational, environmental, human, or public safety service.
- The first Board members will be appointed from the Board of Directors of the Commission on National and Community Service. Seven Cabinet secretaries will serve as non-voting ex-officio members.
- The Board will develop the corporation's strategic plan, make grant decisions, review other policy and personnel decisions, receive and act on reports from the Inspector General, supervise evaluations, and advise the Chair on all issues.
- A Chairperson of the Board and a Managing Director for each division will be full-time employees appointed by the President and confirmed by the Senate.

Oversight

- An Inspector General will oversee programs to guard against fraud and abuse.
- Programs must arrange for independent audits and evaluations, and may also be required to participate in national or state evaluations.

State Commissions

Structure

- In order to receive a grant, each state must establish a commission on national service. The corporation will provide funding for the state commission.
- Commissions will have seven to thirteen members appointed by the governors on a bipartisan basis from among the following: youth, educators, representatives of youth corps, older American volunteer programs, and other nonprofit service providers, labor, business, and experts in meeting particular unmet needs. Commissions will elect their own chair.

- State agency representatives may sit on the commissions as non-voting ex officio members.
- A representative of the corporation will sit on each commission as a voting member and act as liaison between the commission and the corporation.

Duties

- State commissions will be responsible for selecting programs to be funded under the state formula allocation, and in any competitive grant states may request.
- State commissions must also design strategic plans for service in the states, recruit participants, and disseminate information about service opportunities.
- State commissions may also support clearinghouses, training and technical assistance, and other initiatives to support service. They may not operate national service programs, but may use a portion of funds to support programs run by state agencies.

Transition

- For a period of one year, existing state agencies may assume the responsibility of the state commissions.

Allocation of Funds

- States submitting approved plans will receive a minimum of fifty percent of funds available for the national service trust program — a portion according to a population-based formula and the remainder on a competitive basis.
- Up to fifty percent of funds may be allocated directly by the corporation. Programs eligible for priority consideration include national nonprofit organizations operating multiple programs or competitive grant programs, national service initiatives in more than one state and meeting priority needs, proposals to replicate successful programs in more than one state, and innovative national service programs.

THE WHITE HOUSE
WASHINGTON

April 30, 1993

MAY 3 1993

② Nat'l
Service

MEMORANDUM FOR DISTRIBUTION

From: Steve Hilton
Deputy Asst to the President for Public Liaison
Subject: Veterans

For your information I am forwarding the attached press release sent out by the American Veterans in support of the President's proposed National Service program (see attached).

Distribution:

Rick Allen
Bruce Lindsey
Alphonse Maldon
Christine Varney /

AMVETS

NATIONAL HEADQUARTERS
4847 Forbes Boulevard
Lanham, Maryland 20706-4380



NEWS

■ National Affairs Newsline
FOR IMMEDIATE RELEASE
Release #93-16

CONTACT
Dick Flanagan
Tonya Swann
(301) 459-9600

VETERANS VIEW NATIONAL SERVICE PLAN WITH CAUTION

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James J. Kenney, national commander of AMVETS, endorsed the president's proposal after hearing Clinton announce today in New Orleans that his plan would provide \$5,000 annually in educational benefits to those entering the program.

"I cannot accept that community service equates to the rigors and hazards of service in the armed forces," said Kenney, who pointed out that his organization had strenuously opposed a higher stipend.

While saying he goes along with the concept of national service, Kenney at the same time reiterated his feeling that service in the military should be the cornerstone of the new

-more-

AMVETS
2-2-2
Release #93-16

program and that the Montgomery GI should be enhanced so that it remains the "premier" federal education program.

"Historically, the GI Bill has been used as a recruiting tool and as a reward for the sacrifices associated with military service," he said. "It also has figured significantly in the transition from the military to the civilian community."

Kenney said he looks forward to testifying later before Congress on the matter. "Veterans groups have a lot to offer," he added, "and I would hope that the president and his advisors tap into that resource."

⑤ Nat'l
Service

THE WHITE HOUSE
WASHINGTON

April 30, 1993

MEMORANDUM TO PHIL RIGGIN,
VETERANS AFFAIRS

FROM: RICK ALLEN *Rick*

SUBJECT: NATIONAL SERVICE EDUCATIONAL BENEFIT LEVEL

This will confirm certain details about our civilian national service program:

1. The President has set the post-service educational benefit level at \$5000 for one year of service. This represents a reduction from amounts previously considered. As you know, the educational benefit level under the Montgomery Bill is \$5250 (annualized, for a two year service term).
2. A civilian national service volunteer will be accepted for a one year term of service. In certain instances, a volunteer might be able to re-apply for a second year of service; such "re-enlistment" would not be automatic.
3. The pool of applicants for civilian national service is anyone 17 and older; male and female; and including persons with disabilities. This is distinct from the military recruiting pool which focuses on 17 to 21 year old able-bodied men.

THE WHITE HOUSE
WASHINGTON

① Wait'
Service

4-26-93

April 24, 1993

MEMORANDUM TO CHRISTINE VARNEY

FROM: RICK ALLEN

SUBJECT: COOPERATION OF DEPARTMENT OF DEFENSE IN SUMMER OF
SERVICE

Rudy DeLeon suggested that I memorialize certain of the specific areas of assistance the Department of Defense ("DOD") is considering providing to the Summer of Service ("SOS") (the national service pilot program being run by the Commission on National and Community Service).

1. DOD is examining the possibility of the National Guard transporting the SOS participants from certain central locations to and from the proposed national training site (a Naval base in San Francisco that is in the process of being decommissioned), ancillary to required Guard training flights.

2. The Department is also assisting the Commission in reducing the operating costs of the national training week, including by providing mobile kitchens and other facilities and personnel.

As you know, we have been working consistently with the armed forces on a variety of collaborative efforts (as well as to try to avoid recruiting and other conflicts). DOD's most recent efforts indicate a substantial further initiative, and we are most appreciative.

cc Rudy DeLeon

① IC w/ Rudy 4-28-93
Rudy m/z delegating
cost of transporting
& kill nation.

WHITE HOUSE STAFFING MEMORANDUM

COB

DATE: 4/27/93 ACTION/CONCURRENCE/COMMENT DUE BY: WED., APR 28

NATIONAL SERVICE/COLLEGE LOAN LEGISLATION

SUBJECT: _____

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	PASTER	☒	☐
McLARTY	☒	☐	RASCO	☒	☐
GEARAN	☒	☐	RUBIN	☒	☐
PANETTA	☐	☐	SEGAL	☐	☐
EMANUEL	☒	☐	STEPHANOPOULOS	☒	☐
GIBBONS	☐	☐	VARNEY	☒	☐
HALE	☐	☐	WATKINS	☐	☐
HERMAN	☐	☐	WILLIAMS	☒	☐
LAKE	☐	☐	_____	☐	☐
LINDSEY	☐	☐	_____	☐	☐
MONTOYA	☐	☐	_____	☐	☐
NUSSBAUM	☐	☐	_____	☐	☐

REMARKS: The attached are materials for National Service/College Loan Legislation, to be introduced Friday. In order to give everyone adequate time for comment, we are circulating these drafts since final materials won't be ready before Wednesday or Thursday.

RESPONSE: The enclosed materials are a summary of the National Service piece of the legislation; and a section by section analysis of both the National Service and college loan pieces. A summary of the college loan piece and a transmittal letter for the overall bill will be circulated as soon as we receive them.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
Ext. 2702

The National Service Trust Act of 1993

National service will be America at its best -- building community, offering opportunity, and rewarding responsibility. National service is a challenge for Americans from every background and every walk of life, and it values something far more than money. National service is nothing less than the American way to change America.

-- President Bill Clinton
Rutgers University
March 1, 1993

President Clinton's national service program will expand educational opportunity, reward individual responsibility, and build the American community by bringing citizens together to tackle our common problems. The President's support for service extends from the youngest elementary students to our oldest citizens, and includes everything from part-time volunteer activities to full-time public service jobs.

The centerpiece of the initiative is a new program to offer educational awards to Americans who make a substantial commitment to service. In addition to this program, which builds on the youth corps and demonstration programs of the National and Community Service Act of 1990, the National Service Trust Act includes:

- An overhaul of the student loan system. A variety of flexible repayment options will be made available to students -- including income-contingent repayment -- making it tougher to default but easier to take service jobs. At the same time, the phase-in of the direct lending program will save taxpayers and students billions of dollars and simplify the complex system to make higher education more accessible.
- Extension and improvement of programs in the National and Community Service Act of 1990 that enhance elementary and secondary education through community service in schools, support after-school and summer programs for school-age youth, and fund service programs on college campuses.
- Extension and improvement of VISTA and the Older American Volunteer Programs authorized by the Domestic Volunteer Service Act.
- Creation of a new Investment Fund for Quality and Innovation to support model service programs and activities designed to ensure the development of high quality national service programs.

DETERMINED TO BE AN ADMINISTRATIVE

MARKING INITIALS: W DATE: 1/8/16
2013-0661-6

The National Service Trust Program

Types of Service

- To qualify, service must directly benefit the community and address unmet educational, environmental, human, or public safety needs.
- National priorities may be established to ensure that pressing needs are addressed.
- Participants may not displace or duplicate the functions of existing workers.

Participants

Eligibility

- Individuals may serve before, during, or after post-secondary education.
- In general, participants may be age 17 or older. Youth corps participants may be ages 16 to 25.
- Participants must be high school graduates or agree to achieve their GED prior to their completion of service.

Selection

- Participants will be recruited and selected on a nondiscriminatory basis and without regard to political affiliation by local programs designated by states or the federal government.
- — A national or state recruitment system will help interested individuals locate placements in local programs. Information about available positions will be widely disseminated through high schools, colleges and other placement offices. A special leadership corps may be recruited, trained, and placed to assist in the development of new national service programs.

Term of Service

■ To earn an educational award, a participant must complete at least one year of full-time or two years of part-time service in a program designated by a state or the federal government. An individual may serve up to two terms and earn up to two educational awards.

Educational Awards

■ Educational awards worth \$6,500 will be provided for each term of service.

■ Educational awards will be federally funded and deposited into a national service trust on behalf of all participants accepted into the program. Organizations and individuals may donate funds to support national service participants in the donor's community.

■ Payments will be made directly to qualified post-secondary educational institutions, including two- and four-year colleges, training programs, and graduate or professional programs.

■ In the case of participants with outstanding loan obligations for qualified educational activities, awards will be paid directly to lenders.

■ Awards will not be taxable and must be used within five years of receipt.

Stipends

■ Programs will set stipends within program guidelines. However, federal support will be limited to a match of 85 percent of an annual stipend equivalent to benefits received by VISTA volunteers. Programs may provide additional stipends up to twice this amount, with no federal match for the portion of the stipend in excess of the VISTA benefit.

■ In the limited case of designated professional corps in areas of great need, such as teaching and public safety in underserved areas, participants may be paid a salary in excess of the guidelines and receive an educational award. However, no federal support will be available for a stipend.

Health and Child Care

- All participants without access to health insurance will receive health coverage. Federal dollars will pay up to 85 percent of the cost of these benefits.
- Participants may receive child care assistance, if needed.

Programs

Goals

- Programs must set measurable goals regarding the impact of the service on the community and on participants.

Eligibility

- Programs eligible for national service designation include diverse community corps, youth corps, specialized programs focusing on a specific community need, individual placement programs, campus-based service programs, programs that train and place service-learning coordinators in schools or team leaders in corps programs, intergenerational programs, national service entrepreneurship programs, and professional corps.
- Programs may be run by non-profit organizations, institutions of higher education, local governments, school districts, states, or federal agencies.
- Programs may not provide direct benefits to for-profit businesses, labor unions, or partisan political organizations, or involve participants in religious activities.

Selection

- Selection criteria include quality (based on criteria developed in consultation with experts in the field), innovation, sustainability, and replicability of programs.
- Past experience and management skills of program leadership, involvement of participants in leadership roles, and the extent to which the program builds on existing programs will also be taken into account.
- Programs serving communities of need, including enterprise zones, community redevelopment areas, environmentally distressed areas, and communities adversely affected by decreased defense spending will also receive special consideration.

Funding

- All participants will receive educational awards.
- To develop programs, one-year planning grants will be available. To support national service participants, three-year renewable grants will be available for program demonstration, expansion, or replication.
- Administrative costs will be limited to five percent of all grants other than planning grants.
- Programs must pay 15 percent of the stipend and health care benefits in cash and 25 percent of other costs. The 25 percent match may be in cash or in kind from any source other than programs funded under the National and Community Service or Domestic Volunteer Service Acts.
- Federal funds must supplement, not supplant, state and local dollars.

Corporation for National Service

Structure

- The national service program will be administered by a new government corporation for national service, created by combining two existing independent federal agencies, the Commission on National and Community Service and ACTION.
- The corporation will achieve streamlined operation through flexible personnel policies.
- The corporation will be responsible for administering all programs authorized under the National and Community Service Act and Domestic Volunteer Service Act, including VISTA and the Older American Volunteer Programs. It will fund training and technical assistance, service clearinghouses and other activities.
- The investment division of the corporation will administer the new trust program and programs currently administered by the Commission on National and Community Service.
- The operating division will administer programs currently run by the ACTION agency, including VISTA and the Older American Volunteer Programs.

Governance

- The corporation will have an eleven-member volunteer Board of Directors appointed by the President and confirmed by the Senate. It will be bipartisan and include persons experienced in national service and experts in providing educational, environmental, human, or public safety service.
- The first Board members will be appointed from the Board of Directors of the Commission on National and Community Service. Seven Cabinet secretaries will serve as non-voting ex-officio members.
- The Board will develop the corporation's strategic plan, make grant decisions, review other policy and personnel decisions, receive and act on reports from the Inspector General, supervise evaluations, and advise the Chair on all issues.
- A Chairperson of the Board and a Managing Director for each division will be full-time employees appointed by the President and confirmed by the Senate.

Oversight

- An Inspector General will oversee programs to guard against fraud and abuse.
- Programs must arrange for independent audits and evaluations, and may also be required to participate in national or state evaluations.

State Commissions

Structure

- In order to receive a grant, each state must establish a commission on national service. The corporation will provide funding for the state commission.
- Commissions will have seven to thirteen members appointed by the governors on a bipartisan basis from among the following: youth, educators, representatives of youth corps, older American volunteer programs, and other nonprofit service providers, labor, business, and experts in meeting particular unmet needs. Commissions will elect their own chair.
- State agency representatives may sit on the commissions as non-voting ex officio members.

- A representative of the corporation will sit on each commission as a voting member and act as liaison between the commission and the corporation.

Duties

- State commissions will be responsible for selecting programs to be funded under the state formula allocation, and in any competitive grant states may request.
- State commissions must also design strategic plans for service in the states, recruit participants, and disseminate information about service opportunities.
- State commissions may also support clearinghouses, training and technical assistance, and other initiatives to support service. They may not operate national service programs, but may use a portion of funds to support programs run by state agencies.

Transition

- For a period of one year, existing state agencies may assume the responsibility of the state commissions.

Allocation of Funds

- States submitting approved plans will receive a minimum of fifty percent of funds available for the national service trust program -- a portion according to a population-based formula and the remainder on a competitive basis.
- Up to fifty percent of funds may be allocated directly by the corporation. Programs eligible for priority consideration include national nonprofit organizations operating multiple programs or competitive grant programs, national service initiatives in more than one state and meeting priority needs, proposals to replicate successful programs in more than one state, and innovative national service programs.

Serve-America

The proposal extends and expands the existing Serve-America program for school-age youth and Higher Education Innovative Projects for Community Service. Modifications to these programs are described below.

Service-Learning Program

Program Goals

- To build a foundation for service among the nation's youth, inspiring them to serve and instilling in them the values and attitude to serve effectively after graduation.
- To create opportunities for all American children to serve our country.

Types of Programs

- Programs may be partnerships of local education agencies and community-based organizations.
- Local educational agencies may receive planning grants to hire service-learning coordinators.

Types of Funding

- School-based programs will be eligible for funding through state educational agencies, partly based on formula and partly through competition.
- State educational agencies must develop state plans that indicate programs to be funded and detail 3-year strategies for service-learning in their states. The Corporation must approve state plans.
- Programs may receive one-year planning grants for school-based programs. Subgranting to experienced institutions for school-based programs will also be allowed.
- All local programs will be required to provide at least 10 percent of total program costs in the first year of funding, increasing to 50 percent in the fourth. Local programs may utilize other federal education funds to meet the match requirement.

Training and Technical Assistance

- Clearinghouses will be expanded to further enable them to disseminate information and curriculum materials; train teachers, service sponsors and participants; and provide needs assessments or technical assistance.
- States will also receive additional resources to train and educate state educational personnel.

Community-based Program for School-Age Youth

- Community-based organizations working with school-age youth may receive grants from the State Commission for programs to involve such youth in community service.
- National non-profit organizations may apply to the Corporation to make subgrants or run multi-state community-service programs for this population.

Higher Education Innovative Projects

- Higher Education institutions, consortia of such institutions, or partnerships of higher education institutions and non-profit institutions may receive grants from the Corporation for student community-service programs or programs to train teachers in service-learning methods.
- Funds may supplement College Work-Study funds being used for community service placements.

NATIONAL SERVICE TRUST ACT OF 1993

SUMMARY

The National Service Trust Act of 1993 has five titles.

Title I contains programs: the new national service program offering educational awards in return for service; amendments to service programs for school-age youth and students in institutions of higher education; and an investment fund to promote quality and innovation in programming. Title I amends the National and Community Service Act of 1990 ("NCSA").

Title II establishes the organizational framework for these programs: State Commissions on National Service and a federal Corporation for National Service. Title II also amends the NCSA.

Title III replaces the guaranteed student loan program with a federal direct student loan program, makes available flexible repayment of loans to all borrowers, and simplifies the student loan system while expanding access. Title III contains amendments to the Higher Education Act of 1965.

Title IV reauthorizes the NCSA and the Domestic Volunteer Service Act of 1973 ("DVSA"), amends DVSA and authorizes appropriations for titles I and II of the Act.

Title V contains the technical and conforming amendments.

SECTION-BY-SECTION SUMMARY

Section 1. Short title and table of contents.

The short title of the bill is the National Service Trust Act of 1993.

TITLE I -- PROGRAMS

Subtitle C -- National Service Program

Section 101. Federal investment in support of national service.

Section 101 replaces Subtitle C of the NCSA with a new National Service Program.

PART I -- INVESTMENT IN NATIONAL SERVICE

Section 121. Authority to provide assistance to national service programs.

The Corporation for National Service ("Corporation") is authorized to provide assistance to national service programs and to provide educational awards to participants in approved programs. Organizations eligible to apply for such assistance include nonprofit organizations, institutions of higher education, school districts, local governments, states and federal agencies.

Programs may not use more than 5 percent of their program assistance for administrative costs.

Section 122. Types of national service programs eligible for program assistance.

A variety of national service programs will be eligible to receive funding. All programs must provide opportunities to perform full- or part-time service that meets unmet human, educational, environmental or public safety needs. Section 122 lists a number of examples of qualified programs, to which the Corporation may add others: (1) diverse community corps; (2) youth corps; (3) service-learning programs; (4) specialized services programs; (5) individualized placement programs with regular group activities; (6) campus-based programs; (7) preprofessional programs with summer training while in college; (8) professional corps; (9) youthbuild programs; (10) national service entrepreneurship programs; (11) intergenerational programs.

In consultation with experts in the fields, the Corporation will establish different quality criteria for different types of programs. The Corporation's criteria will apply to all grants made under the Act, including grants by states and other programs operating subgranting programs.

The Corporation will also establish priorities to focus national service programs on meeting particular unmet human, educational, environmental or public safety needs. The Corporation will provide notice of these priorities and changes as they are made. These priorities will be applied in funding decisions made by the Corporation, states, or other subgranting programs.

Section 123. Types of national service positions eligible for approval for national service educational awards.

All participants in programs that receive operating assistance will be eligible to receive educational awards. In addition, participants in certain other service programs will be eligible for educational awards. The following categories, to which the Corporation add others, will be eligible to receive educational awards: (1) positions as participants in programs receiving assistance under Section 121; (2) positions in approved

national service programs not receiving federal operating assistance; (3) positions as VISTA volunteers; (4) positions as service-learning coordinators in programs receiving assistance under the Serve-America program; (5) positions in the Civilian Conservation Corps; (6) positions on the staff of approved national service programs; (7) certain positions as employees in jobs meeting unmet needs, that are unlikely to be filled in the next 6 months, and are located in economically disadvantaged areas.

Section 124. Types of program assistance.

The Corporation is authorized to make several kinds of grants: planning grants for up to one year; operational assistance and replication assistance. Operation and replication assistance may be for three years and is renewable. States and other organizations operating grant programs may provide the same types of assistance through sub-grants.

Section 125. Training and technical assistance

The Corporation is authorized to provide training and technical assistance, either directly, or by grant or contract. Training programs will help national service programs meet unmet needs, develop leaders, instill an ethic of civic responsibility in participants, improve management and budgetary skills, and enhance the training of participants. Technical assistance will help applicants develop programs and apply for assistance.

Section 126. Other special assistance.

The Corporation may also provide assistance to states in order to establish State commissions, to corps and other national service programs in order to provide disaster relief, and to high-quality model programs as challenge grants, which would offer \$1 of assistance for every \$1 raised from private sources. Funding for these purposes would be subject to a limited authorization of appropriations.

PART II -- APPLICATION AND APPROVAL PROCESS

Section 129. Provision of Assistance and Approved National Service Positions by Competitive and Other Means.

National service programs must apply to the Corporation through State Commissions on National Service ("State Commissions") or directly. The Corporation may only distribute such funds as are available in each fiscal year. Funds allocated for educational awards will be maintained in a separate National Service Trust and will not be available for program expenses.

Program funds, and a proportional allocation of educational awards, will be made available in three ways: (a) by formula to states; (b) competitively to States; and (c) competitively to entities (including states) applying directly to the Corporation.

(a) Thirty percent of program funds, and a corresponding proportion of educational awards, will be allocated to states based on population (one percent of all program assistance will be reserved for Indian tribes and territories).

(b) No less than 20 percent of program assistance and approved positions will be available to states on a competitive basis. State applications for formula funding may include an application for additional competitive funding.

(c) Remaining funds will be allocated competitively by the Corporation. These funds may be allocated to federal agency programs; additional state proposals; programs seeking to expand to multiple states; innovative programs; programs aimed at Corporation designated priorities; and such other types of programs which the Corporation may designate.

Direct federal programs operated by the Corporation -- VISTA and the Civilian Community Corps -- will automatically receive educational awards in any year when the total number of educational awards is at least two hundred percent of the total number of such participants.

Individuals, corporations, or foundations may agree with the Corporation to sponsor approved positions in designated areas. Such sponsored positions will not be taken into account when the Corporation allocates federally-funded positions.

If a state does not apply to the Corporation for its formula allocation, the Corporation may use its formula portion to make grants directly to national service programs.

Section 130. Application for assistance and approved national service positions.

In order to be eligible for program assistance and approved positions, entities must submit applications either to State Commissions or directly to the Corporation. The Corporation may set reasonable deadlines and require reasonable information to be provided in such applications, including descriptions of: (1) programs to be carried out directly by the applicant; (2) the process by which programs were selected to receive grants; (3) other funding sources that the program sought or managed to find, particularly in the case of an application for renewed funding; (4) the extent to which the program will meet particular unmet needs and benefit the community in which projects are performed; (5) the manner in which the program will build an ethic of civic

responsibility in participants; improve the lives of participants through training, meaningful service experiences, and opportunities to reflect on those experiences; and offer participants opportunities to design and lead programs; (6) measurable goals for meeting unmet needs and providing a meaningful service experience, and a strategy to meet those goals; (7) the extent to which the program meets the national service priorities; (8) the past experience of the applicant; and (9) the type and number of national service positions that the participant requests.

In the case of applications for educational awards that do not request program assistance, the Corporation may require special application requirements.

In submitting state plans for Corporation approval, State Commissions may provide no more than 50 percent of assistance to programs that are run by the State. In the event that insufficient qualified applications are submitted by such other applicants, additional funds may be requested for programs administered directly by the State.

Section 131. National service program assistance requirements.

In order to be eligible for assistance, programs must provide several assurances or guarantees regarding: (a) expected impact of service on participants; (b) compliance with the nonduplication and nondisplacement provisions of section 177; (c) broad consultation in the community served, with community-based organizations and with labor organizations representing employees engaged in similar work, to ensure compliance with nondisplacement provisions; (d) performance goals and independent evaluation; (e) the nature of the living allowance provided; (f) willingness to select some participants from among prospective participants recruited centrally, including the national leadership pool recruited and trained by the Corporation.

Section 132. Ineligible Service Categories.

National service programs may not provide direct benefits to businesses organized for profit, labor unions, or partisan political organization. Benefits may be provided to religious organizations only if programs do not provide religious instruction, conduct worship services, or proselytize.

Section 133. Consideration of applications.

The Corporation, states, and other applicants operating grant programs will use the following criteria in determining whether to provide assistance or approved slots to programs: (1) program quality; (2) innovation; (3) replicability; (4) sustainability, based on broad community support and multiple or

private funding sources; (5) leadership quality; (6) past performance; (7) building on existing programs; (8) involvement of participants and community residents in program design, leadership and operations; (9) the extent to which programs are in areas that most need them, such as enterprise zones, environmentally distressed areas, or areas affected by reductions in defense spending; (10) other criteria established by the Corporation.

In providing assistance and approved positions on a competitive basis -- both to states and to programs directly -- the Corporation will ensure that programs receiving assistance are geographically diverse and in both urban and rural areas. In addition, among programs applying directly to the Corporation, the Corporation may designate certain programs for priority consideration, such as: (1) programs operated by other federal agencies; (2) programs addressing Corporation designated priorities; (3) innovative programs; (4) private non-profit programs which would replicate in several states a model already operating in at least one state; (5) national grant programs operated by nonprofit organizations with established expertise in national service or in providing particular services.

If the Corporation rejects the application of a State Commission, the Corporation will promptly notify the Commission of the reasons for the rejection. The Corporation must then provide the Commission with reasonable opportunity to revise and resubmit the application, and with technical assistance if the Commission requests. If the request of a State Commission is finally rejected, the Corporation may reallocate the funds and directly review applications which otherwise would be submitted to that State Commission.

Section 134. Matching funds requirements by recipients.

All programs that use funds provided under section 121 will satisfy matching requirements with respect to the grant funds. A waiver will be available.

PART III -- NATIONAL SERVICE PARTICIPANTS

Section 137. Description of Participants.

In order to participate in a national service program, an individual must in general be 17 years of age or older, a citizen or permanent resident, have a high school diploma or agree to obtain one while serving, meet eligibility requirements for the particular program, and be selected by that program.

Out-of-school youths under age 17 are eligible to participate in youth corps or youthbuild programs.

Section 138. Selection of national service participants.

In general, a program that receives assistance or approved positions will be responsible for selecting participants. In addition to ensuring that participants satisfy eligibility requirements under section 137, programs must select participants without regard to race, color, national origin, sex, age, disability or political affiliation.

While individual programs will be responsible for most recruiting, the Corporation and State Commissions may establish a recruiting and placement system from which programs may be required to recruit a portion of their participants. In addition, the Corporation is authorized to establish a national leadership pool and a leadership training program. The Corporation will assign these leaders to national service programs that request them.

Section 139. Required terms of service of national service participants.

In general, in order to receive an educational award, an individual must serve either full-time (not less than 1,500 hours over 9 months to 1 year) or part-time (not less than 1,500 hours over 1 to 2 years). The Corporation is authorized to develop guidelines for part-time participants to complete fewer hours and receive a correspondingly smaller educational award.

Participants released by recipients of assistance from service for compelling personal reasons may be eligible for partial educational awards.

Section 140. Living allowances for national service participants.

All programs must provide living allowances within specified guidelines. The provisions are designed to permit a great deal of flexibility in designing programs which are attractive and accessible to a wide range of potential participants in widely differing economic circumstances, including college graduates, high school graduates, and high school drop-outs who enroll in high school equivalency programs.

The Corporation will support 85 percent of the living allowances up to the total amount of the VISTA average annual subsistence allowance and stipend, which is comparable to a minimum age stipend.

Programs may offer stipends up to twice this target stipend level, but the Corporation will not match any amount in excess of the total of the VISTA subsistence and allowance.

To permit educational awards to be available to recruit participants for professional corps in underserved communities, programs may provide living allowances above 200 percent of the VISTA living allowance and stipend. In such instances, however, the Corporation will provide no contributions toward such stipends, and applications for this assistance will be approved by the Corporation on a case-by-case, competitive basis.

The Corporation will also provide assistance to pay 85 percent of the cost of a basic health care policy for each full-time participant who does not otherwise have access to health care. The Corporation will establish the contents of the basic health care policy.

The Corporation will also make child care or a child care allowance available for full-time participants who require such services.

Section 141. National Service Educational Awards.

A participant in a national service program will be eligible for an educational award if he or she serves in an approved position and satisfies eligibility requirements under section 146.

Section 102. Replaces Subtitle D of the NCSA with the National Service Trust.

Subtitle D -- National Service Trust and
Provision of National Service Educational Awards

Section 145. Establishment of the National Service Trust.

The National Service Trust is established as an account in the United States Treasury. Funds in the Trust are available for educational awards. The Trust consists of: (1) amounts designated by the Corporation for educational awards from amounts appropriated to the Corporation and made available for this subtitle; (2) amounts received by the Corporation as gifts, bequests, or in other such ways; and [(3) interest on, and proceeds from sale or redemption of, any obligations held by the Trust.

[The Secretary of the Treasury will invest amounts appropriated to the Trust in interest-bearing obligations.]

The Corporation will report to Congress every year on the financial status of the Trust.

Section 146. Individuals eligible to receive a national service educational award from the trust.

Individuals who complete a term of service in approved national service positions will be eligible for educational awards of \$6,500 for each of up to two terms of service. \$6,500 is roughly the average indebtedness of a graduate of a four-year public college. Individuals may participate in programs for longer periods of time, but will not be eligible for educational awards after the second term of service.

Awards will be non-taxable and will not count as income in determining eligibility for means-tested Federal programs.

Section 148. Disbursement of National Service Educational Awards.

Individuals may use educational awards to repay student loans, to pay for attendance at an institution of higher education, or to pay for expenses in an apprenticeship program.

An individual who wants to use his or her educational award to repay loans will submit an application, on forms prescribed by the Corporation, that identifies or enables the Corporation easily to identify the holder of the loan, the outstanding principal and interest, and other basic information. The Corporation will then disburse to the holder the amount to which the individual is entitled. The Corporation may require verification by the lender, and may aggregate payments to holders.

Loans made, insured, or guaranteed under title IV of the Higher Education Act ("HEA") or title VII of the Public Health Service Act will be eligible for repayment.

An individual who intends to use an education awards to pay current educational expenses must verify eligibility through an eligible institution of higher education. Institutions designated by these individuals will notify the Corporation of the names of those students and the amounts of educational awards that will be claimed. These institutions must also verify participation in programs under section 487 of the HEA.

The Corporation will disburse the amount for which eligible individuals have qualified, which may be no greater than the cost of attendance less the sum of financial assistance and veterans' education benefits. Disbursements will be made in at least two installments, with the interval between first and second to be not less than half of the enrollment period. Institutions will be required to refund amounts disbursed for individuals who do not complete their periods of enrollment at those institutions.

The Corporation will establish regulations for the payment of national service awards to individuals to participate in recognized and approved apprenticeship programs.

Section 103. Amendments to Programs for Students and Out-of-School Youth.

This section lists purposes of the subsection, including amendments to improve the Serve-America program.

The section strikes Subtitle B, Part I of the National and Community Service Act and replaces it with a similar program that differs from existing law in the following ways: by authorizing planning grants to local educational agencies to recruit and train, or support, service-learning coordinators; eliminating authority in existing law for grants for community service programs for school dropouts and out-of-school youth; authorizing the Corporation to make grants to existing public or private non-profit organizations that will make subgrants to eligible organizations for service-learning programs; authorizing the Corporation to reserve up to 25 percent of appropriated funds to make competitive grants to states or existing public or private non-profit organizations that will make subgrants; modifying allocation of funds requirements; and making other improvements.

The section further authorizes new authority for the Corporation to provide assistance for programs involving school-age youth (including school dropouts and out-of-school youth) in community service.

The section further amends Subtitle B, Part II of the National and Community Service Act by adding priority criteria to be considered by the Corporation in allocating funds under the Higher Education Innovative Projects.

Section 104. Quality and Innovation Activities.

The section repeals subtitle E of Title I of the National and Community Service Act, renumbers the Act, and authorizes an Investment Fund for Quality and Innovation. Activities authorized for funding include: support for innovative and model programs, support for summer programs; provision of training and technical assistance to community-based agencies that are service sponsors; training and technical assistance in applying for assistance; national service fellowships; conferences and materials; Peace Corps and VISTA training; promotion and recruitment; training of participants and supervisors; research; intergenerational support; planning coordination; youth leadership; national program identity; clearinghouses; and Presidential awards. The section also makes a series of technical and conforming amendments.

Section 105. Definitions.

The section provides definitions of terms used in the National and Community Service Act and makes a series of technical and conforming amendments.

TITLE II -- ORGANIZATIONS

Section 201. State Commissions on National Service.

Section 201 replaces section 178 of the NCSA, describing state advisory and requires the establishment of State Commissions.

Section 178. Establishment of State Commissions on National Service.

In order to be eligible for allotments under subtitle B or C, a state must establish a State Commission on National Service. In the limited transitional circumstances, the Corporation may recognize already existing state programs as an alternative to the State Commission.

State Commissions will consist of not less than 7 members and not more than 11 members. The Governor of the State will appoint members from among representatives of national service programs, including participants, such as youth corps programs, service programs for school-age youth, programs in which older Americans are participants; representatives of labor, business, and community-based organizations; and educators and experts regarding the delivery of human, educational, environmental or public safety services. A Corporation representative will serve as a full voting member. Additional State officials may serve only as ex officio non-voting members.

To the maximum extent possible, State Commissions should be balanced according to political affiliation, race, ethnic background, age and gender. Members will serve for 3 year terms, and may only receive reimbursements for travel expenses and per diems as compensation. State Commissions will elect a chairperson from among the members of the Commission.

The responsibilities of the State Commission include: (1) preparation of state applications for program assistance under Subtitles B and C; (2) assisting the State educational agency in the preparation of an application for assistance under section 113; (3) preparation of the application of the state for approved national service positions; (4) assisting in the provision of health care and child care benefits under section 140; (6) developing a state system for disseminating information about national service and recruiting and placing volunteers in the

national service programs; (7) administering grant programs for national service conducted by the states, including oversight and evaluation; (8) developing projects, training methods, curriculum materials, and other materials related to national service.

State commissions may not directly operate a national service program.

In order to make the State Commission eligible to receive grants, the Governor must notify the Corporation of its composition and authority under state law. The Corporation may reject a State Commission if it does not comply with the requirements of this section. The Corporation will notify the State of its reasons, provide technical assistance if requested, and give an opportunity for resubmission.

Section 202. Corporation for National Service

Section 202 establishes a new Corporation for National Service to administer the National Service Program. The Corporation is a government corporation as defined in section 103 of title 5, United States Code.

Section 192. Board of Directors

The Board of the Corporation will consist of eleven members, appointed by the President and confirmed by the Senate. To the maximum extent practicable, Board members will have extensive experience in service, represent a broad range of viewpoints, have expertise in education, environmental, public safety or human services.

Eight initial members of the Board will be appointed from the individuals serving on the Board of Directors of the Commission on National and Community Service.

Terms will generally be three years, except that certain initial appointments will be for one year or two years in order to stagger terms of service.

Section 192A. Authorities and Duties of Board of Directors

The Board will meet at least three times each year. The Board will elect a Vice-Chairperson from among its members, as well as such other officers that the Board determines to be appropriate.

Board members other than the chairperson will be reimbursed only for travel and other business expenses, including a per diem in lieu of subsistence for persons intermittently in the Government service.

Board members who are not otherwise government employees will be considered special Government employees. Board members will be considered federal employees for the purposes of tort claims.

The duties of the Board include the following: (1) preparing an annual strategic plan for the Corporation; (2) reviewing the actions of the Chairperson with regard to personnel, standards, policies, procedures, programs and initiatives; (3) receiving and acting on reports of the Corporation's Inspector General; and (4) arranging for the evaluation of programs.

Section 193. Chairperson and Director

The Chairperson will be appointed by the President and confirmed by the Senate, and compensated at the rate provided for Level III of the Executive Schedule.

The Chairperson will prescribe such rules and regulations as are necessary and appropriate under this Act.

Section 193A. Authorities and Duties of Chairperson

The Chairperson will be responsible for the exercise of the powers of the Corporation that are not reserved to the Board, including authority and control over personnel.

The Chairperson will submit to the Board a proposal regarding standards, policies and procedures necessary to carry out this Act; consult with other Federal agencies; and on the recommendation of the Board, make grants and enter into contracts or suspend payments. The Chairperson will submit reports to the Board regarding major actions with respect to personnel and will notify the Board of any substantial difference between the actions of the Chairperson and the strategic plan recommended by the Board.

The Chairperson will submit to Congress an annual report regarding the manner in which the Corporation used or disposed of services, money and property donated to the Corporation.

The Chairperson is authorized to establish and change the organizational units within the Corporation. With the approval of the President, the Chairperson may arrange with and reimburse other Federal agencies for the performance of duties under this Act or delegate duties to the heads of other Federal agencies. The Chairperson may accept, without reimbursement, services provided by other Federal agencies. The Chairperson may also allocate funds to other federal agencies as may be necessary to carry out this Act.

When programs administered by ACTION are transferred to the Corporation, the Chairperson will assume the duties of the Director of ACTION.

The Chairperson is authorized to rent offices and expend Corporation funds for this purpose. The Chairperson is also authorized to sue and be sued on behalf of the Corporation.

The Chairperson may not delegate a function of the Board without permission of the Board. The Chairperson may delegate other functions to other full time government employees.

Section 194. Officers

There will be two managing directors within the Corporation, one responsible for Federally-operated programs and the other responsible for investment programs. There will also be an Inspector General who will report directly to the Board.

Section 195. Employees

The Corporation will establish a merit-based competitive selection system based on job requirements and applicant qualifications. Except for special circumstances, the personnel of the Corporation may be appointed for terms that do not exceed five years, with renewals for a period not to exceed seven years. Employees will be covered by civil service health and life insurance programs. Employees who transfer or separate after working at the Corporation for three years will be eligible for appointment in the competitive service. Service for one year or more will be treated as a period of service for personnel seeking employment in the competitive service.

After appropriate consultations, the Chairperson will establish the compensation system, which will include pay-for performance compensation and an upper limit on salaries of Executive Level IV.

The Chairperson may also establish advisory committees to assist in developing quality criteria for programs, outreach programs, or other key elements of the initiative. Members of advisory committees may have only their travel expenses reimbursed.

Section 196. Administration

The Corporation may solicit and accept voluntary services and donations, consistent with reasonable conflict of interest rules. The Corporation may also enter into contracts to carry out this Act.

The functions of the Commission on National and Community Service are transferred to the Corporation on October 1, 1993. The Board of the Commission will continue to serve until such time as the Board of the Corporation is formed.

Job search assistance will be provided for any personnel from ACTION or the Commission who do not become employees of the Corporation.

Section 203. Final Authorities of the Corporation

During a transitional period not to exceed 18 months after the date of enactment, the Corporation, together with the Office of Management and Budget, will organize an orderly transfer of certain functions from ACTION to the Corporation. To the extent that ACTION personnel accept employment at the Corporation prior to the transfer of function, such employment will be under the Corporation's personnel system. To the extent that functions are transferred, personnel who are transferred will retain their rights under the competitive civil service system. At the point that such transferred personnel separate from the Corporation, these positions may be filled under the Corporation's personnel system.

Title III -- Higher Education

[Insert Department of Education Section by Section]

Title IV -- Reauthorization

Section 401. Authorization of Appropriations.

Subtitle B -- Domestic Volunteer Service Act of 1973

Section 411. Short Title; References.

Provides that this subtitle may be cited as the "Domestic Volunteer Service Act Amendments of 1993" and provides that amendments, unless otherwise specified, are to the Domestic Volunteer Service Act.

Chapter 1 -- VISTA and other Anti-Poverty Programs.

Section 421. Purpose of the VISTA program.

Provides an addition to the statement of purpose for the VISTA program to include strengthening local agencies and organizations to address the needs of low-income communities and individuals.

Section 422. Selection and Assignment of VISTA volunteers.

Provides for a series of amendments affecting the selection and assignment of VISTA volunteers, including clarifying that volunteers may participate in programs similar to those authorized under the VISTA Literacy Corps and repealing mandated organizational structures, information systems, staffing levels, hiring requirements, and content of an application to become a VISTA volunteer. The section further revises authority for a sponsoring organization to recruit a volunteer to clarify that it is subject to the Director's approval; makes a series of changes to the existing requirements concerning public awareness and recruitment, the composition of the volunteer force, and spending requirements related to promotion and recruitment; and encourages the Director to enter into agreements with other federal agencies to place VISTA volunteers.

Section 423. Terms and Periods of Service.

Clarifies the terms and periods of service for VISTA volunteers and authorizes the creation of a VISTA Summer Associates program.

Section 424. Support for VISTA volunteers.

Provides for several amendments affecting the subsistence allowance and stipend rates for VISTA volunteers.

Section 425. Participation of Younger and Older Persons

Revises the requirement for program participation to have the Director take necessary steps to encourage the fullest participation of younger and older individuals.

Section 426. Literacy Activities.

Repeals the requirement that funds made available under VISTA Literacy Corps will be used to supplement and not supplant the level of services provided under part A in fiscal year 1986 to address the problem of illiteracy.

Section 427. Applications for Assistance.

Restates the requirements related to the consideration of applications under the VISTA program to clarify existing statutory requirements.

Section 428. Repeal of Authority for Student Community Service Programs.

Repeals authority to make grants for student community service programs.

Section 429. University Year for VISTA.

Redesignates the University Year for ACTION program to the University Year for VISTA program. Revises the minimum period of service under the program from an academic year to an academic semester or its equivalent.

Section 430. Authority to Establish and operate special volunteer and demonstration programs.

Authorizes the Director to conduct or make grants or contracts for special volunteer and demonstration programs that will fulfill the purpose of the Agency. Specifies that grants will be made on the basis of merit. Deletes current provisions restricting the flexibility of the Director under part C of title I. Permits supporting both stipended and non-stipended volunteer programs under part C.

Section 431. Technical and Financial Assistance.

Clarifies authority for the Director to provide technical and financial assistance.

Section 432. Elimination of Separate Authority for Drug Abuse Programs.

Deletes separate authority for drug abuse programs under part C of title I.

Chapter II -- National Senior Volunteer Corps

Section 441. National Senior Volunteer Corps.

Revises all references to Older American Volunteer Program to refer to National Senior Volunteer Corps.

Section 442. The Retired and Senior Volunteer Program.

Revises the name of the Retired Senior Volunteer Program to the Retired and Senior Volunteer Program.

Section 443. Operation of the Retired and Senior Volunteer Program.

Revises the minimum age for participation in the program from 60 to 55 and recognizes the participation of older working persons, in addition to retired individuals, in the program. Also deletes an obsolete requirement to give State agencies established under the Older Americans Act of 1965 the opportunity to comment on any award within the state.

Section 444. Services Under the Foster Grandparent Program.

Modifies the statutory description of types of activities of Foster Grandparents to reflect the current scope and breadth of the program. Further, clarifies that Foster Grandparents may provide services to multiple children.

Section 445. Stipends for Low-Income Volunteers.

Requires that the hourly stipend for low-income volunteers under the Foster Grandparent and Senior Companion Programs be adjusted once over the next several years, rounded to the nearest five cents. Further requires that the stipend be a minimum of \$2.45 per hour, the current rate under the programs.

Section 446. Participation of Non-Low-Income Persons under Parts B and C.

Revises the section allowing non-low-income persons to participate under parts B and C of title II. Detailed statutory requirements governing such participation are unnecessary. Local projects retain the flexibility to determine whether volunteers will be used.

Section 447. Conditions of Grants and Contracts.

Repeals a limitation on participation in the Foster Grandparent and Senior Companions to those no longer in the work force, thereby enabling these volunteers to work on a part-time basis. Also repeals a requirement that grants under the Foster Grandparent Program be made to a community action agency, and if not made to that agency, that certain requirements be met. Further, repeals a requirement that provides certain state agencies with the opportunity to review and comment on recommendations for awards within the state.

Section 448. Evaluation of the Senior Companion Program.

Deletes a duplicative provision requirement the evaluation of the impact of projects assisted under the Senior Companion Program.

Section 449. Agreements with Other Federal Agencies.

Inserts a section encouraging the Director to enter into certain arrangements with other Federal agencies that will promote both the mission of ACTION and the mission and programs of those agencies.

Section 450. Programs of National Significance.

Eliminates a requirement that not less than one-third of the new funds made available for Older American Volunteer Programs be earmarked for programs of national significance, provides

discretion for the Director to determine which programs will be supported in a particular year, expands the categories of activities that may be funded, and replaces the limitation on authorization with the authority to award such sums as necessary.

Section 451. Adjustments to Federal Financial Assistance.

Repeals reporting and certain other requirements with respect to inflationary considerations.

Section 452. Arrangements with Private, Profit-making Organizations.

Provides authority, under certain specified conditions, for the Director, and projects funded under title II, to enter into arrangements with private, profit-making organization to offer services of Older American volunteers tho those organizations, their employees, and families.

Section 453. Demonstration Programs.

Provides for a new demonstration authority to fund projects involving Older American volunteers.

Chapter III -- Administration

Section 461. Purpose of Agency.

Clarifies the responsibility of the organization.

Section 462. Authority of the Director.

Provides authority to the Agency to solicit gifts and services. Further, provides authority to enter into agreements with profit-making organizations to help further the purposes of the Act.

Section 463. Compensation for Volunteers.

Clarifies that only contributions from Volunteers and beneficiaries is prohibited under the Act.

Section 464. Repeal of Report on Annual Recruitment Plan.

Repeals a requirement that the Director submit an annual report to Congress on the recruitment plan and activities conducted for the VISTA program.

Section 465. Application of Federal Law.

Revises the basis of computation for disability benefits for volunteers under the VISTA program from the entrance salary of a

grade GS-7 employee to the entrance salary of a grade GS-5 employee.

Section 466. Evaluation of Programs.

Revises requirements for program evaluations.

Section 467. Nondiscrimination Provisions.

Replaces existing nondiscrimination provisions with those currently provided for under the National and Community Service Act.

Section 468. Elimination of Separate Requirements for Setting Regulations.

Eliminates a series of requirements related to prescribing regulations under the Act.

Section 469. Clarification of Role of Inspector General.

Clarifies the Act to indicate that recipients of grants must make records available to the Inspector General of ACTION.

Section 470. Copyright Protection.

Provides copyright protection for the major programs operated by the Agency.

Section 471. Center for Research and Training.

Authorizes a Center for Research and Training on Volunteerism.

Section 472. Deposit Requirement Credit for Service as a Volunteer.

Amends title 5, United States Code, to provide that retirement credit under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) for time served as a VISTA volunteer will be available for all former volunteers who become federal employees subsequent to their volunteer service, upon payment of a deposit based on their post service stipends.

Chapter IV -- Authorization of Appropriations and
other Amendments

Section 481. Authorization of Appropriations for Title I.

Provides separate authorization for various parts and sections under title I of the legislation for fiscal years 1994

through 1998. Also stipulates that the legislatively mandated minimum subsistence allowance for VISTA volunteers may not be reduced in order to increase the number of volunteer service years. Specifies that any VISTA volunteers also working on activities authorized under parts B and/or C of title I must meet the antipoverty criteria specified under part A. Finally, specifies that amounts appropriated for part A must provide for a minimum number of volunteer service years in each fiscal year.

Section 482. Authorization of Appropriations for Title II.

Provides authorizes for programs under Title II for fiscal years 1994 through 1998.

Section 483. Authorization of Appropriations for Title IV.

Provides authorization for program administration under title IV. Provides separate authorization for evaluation and the Center for Research and Training.

Section 484. Conforming Amendments; Compensation for VISTA FECA Claimants.

Provides for Conformation amendments.

Section 485. Repeal of Authority.

Repeals authority for Youthbuild.

Section 486. Effective Date.

Makes October 1, 1993, or date of enactment the effective date.

Title V -- Technical and Conforming Amendments

Sections 501 - 505.

Makes a series of technical and conforming amendments.

Section 506. Effective Date.

Establishes effective dates for the legislation.

APR 23 1993

DRAFT

**TITLE V--FEDERAL DIRECT STUDENT LOAN PROGRAM
AND
INCOME CONTINGENT REPAYMENT OF STUDENT LOANS**

Section-by-Section Analysis

PART A--NAME OF TITLE

Section 501. Section 501 of the bill states that title V of this Act may be cited as the "Federal Direct Student Loan Program Amendments of 1993."

PART B--AMENDMENTS TO FEDERAL DIRECT LOAN DEMONSTRATION PROGRAM

In general, part B of title V of the bill would provide for sweeping, borrower-oriented changes in the current student loan program under parts B and D of title IV of the Higher Education Act. These changes are founded on two basic principles: first, the Federal government should simplify the process by which a student and his or her parents can get loans for the student's postsecondary education; and second, any student wanting to serve in programs that will benefit the Nation should be encouraged to do so through flexible and affordable repayment of debt from education loans.

The provisions set forth in part B of title V of the bill reflect these two principles. The first principle generates reforms to the "front end" of the current system, that is, to provisions under which a student and his or her parent can get a loan to defray part of the cost of higher education. Under the Federal Direct Student Loan Program proposed under this portion of the bill, a variety of student loans, including loans for parents of students, could be obtained directly from the student's institution of higher education, without application to an outside lender and the complex apparatus of loan guarantees and reinsurance. Qualified institutions approved by the Secretary of Education would originate an education loan for the student or the student's parents. A student at an institution that did not yet qualify (or did not wish) to originate education loans would be able to obtain his or her loans directly as well, through an institution or other organization that would act as an "alternative" originator for the student.

The second principle generates reforms that, for the most part, focus on the "back end" of the system, that is, repayment of loans by student borrowers or their parents. In this area, the proposed Federal Direct Student Loan Program would provide for a variety of flexible repayment plans from which borrowers

may choose the one best suited to their individual needs. All borrowers in the proposed program would be able to choose from these repayment plans, including repayment plans based on income. Borrowers who have guaranteed student loans in the current system will also be offered an income-based repayment plan.

The following is a description, analyzed by section number of the bill, of the details of the proposed Federal Direct Student Loan Program (FDSLSP).

Section 521. Section 521 of the bill would amend the heading for part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.; hereinafter in this title referred to as "the Act") to read "FEDERAL DIRECT STUDENT LOAN PROGRAM."

Section 522. Section 522 of the bill would amend the program and payment authority in section 451 of the Act to reflect the replacement of the current Federal direct loan demonstration program with a new "phased-in" FDSLSP that would, when fully implemented, provide the Federal lending mechanism through which students and their parents would be able to receive loans to pay for postsecondary education. Under the FDSLSP, the Secretary would be required to make available such sums as may be necessary for loans to all eligible students in attendance at participating institutions of higher education (IHEs) selected by the Secretary (and the eligible parents of these students) to enable these students to pursue their courses of study there during the period beginning July 1, 1994 and ending on June 30, 1998. Loans under the FDSLSP would be made by participating IHEs that also have agreements with the Secretary to originate FDSLSP loans, or by alternative originators designated by the Secretary to make FDSLSP loans for students in attendance at participating IHEs (and the eligible parents of these students).

Proposed section 451 of the Act would set forth the purposes of the FDSLSP. Consistent with the underlying principles of this title of the bill, these purposes would include: (1) simplifying the delivery of student loans to borrowers and eliminating borrower confusion; (2) providing borrowers a variety of repayment options, including an income contingent repayment option, so that they have flexibility in managing their student loan repayment obligations and so that these obligations do not foreclose community service-oriented career choices for borrowers; (3) replacing, through an orderly transition, the Federal Family Education Loan (FFEL) program under part B of title IV of the Act with the FDSLSP; (4) avoiding the unnecessary cost to taxpayers and borrowers and the administrative complexity associated with the FFEL program through the use of a direct student loan program; and (5) creating a more streamlined student loan program that can be managed more effectively at the Federal level.

Section 523. Section 523 of the bill would replace the payment rules for the demonstration program in section 452 of the Act with funding provisions applicable to loan origination under the FDSLPL. This section of the bill would require the Secretary to provide funds for student or parent loans under the FDSLPL directly to an IHE with an origination agreement under proposed section 454(b) of the Act, or through an alternative originator designated by the Secretary, on the basis of the need and eligibility of students (and their parents) for FDSLPL loans at each participating IHE.

Section 523 of the bill would also require the Secretary to pay fees to a IHE originating loans under the new program. Payment levels would be established by the Secretary and would assist in meeting the cost of loan origination at the IHE. These fees would be on a per-borrower, per-year basis and would be subject to a sliding scale that decreases the amount of payments as the number of borrowers increases. The Secretary would also be authorized to pay fees to alternative originators of FDSLPL loans for their loan origination services; these fees would be established in accordance with the terms of the contract between the Secretary and the alternative originator.

It is expected that, on average, these payments to IHEs that originate FDSLPL loans would be approximately \$10 per borrower, per year. It is also expected that payments for alternative origination of FDSLPL loans, which would, except in unusual circumstances, be procured through a competitive bid process, would be slightly higher.

Finally, section 523 of the bill would provide that no IHE would be deemed to have a right to participate in the FDSLPL, to originate FDSLPL loans, or to perform any FDSLPL program function. However, this provision could not be construed so as to limit the entitlement of an eligible student who is attending a participating IHE (or the eligible parent of that student) to borrow under the FDSLPL. Such students and parents, for example, could receive an FDSLPL loan through the alternative origination process.

Section 524. Section 524 of the bill would amend section 453 of the Act, which currently governs selection of IHEs for the direct loan demonstration program. This section of the bill would focus on selection requirements for the phase-in portion of the FDSLPL, prior to full implementation of the program.

The phase-in provisions in this section, as well as other parts of title V of the bill, are based on the expectation that by the end of fiscal year 1997 all new Federal student loans will be made using Federal capital under the FDSLPL. The shift from the FFEL program to the FDSLPL is expected to begin in fiscal year

1994, with Federal direct loans representing 4 percent of Federal student loan volume by the end of that year. By the end of fiscal year 1995, 25 percent of Federal student loan volume would be comprised of Federal direct loans; by the end of fiscal year 1996, this proportion would increase to 60 percent.

Proposed section 453(a) of the Act would require the Secretary to enter into agreements with IHEs to participate in the FDSLPL, as well as supplementary agreements with IHEs to originate loans in the proposed program, for academic years beginning on or after July 1, 1994. This proposed section would also require the Secretary to provide alternative origination services, through one or more contracts under proposed section 456 of the Act or such other arrangements as the Secretary may provide, for students attending an IHE that is participating in the FDSLPL but not originating FDSLPL loans. In order to ensure an expeditious and orderly transition from the current loan programs under the FFEL program to the FDSLPL, the Secretary would be required, in the exercise of his or her discretion, to determine the number of IHEs with which there would be participation and origination agreements for any academic year. Agreements for the first year of the program would, to the extent feasible, be entered into not later than January 1, 1994.

Further, proposed section 453(a) of the Act would provide that the requirements of the Cash Management Improvement Act of 1990 (P.L. 101-453), which is designed to facilitate coordination between Federal and State governments on the use of Federal funds, shall apply to the FDSLPL only to the extent specified in a schedule established by the Secretaries of Education and the Treasury, but not later than July 1, 1997. Without this temporary exemption, State institutions would be subjected to additional requirements in implementing the Cash Management Improvement Act, which takes effect on July 1, 1994, at the same time that these institutions are part of the phase-in process under the FDSLPL.

Proposed section 453(b) of the Act would set forth the criteria to be used by the Secretary in selecting IHEs to participate in the new program and to originate FDSLPL loans. Each IHE desiring to participate in the FDSLPL would be required to submit an application to the Secretary containing such information and assurances as the Secretary may require. In order to include a variety of participants prior to full implementation of the FDSLPL, the Secretary would select IHEs to participate in the first phase of the proposed program from among eligible institutional applicants by categorizing them according to their anticipated loan volume, the length of their academic programs, and organizational control (public, private, non-profit, or proprietary institutions). The Secretary would then

select participants that are reasonably representative of institutions in these respective categories and would select additional IHEs as needed to carry out the purposes of the FDSLPL.

Further, proposed section 453(b) of the Act would authorize the Secretary to enter into a supplemental agreement with a participating IHE, or a consortium of IHEs, that desires to originate FDSLPL loans and satisfies additional criteria. For academic year 1994-1995, the Secretary would be authorized to approve an IHE to originate FDSLPL loans only if the IHE:

- (1) made loans under the Federal Perkins Loan program in academic year 1993-1994 and did not exceed the applicable maximum default rate under section 462(g) of the Act for the most recent fiscal year for which data are available;
- (2) is not on the reimbursement system of payment under the Federal Pell Grant program, the Federal Supplemental Educational Opportunity Grant program, the Federal Work-Study programs, or the Federal Perkins Loan program;
- (3) is not overdue on program or financial reports and audits required under title IV of the Act;
- (4) is not subject to an emergency action, or a limitation, suspension, or termination under section 428(b)(1)(T), 432(h), or 487(c) of the Act;
- (5) has not, in the Secretary's opinion, had significant deficiencies identified by the State postsecondary review entity under subpart 1 of part H of title IV of the Act; and
- (6) has not, in the opinion of the Secretary, had severe program deficiencies for any of the programs under title IV of the Act, including those deficiencies demonstrated by audits and program reviews conducted during the five calendar years prior to the IHE's application to originate FDSLPL loans.

In addition to these criteria, for academic year 1994-1995, the Secretary would be authorized to approve an IHE to originate FDSLPL loans only if the IHE provides an assurance that it has no delinquent outstanding debts to the United States, unless these debts are currently being repaid under or in accordance with a repayment arrangement satisfactory to the Secretary, or the Secretary, in his or her discretion, determines that the assurance need not be given because the existence or amount of these debts has not been finally determined by the cognizant Federal agency.

Proposed section 453(b) of the Act would also provide that, for academic year 1995-1996 and subsequent academic years, the Secretary would be required to publish regulations governing the selection of IHEs to originate FDSLPL loans.

Finally, section 524 of the bill would remove those provisions of section 453 of the Act that are applicable to a demonstration program and would add an authority for eligible IHEs to apply to originate FDSLPL loans as consortia, subject to requirements prescribed by the Secretary. All the IHEs in the consortia would be required to meet the eligibility requirements

for participation in the FDSLPL. However, only those IHEs in a consortium that would accept the responsibilities and liabilities associated with originating FDSLPL loans would be required to meet the origination requirements. The consortia provision would facilitate direct lending options for borrowers by encouraging an institution that is eligible to participate in the FDSLPL but is unwilling or unable to originate FDSLPL loans to use the origination services of another member of the consortium.

Section 525. Section 525 of the bill would amend the demonstration program participation agreement provisions under section 454 of the Act to provide for implementation of the FDSLPL.

The participation agreement under proposed section 454(a) of the Act would provide for the establishment and maintenance of the FDSLPL at the IHE under which the IHE would: (1) identify eligible students who seek student financial assistance in accordance with section 484 of the Act; (2) estimate the need of each such student (as required by need analysis provisions of part F of title IV of the Act); (3) set forth a schedule for disbursement of the proceeds of the FDSLPL in installments, consistent with the requirements of section 428G of the Act; (4) in estimating a student's need and eligibility, provide a statement that certifies the eligibility of a student to receive a FDSLPL loan not in excess of the applicable maximum amount; (5) provide, if the IHE is not a FDSLPL loan originator, timely and accurate information to the Secretary as needed for alternative origination services for student and parent borrowers; and (6) provide timely and accurate information concerning the status of student and parent borrowers to the Secretary for servicing or collecting FDSLPL loans. The IHE requirement to provide information on the status of student borrowers would be limited to the period of time that the student borrowers were in attendance at the IHE and would concern any changes of address of which the IHE were aware for those students after they had left the IHE.

The establishment and maintenance portion of the agreement would also would authorize the IHE, in exceptional circumstances specified by the Secretary, to refuse to certify a statement that permits a student to receive a FDSLPL loan or to certify a loan amount that is less than the student's determination of need, if the reason for this action is documented and provided to the student. Finally, this portion of the agreement would provide that, for an academic year for which an IHE has determined a student's need (under part F of title IV of the Act), a Federal Direct Supplemental Loans for Students loan (with terms similar to those under section 428A of the Act), or a Federal Direct PLUS loan (with terms similar to those under section 428B of the Act), or a loan obtained under a State-sponsored or private loan program, may be used to offset the expected family contribution

of the student for that year. This provision, which is similar to a provision in the FFEL program, is designed to aid middle income borrowers by allowing them to borrow the remaining amount of their expected family contribution to a student's education costs that had not been covered by other Federal assistance.

Under the participation agreement set forth in proposed section 454(a) of the Act, the IHE would also: (1) provide assurances that it will comply with the requirements specified by the Secretary relating to FDSLPL loan information; (2) provide that it accepts responsibility and financial liability stemming from its failure to perform its functions pursuant to the agreement; (3) provide that its students and their parents will not be eligible to participate in the FFEL program for the period during which the IHE participates in the FDSLPL; (4) provide for the implementation of a quality assurance program, to ensure that the IHE is complying with program requirements and meeting program objectives; (5) not charge fees of any kind, however described, to student or parent borrowers for origination activities or for providing any other information needed for receiving a FDSLPL loan; and (6) include other provisions that may be necessary to protect the interests of the United States and to promote the purposes of the FDSLPL.

Section 525 of the bill would also set forth, in proposed section 454(b) of the Act, requirements for origination agreements under the FDSLPL. An origination agreement would supplement the participation agreement and include provisions with respect to the origination of loans by the IHE that are similar to provisions described in that agreement. In addition, the origination agreement would provide that the IHE will originate loans to eligible students and parents in accordance with FDSLPL provisions and that the note or evidence of obligation on the loan would be the property of the Secretary.

Most of the agreement requirements under this section of the bill provide for activities and liabilities with which IHEs participating in the FFEL program are already familiar. For example, it is expected that the FDSLPL participation agreement would be similar to the current FFEL program participation agreement, which includes a provision that the institution agrees that it is responsible for accounting, with appropriate documentation, for all the title IV, HEA program funds it receives and for returning to the Secretary any funds for which it cannot properly account.

Loan origination through IHEs under the FDSLPL contemplates the use of standard agreements that would build on the basic participation agreements. Loan origination activities under the FDSLPL for IHEs are likely to be simpler than an IHE's loan activities under the current Federal Perkins Loan program.

Finally, proposed section 454(c) of the Act would require the Secretary to prescribe procedures by which IHEs may withdraw or be terminated from the FDSLSP.

Section 526. Section 526 of the bill would amend section 456 of the Act to provide certain new terms and conditions for the FDSLSP. In general, these terms are designed to provide borrowers with an assortment of loan repayment options while maintaining an orderly transition from the guaranteed loan system.

Proposed section 456(a) of the Act would provide that, unless otherwise specified, loans made to borrowers under the FDSLSP would have the same terms, conditions, and benefits as loans made to borrowers for Federal Stafford Loans (under section 428 of the Act), Federal Supplemental Loans for Students (under section 428A of the Act), Federal PLUS Loans (under section 428B of the Act), and Unsubsidized Stafford Loans for Middle Income Borrowers (under section 428H of the Act). The FDSLSP loans would be known respectively as Federal Direct Stafford Loans, Federal Direct Supplemental Loans for Students, Federal Direct PLUS Loans, and Federal Direct Unsubsidized Stafford Loans. Each of these direct loans would have, unless otherwise specified, the terms, conditions, and benefits of its corresponding guaranteed loan.

Under the FDSLSP, the Secretary would also have the authority to consolidate loans, as provided elsewhere in this bill. Loans made under either the FFEL program or the FDSLSP would be consolidated into a Federal Direct Consolidation Loan, which would have terms and conditions similar to those for Federal Consolidation Loans under section 428C of the Act.

Proposed section 456(b) of the Act would provide that section 427A(a) of the Act, which provides that a student loan borrower receives any subsequent student loans at the same interest rate as the first student loan borrowed, would not apply to FDSLSP loans. Interest rates under the FDSLSP would be calculated on a 12-month period beginning July 1 and ending June 30, to be determined for the loan program as a whole on the preceding June 1, using financial instruments auctioned at the final auction held prior to that June 1.

For Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans made before July 1, 1997, the interest rate would be equal to the bond equivalent rate of 91-day Treasury bills plus 3.1 percent, with a cap at 9 percent. Federal Direct Supplemental Loans for Students made prior to July 1, 1997, would have an interest rate equal to the bond equivalent rate of 52-week Treasury bills plus 3.1 percent, with a cap at 11 percent. Federal Direct PLUS Loans made before

July 1, 1997, would have an interest rate equal to the bond equivalent rate of 52-week Treasury bills plus 3.1 percent, with a cap at 10 percent.

The interest rate for loans made under these programs on or after July 1, 1997, would be the bond equivalent rate of the security with a comparable maturity (using the national average for each type of FDSLP loan), as shown in the table "Interest Rates for Credit Reform" in the Economic Bulletin Board published by the Department of Commerce, plus a certain percentage. For Federal Direct Supplemental Loans for Students and Federal PLUS Loans, this would be 1.5 percent. For Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans, this would be 1 percent.

These interest rate provisions, for loans made both before and after July 1, 1997, are less complex than those for the current FFEL program. In addition, it is expected that the provision setting interest rates for loans made on or after July 1, 1997, will result in an interest rate that would be lower, by approximately one-half of one percentage point, for all new FDSLP loans, thus generating savings for both student and parent borrowers under the new program.

Proposed section 456(c) of the Act would provide that the Secretary may charge the borrower of a FDSLP loan a fee not to exceed 6.5 percent of the principal amount of the loan. Currently, approximately 6.5 percent of the principal amount of a the loan is the national average for student loan fees of this type. It is expected that the Secretary will evaluate this fee on an annual basis and will reduce the fee when appropriate, in order to achieve additional savings for borrowers.

Proposed section 456(d) of the Act would require the Secretary to offer a variety of plans for repayment of FDSLP loans. Under these provisions, the eligible student or parent borrower would be able to choose from four different types of repayment plans the type of plan that best addresses the borrower's needs. These repayment plans would be: (1) a standard repayment plan, with a fixed annual repayment amount paid over a fixed period of time; (2) an extended repayment plan, with a fixed annual repayment amount paid over an extended period of time, provided that the borrower annually repays a minimum amount determined by the Secretary; (3) a graduated repayment plan, with annual repayment amounts established at two or more graduated levels paid over a fixed or extended period of time (provided that any of the borrower's scheduled payments are not less than 50 percent, nor more than 150 percent, of what the amortized payment on the amount owed would be if the loan were repaid under the standard repayment plan); and (4) an income contingent repayment plan, with varying annual repayment amounts

based on the income of the borrower, paid over an extended period of time, not to exceed a maximum length of time determined by the Secretary.

Since, unless otherwise noted in the bill, the terms and conditions of FDSLPL loans would be the same as those under the FFEL program, the standard repayment plan for a FDSLPL loan would contain several repayment features that are the same as a comparable loan under the FFEL program. For example, a fixed repayment period under the FDSLPL would equal 10 years (excluding deferments or forbearances) as in the FFEL program. The extended repayment plan is intended to accommodate borrowers who prefer to make payments that are unchanged over a repayment period of moderate length, for example, 15 years. The graduated repayment plan is designed to ensure that borrowers may increase their payments while their income rises but are not faced with a "balloon" payment at the end of their loan period that they would be unable to afford. The graduated repayment plan could extend over a moderately lengthy period as well.

The income contingent repayment plan is intended to accommodate borrowers whose income after graduation from an IHE is low, and thus would be attractive to borrowers who plan to enter community service. Because the individual payments under an income contingent repayment plan could be quite small borrowers would have an option to have a very lengthy repayment period, for example, 25 years.

In addition, proposed section 456(d) of the Act would provide that if a borrower of a FDSLPL loan does not select a repayment plan, the Secretary may provide the borrower with the standard repayment plan, graduated repayment plan, or extended repayment plan. The borrower of a FDSLPL loan may also change his or her selection of a repayment plan, or the Secretary's selection of a plan for the borrower, as the case may be, under terms and conditions established by the Secretary. Further, the Secretary would be authorized to provide an alternative repayment plan to a borrower of a FDSLPL who demonstrates to the satisfaction of the Secretary that the terms and conditions of the four other types of repayment plans are not adequate to accommodate the borrower's exceptional circumstances. The Secretary would also be authorized to require a borrower who has defaulted on a FDSLPL loan to pay reasonable collection costs associated with that loan and to repay the loan under an income contingent repayment plan.

Proposed section 456(d) of the Act would authorize the Secretary to obtain such information as is reasonably necessary regarding the income of a borrower (and the borrower's spouse, if applicable) of a FDSLPL loan that is, or may be, subject to an income contingent repayment plan for the purpose of determining the amount of the borrower's annual repayment obligation. The

Secretary would be required to establish procedures to effectively implement an income contingent repayment plan, including procedures for determining the borrower's repayment obligation.

Further, proposed section 456(d) of the Act would authorize the Secretary to obtain income information from the borrower, or the borrower and his or her spouse, if applicable, if the FDSLPL were subject to an income contingent repayment plan. The Secretary would be required to establish procedures for determining the borrower's repayment obligation under this plan, and any other procedures necessary to implement an income contingent repayment plan.

The income contingent repayment schedule for a FDSLPL loan would be based on the adjusted gross income (as defined in section 62 of the Internal Revenue Code) of the borrower, or, if the borrower is married and files income tax information jointly with his or her spouse, on the adjusted gross income of both partners. According to the Department of the Treasury, it is unlikely, given the financial disincentives for married couples to file separate return, that a married borrower with little or no income would file separately in order to take advantage of a more favorable repayment schedule on his or her FDSLPL loan. A borrower who chooses or is required to repay a FDSLPL loan through an income contingent repayment plan and whose return information does not reasonably reflect his or her current income, or for whom tax return information is unavailable, would be required to provide to the Secretary other documentation of income, which may be used to determine an appropriate repayment schedule.

The income contingent repayment schedule for a FDSLPL loan that entered repayment before July 1, 1995, would require payments that do not exceed 10 percent of the adjusted gross income of the borrower (and the borrower's spouse, if applicable), or, for a borrower who provides alternative documentation of income, payments that do not exceed 10 percent of the appropriate portion of the applicable annual income as determined by the Secretary. For FDSLPL loans that enter repayment on or after July 1, 1995, income contingent repayment schedules would be established by the Secretary through regulations.

Finally, proposed section 456(d) of the Act would require that the balance due on an income contingent FDSLPL loan equal the unpaid principal amount of the loan, as well as any accrued interest and any fees, such as late charges. The Secretary may limit by regulation the amount of interest that may be capitalized on the loan and the timing of that capitalization. Further, the Secretary would be required to establish procedures under which the borrower of a FDSLPL loan who will be using the income contingent repayment plan will be notified of the terms

and conditions of the repayment plan, including notification that: (1) the Internal Revenue Service will disclose to the Secretary the most recent available information concerning the borrower's income; and (2) if a borrower considers that special circumstances, such as loss of employment by the borrower or his or her spouse, would warrant an adjustment in the borrower's loan repayment level, the borrower may contact the Secretary, who shall determine whether such adjustment is appropriate, in accordance with established criteria.

Proposed section 456(e) of the Act would provide that a borrower of a FDSLP loan who is eligible for a deferment, may refrain from paying periodic installments of principal. Borrowers under the FDSLP would be entitled to the same deferment terms as new borrowers (after July 1, 1993) under the FFEL program. Interest would not accrue for the borrower in the case of a Federal Direct Stafford Loan or a Federal Direct Consolidation Loan that consolidated only Federal Direct Stafford Loans or a combination of Federal Direct Stafford Loans and Federal Stafford Loans for which the borrower received an interest subsidy under section 428 of the Act. Interest would accrue and be capitalized or paid by the borrower in the case of a Federal Direct Supplemental Loan for Students loan, a Federal Direct PLUS Loan, a Federal Direct Unsubsidized Stafford Loan, or a Federal Direct Consolidation Loan that consolidated one or more loans that were not Federal Direct Stafford Loans or Federal Stafford Loans.

A borrower would be eligible for a deferment during any period in which the borrower was pursuing at least a half-time course of study at an eligible IHE, or pursuing a course of study under a graduate fellowship program approved by the Secretary, or a rehabilitation training program, approved by the Secretary, for individuals with disabilities. The borrower would also be eligible for a deferment during a period of not more than three years during which time the borrower (1) is seeking and unable to find full-time employment, or (2) has experienced or will experience an economic hardship, as determined by the Secretary in accordance with regulations for section 435(o) of the Act. However, a borrower would not be eligible for a deferment, or for a FDSLP loan other than a Federal Direct PLUS Loan or a Federal Direct Consolidation Loan, while serving a medical internship or residency program.

Proposed section 456(f) of the Act would provide that a borrower of a FDSLP loan would be eligible for forbearance if the borrower were willing but unable to make scheduled payments on the loan. Forbearance would mean permitting the temporary cessation of loan payments, allowing an extension of time for making these payments, or temporarily accepting smaller payments than previously scheduled.

A borrower of an FDSLPL loan who is also serving in a qualified National Service position would be eligible for forbearance, which, in this case, would mean temporary cessation of payments unless the borrower chose otherwise. Any interest that would accrue during the period of the borrower's service would be required to be paid by the National Service Trust. The length of the forbearance for a National Service borrower would be required to be equal to the length of time remaining in the period of the borrower's service if the borrower is not eligible to receive a deferment, or the length of time remaining after the borrower has exhausted his or her eligibility for the deferment.

Proposed section 456(g) of the Act would provide that a borrower of a FDSLPL loan may consolidate the loan with loans described in subsections (a)(4) and (d)(1)(C) of section 428C of the Act under terms and conditions established by the Secretary. These loans are the Federal Stafford Loans (subsidized and unsubsidized), Federal Supplemental Loans for Students loans, Federal Perkins Loans, and loans made under title VII, part C-II, of the Public Health Service Act. These Federal Direct Consolidation Loans would include a variety of repayment plans.

Proposed section 456(h) of the bill would require the Secretary, notwithstanding any other provision of State or Federal law, to specify in regulations (except as authorized under proposed section 459(a)) which acts or omissions of an IHE may be asserted by a borrower as a defense to repayment of a loan made under the FDSLPL, except that in no event would a borrower recover an amount from the Secretary in an action arising from or relating to a FDSLPL loan that would be more than the amount the borrower had repaid on the loan.

Proposed section 456(i) of the Act would provide that records maintained in accordance with section 484A(c) of the Act may be used in any proceeding, as permitted by section 484A(c) of the Act, with respect to a FDSLPL loan. This would allow for the use of optically imaged documents in any proceedings involving FDSLPL loans.

Finally, proposed section 456(j) of the bill would provide that, notwithstanding any other provision of law, a FDSLPL loan is not dischargeable in bankruptcy.

Section 527. Section 527 of the bill would amend the loan collection and procurement contract authority in section 457 of the Act to reflect the expansion of the demonstration program into the FDSLPL. Thus, this section of the bill would allow the Secretary to provide, through one or more contracts, for: (1) the alternative origination of loans to students attending IHEs with FDSLPL participation agreements (or to the parents of these students), if these IHEs do not have origination

agreements; (2) the servicing and collection of FDSLPL loans; (3) the establishment and operation of one or more data systems for the maintenance of records on FDSLPL loans; (4) services to assist in the orderly transition from the FFEL program to the FDSLPL; and (5) such other aspects of the FDSLPL as the Secretary determines are necessary to ensure its successful operation.

This section of the bill would also provide that, notwithstanding statutory requirements for full and open competition found in 41 U.S.C. 253, the Secretary would be authorized, until July 1, 1998, to award contracts for these services on a sole source basis without regard to the procedural requirements of the Federal Acquisition Regulation, in order to ensure the successful implementation of the FDSLPL and the orderly transition from the FFEL program to the FDSLPL. After July 1, 1998, all requirements for full and open competition regarding a contract for these services would be applicable. This provision of the bill would give the Secretary the administrative flexibility appropriate under the expected transition schedule prior to full implementation of the FDSLPL.

Section 528. Section 528 of the bill would amend the reporting requirements in section 458 of the Act. This section of the bill would retain the requirement in current law that the Secretary transmit to the Congress, not later than July 1, 1993 and each July 1 for the five succeeding years, an annual report on the status of the program under part D of title IV of the Act. Since this would no longer be a demonstration program, other provisions relating to interim reports, control groups, and treatment of costs would be removed.

Proposed section 458(b) of the Act would require additional evaluations of the FDSLPL. This provision would authorize the Secretary to use a portion of funding for the FDSLPL for research on, or demonstration or evaluation of, any aspects of the administration of the FDSLPL, including flexible repayment options that the Secretary determines are necessary to effectively implement the program.

Proposed section 458(c) of the Act would require the Secretaries of Education and the Treasury to develop a plan for providing FDSLPL loan repayment options through the Internal Revenue Service and to evaluate the feasibility of providing FDSLPL repayment options through the Internal Revenue Service and by means of other wage withholding mechanisms. The repayment options plan and the results of the evaluation would be required to be sent to the President by June 30, 1994.

Section 529. Section 529 of the bill would amend section 459 of the Act regarding the Secretary's promulgation of regulations. In accordance with the expected transition schedule from the FFEL program to the FDSLPL noted above and the need to

develop mechanisms for direct lending and income contingent repayment of student loans as expeditiously as possible, this section of the bill would require the Secretary to publish in the Federal Register whatever standards, criteria, and procedures, consistent with the provisions of this proposed part, the Secretary determines are reasonable and necessary for the successful implementation of the first year of the FDSLSP.

This section of the bill would also provide that the master calendar provisions under section 482 of the Act and rulemaking requirements under section 431 of the General Education Provisions Act would not apply with regard to publication of these first-year, but only these first-year, standards, criteria, and procedures. Finally, section 529 of the bill would make conforming amendments to other provisions concerning Secretarial activities under section 459 of the Act, and would remove the requirement that the Secretary award procurement contracts not later than February 1, 1994, since this requirement is incompatible with the proposed expansion and transition to the FDSLSP.

Section 530. Section 530 of the bill would repeal section 455 of the Act, which concerns institutional withdrawal and termination procedures for the demonstration program that would no longer be applicable, and would make conforming redesignations of section numbers within part D of title IV of the Act. The redesignation would create the following statutory structure for the FDSLSP:

PART D--FEDERAL DIRECT STUDENT LOAN PROGRAM

Sec. 451.	Purpose; Program Authorization.
Sec. 452.	Funds for Origination of Direct Student Loans.
Sec. 453.	Selection by the Secretary.
Sec. 454.	Agreements with Institutions.
Sec. 455.	Terms and Conditions of Loans.
Sec. 456.	Contracts.
Sec. 457.	Reports.
Sec. 458.	Regulatory Activities by the Secretary.
Sec. 459.	Funds for Administrative Expenses.

Section 530A. Section 530A of the bill would amend the expenditure authority (which would be redesignated as proposed section 459 of the Act) to provide for the expanded program proposed by this bill. This section of the bill would provide that the following funds would be available to the Secretary to be obligated for administrative costs of the FDSLSP and administrative costs of the transition from the FFEL program to the FDSLSP: not to exceed \$127,000,000 in fiscal year 1994; \$367,000,000 in fiscal year 1995; \$619,000,000 in fiscal year 1996; \$632,000,000 in fiscal year 1997; and \$770,000,000 in fiscal year 1998. [NUMBERS MAY CHANGE]

Section 530A of the bill would also provide that, if in any fiscal year, the Secretary determines that additional funds for administrative expenses are needed as a result of the transition from the loan programs under the FFEL program to the FDSLSP, or the expansion of the FDSLSP, the Secretary would be authorized to use funds available under this proposed section of the Act for a subsequent fiscal year for these expenses. The Secretary would also be authorized to carry over funds to any subsequent fiscal year.

PART C--CONFORMING AMENDMENTS TO THE HIGHER EDUCATION ACT OF 1965

In general, this portion of the bill would amend the current law in conformity with the proposed transition to a fully implemented FDSLSP while avoiding disruptive changes to current program operations. Several provisions in the current FFEL program that are particularly beneficial to student borrowers have been retained, for example, the requirement in section 428(b)(1)(E)(i) of the Act that lenders offer borrowers an income sensitive repayment plan. While there are several differences between the income-based repayment plans under the FDSLSP and the FFEL program, notably in the length of repayment and the mechanism for disclosing and verifying income, the bill would provide all borrowers the option to repay their loans based on their income, regardless of whether the loan were made under the FDSLSP or the FFEL program.

This portion of the bill has also been drafted to preserve access to FFEL loans during the transition period, provide predictability to current financial markets, and help guaranty agencies carry out their responsibilities. It is expected that, while all new Federal student loans will be made under the FDSLSP by the end of fiscal year 1997, guaranty agencies and other institutions participating in the FFEL program will be servicing, tracking, and reporting on a diminishing number of their outstanding loans for many years to come.

The particular amendments to the FFEL program are as follows, analyzed by section number of the bill.

Section 531. Section 531 of the bill would make several changes to the FFEL program in order to, as noted in section 531(a) of the bill, preserve access to student and parent loans under the FFEL program as needed during the transition from that program to the FDSLSP.

Section 531(b) of the bill would add to the lender-of-last-resort provision in section 428(j) of the Act a new authority for the Secretary, in order to ensure availability of loan capital during the transition from the FFEL program to the FDSLSP, to provide a guaranty agency with additional advance funds in

Section 530A of the bill would also provide that, if in any fiscal year, the Secretary determines that additional funds for administrative expenses are needed as a result of the transition from the loan programs under the FFEL program to the FDSLSP, or the expansion of the FDSLSP, the Secretary would be authorized to use funds available under this proposed section of the Act for a subsequent fiscal year for these expenses. The Secretary would also be authorized to carry over funds to any subsequent fiscal year.

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Section 532. Section 532 of the bill clarifies the Act to reflect the longstanding view that the guaranty agency's assets are dedicated to the loan programs and may not be used for unauthorized purposes. This authority would allow the Secretary to ensure that program assets are used to operate the loan program in the most efficient way possible, consistent with an orderly transition to the FDSLSP.

Thus, this section of the bill would add to the guaranty agency reserves provisions in section 422 of the Act a clarification that, notwithstanding any other provision of law, the reserve funds of the guaranty agencies, and any assets purchased with these reserve funds, regardless of who holds or controls the reserves or assets, are the property of the United States, to be used in the operation of the FFEL program or the FDSLSP. These reserves would be required to be maintained by each guaranty agency to pay program expenses and contingent liabilities, as authorized by the Secretary. However, the Secretary would also be authorized to direct a guaranty agency to: (1) return to the Secretary all or a portion of its reserve fund that the Secretary determines is not needed to pay for the agency's program expenses and contingent liabilities; and (2) require the return to the Secretary or the guaranty agency of any funds or assets held by, or under the control of, any other entity.

This section of the bill would also provide that, in order to ensure preservation of a guaranty agency's funds and assets, any contract that concerns to the administration of any guaranty agency's reserve funds or the administration of any assets purchased or acquired with the agency's reserve funds and that is entered into or extended by the guaranty agency after the effective date of this provision of the bill is required to include a provision that the contract is terminable by the Secretary. This termination provision could be implemented upon 30 days notice to the contracting parties if the Secretary determined that the contract included an impermissible transfer of reserve funds or assets, or was otherwise inconsistent with the terms or purposes of section 422 of the Act.

Section 533. Section 533 of the bill would amend the terms of loans under the FFEL program, in section 428 of the Act, to require that an insurance program agreement provide for income contingent repayment following a borrower's default. This section of the bill would also authorize the Secretary to require any borrower who has defaulted on a loan made under the FFEL program and assigned to the Secretary to repay that loan under an income contingent repayment plan, the terms and conditions of which would be established by the Secretary and would be similar to the income contingent repayment plan established for purposes of the FDSLSP.

Section 532. Section 532 of the bill clarifies the Act to reflect the longstanding view that the guaranty agency's assets are dedicated to the loan programs and may not to be used for unauthorized purposes. This authority would allow the Secretary to ensure that program assets are used to operate the loan program in the most efficient way possible, consistent with an orderly transition to the FDSLPL.

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Section 533. Section 533 of the bill would amend the terms of loans under the FFEL program, in section 428 of the Act, to require that an insurance program agreement provide for income contingent repayment following a borrower's default. This section of the bill would also authorize the Secretary to require any borrower who has defaulted on a loan made under the FFEL program and assigned to the Secretary to repay that loan under an income contingent repayment plan, the terms and conditions of which would be established by the Secretary and would be similar to the income contingent repayment plan established for purposes of the FDSLPL.

Section 533 of the bill would also add a forbearance requirement to the agreement provision in section 428 of the Act. Under these provisions, a lender, upon written request, would be required to grant forbearance to a borrower who is serving in a National Service position. The forbearance would be required to be renewable at 12-month intervals, agreed to in writing by the parties to the loan with the approval of the insurer, and on terms that are otherwise consistent with the Secretary's regulations. The forbearance would also be required to equal the length of time remaining in the period of National Service if the borrower is not eligible to receive a deferment, or the length of time remaining after the borrower has exhausted his or her eligibility for the deferment. Sections 428(b)(1)(V)(iii) and 428(b)(1)(V)(iv) of the Act would apply, so that, for example, forbearance would be considered a temporary cessation of payments unless the borrower selected a different form of forbearance, no administrative fee could be charged for forbearance services, and no adverse credit information could be reported. Any interest that would accrue during the period of service would be paid by the National Service Trust.

Section 534. Section 534 of the bill would amend section 428(c)(8) of the Act, concerning assignment of loans from guaranty agencies to the Secretary when it is in the Federal interest to do so. This section of the bill would remove provisions that would no longer be applicable, given the proposed expansion of the direct lending program. It would also add a provision that an orderly transition from the FFEL program to the FDSLTP shall be deemed to be in the Federal financial interest, and a requirement that a guaranty agency promptly assign loans to the Secretary, if deemed by the Secretary to be necessary to protect the Federal financial interest, upon the Secretary's request.

Section 535. Section 535 of the bill would make changes to section 428(c)(10) of the Act, regarding guaranty agency reserves, in conformance with the transition to the FDSLTP. Section 535(1) of the bill would no longer require the Secretary to require a guaranty agency that has low reserves or is financially or administratively impaired to submit a management plan to the Secretary before the Secretary takes other steps concerning that agency. The Secretary would require a management plan only as appropriate, consistent with the transitional nature of the FFEL program. Similarly, section 535(2) of the bill would allow modification of a guaranty agency's management plan in conformity with the transition to the FDSLTP.

Section 535(3) of the bill would give the Secretary increased flexibility to terminate a guaranty agency's agreement by allowing the Secretary to terminate the agreement if the Secretary determines that termination is necessary to protect the

Federal financial interest, to ensure the continued availability of loans to student or parent borrowers, or to ensure an orderly transition from the FFEL program to the FDSLSP.

Section 535(4) of the bill would expand the Secretary's authorized functions when a guaranty agency's agreement is terminated. The Secretary would be authorized to provide the guaranty agency with additional advance funds in accordance with section 422(c)(7) of the Act, with such restrictions on the use of such funds as is determined appropriate by the Secretary, in order to meet the immediate cash needs of the guaranty agency, ensure the uninterrupted payment of claims, or ensure that the guaranty agency would will make loans as the lender of last resort. This section of the bill would also authorize the Secretary to use all funds and assets of the guaranty agency to assist in the activities undertaken in accordance with termination of the guaranty agency agreement and to take appropriate action to require the return to the guaranty agency or the Secretary of any funds or assets provided by the guaranty agency, under contract or otherwise, to any person or organization. Finally, this section of the bill would authorize the Secretary to take whatever other action is necessary to ensure an orderly transition from the FFEL program to the FDSLSP.

Section 535(5) of the bill would remove subparagraph (G) of section 428(c)(10) of the Act, which currently prevents the Secretary from terminating the agreement of any guaranty agency that is backed by the full faith and credit of the State where that agency is the primary guarantor. This provision in current law would impede efforts to "wind down" the FFEL program.

Section 535(6) of the bill would make conforming amendments to the structure of section 428(c)(10) of the Act.

Section 535(7) of the bill would provide additional authorities needed by the Secretary to ensure an orderly termination of the FFEL program. If the Secretary has terminated or is seeking to terminate a guaranty agency's agreement, or has assumed a guaranty agency's functions, this section of the bill would provide that, notwithstanding any other provision of law: (1) the guaranty agency may not file for bankruptcy; (2) no State court may issue an order affecting the Secretary's actions with respect to that guaranty agency; and (3) no provision of State law shall apply to the actions of the Secretary in terminating the operations of the guaranty agency.

This section of the bill would also provide that, if the Secretary has terminated or is seeking to terminate a guaranty agency's agreement, or has assumed a guaranty agency's functions, and notwithstanding any other provision of law, any contract that concerns to the administration of any guaranty agency's reserve funds or the administration of any assets purchased or acquired

with the agency's reserve funds and that is entered into or extended by the guaranty agency after the effective date of this provision of the bill is required to include a provision that the contract is terminable by the Secretary. This termination provision could be implemented upon 30 days notice to the contracting parties if the Secretary determined that the contract included an impermissible transfer of reserve funds or assets, or was otherwise inconsistent with the terms or purposes of section 428 of the Act. Finally, notwithstanding any other provision of law, the Secretary's liability for any outstanding liabilities of a guaranty agency, the functions of which the Secretary has assumed, would not exceed the fair market value of the reserves of the guaranty agency, minus any necessary liquidation or other administrative costs.

Section 535(8) of the bill would make a conforming amendment to a reporting requirement, consistent with the transition to the FDSLSP.

Section 536. Section 536 of the bill would revise section 428(f)(1)(B) of the Act concerning payments based on insurance program agreements, to would ensure that guaranty agencies continue to receive an adequate administrative cost allowance while they maintain their outstanding loan volume during the latter portion of the transition period. This section of the bill would require that, until full implementation of the FDSLSP, an additional payment per fiscal year would be given guaranty agencies, supplementing the amount authorized in current law (1 percent of the total principal amount of the FFEL program loans upon which insurance was issued during a fiscal year by a guaranty agency). This payment would be made for each outstanding Federal Stafford Loan, Federal Supplemental Loans for Students loan, Federal PLUS Loan, or Unsubsidized Stafford Loans for Middle-Income Borrowers loan held by a guaranty agency at the end of the relevant fiscal year. The amount of this additional payment per outstanding loan would be \$2 for fiscal year 1996 and \$4 for fiscal years 1997 and 1996. No additional payment would be authorized for fiscal years 1994 and 1995, when FFEL program loan volumes would still be relatively high.

Section 537. Section 537 of the bill would amend the provisions for the Federal consolidation loan program under section 428C of the Act, in order to facilitate the expansion of the FDSLSP. Section 537(1) of the bill would define "eligible borrower" for the loan consolidation program in the FDSLSP to mean a borrower who, at the time of application for a consolidation loan, is in repayment status, or in a grace period preceding repayment, or is a delinquent or defaulted borrower who will reenter repayment through loan consolidation.

Section 537(2) of the bill would amend the terms of the consolidation loan agreement to require a lender to offer income-sensitive repayment terms for a consolidation loan made on or after July 1, 1994. In the event that a borrower is unable to obtain a consolidation loan with income-sensitive repayment terms from the holders of the outstanding loans of that borrower (that are selected for consolidation) or any other lender, including Sallie Mae, this section of the bill would authorize the Secretary to offer the borrower a direct consolidation loan with income contingent repayment terms under the FDSLSP.

This section of the bill would make a technical amendment to the deferment provisions of consolidated loans under the FFEL program, in order to make this provision administratively feasible. As with the proposal for loans consolidated into the FDSLSP, interest would accrue and be capitalized or be paid by the borrower on loans that where interest is not federally subsidized; interest would accrue and be paid by the Secretary on loans where interest is federally subsidized.

Section 537(3) of the bill would provide that a consolidation loan made before July 1, 1993, would bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the greater of (1) the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent; or (2) 9 percent. A consolidation loan made on or after July 1, 1993, would bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent.

Section 537(3) of the bill would make additional changes to the Federal consolidation loan program consistent with offering income-based repayment options to borrowers. During the transition from the FFEL program to the FDSLSP, lenders under the FFEL program would be required to offer income sensitive repayment on a consolidated loan, while the Secretary would offer income contingent repayment on a loan assigned to the Secretary.

Section 538. Section 538 of the bill would add a provision to section 439 of the Act, concerning Sallie Mae. This provision would require the Secretaries of Education and the Treasury, in consultation with Sallie Mae, to prepare a study that examines alternatives that would allow, upon full implementation of the FDSLSP, for the transition of Sallie Mae from a government-sponsored enterprise to a private corporation.

The study would be required to be completed within six months of the enactment of title V of this bill and to be considered by the Secretaries of Education and the Treasury in developing relevant legislative proposals. In addition, the study would consider how best to meet the needs of students and

taxpayers, as well as appropriate changes to part D of title VII of the Act relating to the College Construction Loan Association. The study would also be required to reflect the need for Sallie Mae to maintain liquidity and perform other functions for the FFEL program during the transition from that program to the FDSLPL, including additional duties as specified by the two Secretaries.

Finally, this section of the bill would direct the Secretaries of Education and the Treasury to work with Sallie Mae to ensure that any changes in Sallie Mae's status, operations, or purposes are carried out efficiently and effectively.

Section 539. Section 539(a) of the bill would amend section 484A of the Act to provide for the use of optically imaged documents in certain proceedings. This section of the bill would describe the purpose of this proposed provision, which would be to: (1) allow the Secretary to use optical imaging technology to store and retrieve documents and records, including promissory notes and repayment agreements, required for the administration of the FDSLPL, or for the administration of loans made under the FFEL program that have been assigned to the Secretary; (2) permit the Secretary to destroy originals of these documents and records, including promissory notes and repayment agreements, after they have been optically imaged, thereby achieving significant savings in storage and retrieval costs; and (3) ensure that the Secretary may introduce as evidence in any proceeding with respect to these programs or loans optically imaged documents and records, including promissory notes and repayment agreements.

This section of the bill would also provide that, notwithstanding any other provision of Federal or State law, an optically imaged copy of any document or record, including a promissory note or repayment agreement, may be introduced as evidence in any proceeding with respect to these programs or loans in any Federal or State court, or other tribunal, and this optically imaged copy would be admissible in any court or tribunal of the United States or any State as if it were the original document or record and have the same force and effect as the original. However, this provision would not preclude the admissibility of a duplicate of a document or record required for the administration of these programs or loans made by a technology other than optical imaging. Further, this provision would not preclude the admissibility of an optically imaged copy of any document or record in a proceeding outside the scope of section 484A(c) of the Act.

Section 539(b) of the bill would amend section 432 of the Act to provide that records maintained in accordance with section 484A(c) of the Act may be used in any proceeding, as permitted by section 484A(c) of the Act, with respect to a loan

that was made under the FFEL program and assigned to the Secretary. This would allow the Department to use optically imaged documents as evidentiary material in certain proceedings with respect to these loans. This authority would be consistent with the authority proposed for allowing as evidentiary material in certain proceedings optically imaged documents with respect to FDSLPL loans.

Section 539(c) of the bill would amend section 487 of the Act, concerning program participation agreements, to provide that optically imaged documents may be used in any proceeding with respect to a FDSLPL or a FFEL program loan that has been assigned to the Secretary, as provided in section 484A of the Act, in accordance with applicable provisions of the Federal Rules of Evidence and 28 U.S.C. 1732.

PART D--AMENDMENTS TO OTHER LAWS

Section 541. Section 541 of the bill would amend provisions of the Internal Revenue Code of 1986 (IRC) that concern confidentiality and disclosure of tax returns and return information. The amendments made by this section of the bill would facilitate the use of an income contingent repayment plan under the FDSLPL, which, in turn, would allow students to pursue community service-oriented employment. These amendments would also clarify a disclosure provision under the Department's tax refund offset authority and improve debt collection overpayments under the Federal Pell Grant program.

Section 541(a) of the bill would amend section 6103(a)(3) of the IRC, which sets forth the general rule that tax return information is confidential and specifies those individuals who, although they may receive such information under exceptions to this general rule, may not further disclose the information. This section of the bill would add to that list any person who has access to returns or return information under proposed authority to receive information to carry out an income contingent repayment plan under the FDSLPL.

Section 541(b)(1) of the bill would amend the tax refund offset authority in section 6103(l)(10) of the IRC to clarify that agents of the Department may receive certain taxpayer information. This information, which does not include income information, is the same as that now disclosed to the Department under the current tax refund offset program.

Section 541(b)(2) of the bill would add to section 6103(l) of the IRC, which provides for disclosure of returns and return information for purposes other than tax administration, a new provision (section 6103(l)(13)) that would authorize the Secretary of the Treasury to, upon written request from the

Secretary of Education, disclose to officers and employees agents of the Department return information with respect to a taxpayer who has received a Federal loan under a student loan program and whose loan repayment amounts are based in whole or in part on the taxpayer's income. This return information would be limited to taxpayer identity information with respect to such taxpayer, information about whether the taxpayer filed a joint return, and the most recent available information concerning the taxpayer's adjusted gross income.

Section 541(b)(2) of the bill would also provide that any officers, employees, and agents of the Department receiving return information shall use the information only for the purposes of, and to the extent necessary in, establishing an appropriate income contingent repayment level for the FDSLTP and for FFEL program loans or Federal Perkins loans that have been assigned to the Secretary.

Section 541(c) of the bill would amend section 6103(m)(4) of the IRC, which authorizes disclosure of the mailing address of a taxpayer who has defaulted on a student loan administered by the Department. This section of the bill would add to the current list of programs for which mailing addresses could be disclosed the debt collection program for overpayments under the current Federal Pell Grant program (since collection efforts have been seriously hampered without this information) and the new FDSLTP. This section of the bill would also make conforming amendments to this authority. However, these amendments would not alter the strict limits on the use of this information now in current law.

Section 541(d) of the bill would amend section 6103(p) of the IRC, concerning recordkeeping requirements and safeguards. This section of the bill would provide that the Secretary of the Treasury would not be required to maintain a record or accounting of requests for inspection or disclosure or returns and return information, or of returns and return information inspected or disclosed, under the income contingent repayment disclosure authority proposed for section 6103(l)(13) of the IRC. This is in keeping with other disclosure authorities under section 6103 of the IRC. Further, section 541(d) would require the Department to undertake the same safeguards for the income contingent repayment disclosure authority and for receipt of mailing addresses as are required by other Federal agencies that similar information under section 6103 of the IRC.

Finally, section 541(e) of the bill would amend section 7213(a)(2) of the IRC, concerning criminal sanctions. This section of the bill would provide that unauthorized disclosure of tax return information by agents of the Department of Education would be a felony punishable by a fine of not more than five thousand dollars, or imprisonment of not more than five

years, or both, together with the costs of prosecution. This sanction is consistent with sanctions for disclosures of other tax return information under the IRC.

Section 452. Section 452 of the bill would add the FDSLPP to the list of programs and activities exempt from budget reduction under section 255(g)(1)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 905(g)(1)(A)).

PART E--EFFECTIVE DATES

Section 551. Section 551 of the bill would set out the effective dates for the amendments made by title V of this bill.

WHITE HOUSE STAFFING MEMORANDUM

4/29 9:00 A.M.

DATE: 4-28 ACTION/CONCURRENCE/COMMENT DUE BY: 4-29 9 a.m.

NATIONAL SERVICE TRUST ACT --

SUBJECT: MESSAGE TO THE CONGRESS AND FACT SHEET

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	PASTER	☒	☐
McLARTY	☒	☐	RASCO	☒	☐
GEARAN	☒	☐	RUBIN	☒	☐
PANETTA	☐	☐	SEGAL	☐	☐
EMANUEL	☒	☐	STEPHANOPOULOS	☒	☐
GIBBONS	☐	☐	VARNEY	☒	☐
HALE	☐	☐	WATKINS	☐	☐
HERMAN	☐	☐	WILLIAMS	☒	☐
LAKE	☐	☐	CLERK	☐	☒
LINDSEY	☐	☐		☐	☐
MONTOYA	☐	☐		☐	☐
NUSSBAUM	☐	☐		☐	☐

REMARKS:

This is the draft transmittal letter for the National Service / College Loan legislation plus a fact sheet on the

RESPONSE:

National Service program.

JOHN D. PODESTA
 Assistant to the President
 and Staff Secretary
 Ext. 2702

TO THE CONGRESS OF THE UNITED STATES:

I am pleased to transmit today for your immediate consideration and enactment the National Service Trust Act of 1993. The Act represents innovative public policy founded on traditional American values: offering educational opportunity, rewarding personal responsibility, and building the American community. In affirming these values, the Act rejects wasteful bureaucracy -- instead reinventing government to unleash the ideas, the enthusiasm, and the initiative of the American people.

Throughout the presidential campaign last year, Americans of all backgrounds and political persuasions responded to the National Service Trust like few other ideas. The reasons are clear. Higher education is fundamental to the American Dream, but complex procedures and inflexible repayment plans have created serious problems for many students with education loans to pay back. It is a basic American principle that individuals ought to pay back what they borrow, but today too many students default -- leaving taxpayers to foot the bill. And finally, Americans today are yearning to reaffirm an American community that transcends race, region or religion -- and to tackle the problems that threaten our shared future.

The National Service Trust Act is designed to meet these basic American needs. The Act has two parts. The first establishes a domestic Peace Corps, offering hundreds of thousands of young people the opportunity to pay for school by doing work our country needs. The second part of the Act overhauls the student loan system, saving taxpayers billions of dollars; offering students lower interest rates, greater choice and fewer burdens in paying loans off; and making it tougher to default.

The Act establishes a definition of national service that is clear but broad. National service is work that addresses unmet educational, environmental, human or public safety needs. It enhances the experience of those who serve, instilling an ethic of civic responsibility that is essential to our democracy. And national service does not displace or duplicate the functions of existing workers.

Building on the National and Community Service Act of 1990 and the flourishing national service programs of nonprofit organizations and states, the initiative rejects a federal bureaucracy in favor of locally driven programs. And in the spirit of reinventing government, the Act will empower those with the greatest expertise, interests and incentives to succeed in their work.

The legislation establishes broad categories of eligibility and requirements for the use of educational awards; but it lets citizens of all backgrounds serve and use their awards where they see fit. While many participants will be recent college graduates, Americans will be eligible to enter the program at any time in their adult lives. Both full-time and part-time service

will be encouraged, and participants will be able to serve for one or two terms of service.

Whatever their education level, those who complete a term of service will receive an award of \$6,500, roughly the average indebtedness of a college graduate. The award will be payable toward past or present educational expenses in four- and two-year colleges, training programs, graduate and professional schools.

The Act establishes tough guidelines for excellence in programming, and requires programs to develop measurable performance goals and allow independent evaluations to test their success. But within these limits, the Act enables the people who will run programs to design them. The smallest community-based organizations and the largest federal agencies will be able to compete for funding. They will be encouraged to develop a variety of model programs, ranging from youth corps that enable at-risk youth to meet community needs, to pre-professional programs that give college students ROTC-like training and then placements in specific problem areas, to diverse community corps that involve Americans of all backgrounds in meeting common goals. The Act ensures that as time passes, the programs that work best receive most assistance -- and that there is venture capital for altogether new models as well.

With the economic market as model, there is competition at every level of the system: programs compete for state approval, states compete for federal approval, and programs at the national level compete against each other and states for federal approval. To build public/private partnerships that earn support far beyond government, the Act requires programs to make a cash match and to seek support from beyond government as time passes.

In organizational structure, the Act aims to reduce waste and promote an entrepreneurial government culture. At the federal level, the Act establishes a new government Corporation for National Service that combines two existing independent agencies, the Commission on National and Community Service and ACTION. With a small, bipartisan Board sharing power with a Chairperson, the Corporation will operate as much like a lean nonprofit corporation as a government agency. Pay-for-performance and a 5-year limit on most tenures, separate investment and operating divisions, and the ability to solicit private contributions will all help build a commitment to quality.

The state level will mirror the federal level and build a strong partnership between the two. State commissions on national service, appointed by governors, will be responsible for selecting programs to be funded by states. Like the Corporation Board, the commissions will be composed of bipartisan, non-government officials. A representative of the Corporation will sit on state commissions to develop common policies and stop conflicts before they happen.

In its efforts to build community, the Act encourages all Americans to join together and serve our country -- at all ages

and in all forms. The Act enhances the Serve-America program for school-age youth, extends and improves the VISTA and Older Americans Volunteer Programs authorized under the Domestic Volunteer Service Act, and pulls all federal support for service under the new umbrella, the Corporation for National Service. Through these efforts, the Act will help instill an ethic of community service in all elementary and secondary school students, encourage them to serve in their college years, and give them further opportunities later in their careers.

This legislation also takes an important first step toward comprehensive reform of the financial aid system. It will save money, make loan repayment more affordable, and hold students more accountable. The measures are not intended in any way to replace the Pell Grant program, which will remain the cornerstone of financial aid for millions of students.

The Act will replace the current Federal Family Education Loan program with the Federal Direct Student Loan Program. By eliminating subsidies to private lenders and making loans directly to students, direct lending will save taxpayers more than \$4 billion and still allow interest rates to drop for student borrowers. The reform will simplify the system for many borrowers, enabling most students to receive all their financial aid through "one-stop shopping" at their institutions' financial aid office.

The lending reform will expand choice and reduce burdens for all borrowers by offering a variety of repayment plans -- including fixed, graduated, and income-contingent schedules. In the same way that multiple financing options help homeowners, these plans will offer real choice to all and lower monthly payments to those who want them. Income-contingent repayment will also encourage service by students who do not participate in the domestic Peace Corps portion of the Act. Without huge monthly payments, more students will be able to take jobs that pay less but do more for their communities, without ruining their finances. And whatever they plan, students will be able to change their repayment schedule as well.

The Act will also reduce default rates. Electing income-contingent repayment schedules, students with lower incomes will be able to repay their loans on a manageable plan, as a small percentage of their income over time. Through cooperation with the IRS, the Act will improve collection and monitoring of student loans. And for those who are able to pay but do not, the Act will give the Secretary of Education authority to require payment with IRS participation.

Opportunity, responsibility and community go beyond politics. They are basic American ideals. Enactment of this legislation would express the nation's commitment to them and to our shared future. I urge the Congress to give the Act a prompt and favorable consideration.

THE WHITE HOUSE.

NATIONAL SERVICE TRUST ACT OF 1993

Today, the President announced that he has transmitted to Congress the National Service Trust Act of 1993. The Act represents innovative public policy founded on traditional American values: offering educational opportunity, demanding personal responsibility, and building the American community. In affirming these values, the Act also rejects big bureaucracy -- reinventing government to unleash the ideas and the initiative of the American people.

The President's initiative will:

- Build the American community through a new domestic Peace Corps that brings Americans together to tackle pressing national problems.
- Offer educational opportunity by providing educational awards to hundreds of thousands of students who serve our country; and overhauling and simplifying the student loan system -- saving taxpayers billions of dollars, lowering interest rates, and expanding repayment options.
- Demand personal responsibility by requiring Americans who borrow to repay their loans in one of two ways -- either through service or through repayment plans that make it tougher to default.
- Reinvent government by streamlining federal bureaucracies, relying on locally driven initiatives, and creating flexibility for students and competition among programs.

The Act has two basic parts, the national service initiative and the reform of the student loan system.

NATIONAL SERVICE INITIATIVE

The centerpiece of the Act will establish a Corporation for National Service that will offer Americans who do vital work in the national service program an a \$6,500 educational award in return -- roughly the average indebtedness of a graduate of a four-year, public institution. In addition, the Act includes a variety of provisions to promote service by all Americans and in all forms.

Definition of National Service

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

Organizations

- To reduce waste and promote an entrepreneurial government culture, a new government Corporation for National Service will be established, combining the Commission on National and Community Service and ACTION.
- A small bipartisan Board will share power with a chairperson.
- Flexible and quality-driven personnel policies will include pay-for-performance and a 5-year limit on most tenures.
- The corporation will be responsible for administering all programs authorized under the National and Community Service Act and Domestic Volunteer Service Act, including VISTA and the Older American Volunteer Programs. It will fund training and technical assistance, service clearinghouses and other activities.
- At the state level, Commissions on national service will be established to mirror the federal corporation and cooperate with it.
- Like the Corporation Board, Commissions will be composed of bipartisan, non-government officials.
- To ensure a genuine federal/state partnership, a representative of the Corporation will sit on the state Commissions.
- All programs will have to compete for support; none will be guaranteed funding. Programs will compete for state approval, state applications will compete for federal approval, and programs at the national level will compete against each other and states for federal approval.

Programs

- National quality criteria for programming will be developed for every type of program in conjunction with experts in the field.
- Performance goals and independent evaluations will be required in every program.
- To encourage public/private partnership, programs must provide a cash match on stipends and additional match on other support, and demonstrate their efforts in finding private funding.
- Entities ranging from small community organizations to federal agencies will be eligible to operate programs.
- A broad array of possible programs will be eligible for funding: from youth corps for at-risk youth, to specialized service programs for college graduates, to diverse community

corps for Americans of all backgrounds. Many other models are possible, and venture capital will be available for new efforts.

Participants

- To encourage wide and diverse participation, individuals aged 17 and over may serve before, during, or after post-secondary education.
- To target program participation to participant interests and community needs, participants will be recruited and selected by local programs designated by states or the federal government.
- A national or state recruitment system will help interested individuals locate placements in local programs. Information about available positions will be widely disseminated through high schools, colleges and other placement offices.
- To earn an educational award, a participant must complete at least one year of full-time or two years of part-time service in a program designated by a state or the federal government. An individual may serve up to two terms and earn up to two educational awards.
- Educational awards worth \$6,500 will be provided for each term of service. Awards may be used for past, present or future expenses, including two- and four-year colleges, training programs, and graduate or professional programs.
- Programs will set stipends within a limited range based at minimum wage. Health and child care will be provided to those who need them.

Encouraging Service by All

- The Act enhances the Serve-America program for school-age youth.
- The Act extends and improves the VISTA and Older Americans Volunteer Programs.
- * The Act reauthorizes support for the Points of Light Foundation to continue its nationwide outreach to further volunteerism.
- By removing the obstacle of fixed high monthly payments, new flexible repayment options in the student loan reform will enable Americans who borrow for school to take jobs that pay less but do more for the community.