

PRESIDENT CLINTON'S CALL TO ACTION FOR AMERICAN EDUCATION IN THE 21ST CENTURY

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- ✓ **Help every student to read independently and well by the end of the 3rd grade.**
- ✓ **Expand Head Start and challenge parents to get involved early on in their children's learning.**
- ✓ **Expand choice and accountability in public education.**
- ✓ **Make sure our schools are safe, disciplined and drug-free, and instill basic American values.**
- ✓ **Modernize school buildings and help support school construction.**
- ✓ **Open the doors of college to all who work hard and make the grade, and make the 13th and 14th years of education as universal as high school.**
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BellSouth Telecommunications, Inc. 770 391-2424
Suite 397
125 Perimeter Center West
Atlanta, Georgia 30346

Carl E. Swearingen
President - Georgia

February 3, 1997

FAX MESSAGE TO:

Ms. Elizabeth Dryer

FROM:

Carl Swearingen
BellSouth Telecommunications, Inc.
President-Ga.

MEMORANDUM TO STEPHEN SILVERMAN
DEPUTY ASSISTANT TO THE PRESIDENT AND DEPUTY
SECRETARY TO THE CABINET

FROM: Leslie T. Thornton
Deputy Chief of Staff and Counselor to the
Secretary

DATE: February 3, 1997

SUBJECT: Hot Issues in Georgia/Augusta

New State School Board: The newly reconstituted state school board held its first meeting January 16. Governor Miller requested the resignations of all members of the school board in the fall of 1996, due to the contentious relationship between the board and the elected state schools superintendent, Linda Schrenko. All but two of the members resigned, and Governor Miller recently appointed a bipartisan group headed by his 1990 election opponent, Johnny Isakson, to replace them. Ms. Schrenko is a critic of federal education programs.

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02/03/97

SRR BRIEFING DATA BASE
"HOT" EDUCATION ISSUES
DATA ENTRY SCREEN

REGION: 04 SRR: Stan Williams

STATE: GA REPORT DATE: 12/05/96

ISSUES:

SCHOOL IMPROVEMENT STANDARDS: The Atlanta Constitution newspaper has noted that a feud between two groups over what is taught in Georgia's public schools threatens to inject confusion and possible delays into what both sides agree is a critical effort to improve the quality of education. The School Improvement Panel is influenced by public school officials and has almost completed a first draft of higher academic standards. The P-16 group is led by higher education officials who are attempting to write standards for public schools as a big part of a broad effort to improve academic achievement from preschool through college. There is agreement that the present standards in Georgia's Quality Core Curriculum need rewriting in order to provide that these be higher, more specific and measurable.

02/03/97

SRR BRIEFING DATA BASE
"HOT" EDUCATION ISSUES
DATA ENTRY SCREEN

REGION: 04 SRR: Stan Williams

STATE: GA REPORT DATE: 12/12/96

ISSUES:

RISE IN STUDENT DROPOUT RATE: Great concern has been expressed by Gov. Zell Miller's office and other state leaders over the continued rise in the student dropout rate in the public schools of Georgia. This problem is very critical from the tenth grade through grade twelve. Causes and solutions face educators, parents, and the communities statewide.

02/03/97

SRR BRIEFING DATA BASE
"HOT" EDUCATION ISSUES
DATA ENTRY SCREEN

REGION: 04 SRR: Stan Williams

STATE: GA REPORT DATE: 01/23/97

ISSUES:

GOVERNOR OUTLINES EDUCATION INITIATIVES: Gov. Zell Miller used his address before the State Legislature to continue his support for an increase in teacher salaries, a reduction in class sizes at the secondary school level, and other education initiatives. Rural legislators challenged the Governor's recommendation of a \$49.2-million reduction in vocational laboratory programs to pay for the reduced class sizes. Vocational labs are popular in many rural districts and legislators are reluctant to risk losing them. The State Supt. of Schools has indicated that local school districts will retain the option of using State money to fund the labs.

PRIVATE ACADEMY CLOSES: Ebon International Preparatory Academy, a metro-Atlanta private school, has taken steps to close operations after less than two years in operation. Students and parents associated with the school are determining what academic and legal options are available to them. Parents have complained that they are unable to get access to transcript information, get calls to the administration returned, and discover the current status of the program. Public schools will accept affected students but will place them in grades as indicated on transcripts.

02/03/97

SRR BRIEFING DATA BASE
"HOT" EDUCATION ISSUES
DATA ENTRY SCREEN

REGION: 04 SRR: Stan Williams

STATE: GA REPORT DATE: 01/30/97

ISSUES:

GOVERNORS P-16 COUNCIL: Efforts to implement the functions of the Governor-appointed P-16 Council have rested on the clarification of the roles and duties of the body. The P-16 initiative is an intent to bring all the State's education resources into closer coordination and use the Council as an external resource for advice, technical assistance, and support.

The Council is organized on a State and local level and both segments are expected to clarify respective roles and responsibilities as part of organizational activities. Part of the scope being defined in the Council's role in setting academic standards for the State. Some members of the Council's and some constituencies feel the setting of academic standards is the responsibility of local school boards.

1/97

Georgia - The Superintendent of Schools for the State requested \$250,000 in the Education budget for the investment in special SAT software intended to improve student test schools in the annual exam. Superintendent Linda Schrenko made the request before a joint State legislative hearing of House and Senate education members. Reports from other spokespeople indicated that the software could achieve average SAT improvements by 100 points. No announcement of action as a result of the joint hearing were announced.

Senator Paul Coverdell (R-GA) was designated by Senate Majority Trent Lott as the lead Senator for addressing the Education priorities of the Republican members of the Senate. Senator Coverdell has been a frequent visitor to area schools and is viewed as a strong proponent of local initiative, control and leadership.

1/97

Georgia - The reconstituted State Board of Education named by Governor Zell Miller was sworn in this week but several members of the previous board continue to maintain their seats on the body. Two members of the previous board contend they are within legal bounds to keep their seats. The newly-named board is expected to elect former State Senator Johnny Isackson as the new chair.

Local issues - Augusta, Georgia

115 million dollar bond referum dum passed in Nov. 96 (general election) by 62% in support of school construction and renovation.

School system is piloting school uniforms in one middle school and two elementary schools. They have 70% participating at the middle school and 90-95% participating at the elementary schools. Strong parental and community support for the initiative. They have request from many other schools in the system wanting to wear school uniforms.

New drug policy - First offense (using drugs) - student assigned to alternative school for 20 days. Second offense - expulsion. First offense (selling drugs) - expulsion.

**UNITED STATES DEPARTMENT OF EDUCATION**

Office of the Secretary's Regional Representative
100 Alabama Street, N.W., Suite 19T40
Atlanta, Georgia 30303

To: Elizabeth

From: Judy Harwood

Re: GA Briefing Materials

Date: 2/4/97

Who do we need
to give it to - how to

----- DRAFT -----

February 4, 1996

ROUNDTABLE DISCUSSION OF
K-12 EDUCATION GEORGIA EDUCATION REFORMS

DATE: February 5, 1996
LOCATION: Dance Studio, Physical Education Building
Augusta State University
TIME: 12:40-1:30
STAFF CONTACT: Mike Cohen / Elizabeth Drye

I. PURPOSE

This meeting provides an opportunity for you to reinforce your K-12 education reforms announced in the State of the Union and to learn from Georgia education leaders and students.

II. BACKGROUND

To be added on GA reforms.

III. PARTICIPANTS

call
an effects
Kimberli T. Darden -- Student, Westside High School, Augusta. Kimberli will use a Hope Scholarship to attend a Georgia University ~~[redacted]~~ next year. She plans to be a veterinarian. She will talk about the importance of high expectations for students and of the Hope Scholarship program. *Intro to technology - how to use the internet - sister 17 9th grade*

call
Benjamin Stalcup -- Student, A.R. Johnson Health, Science and Engineering High School, Augusta. Ben is a senior and engineering student at this magnet school. He plans to attend a Florida naval academy ~~(redacted)~~ next Fall. He will not benefit from Georgia's Hope Scholarship program, but would from the President's plan (one of his ~~5~~ siblings has a GA Hope Scholarship). He will talk about the importance of setting high expectations for students, and the benefits of magnet schools.

Dr. Barbara Christmas -- Vice Chair, Georgia School Improvement Panel (Goals Panel), and Executive VP of the Professional Association of Georgia Educators (PAGE), the largest GA union. She will speak to the activities of the Goals Panel. Dr. Christmas was formerly a teacher and elementary school principal in Tattnell County public schools. St. Marys Elementary was named a National School of Excellence for 1992 under her leadership.

Ms. Janice Cox -- President, Georgia PTA. Ms. Cox will present the PTA's efforts to improve

THE WHITE HOUSE
WASHINGTON

EGD

Fax to
Ben Stalcup at
his home.
Call his mom
first at 706-733-8359
(fax is same)
-elil

HOPE and Opportunity: Making college affordable for all Americans

More than ever, today's employers look for job applicants with more than a high school diploma. Since the success of the post-World War II GI Bill, the Federal Government has expanded college aid, making it possible for more Americans to attend college. But for too many, the financial strains are still severe. The President's HOPE and Opportunity plan ensures that these barriers to higher education continue to fall for all Americans.

What's *new* in the plan being announced today?

- ✓ Largest Pell Grant increase in 20 years – a funding boost of 25%.
- ✓ Nearly \$4 billion in new help for Older Students over five years.
- ✓ Student loan fees slashed and interest rates reduced.
- ✓ Community service loan forgiveness excluded from taxation.
- ✓ New details and changes in the HOPE Scholarship tax credit and the \$10,000 tax deduction.
- ✓ Extend tax benefits for educational assistance from employers, and provide new tax incentive for small businesses to provide assistance.

Pell Grant increase and expansion

- Largest increase in two decades: \$300 boost in the Pell Grant maximum, for a \$3,000 maximum award. Since FY 1996, the maximum award will increase \$530, or 21 percent.
- A 25 percent funding increase over last year – \$1.7 billion more than the FY 1997 appropriation.
- 3.6 million students now eligible will receive an increase of up to \$300. The increase will make 130,000 more moderate-income families eligible for the grant.
- Older student provision will make Pell Grants available to additional 218,000 low-income students generally aged 24 or over, at a cost of \$3.9 billion over five years.
- After these changes, the number of Pell Grant recipients will exceed 4 million.

Pell Grants are the foundation of student aid for low- and moderate-income families. Increasing the maximum award to \$3,000 provides more aid to currently eligible students, and makes an additional 130,000 students eligible for the grants. In addition, the budget would increase the eligibility of older, low-income students. With this change, any student from a low-income family can receive a Pell Grant, eliminating the need for the HOPE tuition tax credit to be refundable (i.e., available to those without tax liability). Poor

students -- those who have little or no tax liability -- benefit more from the Pell Grant program than they would from HOPE, because of the higher award level and its availability for all four years of undergraduate education.

Cut student loan fees and interest

- Borrower-paid loan fees cut in half for 4 million low- and middle-income students, and by a quarter for 2.5 million other loans to student and parent borrowers.
- \$2.6 billion in borrower savings over five years produced by the fee cut alone.
- Interest rate during in-school period cut for 2 million students.

Before 1993, borrowers lost up to 8 percent of their student loans in required fees before the money ever reached them. In 1993, the President's aggressive student loan reforms spurred a 50 percent cut in allowable fees that has already saved families nearly \$2 billion. The 1998 budget proposes -- for both the Direct and guaranteed loan programs -- to cut loan fees from 4 percent to just 2 percent on need-based Stafford loans, and to 3 percent on other loans for students and parents.

The Congressional Budget Office and other analysts have noted that lender costs during the in-school period -- when students are not required to make payments on their loans -- are very low. The budget reduces the interest rate during that period by one percentage point.

HOPE Scholarship tax credits.

- Up to \$1,500 per-student tuition credit for course work beginning on or after July 1 of this year.
- Non-refundable.
- Credit can be claimed in 2 taxable years.
- Credit can be claimed for any students who have not finished 13th and 14th years of education.
- The tax credit is expected to help 4.2 million students (1998), and would save families \$18.6 billion from 1997-2002.

The tax credit is available for students enrolled on at least a half-time basis during the first two years of postsecondary education. The credit may be claimed in no more than 2 taxable years. To receive the credit for the second time, the student must have at least a B- grade point average in course work completed before that year. Federal grants (but not loans or work-study) would reduce the allowable tax credit. No credit would be available for any student convicted of a drug-related felony. Refundability was eliminated because the needs of the poorest students are better addressed in the Pell Grant program discussed above (the proposed changes in Pell Grants for older students, described above, cost the same as refundability would have cost over five years).

The credit would be phased out for taxpayers filing a joint return with adjusted gross income between \$80,000 and 100,000. For single and head-of-household returns, the credit would be phased out between \$50,000 and 70,000. (The phase-out ranges and the amount of the credit would be indexed).

Tax deduction for higher education and training

- \$10,000 maximum deduction.
- Available for job training and re-training, in addition to traditional higher education.
- Deduction is "above the line" -- available even if the taxpayer does not itemize.
- Expected to help 8.1 million students (1998), and would save families \$17.6 billion in taxes between 1997-2002.

The deduction could be claimed for out-of-pocket tuition and fees paid for any student enrolled at least half-time in a degree or certificate program at an eligible school beyond high school, including graduate school. In addition, the deduction would be available for the cost of training -- whether or not it leads to a degree -- that helps the student, older worker, or job-seeker improve or acquire job skills. A student in the first two years of postsecondary education could choose either the credit or the deduction, but not both. The deduction phases in, beginning with a \$5,000 maximum per-family for course work beginning on or after July 1, 1997, and increasing to a \$10,000 maximum deduction beginning in 1999. The deduction would be phased out at the same income levels as the credit.

Tax-free Education Savings

- Families with incomes up to \$100,000 would be eligible for IRAs, and could make penalty-free withdrawals for higher education.
- Combined with tax deduction (above), the IRA savings for higher education for middle-income families would be never be taxed.

The President's budget would allow Individual Retirement Accounts to be used for postsecondary education expenses free from early withdrawal tax penalties, and would make over 20 million families eligible to make tax-deductible IRA contributions. Currently, if an individual (or spouse) already participates in an employer's retirement plan, eligibility is phased out for taxpayers filing a joint return with adjusted gross income between \$40,000 and \$50,000 (between \$25,000 and \$35,000 for single taxpayers). The proposal would expand the phase-out ranges for 1997 through 1999 to \$70,000 to \$90,000 for joint filers (\$45,000 to \$65,000 for single). Beginning in 2000, the phase-out range would match the ranges described for the higher education tax credit. The budget would also create a special IRA that could be used to save for education and other needs, subject to the same income limits.

Community Service: Work-Study and loan forgiveness

- Budget funds 1 million College Work-Study slots by the year 2000.
- Incentives to reach the goal of 100,000 work-study reading tutors by 1999.
- Tax-free loan cancellation for public service.

The College Work-Study program provides students with additional aid through subsidized jobs. The President has called on colleges to commit half of the increased funding since FY 1996, \$120 million for FY 1998, to supporting community service jobs. The Secretary of Education recently waived the institution's required portion of the awards for students that participate as reading tutors – part of America's Reading Challenge, helping to ensure that every child can read independently and well by the end of third grade. The budget's three percent increase over 1997 continues the President's commitment to raise the number of Work-Study recipients to a million by the year 2000, and 100,000 reading tutors by 1999.

Under current law, a charity or private educational institutions that forgives a loan as part of a program that enables graduates working in certain professions (such as rural medicine or teaching) to pay off their student loans through community service must report the loan

forgiveness as income to the graduate. The budget would exclude the loan forgiveness from income.

Presidential Honors Scholarships

- One-year, \$1,000 scholarships for at least 132,000 students constituting the top five-percent of all high school graduates in the country.
- The budget provides \$132 million in FY 1998.

The President proposes an achievement-based scholarship program, rewarding the best and the brightest of high school students. It would grant \$1,000 honors awards to the top five percent of graduating students in every secondary school in the Nation, making clear the Federal government's commitment to academic excellence.

Educational assistance from employers

- Extend tax exclusion for employer-provided education assistance (Section 127) through the year 2000, for both undergraduate and graduate education.
- Tax credit to encourage small businesses to offer educational assistance to employees.
- Benefit 1.7 million employees a year.

The current exclusion from an employee's income of up to \$5,250 per year of postsecondary educational assistance provided by an employer expires this year, and expired for graduate-level assistance last year. The President would extend the exclusion, and reinstate the graduate-level component, through the year 2000. In addition, for 1998-2000, small businesses would be given a new incentive to provide educational assistance to their employees through a ten-percent tax credit for amounts paid under an employer-provided educational assistance program for education provided by a third party.

CLINTON ADMINISTRATION
HIGHER EDUCATION INITIATIVES

INITIATIVE	DESCRIPTION	AMOUNT	IMPACT
<i>Pell Grant Increase and Expansion</i>	Largest increase in two decades -- from \$2700 to \$3000. Combined with the FY97 increase, the scholarship has increased \$530 -- from \$2,470 in FY 96.	\$1.7 billion more than the FY97 appropriation . -- a 25% increase in aid.	Over 3.6 million students now eligible will receive an increase up to \$300. This increase will also make an additional 130,000 families eligible for the grant.
<i>Pell Grant Expansion for Older, Low-Income Students</i>	Increases eligibility so any student from a low-income family can receive a Pell Grant.	\$3.9 billion over five years.	An additional 218,000 low-income students generally aged 24 or over will be newly eligible for Pell Grants. 891,000 students will receive an average increase of over \$800.
<i>Cut in Student Loan Fees</i>	Cuts loan fees from 4% to 2% on need-based Stafford loans -- and to 3% on other loans for students and parents.	\$2.6 billion over five years.	Loan fees will be cut in half for 4 million low- and middle-income students, and by a quarter for 2.5 million other loans.
<i>Hope Scholarship Tax Credits</i>	Up to \$1500 per-student tax credit for tuition in student's first year and another \$1500 in the second year if student earns at least a B average.	\$18.6 billion from 1997-2002.	Expected to help 4.2 million middle-income students in 1998.
<i>\$10,000 Tax Deduction for Higher Education and Training</i>	Phases up to a \$10,000 maximum deduction. Also available for training.	\$17.6 billion from 1997-2002.	Expected to help 8.1 million middle-income students in 1998.
<i>Tax-Free Education Savings</i>	Families with incomes up to \$100,000 would be eligible for IRAs, and could make penalty-free withdrawals for higher education.	Education specific estimates not available.	Combined with tax deduction, the IRA savings for higher education for middle-income families will never be taxed. Will make over 20 million families eligible for such a benefit.
<i>Community Service: Work Study</i>	President has called on colleges to commit half of the increased funding for work study to support community service jobs.	\$240 million increase over FY96; \$120 million for work-study community service in FY98	1 million College Work-Study slots by the year 2000, including 100,000, reading tutors.
<i>Community Service: Loan Forgiveness</i>	The President's budget provides tax relief for community service loan forgiveness.	\$15 million between 1997-2002.	Not available.
<i>Presidential Honors Scholarships</i>	One-year, \$1,000 scholarships for the top 5% of all high school graduates in the country.	\$132 million in FY98.	Benefits 132,000 students who graduate from high school next year.
<i>Educational Assistance from Employers</i>	Extends tax exclusion from employer-provided education assistance through 2000, for both undergraduate & graduate education. Also provides a tax credit to encourage small businesses to offer educational assistance to employees.	\$2.4 billion between 1997-2001.	Benefits 1.7 million employees a year.

America's HOPE Scholarships



**A Tax Cut to Make
14 Years Of Education
The Standard For All**

June 4, 1996

AMERICA'S HOPE SCHOLARSHIPS

A TAX CUT TO MAKE 14 YEARS OF EDUCATION THE STANDARD FOR ALL

June 4, 1996

PRESIDENT CLINTON ANNOUNCES THE HOPE SCHOLARSHIP PLAN TO MAKE 14 YEARS OF EDUCATION -- AT LEAST TWO YEARS OF COLLEGE -- THE STANDARD FOR ALL AMERICANS. President Clinton's HOPE Scholarship Tax Cut makes clear that 2 years of college should be as universal as high school and builds on his comprehensive program to guarantee that a college education is both accessible and affordable to all Americans at any time in their life. To further this guarantee, the President announced the following proposals:

- **NEW AMERICA'S HOPE SCHOLARSHIP TAX CUT -- Guarantees 2 Years of Tuition at the Average Community College for Any Student Who Earns a B Average.** Modeled on the successful Georgia HOPE Scholarship program, this new proposal provides all students with a \$1,500 refundable tax credit for full-time tuition in their first year (\$750 for half-time), and another \$1,500 in their second year if they work hard, stay off drugs, and earn at least a B average in their first year. This \$1,500 tax credit will pay for more than the full cost of tuition at the national average-priced community colleges -- and a downpayment at more expensive four-year schools.
- **\$10,000 Tax Deduction for All Education and Training.** The President maintains his \$10,000 tax deduction for tuition for college, graduate school, community college, certified training and technical programs. This encourages lifetime investment in higher education.
- **Scholarship Increases (Pell Grants) for Lower-Income Students:** The President announced that his balanced budget plan increases Pell Grants each year. Indeed, the maximum Pell Grant award will increase by 33% from fiscal 1995 to fiscal 2002. The proposed increase in fiscal 1997 is the largest in the program's 25-year history.

BUILDS ON PRESIDENT'S PLAN FOR GUARANTEED ACCESS TO COLLEGE. The above initiatives build on the President's plan to guarantee that college is both accessible and affordable to every person -- through loans with pay-as-you-can repayment, grants, scholarships, and work study.

- **With the increased Pell Grant program support,** students have access to up to \$5,100 in Pell Grants and student loans for their first year in college, and much more in future years.
- **The new Direct Student Loan program** enacted as part of the President's 1993 Economic Plan is allowing millions of students to borrow in a simpler, less bureaucratic way, and to pay back their loans as a share of their income, and part of the savings from Direct Lending will be returned to students in the form of lower interest payments on their loans.
 - **New Direct Loans With Pay-As-You-Can Option:** Will account for 50% of loans
 - **National Service -- AmeriCorps:** 30,000 students earning up to \$4,725 for service
 - **Pell Grants:** Provides for 7-year expansion, increasing maximum award to \$3,128 in 2002
 - **\$10,000 Education Deduction:** 16.5 million students get deduction for their tuition
 - **Work Study Expansion:** Proposes expansion to 1 million participants by FY2002
 - **Honors Scholarships:** Proposes \$1,000 scholarship for top 5% of every high school class
 - **IRAs for Education:** Proposal allows penalty-free withdrawals for education
 - **Skill Grants:** Proposed \$2,600 Skill Grants to enable dislocated workers to get needed skills

America's HOPE Scholarship Tax Cut

	<u>Page</u>
• 2-Page Summary of the New HOPE Scholarship Tax Cut	2-3
• How the New America's HOPE Scholarship Is Paid For	4-5
• 1-Page Summary of New Pell Grant Increase	6
• 1-Page Summary of \$10,000 Education Tax Deduction	7
• Chart on Cost of College as a Percentage of Family Income	8
• Chart on State-by-State 2-Year College Tuition Costs	9

BACKGROUND ON HOPE SCHOLARSHIPS

Overview. Currently, millions of Americans have access to college through Pell Grants and the federal student loan program, including the President's Direct Student Loan program, but the average student with loans now graduates \$10,000 in debt and many more may not go on to college because they are reluctant to borrow so much money. The annual cost of a public college increased from 9% of the typical family's income in 1979 to 14% in 1994. [Education Department, 1996] *The President's HOPE Scholarship Plan makes it clear that two years of college should be as universal as high school, and builds on his comprehensive program to guarantee that a college education is both accessible and affordable to all Americans at any time in their life.*

- **Guaranteed Average Tuition For Two Years of Community College:** The HOPE Scholarship Plan will ensure that students can get up to a \$1,500 refundable tax credit, a Pell Grant, or a combination for tuition in their first year after high school, and another \$1,500 in their second year if they work hard, stay off drugs, and earn at least a "B" average. This \$1,500 credit is \$300 above the national average community college tuition and would make tuition free for 67% of all community college students. It would enable states that set tuition within \$300 of the national average *to make community college tuition free for every student.* The credit would be indexed to inflation each year to protect its value.
- **\$1,500 For The First Two Years At Any College For Students Who Earn At Least a B Average:** While the HOPE Scholarship tax credit is priced to pay for the full cost of two years of community college tuition for students who earn at least a "B" average in their freshman year, the \$1,500 credit can be applied to tuition at any college, from a two-year public community college to a four-year private college. This \$1500 tax credit will be a substantial downpayment for parents sending their children to colleges with higher tuition.
- **\$750 for Half-Time Students:** The HOPE Scholarship Tax Cut is designed to assist parents and current workers who want to further their education. Those who can only go to school half-time because of their job or parenting obligations, are eligible for a \$750 refundable credit per year until they have completed two full years of college. The "B" average requirement also applies to half-time students.
- **Includes 1-Year Certificate Programs:** Students at training and technical programs eligible for Pell Grants under Title IV of the HEA are also eligible HOPE Scholarships.
- **Interaction with the \$10,000 Education Tax Deduction:** Students would receive either the HOPE scholarship or the \$10,000 tax deduction in any year. Eligible students in their first two years or their parents can choose between either the Hope Scholarship or the deduction. The deduction is up to \$10,000 a year per family. The credit is \$1,500 per student.

- **Costs:** The HOPE Scholarship Plan is fully paid for within the President's balanced budget plan. The President's initial proposal for a \$10,000 deduction cost \$35 billion over six years. The new proposal, with the \$1,500 tax credit, costs \$42.9 billion over 6 years. To offset this increase, the Administration proposes to reduce sales source rule benefits, apply an international departure fee, and auction radio DARS spectrum.

In addition, the \$10,000 deduction is also more targeted by conforming the income limits to match the income limits for the proposed expanded IRAs. The deduction had been phased out for joint filers with income between \$100,000 and \$120,000, and for single filers with income between \$70,000 and \$90,000. It will now be phased out for joint filers with income between \$80,000 and \$100,000, and for single filers with incomes between \$50,000 and \$70,000.

- **"B" Average:** To remain eligible for the credit, students must earn at least a "B" average or a 2.75 grade point average in their first year of college or post-secondary school. Based on the National Post-Secondary Student Aid study, more than half of students earn a 2.75 average or better.
- **Students Must Stay Drug-Free:** A student is ineligible if, in accordance with the Drug-Free Post-Secondary Education Act of 1990, he or she has been convicted of committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.
- **Administration:** Administrative issues such as the timing and delivery of the tax credit will require consultation with states and schools to ensure that the plan provides maximum flexibility and efficiency and local control rather than top-down administration. The Treasury Department and Department of Education will work with Members of Congress, Governors, school superintendents, and college financial aid administrators to design the most flexible and efficient system, and to ensure against excessive and abusive tuition increases.
- **Challenge to States.** The President is challenging states to build on the HOPE Scholarship Plan by following Georgia's lead and making scholarships available for four years of college for students who maintain a "B" average. The President is also challenging the 17 States that set tuition above \$1,500 to reduce costs so that with the HOPE Scholarship tax cut, community college will be free for every student.

Paying For America's HOPE Scholarship Tax Cut

Balanced Budget Framework. The President's new America's HOPE Scholarship Tax Cut proposal is completely paid for with specific budget savings so that the President's overall plan continues to reach balance in fiscal year 2002.

Current Education Tax Deduction: \$35 Billion FY 1997-2002. The President's current education tax cut -- \$10,000 deduction -- costs \$35 billion over 6 years (FY 1997-2002) and is paid for within the balanced budget plan that has been certified as reaching balance in 2002 by the Congressional Budget Office.

New Proposal: \$42.9 Billion FY 1997-2002. The new combined proposals would be \$42.9 billion. The breakout of these costs are as follows:

	FY 1997-2002 Cost
America's HOPE Scholarship Tax Cut	\$25.1 Billion
\$10,000 Education Tax Deduction	\$17.8 Billion
TOTAL COST	\$42.9 Billion

The additional \$7.9 billion in net new costs are paid for with specific savings listed below:

	FY1997-2002 Savings
Reduction of Sales Source Rule Benefits	\$3.5 Billion
International Departure Fee	\$2.3 Billion
Auction Radio DARS Spectrum	\$2.1 Billion
TOTAL SAVINGS	\$7.9 Billion

NOTE: While the President's new America's HOPE Scholarship Tax Cut has gross costs of \$25.1 billion over FY 1997 to 2002, the net increase in the President's overall education tax cut is only \$7.9 billion because of savings that take place in the President's \$10,000 education tax deduction.

- Most of those savings (\$10.7 billion) come from families choosing the HOPE tax credit over the \$10,000 education tax deduction.
- The remaining savings (\$6.5 billion) come from lowering the phase out income limits for joint filers from \$120,000 to \$100,000 to conform to the Administration's expanded IRA proposal.

BACKGROUND ON NEW SAVINGS MEASURES

REDUCTION OF SALES SOURCE RULE BENEFITS (FY 1997 - 2002)

SAVINGS
\$3.5 Billion

Description: The proposal would limit the ability of multinational corporations to decrease their U.S. tax liability inappropriately, by reducing the amount of export sales income that they may treat as derived from foreign sources. Under current law, the sales source rule generally permits multinational corporations that also exports U.S. products to treat half of their export profits as income from sales activities, and therefore as foreign source income, even though the economic activity that produced the export profits may have occurred entirely within the United States. The source of income is relevant to the determination of a U.S. taxpayer's foreign tax credit. By increasing the amount of income treated as foreign source, a taxpayer with "excess" foreign tax credits can increase its utilization of foreign tax credits and therefore pay less U.S. tax on the same income. The sales source rule of present law provides generous tax benefits to U.S. exports that also conduct foreign manufacturing or other high-taxed foreign operations, but provides no benefit at all to U.S. exporters that conduct all their business activities within the United States. The proposal would reduce the percentage of export profits that generally is treated as sales (and thus foreign) income from 50 percent to 25 percent.

The provision would be effective for taxable years beginning after the date of enactment.

AUCTION RADIO DARS SPECTRUM (FY 1997 - 2002)

SAVINGS
\$2.1 Billion

Description: This savings proposal would auction 25Mhz of spectrum currently reserved for digital audio radio services (DARS) for subscription based wireless services. The FCC had originally allocated 50 Mhz for DARS, which would provide 4 channels of a national, subscription-based radio service. Due to interference problems with Canada, DARS would be allocated 2 channels instead of 4, freeing up 25 Mhz for auction. The revenues of auctioning 25 Mhz of spectrum are estimated at \$2.1B by CBO and OMB. These auctions could be done in any year.

INTERNATIONAL DEPARTURE FEE (FY 1997 - 2002)

SAVINGS
\$2.3 Billion

Description: The President's FY '97 Budget assumes that the currently expired aviation excise taxes, including the \$6 per passenger international departure fee, will be reinstated in August, 1996. This offset proposal would increase the per passenger tax form \$6 to \$16.

BACKGROUND ON PELL GRANT INCREASE

Overview. The Pell Grant is the main federal grant that allows millions of low-income and middle class families to have access to college. Despite the fact that the President's budget contains well over \$200 billion in discretionary cuts over 7 years, the President's balanced budget builds in a 33% increase in the maximum Pell Grant award from FY1995 to FY2002.

- **\$2 Billion Program Deficit Eliminated.** The projected \$2 billion Pell Grant program deficit was eliminated within the first two years of the Clinton Administration.
- **Record Increase in FY1997:** The President's fiscal year 1997 budget calls for funding to support a \$2,700 maximum Pell Grant -- nearly a 10% increase over the current level -- which would provide more than 3.7 million students with Pell Grants averaging \$1,706 in 1997. This proposed increase in the maximum Pell Grant Award would be the largest increase in the program's 25-year history.
- **President Announces Yearly Pell Grant Increases:** The President's balanced budget contains the following seven-year increase in the maximum Pell Grant awards.

<u>Fiscal Year</u>	<u>Maximum Award</u>
1995	\$2,340
1996	\$2,470
1997	\$2,700
1998	\$2,780
1999	\$2,863
2000	\$2,949
2001	\$3,037
2002	\$3,128

- **President's 7-Year Pell Grant Increase Could Provide 2.7 Million More Grants Than Republican Budget Resolutions:** Both the House and Senate FY1997 Budget Resolutions freeze the budget authority for the Pell Grant program from FY1997 -FY2002. This means that Republicans would provide 2.7 million fewer Pell grants over 6 years, and deny 191,000 students Pell grants in FY1997 alone compared to the President's balanced budget plan. Under the funding freeze assumed in the Republican resolutions, the maximum Pell grant award would decrease 17%, from \$2,470 in FY1996 to \$2,055 in FY2002.

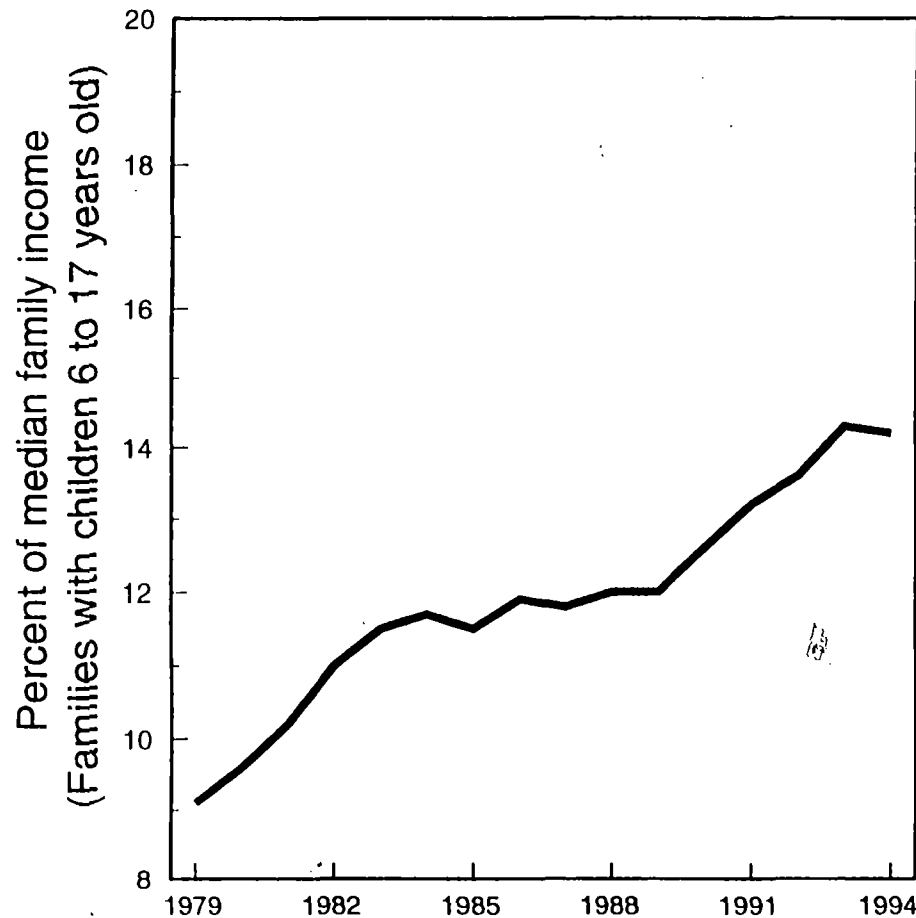
Last year, House Republicans tried to cut the Pell Grant program by \$450 million, denying Pell Grants to 380,000 students in 1996 alone.

\$10,000 EDUCATION DEDUCTION

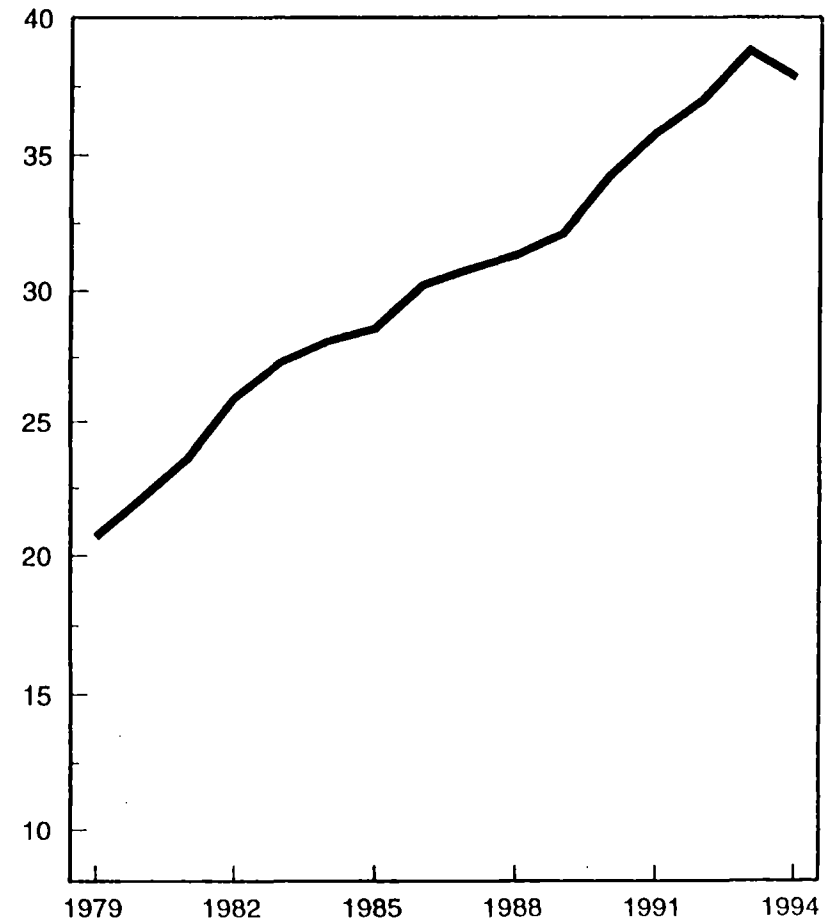
- **Breadth of Application:** The \$10,000 Education Deduction would be for every taxpayer for the tuition at any education or training program that is at least half-time or related to a worker's career.
- **Supplements Hope Scholarship Tax Cut:** In any year, students in the 13th and 14th grades would receive either the HOPE Scholarship or the \$10,000 tax deduction. Eligible students in their first two years or their parents can choose between either the HOPE Scholarship or the deduction. Students that relied on the \$1,500 tax credit in the first two years of college would still be eligible for the \$10,000 deduction in the remaining years of college or graduate school or for qualified lifelong learning. Students not eligible for the tax credit would still be eligible for the \$10,000 deduction. The deduction is up to \$10,000 a year per family. The credit is \$1,500 per student.
- **Income Limits:** For joint filers, the deduction would be phased out at incomes between \$80,000 and \$100,000. For single filers, the deduction would be phased out between \$50,000 and \$70,000.
- **Unlimited Number of Years:** While the HOPE Scholarship is for the first two years of college, the \$10,000 tax deduction is available any year a family had education expenses. For example, a family of four with an income of \$40,000 and five years of tuition expenses totaling \$10,000 would receive a \$7,500 tax cut over that five-year period.

Cost of College As Percent of Typical Family Income

Public Institutions



Private Institutions



Source: Department of Education, *The Condition of Education 1996*, p 76.

* Includes Calculation of Tuition, Room and Board

America's HOPE Scholarship Tax Cut

Background Materials

	<u>Page</u>
• 2-Page Background on the Georgia HOPE Scholarships	10
• 1-Page Background on the Arkansas Academic Challenge Scholarships	11
• Census Report: "More Education Means Higher Career Earnings"	12-13
• 2-Page Summary on the Returns of Education Investments	14-15

GEORGIA HOPE SCHOLARSHIPS

"The most far-reaching scholarship program in the nation"
-- *Los Angeles Times*, April 5, 1994

PROGRAM DESCRIPTION: The Georgia HOPE program, established by Governor Zell Miller in April 1993, provides full tuition, fees, and books at any in-state public college to any Georgia student who graduates from high school and maintains a B average or better in college.

A TRULY UNIQUE PROGRAM THAT PROVIDES HOPE FOR GEORGIA STUDENTS:

- **Governor Zell Miller.** "Of all the things that I've ever been involved with, It's the one thing that I'm most proud of. We are making college accessible in a way it never has been before in Georgia." [February 12, 1995]
- **Atlanta Journal Constitution.** "Where else in America can children know, from elementary school on, that if they work hard and earn a 3.0 average by graduation from high school, they can fulfill the dream of going to college whether their family has money or not? That's the opportunity created by Georgia's HOPE scholarship program. ...It's a marvelous thing, and it is a solemn promise from the state to its young residents. It is not, however, an entitlement requiring no effort. Students must meet the standards to get the scholarships, and they must keep up the struggle to hold onto them once they enter college." [Atlanta Journal Constitution, September 7, 1994]
- **Barry Fullerton, Vice Chancellor, University of Georgia.** "It's an ingenious program. It's a great public policy, and it has benefited thousands of students." [The Courier-Journal, April 9, 1995]
- **Orlando Sentinel.** "Imagine a state where every student with a B average gets a full college scholarship. ...Don't have that fanciful an imagination? You don't need one. You just need to look north, to Georgia." [Orlando Sentinel, April 8, 1996]
- **Atlanta Journal Constitution.** "It is, quite simply, an effort to help Georgia's young people become well-educated, productive citizens." [Atlanta Journal Constitution, December 16, 1994]

ELIGIBILITY REQUIREMENTS: Students must meet the following requirements:

2-Year and 4-Year Public Colleges/Universities

- For a HOPE Scholarship to a 4-year public college, graduating high school students must have a 3.0 cumulative grade point average on a 4.0 scale or an 80 numeric average and obtain a diploma with a State of Georgia College Preparatory Seal. (In order to obtain the college preparatory seal, students must meet and graduate from the required core college preparatory curriculum.)
- For a HOPE Scholarship to a public college, graduating high school students who do not meet the 3.0 grade in the core curriculum, must have a 3.2 cumulative grade average on a 4.0 scale or an 85 numeric average in other curriculum tracks.
- Students who maintain a B average in a 4-year public college and stay off drugs can continue to receive the same level of support for up to four years.

- Students whose college grades fall below 3.0 can requalify a year later if they bring their grades back up above 3.0.
- Students who are not eligible for HOPE scholarships upon graduation of high school, or who enter college later in life, can obtain HOPE scholarships after their sophomore year if they obtain a cumulative 3.0 grade average.

2-Year and 4-Year Private Colleges/Universities

- Students receive \$3,000 a year in HOPE money, but only if they have and maintain a B grade average.

Technical Schools and Adult Education Institutes

- All students in a diploma or certificate program at a Georgia technical institute are eligible for HOPE.

Universal Requirements

- All students must stay drug free. A Student is ineligible if, in accordance with the Drug-Free Postsecondary Education Act of 1990, he/she has been convicted for committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.

KEY FACTS:

- During the first 3 years of the program (1993-1995), nearly 200,000 Georgia students qualified for and received some form of HOPE scholarship.

<u>HOPE Scholarship Students 1993-1996</u>	
University System	60,682
Technical Institutes	74,830
Private Colleges	45,423
GED Recipients	9,066
TOTAL	190,001

- In the 1995-1996 school year, 70 percent of University of Georgia freshman students received a Georgia HOPE scholarship.
- The racial composition of those receiving HOPE scholarships mirrors that of the overall university system (75% white, 20% black).
- 84% of HOPE students who enrolled in public colleges in Fall 1994 were still in college in Fall 1995, versus 74% of all students.
- A 1995 poll by Georgia State University found that 77 percent of Georgia residents who were aware of the program thought it would lead parents to take a more active interest in their children's education.
- Since the start of the program, enrollment in Georgia's technical and adult education institutions has increased 24 percent. Enrollment increased 8 percent in 1995, alone.

ARKANSAS ACADEMIC CHALLENGE SCHOLARSHIPS

"We need more of our young people going to college and we need them to succeed and stay in college. This program will help them accomplish that goal."

-- Governor Bill Clinton, July 12, 1991

PROGRAM DESCRIPTION: Governor Bill Clinton signed the Arkansas Academic Challenge Scholarships into law on May 5, 1991, creating a guaranteed scholarship plan to promote academic achievement and encourage academically prepared Arkansas high school graduates to enroll in the state's colleges and universities. Through the 1993-1994 school year, the scholarship provided the lesser of \$1000 or the annual tuition. For the 1994-1995 school year, the scholarship was increased to provide annually the lesser of \$1500 or the annual tuition. The scholarship is renewable for up to 3 more years, provided the student meets the continuing eligibility standards established by the Arkansas Department of Higher Education.

REQUIREMENTS:

- **Income Requirement.** For families with one dependent child, income cannot exceed \$30,000 per year. An extra \$5,000 of family income is allowed per child.
- **Grade-Based Awards.** Awards are based on the applicant's meeting minimum standards with regard to the ACT composite score, grade point average (GPA) in the pre-collegiate core curriculum.
 - * Applicants must have a composite ACT score of 19 and a grade point average of 2.50 on a 4.00 scale, in the precollegiate core curriculum.
 - * Applicants not meeting either the grade point average or ACT requirements may still qualify for the Academic Challenge Scholarship if their combined ACT score and grade point average meet satisfactory levels when applied to a selection index (i.e. a student with a 15 ACT would have to achieve a minimum 3.25 GPA; a student with a 26 ACT would only have to have a 2.0 GPA.)
- **All students must stay drug free.** A student is ineligible if, in accordance with the Drug-Free Postsecondary Education Act of 1990, he/she has been convicted for committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.
- **Students must maintain their grades once in college.** In order to retain their scholarship for an additional year, students keep their grades above state-specified levels.

KEY FACTS:

- In 1987, 32 percent of Arkansas students who took the ACT had completed high school pre-college core curriculum. By 1992, the first year of the Academic Scholarships Program, that percentage rose to 48.
- The number of high school students qualifying for and receiving the Arkansas Achievement Scholarship has increased dramatically each year. In the 1991-1992 school year, there were 1,024 recipients. In the 1994-1995 school year, 5,383 students received awards.
- While Bill Clinton was governor of Arkansas, the percentage of high school students going on to college increased by 50% (from 38.2% in 1982 to 57.3% in 1992). The Arkansas "going rate" has remained steady since 1992.

Bureau of the Census

Statistical Brief

More Education Means Higher Career Earnings

Is it worth it to stay in school and earn a higher degree? As data from the Census Bureau's Current Population Survey show, the answer is a resounding yes!

This Brief examines the relationship between education and earnings during the 1992 calendar year; it also demonstrates how the relationship has changed over the last two decades. Additionally, it provides estimates (by level of education) of the total earnings adults are likely to accumulate over the course of their working life.

You'll see that more education means greater earnings over a year's time; over the length of one's working life, these differences become enormous. Moreover, this relationship between earnings and education is now even stronger than it was back in the 1970's.

We're more educated than ever.

In 1993, about four-fifths of American adults aged 25 and over had at least completed high school; over one in five had a Bachelor's degree or higher. Both figures are all-time highs.

Professional degree holders have the highest earnings.

Adults aged 18 and over who worked sometime during 1992 earned an average of \$23,227 that year. But this average masked the fact that the more education they received, the more money they made. (See graph below.) Earnings ranged from \$12,809 for high school dropouts to \$74,560 for those with professional degrees (such as M.D.'s and J.D.'s).

Earnings differences compound over one's lifetime.

Using 1992 data, we estimated the earnings a person would accrue over a typical "worklife." Here's

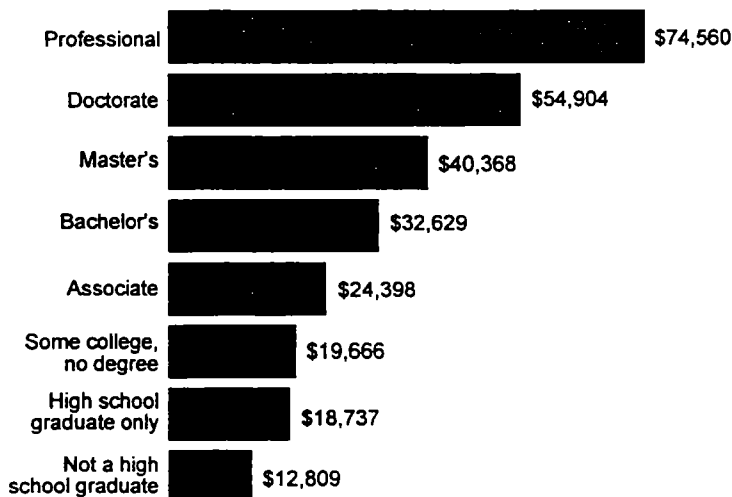
how we did it. First, we defined a worklife as lasting from ages 25 to 64 — a 40-year period. Then we began our calculations.

We started with high school dropouts. We took the 1992 mean earnings figure for persons of this group who were aged 25 to 34 and multiplied it by 10. The same thing was done for those aged 35-44, 45-54, and 55-64. Then, the four 10-year totals were added up. The result was an estimated lifetime earnings total for high school dropouts. This process was then repeated for each of the other seven educational levels.

These estimates dramatically illustrate the large earnings differences

Education Continues to be the Ticket to Higher Earnings

Mean annual earnings for persons aged 18
and over, by level of education: 1992



SB/94-17
Issued August 1994

U.S. Department of Commerce
Economics and Statistics Administration
BUREAU OF THE CENSUS

that develop between educational levels over the long term. As the graph below shows —

- High school dropouts would make (in 1992 dollars) around \$600,000 during their lifetime.
- Completing high school would mean about another \$200,000.
- Persons who attended some college (but did not earn a degree) might expect lifetime earnings in the \$1 million range.
- You could tack on nearly another one-half million dollars for holders of a Bachelor's degree.
- Doctorate and professional degree holders would do even better, at just over \$2 million and \$3 million, respectively.

Lifetime differences may become even more striking in the future.

These estimates of lifetime earnings assume that 1992 earnings levels will stay in effect throughout one's worklife. But the reality is that the value of the dollar continually changes. And recent history shows that the value of higher levels of education has risen faster than that of lower levels. When we compare 1975 and 1992 figures, we see that average earnings —

- Doubled for high school dropouts (from \$6,014 to \$12,809).
- Rose 2.5 times for those who were high school graduates only (from \$7,536 to \$18,737).
- Nearly tripled for holders of Bachelor's degrees (from \$11,574 to \$32,629).
- Tripled for those who held advanced degrees (from \$15,619 to \$48,653).

Keep in mind that in 1992 the consumer price index (which measures yearly changes in the value of the dollar) was 140, 2.5 times what it was in 1975. This means that the earnings of high school dropouts did not even keep up with infla-

tion, and high school graduates just barely managed to keep pace. Real wages rose only for persons with education beyond the high school level. If these patterns continue, lifetime earnings differences between low and high levels of education will become even more dramatic than current levels indicate.

More information:

Several Census Bureau reports have information on the relationship between earnings and education. These include —

- *Educational Attainment in the United States: March 1993 and 1992*, Current Population Reports, Series P20-476. Stock No. 803-005-00077-0. \$8.50.
- *What's It Worth? Educational Background and Economic Status: Spring 1990*, Current Population Reports, Series P70-32. Stock No. 803-044-00020-1. \$3.50.
- *Money Income of Households, Families, and Persons in the United States: 1992*, Current Population Reports, Series P60-184. Stock No. 803-005-30031-5. \$19.

- *Education in the United States*, Series 1990, CP-3-4. Stock No. 003-024-08742-1. \$41.

To order any of these publications, call the U.S. Government Printing Office (202-512-1800).

Contacts:

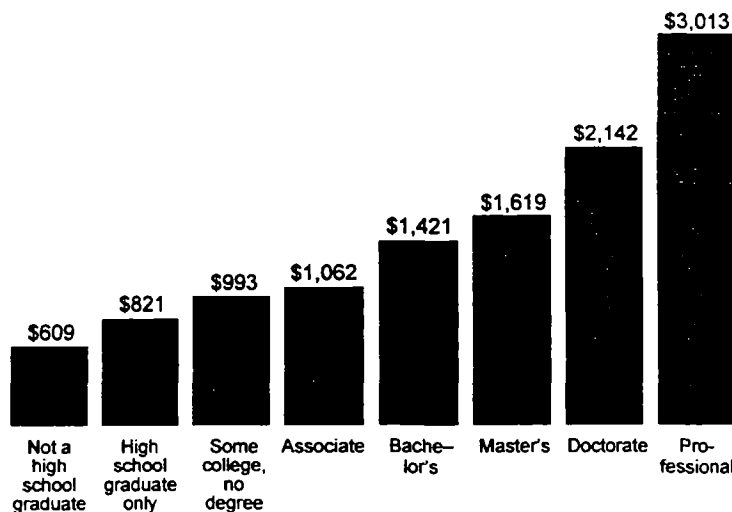
Earnings and education —
Robert Kominski
301-763-1154

Statistical Briefs —
Robert Bernstein
301-763-1584

This Brief is one of a series that presents information of current policy interest. It may include data from businesses, households, or other sources. All statistics are subject to sampling variability, as well as survey design flaws, respondent classification errors, and data processing mistakes. The Census Bureau has taken steps to minimize errors, and analytical statements have been tested and meet statistical standards. However, because of methodological differences, use caution when comparing these data with data from other sources.

Go to College, Make a \$Million

Estimates of worklife earnings, by level of education: 1992
(in thousands of dollars)



ECONOMIC RETURNS TO INVESTMENTS IN EDUCATION AND TRAINING

- Empirical studies indicate that each additional year of formal schooling is associated with a 6 to 12 percent increase in annual earnings later in life. [Kane and Rouse, 1995; Ashenfelter and Krueger 1994; Angrist and Krueger, 1991]
- This earnings benefit is not limited to education at four-year colleges; it also accrues from attendance at community colleges. [Thomas Kane and Cecilia Rouse, Labor Market Returns to Two and Four-Year College: Is a Credit a Credit and Do Degrees Matter American Economic Review, Vol. 85, No. 3, 1995.]
- The wage premium for better-educated workers has expanded dramatically over the past fifteen years. In 1979, full-time male workers aged 25 and over with at least a bachelors degree earned on average 49 percent more per year than comparable workers with only a high school degree. By 1993, the difference had nearly doubled, to 89 percent. [Economic Report of the President 1996, page 191.]
- Economists have long argued over whether education causes higher earnings, or whether those with better earnings prospects -- for example, because of greater innate ability -- simply consume more education. Recent analyses of compulsory schooling laws (which force students to consume more education regardless of their innate ability) and wage differentials between twins (who should have similar levels of innate ability) strongly suggest that schooling actually leads to higher earnings. [Joshua Angrist and Alan Krueger, Does Compulsory School Attendance Affect Schooling and Earnings; Quarterly Journal of Economics, November 1991; Orley Ashenfelter and Alan Krueger, Estimates of the Economic Returns to Schooling from a New Sample of Twins, American Economic Review, December 1994.]
- A college graduate is 43 percent more likely to be working in a job with a pension plan than a high school graduate and a college graduate is 27 percent more likely to have a job with health care coverage than a high school graduate. [Based on data from the Bureau of Labor Statistics, various years, Current Population Survey.]
- Since the early 1980s, high skill jobs are growing the fastest. Jobs requiring high skill levels grew by 32% over the period 1984-1994 while jobs requiring low skill levels grew by only 7%. [Based on data from the Bureau of Labor Statistics, various years, Current Population Survey.]

- Job displacement studies show that better-educated workers are less likely to lose their jobs than less-educated workers, although this advantage has declined over time. If better-educated workers do lose their jobs, they are more likely to find new jobs (which are more likely to be full-time), and they tend to suffer smaller proportional earnings losses than less-educated workers. [Henry S. Farber, The Changing Face of Job Loss in the United States, 1981-1993, Department of Economics, Princeton University, March 12, 1996.]
- Training workers also has significant payoffs. According to academic research conducted by Lisa Lynch before she became Chief Economist at the Labor Department, a year of either on-the-job training or formal training for workers raises wages by about as much as a year of college education. [Lisa Lynch, Private Sector Training and the Earnings of Young Workers, American Economic Review, Vol. 82, No. 1, 1992.]
- Other studies conclude that firm-provided training seems most effective when combined with other innovative workplace practices. [U.S. Department of Labor, High Performance Work Practices and Firm Performance, 1993; David Levine, Reinventing the Workplace: How Business and Employees Can Both Win (Washington: Brookings, 1993).]
- Education and training boost economic growth. Data from the Bureau of Labor Statistics suggest that the rise in the average educational attainment of the workforce accounted for one-fifth of the annual growth in productivity between 1963 and 1992. [Economic Report of the President 1996, pages 191-2.]
- International evidence reveals that, all else equal, those nations with the highest school enrollment rates in the early 1960s tended to enjoy the most robust growth in subsequent decades. [N. Gregory Mankiw, David Romer, and David Weil, A Contribution to the Empirics of Economic Growth, Quarterly Journal of Economics, Volume 107, May 1992.]

PRESIDENT CLINTON CALLS FOR AMERICA'S HOPE SCHOLARSHIPS A TAX CUT TO MAKE 14 YEARS OF EDUCATION THE STANDARD FOR ALL

June 4, 1996

"This age of possibility means that more Americans than ever before will be able to live out their dreams. . . America knows that higher education is the key to the growth we need to lift our country. . . It's America's most basic bargain: We'll help create opportunity if you'll take responsibility." -- President Clinton, Princeton Commencement, June 4, 1996

TO REALIZE THIS AGE OF POSSIBILITY, PRESIDENT CLINTON IS COMMITTED TO A REAL GROWTH STRATEGY:

1. **Putting our economic house in order**, through both deficit reduction and a balanced budget. President Clinton has cut the deficit in half since taking office, and this year he submitted to Congress the first genuine balanced budget in 17 years.
2. **Opening new markets to create jobs for American workers.** More than 1 million new export-related jobs have been created under the Clinton Administration.
3. **Investing in our workers so they can seize the opportunity of today's economy.** To unlock the age of possibility for all Americans, we must give every single child, and every adult who needs it, the chance to get the best possible education.

PRESIDENT CLINTON NOW CALLS FOR NEW AMERICA'S HOPE SCHOLARSHIPS: To Make 14 Years of Education -- At Least Two Years of College -- the Standard for All Americans. President Clinton's HOPE Scholarship Tax Cut makes clear that 2 years of college should be as universal as high school and builds on his comprehensive program to guarantee that a college education is both accessible and affordable to all Americans at any time in their life.

- **\$1,500 Tax Cut For College Tuition.** Modeled on the successful Georgia HOPE Scholarship program, this new proposal provides all students with a \$1,500 refundable tax credit for full-time tuition in their first year (\$750 for half-time), and another \$1,500 in their second year if they work hard, ~~study full-time~~ and earn at least a B average in their first year.
 - This \$1,500 tax credit will pay for more than the full cost of tuition at the national average-priced community colleges. This \$1,500 tax cut is \$300 more than the average community college tuition and would make community college "free" for 67% percent of community college students.
 - This tax cut for middle-class families is paid for with new savings in President Clinton's balanced budget. America's HOPE Scholarships costs \$7.9 billion, which will be offset by reducing sales source rule benefits, applying an international departure fee, and auctioning radio DARS spectrum.
- **\$10,000 Tax Deduction for All Education and Training.** The President maintains his \$10,000 tax deduction for tuition for college, graduate school, community college, certified training and technical programs. This encourages lifetime investment in higher education.
- **Pell Grant Scholarship Increases for Lower-Income Students:** In announcing America's HOPE Scholarships, President Clinton also announced that his balanced budget will increase Pell Grants each year. Indeed, the maximum Pell Grant award will increase by 33% from fiscal 1995 to fiscal 2002.

SENATOR BOB DOLE: "President Clinton had an idea that was pretty good and that was credits for two-year college students." -- Senator Bob Dole, Indianola IA campaign event, February 3, 1996.

AMERICA'S HOPE SCHOLARSHIPS BUILD ON PRESIDENT CLINTON'S PLAN FOR GUARANTEED ACCESS TO COLLEGE.

- **With the President's increased Pell Grant program support,** students have access to up to \$5,100 in Pell Grants and student loans for their first year in college, and much more in future years.
- **President Clinton's Direct Student Loan Program** enacted as part of the President's 1993 Economic Plan is allowing millions of students to borrow in a simpler, less bureaucratic way, and to pay back their loans as a share of their income. This year, "Pay-As-You-Can" loans will account for nearly 50% of loans this year.
- **President Clinton's National Service Program -- AmeriCorps:** Last year, 30,000 students earned up to \$4,725 for service. By the end of next year, more than 65,000 students will benefit from this opportunity.
- **Work Study Expansion:** President Clinton's balanced budget includes an expansion of College Work Study to 1 million participants by 2002. The President has also challenged colleges to use additional work study funds to promote public service by putting students to work in the community.
- **Honors Scholarships for Outstanding High School Students:** President Clinton's balanced budget includes \$1,000 scholarship for the top 5% of graduating students in every high school class. If this proposal is enacted this year, 128,500 graduating high school seniors will receive a scholarship to help finance their college education.
- **IRAs for Education:** President Clinton's balanced budget would change the law to allow penalty-free withdrawals for education
- **Skill Grants:** President Clinton's balanced budget includes \$2,600 Skill Grants to enable dislocated workers to get needed skills
- **National Service College Scholarships To Reward High School Community Service:** President Clinton has challenged every high school student in the country to make a commitment to community service. To support this commitment, the President is asking all high schools to make service part of their basic ethic and to raise \$500 to reward a high school student who has done significant work to help his or her community. The federal government will then match the \$500 to help that student go on to college.

Questions and Answers

PELL GRANTS

Moving funds from middle-income HOPE recipients?

Q: The early press reports imply that in order to fund the increase in Pell Grants for low-income students, money was shifted from the middle-class HOPE Scholarship. Is that accurate?

A: Absolutely not. The "refundability" in the prior design of the HOPE Scholarship was there to provide the credit to low-income students with little or no tax liability. That provision has been eliminated because those same low-income students can be better served by this increase and expansion of the Pell Grant. So it is essentially the same population; there is no shift of funds from one income category of students to another.

Need Determination Rule Change

Q: You say that many poor older students aren't eligible for Pell Grants now. What level of income are you talking about? Why is that the case?

A: The formula for determining a student's need for Federal aid, under changes made in 1992, is less generous to needy students aged 24 or over than other students. The President's proposal will restore equity for older students and thereby increase their eligibility for Pell Grants. This expansion will bring 218,000 students into the program who are currently not eligible. They are generally students with annual incomes from \$10,000 to \$20,000. In addition, 891,000 students, generally with incomes between \$5,000 and \$20,000, will see increases in their grants of an average of more than \$800.

Change in Announced Pell Policy

Q: Last year, the President talked about increasing the Pell Grant maximum to \$2,780 in FY1998 and \$3,120 by FY2002. Now the President proposes increasing a maximum Pell Grant to \$3,000 in FY1998. Which programs are proposed to be cut to pay for the large increase in the maximum Pell Grant? How much increase will the President seek in future years?

A: The five-year budget builds in continued inflation-offset increases for spending on Pell Grants. That's a floor, not a ceiling. The President certainly wouldn't want to rule out additional

increases in future years, depending on the budget situation. Similar increases are predicted for other Education programs. Education is one of the President's highest priorities.

STUDENT LOANS

Reduced Origination Fees

Q: The committee and subcommittee chairmen who handle education have warned that if the Administration puts student loan changes into reconciliation, they will renew their attacks on the direct loan program. Are these cuts in fees paid for by imposing costs on the student loan industry, and do you plan for this to be in reconciliation?

A: The bank-backed guaranteed loan program is not under attack. The Secretary of Education met with the committee leadership and told them that there would be student loan changes in the budget. They had heard rumors that the industry subsidies would be reduced by \$8 or \$9 billion. That figure is way off. The bank reductions will be on the order of what was included in the Republican budget plan last year. And there will be some restructuring of the program, to improve management and accountability.

Student Loan Interest Rates

Q: You say that in addition to reduced origination fees, student loan interest rates will be reduced. Would you explain this reduction?

A: It is a one percentage point reduction during the in-school and deferment periods, when banks don't have any significant work that they have to do. This saves money for taxpayers on Stafford loans (where the government picks up the in-school interest), and saves money for borrowers on Unsubsidized and Parent loans.

Competition of Direct and Guaranteed Loans

Q: Is there any change in your policy of competition between the Direct and guaranteed loan programs?

A: No. The budget will support allowing colleges to choose between the two loan programs, and will propose changes to remove barriers so that the guaranteed program can try to do some of the innovative things that the Direct Loan Program has been able to do.

STUDENT LOANS (Continued)

Bank-Paid Fee Proposal

Q: On fees, Chairman Goodling tried to move a bill last year that would allow banks to pay the fees for students, but it ran into trouble from Democrats in the Senate and the Administration. Do you think that will change?

A: The Administration's proposal is much broader and more equitable than Chairman Goodling's proposal. It should be embraced by Republicans and Democrats alike.

HOPE SCHOLARSHIPS AND TUITION TAX DEDUCTION

IRS Role of Information Collection

Q: Will the IRS be collecting transcripts to confirm the B average requirement?

A: No, the Federal government is **not** going to be collecting transcripts. A simple, non-intrusive procedure will be used to provide students and the IRS with the information they need to administer the tax credit. As currently envisioned, colleges would simply check a box if the student has at least a B- average or the equivalent, on the same simple computer printout that would tell the student and the IRS how much tuition he paid, and how much Federal aid he got. We will continue working with the higher education community to determine the details of this reporting requirement to ensure as little burden as possible,

Non-Traditional Grading System

Q: How do colleges that don't use traditional grading systems satisfy this requirement?

A: Those colleges are accustomed to dealing with this problem for things like auto insurance that offers discounts for good grades. The Secretary of Education will work with the higher education community to develop whatever standards are necessary.

Reporting Burden on Schools

Q: This reporting system sounds like it could be a burden on colleges. Is that going to be a problem, either administratively or politically?

A: The burden will be very small compared to the \$36.2 billion that will be made available for higher education over the next five years. A few key pieces of information -- many already on the school's computer system -- will need to be provided. The cost will be minimal. (As a point of comparison, the federal government reimburses educational institutions \$5 for each Pell Grant application it processes; these reports would be far less complicated).

Grade Inflation

Q: Won't this cause grade inflation?

A: This proposal is based on a successful program in Georgia, and there hasn't been any evidence of a grade inflation problem since that program began four years ago.

Keep in mind that professors always have a lot of pressure to raise grades -- for some students who want to go to a top graduate school, for lower auto insurance rates, or for other reasons. Ultimately, professors need a grading system that is equitable for all students, not just those with special circumstances. Moreover, the HOPE grade requirement is only relevant for second-year, middle-income students.

That's not to say that we don't want to see an increase in grades. The purpose of the B requirement is to give freshmen an additional incentive to really apply themselves, because students who get off to a good start are most likely to finish college successfully.

Tuition Inflation

Q: Won't colleges, especially community colleges, increase their tuition, now that so many students will be getting this \$1500 credit?

A: This is always an issue with any tax benefit or government program, so it is something to watch for. But even with the increases and decreases in student aid over the past three decades, there is little evidence of a relationship between federal aid and college tuition levels. In Georgia -- where the HOPE scholarship idea began in 1993 -- tuition at public two-year colleges grew by 13% between the 1992-3 and the 1995-6 academic year, compared to a national average of 21%.

Community college fees are heavily influenced by the community member who takes just one course at a time. Those students are not eligible for HOPE, so this would be a strong counter-weight to any inflationary pressure in that sector.

Remember also that the credit is available for only the first two years. The third- and fourth-year students taking advantage of the deduction would still be very sensitive to price. Four-year institutions don't have different tuition levels for juniors and seniors than for freshmen

and sophomores, and that should help keep any inflationary pressure under control.

Mismatch between Academic and Tax Years

Q: Isn't there a mismatch here between academic years and tax (calendar) years that could cause some real confusion? Chairman Archer raised the issue of a student who has a C+ average in the fall of 1996 and a B+ average in the spring of 1997. Could he or she take the second credit?

A: We have reworked the credit so it is now very simple. If you have already taken the credit once, then, the second time you plan to take it, you look at your GPA at the beginning of that second taxable year. Students would not have to track precisely when they technically finished their first or second academic years.

Part-Year Attendance

Q: But if I'm starting college this fall, and I want to claim the credit next April at tax time, I would only have gone to school for one semester. Does that cut my credit in half?

A: No. Whatever you paid for tuition and fees in 1997 would count toward your full credit eligibility (up to \$1500). You could even pay for the spring '98 semester in December, so that you could claim that payment for the credit or deduction. (We expect that taxpayers will learn to take advantage of this, and that colleges may use it as a carrot to get students to pay their bills on time).

Distributional Effects

Q: How would the benefits of the credit and deduction be distributed across the income scale?

A: This is a targeted, *middle-class* tax cut. At a higher tuition school, the deduction would be a benefit to any tax-paying family, even Pell Grant recipients. The value of the deduction is obviously greater in the higher tax brackets, but both the credit and deduction phase out completely at a \$100,000 income level (for joint filers).

Expanded Access to Postsecondary Education

Q: The President has talked about the tax breaks as a means of increasing access to higher education by making it available to those who currently cannot afford it. Will the tax credit and

deduction boost postsecondary enrollment? How many more students would be likely to attend college as a result of the tax break?

A: There is no question that the Federal government's investments in higher education -- the post WWII G.I. Bill, student loans, Pell Grants -- have helped to boost college enrollment. We expect that this will also have a modest effect. But this is also a *tax cut*, to help middle class families who are struggling now to pay to send their kids to college. Just because some families are *successfully* struggling doesn't mean they don't deserve a break.

Shift from a Refundable to Non-Refundable Credit

Q: Refundability of HOPE was the key aspect of the proposal that offered aid to lowest income families. Why have you eliminated it?

A: Essentially, it was a trade. The purpose of refundability is to provide a tax benefit to the poorest Americans, those who don't have enough tax liability to make use of the credit. We decided it would be better to serve these students through the Pell Grant program. That's one of the reasons for the increased Pell Grant maximum, and particularly for the \$4 billion eligibility change for low-income older students. They would have benefited from refundability, but with Pell they can get even more aid, over four years of college.

Impacts of Non-Refundable Credits on Needy Students

Q: The tax credit amount is reduced by all non-taxable Federal educational grants (including Pell grants) received by the student. Will the HOPE scholarship (and tuition tax deduction) really help low- and moderate- income students who have the most difficulty meeting tuition costs?

A: The dramatic increases -- both last year and this year -- in the Pell Grant program are designed to address the needs of low-income students. HOPE is part of a targeted, middle-class tax cut plan.

Timing of Tax Credit Benefits

Q: How will students be able to use a tax credit to pay for their education if they cannot get their refund until many months after their tuition bill is due?

A: As many people do when planning how to pay their mortgages, taxpayers will be able to adjust their withholding in anticipation of taking the credit or the deduction.

Students Who Stop and Then Resume Their Education

Q: Many students transfer after their first year (especially at community colleges) or “stop out” and after several years resume their academic careers at a different institution. How would grade and student account reporting requirements be handled for these students?

A: The school would not need old financial data to prepare its information report. Grades and academic credits are already generally transferred from one institution to the next. (To the extent that any problems are raised, the Secretary of Education will work with the higher education community to develop workable solutions).

Duration of Keeping Student Information

Q: Individuals are generally advised to keep their tax records for at least seven years. Most institutions do not keep account records for that long. If institutions were to provide information to the IRS, how long would they be required to maintain records?

A: The institutions would generally want to retain their records for student information in much the same way they keep their tax records on employees. This may be as long as seven years, but it depends on the institution and its advisors.

Eligible Institutions

Q: To receive the HOPE scholarships or tax deductions, do students need to attend any particular type of schools?

A: Eligible institutions are defined by section 481 of the Higher Education Act. Such institutions generally would be accredited postsecondary education institutions offering credit toward a bachelor's degree, an associate's degree, or another recognized postsecondary credential. They could also be proprietary institutions or postsecondary vocational institutions. The institution must be eligible by the Department of Education to participate in the student aid program under rules issued.

Changes in HEA Resulted from New Tax Proposals

Q: The tax deduction is “above the line.” That is, it is an “adjustment to income,” such as the IRA deduction, that lowers AGI. There must be significant implications of this adjustment for the results of need analysis and the distribution of HEA Title IV aid. What are these effects?

A: As part of the President's total package of education proposals, the Department of Education has already drafted legislative language to ensure that need analysis and aid eligibility will not change as a result of the education tax cuts.

Authority to Write Regulations

Q: Who will have responsibility for writing the regulations to implement the HOPE Scholarship and tuition deduction proposals?

A: The Department of Treasury will be primarily responsible for writing regulations concerning tax administration, and the Department of Education will be primarily responsible for writing regulations concerning the educational issues. There will be careful coordination between the two Departments.

Older or Dislocated Workers

Q: How will the deduction help older workers who lost jobs or want to learn new job skills?

A: Even if they are not pursuing a degree, they can enroll in courses and the cost will be tax-deductible. For example, they could take a course in computer programming or auto repair.

Courses for Hobbies vs. Courses for Career Development

Q: The President's tuition tax deduction proposal provides tax relief to those who pursue postsecondary education or training to improve their job skills. How is the IRS going to tell whether a course was for fun or for job improvement?

A: Our tax system is called a self-assessment system because there are many times where the IRS must rely on the judgement and honesty of taxpayers filling out tax returns. For example, taxpayers are required to distinguish between deductible business expenses and non-deductible personal expenses. Of course, the IRS will provide guidance to taxpayers on how to distinguish between a course that is for job training or skill enhancement and one that is simply for fun.

Felony Drug Conviction

Q: If a student has been convicted of a drug felony, may he/she claim the tuition deduction?

A: Yes.

GPA Requirement

Q: If a student does not have a B- average at the end of the second year for which he wants to claim a HOPE Scholarship credit, may he/she claim the tuition deduction instead?

A: Yes, but not the credit.

Half-Time Requirement

Q: If a student is enrolled in school less than half-time, may he/she claim either the deduction or credit?

A: The student may not claim the credit, but may claim the deduction if the courses are being taken to improve or acquire job skills.

Foreign Students Not Eligible for Credit or Deduction

Q: May foreign students claim the HOPE Scholarship or the tuition deduction?

A: No. To be eligible, a student must first meet the eligibility requirements for Federal student aid and must then also be a permanent resident of the United States.

Prevention of Multiple Claims for Same Student

Q: What prevents both the parent and the student from claiming the credit for the student's educational expenses?

A: If the parent is claiming the student as a dependent, only the parent is permitted to claim the credit or the deduction. Because the credit is no longer refundable, there is no incentive for a student to elect to be treated as independent.

Interaction of Credit and Deduction

Q: Can a student -- or the student's parents -- choose between the tuition credit and the tuition deduction?

A: Yes. A family can take either the credit or the deduction for tuition expenses incurred

during a student's first two years of college. However, the family cannot take both for a single student in the same year.

Claiming the Credit and/or Deduction

Q: If a family has multiple dependent children enrolled in college, may the parents claim more than one tuition credit?

A: Yes. The family may claim a credit for the tuition expenses of each child in the first or second year of college. Alternatively, they may claim a deduction for their tuition expenses during those years if it produces a better tax benefit for the family. The deduction, but not the credit, is also available for tuition expenses after the second year of college. However, the largest tuition deduction a family may claim in any single year is \$10,000 (\$5,000 for 1997 and 1998), regardless of how many children they have enrolled in college.

New Tax Form For The Credit and Deduction

Q: Will taxpayers have to fill out a separate form to claim the tax credit or deduction? Tell us what the form will look like.

A: There will be a separate schedule to attach to the regular tax return.

Temporary vs. Permanent Tax Breaks

Q: Are these tax benefits permanent or temporary? Do any of these spending or tax provisions end just before the budget must be balanced?

A: No games. The tax credit and deduction are proposed to be permanent, as are the IRA changes and the public service provision. Section 127 (employer-paid educational assistance) is extended through 2000.

WORK-STUDY

Number of Work-Study Jobs Created in FY1998

Q: How many Work-Study slots can be funded at the FY98 funding level of \$857 million?

A: We estimate that the FY98 funding level would provide about 973,000 work-study employment opportunities and would guarantee about \$1 billion in student earnings..

View on Making Work-Study Earnings Non-Taxable

Q: What do you think of the Republican proposal of making Work-Study earnings nontaxable to students? Will the Administration support the Republican proposal?

A: None of the Republican ideas for higher education tax breaks are bad ideas. We are pleased that they agree on the need for some tax initiatives to support higher education, and look forward to working with both parties in Congress to determine the best way to target the benefits. Obviously, we feel that our plan is the best mix.

Requirement for Spending Increased Funding on Community Service Jobs

Q: Will colleges be *required* to spend a portion of their increased work-study funds on reading tutors for America Reads?

A: The response of college presidents to the President's challenge has been remarkable, so we don't expect to need to make it a requirement. The Secretary of Education has waived the required institutional match for reading tutors for pre K through elementary school children, which has helped to encourage colleges to sign on to the effort.

HONORS SCHOLARSHIPS

Means Test for Honors Scholarships

Q: Is the President's Honors Scholarships means-tested? And if not, why not?

A: The President's Honors Scholarships are not means-tested. This program provides a one-time, \$1,000 scholarship to every high school senior finishing in the top five-percent of his or her graduating class. The purpose of this program is to encourage high academic performance among all students.

Honors vs. Byrd Scholarships

Q: How are the President's Honors Scholarships different from Byrd Scholarships?

A: Both the proposed Presidential Honors Scholarship program and the existing Robert Byrd Honors Scholarship program provide financial reward in recognition of the academic achievement of graduating high school students. Byrd Scholarships, which the Administration also supports, are not available to students at every high school in the country, go to a far more limited population, and are four-year academic scholarships.

Student Loan Forgiveness Proposal

Beneficiaries of The New Propsoal

Q: Whom do you expect to help with your proposals for student loan forgiveness?

A: We expect to help students who enter what may become a growing number of programs run by educational and charitable organization that essentially allow students to make their debt payments through work in low-paying public or community service jobs.

REPUBLICAN PROPOSALS

Republican vs. President's Packages

Q: How does the President's package compare to the Republican bill just introduced?

A: As far as the higher education components, the President's package is far more comprehensive. The President's tax proposals complement significant increases in Pell Grants and substantial reductions in borrower fees. So far, at least, Republicans have not proposed such increases in benefits for students receiving grants and loans. In addition, the President's proposals include many components that encourage lifelong learning and attempt to help not only traditional college students but also all other people who try to improve their job skills or acquire new skills.

Permanent vs. Temporary Extension of Section 127

Q: Republicans propose extending tax exclusion for employer-provided education assistance (Section 127) permanently. Why does the President extend it only through the year 2000?

A: Section 127 has frequently been extended for short periods, sometimes even retrospectively. Section 127 needs to be extended for a significant length of time so that employers and employees can count on the exclusion. The budget extends section 127 through the end of the year 2000. Further extension could be considered in advance of expiration and evaluated as part of development of future balanced budgets.

Bob Dole Education Investment Account

Q: The Bob Dole Education Investment Account proposal seems to aim at encouraging savings specifically for college education, whereas the President's expanded IRA proposal seems to encourage people to replace IRA savings with educational investments. Wouldn't it be better to encourage people to save for their retirement as well as for their children's college education?

A: You have to look at each package as a whole and then evaluate whose plan would be more effective in making college affordable to working families. We believe our package does the best job of helping the broadest class of students.

Deductibility of Student Loan Interest Payment

Q: Why doesn't the Administration support deductibility of student loan interest as do the Republicans and Democrats?

A: Again, there are a lot of ideas to consider. We will work with Congress to develop a healthy package of targeted tax cuts for higher education. We have provided a package that helps students while they are in school and allows them to reduce the debt they need to incur and leaves the cost of the loans they do take out.

Making Qualified State Tuition Programs Tax-Free

Q: What is the Administration's position on the Republicans' proposal to eliminate the income tax on distributions from qualified state tuition plans?

A: The Small Business Job Protection Act of 1996 made it clear that distributions from state tuition plans would be taxed as income to the student beneficiaries. In most cases students will not have sufficient income, even when the distributions are recognized, to have a significant tax liability. Furthermore, our proposals for the HOPE Scholarship and the tuition deduction would likely eliminate that tax liability. Because there are no income limits for qualified state tuition programs, if distributions were completely tax free when used not only for tuition but personal living expenses as well, wealthy families would be given a vehicle for deferring or avoiding tax entirely on large amounts of income.

America's HOPE Scholarships



**A Tax Cut to Make
14 Years Of Education
The Standard For All**

June 4, 1996

AMERICA'S HOPE SCHOLARSHIPS
A TAX CUT TO MAKE 14 YEARS OF EDUCATION THE STANDARD FOR ALL
June 4, 1996

PRESIDENT CLINTON ANNOUNCES THE HOPE SCHOLARSHIP PLAN TO MAKE 14 YEARS OF EDUCATION -- AT LEAST TWO YEARS OF COLLEGE -- THE STANDARD FOR ALL AMERICANS. President Clinton's HOPE Scholarship Tax Cut makes clear that 2 years of college should be as universal as high school and builds on his comprehensive program to guarantee that a college education is both accessible and affordable to all Americans at any time in their life. To further this guarantee, the President announced the following proposals:

- **NEW AMERICA'S HOPE SCHOLARSHIP TAX CUT -- Guarantees 2 Years of Tuition at the Average Community College for Any Student Who Earns a B Average.** Modeled on the successful Georgia HOPE Scholarship program, this new proposal provides all students with a \$1,500 refundable tax credit for full-time tuition in their first year (\$750 for half-time), and another \$1,500 in their second year if they work hard, stay off drugs, and earn at least a B average in their first year. This \$1,500 tax credit will pay for more than the full cost of tuition at the national average-priced community colleges -- and a downpayment at more expensive four-year schools.
- **\$10,000 Tax Deduction for All Education and Training.** The President maintains his \$10,000 tax deduction for tuition for college, graduate school, community college, certified training and technical programs. This encourages lifetime investment in higher education.
- **Scholarship Increases (Pell Grants) for Lower-Income Students:** The President announced that his balanced budget plan increases Pell Grants each year. Indeed, the maximum Pell Grant award will increase by 33% from fiscal 1995 to fiscal 2002. The proposed increase in fiscal 1997 is the largest in the program's 25-year history.

BUILDS ON PRESIDENT'S PLAN FOR GUARANTEED ACCESS TO COLLEGE. The above initiatives build on the President's plan to guarantee that college is both accessible and affordable to every person -- through loans with pay-as-you-can repayment, grants, scholarships, and work study.

- **With the increased Pell Grant program support,** students have access to up to \$5,100 in Pell Grants and student loans for their first year in college, and much more in future years.
- **The new Direct Student Loan program** enacted as part of the President's 1993 Economic Plan is allowing millions of students to borrow in a simpler, less bureaucratic way, and to pay back their loans as a share of their income, and part of the savings from Direct Lending will be returned to students in the form of lower interest payments on their loans.
 - **New Direct Loans With Pay-As-You-Can Option:** Will account for 50% of loans
 - **National Service -- AmeriCorps:** 30,000 students earning up to \$4,725 for service
 - **Pell Grants:** Provides for 7-year expansion, increasing maximum award to \$3,128 in 2002
 - **\$10,000 Education Deduction:** 16.5 million students get deduction for their tuition
 - **Work Study Expansion:** Proposes expansion to 1 million participants by FY2002
 - **Honors Scholarships:** Proposes \$1,000 scholarship for top 5% of every high school class
 - **IRAs for Education:** Proposal allows penalty-free withdrawals for education
 - **Skill Grants:** Proposed \$2,600 Skill Grants to enable dislocated workers to get needed skills

America's HOPE Scholarship Tax Cut

	<u>Page</u>
• 2-Page Summary of the New HOPE Scholarship Tax Cut	2-3
• How the New America's HOPE Scholarship Is Paid For	4-5
• 1-Page Summary of New Pell Grant Increase	6
• 1-Page Summary of \$10,000 Education Tax Deduction	7
• Chart on Cost of College as a Percentage of Family Income	8
• Chart on State-by-State 2-Year College Tuition Costs	9

BACKGROUND ON HOPE SCHOLARSHIPS

Overview. Currently, millions of Americans have access to college through Pell Grants and the federal student loan program, including the President's Direct Student Loan program, but the average student with loans now graduates \$10,000 in debt and many more may not go on to college because they are reluctant to borrow so much money. The annual cost of a public college increased from 9% of the typical family's income in 1979 to 14% in 1994. [Education Department, 1996] *The President's HOPE Scholarship Plan makes it clear that two years of college should be as universal as high school, and builds on his comprehensive program to guarantee that a college education is both accessible and affordable to all Americans at any time in their life.*

- **Guaranteed Average Tuition For Two Years of Community College:** The HOPE Scholarship Plan will ensure that students can get up to a \$1,500 refundable tax credit, a Pell Grant, or a combination for tuition in their first year after high school, and another \$1,500 in their second year if they work hard, stay off drugs, and earn at least a "B" average. This \$1,500 credit is \$300 above the national average community college tuition and would make tuition free for 67% of all community college students. It would enable states that set tuition within \$300 of the national average *to make community college tuition free for every student.* The credit would be indexed to inflation each year to protect its value.
- **\$1,500 For The First Two Years At Any College For Students Who Earn At Least a B Average:** While the HOPE Scholarship tax credit is priced to pay for the full cost of two years of community college tuition for students who earn at least a "B" average in their freshman year, the \$1,500 credit can be applied to tuition at any college, from a two-year public community college to a four-year private college. This \$1500 tax credit will be a substantial downpayment for parents sending their children to colleges with higher tuition.
- **\$750 for Half-Time Students:** The HOPE Scholarship Tax Cut is designed to assist parents and current workers who want to further their education. Those who can only go to school half-time because of their job or parenting obligations, are eligible for a \$750 refundable credit per year until they have completed two full years of college. The "B" average requirement also applies to half-time students.
- **Includes 1-Year Certificate Programs:** Students at training and technical programs eligible for Pell Grants under Title IV of the HEA are also eligible HOPE Scholarships.
- **Interaction with the \$10,000 Education Tax Deduction:** Students would receive either the HOPE scholarship or the \$10,000 tax deduction in any year. Eligible students in their first two years or their parents can choose between either the Hope Scholarship or the deduction. The deduction is up to \$10,000 a year per family. The credit is \$1,500 per student.

- **Costs:** The HOPE Scholarship Plan is fully paid for within the President's balanced budget plan. The President's initial proposal for a \$10,000 deduction cost \$35 billion over six years. The new proposal, with the \$1,500 tax credit, costs \$42.9 billion over 6 years. To offset this increase, the Administration proposes to reduce sales source rule benefits, apply an international departure fee, and auction radio DARS spectrum.

In addition, the \$10,000 deduction is also more targeted by conforming the income limits to match the income limits for the proposed expanded IRAs. The deduction had been phased out for joint filers with income between \$100,000 and \$120,000, and for single filers with income between \$70,000 and \$90,000. It will now be phased out for joint filers with income between \$80,000 and \$100,000, and for single filers with incomes between \$50,000 and \$70,000.

- **"B" Average:** To remain eligible for the credit, students must earn at least a "B" average or a 2.75 grade point average in their first year of college or post-secondary school. Based on the National Post-Secondary Student Aid study, more than half of students earn a 2.75 average or better.
- **Students Must Stay Drug-Free:** A student is ineligible if, in accordance with the Drug-Free Post-Secondary Education Act of 1990, he or she has been convicted of committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.
- **Administration:** Administrative issues such as the timing and delivery of the tax credit will require consultation with states and schools to ensure that the plan provides maximum flexibility and efficiency and local control rather than top-down administration. The Treasury Department and Department of Education will work with Members of Congress, Governors, school superintendents, and college financial aid administrators to design the most flexible and efficient system, and to ensure against excessive and abusive tuition increases.
- **Challenge to States.** The President is challenging states to build on the HOPE Scholarship Plan by following Georgia's lead and making scholarships available for four years of college for students who maintain a "B" average. The President is also challenging the 17 States that set tuition above \$1,500 to reduce costs so that with the HOPE Scholarship tax cut, community college will be free for every student.

Paying For America's HOPE Scholarship Tax Cut

Balanced Budget Framework. The President's new America's HOPE Scholarship Tax Cut proposal is completely paid for with specific budget savings so that the President's overall plan continues to reach balance in fiscal year 2002.

Current Education Tax Deduction: \$35 Billion FY 1997-2002. The President's current education tax cut -- \$10,000 deduction -- costs \$35 billion over 6 years (FY 1997-2002) and is paid for within the balanced budget plan that has been certified as reaching balance in 2002 by the Congressional Budget Office.

New Proposal: \$42.9 Billion FY 1997-2002. The new combined proposals would be \$42.9 billion. The breakout of these costs are as follows:

	FY 1997-2002 Cost
America's HOPE Scholarship Tax Cut	\$25.1 Billion
\$10,000 Education Tax Deduction	\$17.8 Billion
TOTAL COST	\$42.9 Billion

The additional \$7.9 billion in net new costs are paid for with specific savings listed below:

	FY1997-2002 Savings
Reduction of Sales Source Rule Benefits	\$3.5 Billion
International Departure Fee	\$2.3 Billion
Auction Radio DARS Spectrum	\$2.1 Billion
TOTAL SAVINGS	\$7.9 Billion

NOTE: While the President's new America's HOPE Scholarship Tax Cut has gross costs of \$25.1 billion over FY 1997 to 2002, the net increase in the President's overall education tax cut is only \$7.9 billion because of savings that take place in the President's \$10,000 education tax deduction.

- Most of those savings (\$10.7 billion) come from families choosing the HOPE tax credit over the \$10,000 education tax deduction.
- The remaining savings (\$6.5 billion) come from lowering the phase out income limits for joint filers from \$120,000 to \$100,000 to conform to the Administration's expanded IRA proposal.

BACKGROUND ON NEW SAVINGS MEASURES

REDUCTION OF SALES SOURCE RULE BENEFITS (FY 1997 - 2002)

SAVINGS
\$3.5 Billion

Description: The proposal would limit the ability of multinational corporations to decrease their U.S. tax liability inappropriately, by reducing the amount of export sales income that they may treat as derived from foreign sources. Under current law, the sales source rule generally permits multinational corporations that also exports U.S. products to treat half of their export profits as income from sales activities, and therefore as foreign source income, even though the economic activity that produced the export profits may have occurred entirely within the United States. The source of income is relevant to the determination of a U.S. taxpayer's foreign tax credit. By increasing the amount of income treated as foreign source, a taxpayer with "excess" foreign tax credits can increase its utilization of foreign tax credits and therefore pay less U.S. tax on the same income. The sales source rule of present law provides generous tax benefits to U.S. exports that also conduct foreign manufacturing or other high-taxed foreign operations, but provides no benefit at all to U.S. exporters that conduct all their business activities within the United States. The proposal would reduce the percentage of export profits that generally is treated as sales (and thus foreign) income from 50 percent to 25 percent.

The provision would be effective for taxable years beginning after the date of enactment.

AUCTION RADIO DARS SPECTRUM (FY 1997 - 2002)

SAVINGS
\$2.1 Billion

Description: This savings proposal would auction 25Mhz of spectrum currently reserved for digital audio radio services (DARS) for subscription based wireless services. The FCC had originally allocated 50 Mhz for DARS, which would provide 4 channels of a national, subscription-based radio service. Due to interference problems with Canada, DARS would be allocated 2 channels instead of 4, freeing up 25 Mhz for auction. The revenues of auctioning 25 Mhz of spectrum are estimated at \$2.1B by CBO and OMB. These auctions could be done in any year.

INTERNATIONAL DEPARTURE FEE (FY 1997 - 2002)

SAVINGS
\$2.3 Billion

Description: The President's FY '97 Budget assumes that the currently expired aviation excise taxes, including the \$6 per passenger international departure fee, will be reinstated in August, 1996. This offset proposal would increase the per passenger tax from \$6 to \$16.

BACKGROUND ON PELL GRANT INCREASE

Overview. The Pell Grant is the main federal grant that allows millions of low-income and middle class families to have access to college. Despite the fact that the President's budget contains well over \$200 billion in discretionary cuts over 7 years, the President's balanced budget builds in a 33% increase in the maximum Pell Grant award from FY1995 to FY2002.

- **\$2 Billion Program Deficit Eliminated.** The projected \$2 billion Pell Grant program deficit was eliminated within the first two years of the Clinton Administration.
- **Record Increase in FY1997:** The President's fiscal year 1997 budget calls for funding to support a \$2,700 maximum Pell Grant -- nearly a 10% increase over the current level -- which would provide more than 3.7 million students with Pell Grants averaging \$1,706 in 1997. This proposed increase in the maximum Pell Grant Award would be the largest increase in the program's 25-year history.
- **President Announces Yearly Pell Grant Increases:** The President's balanced budget contains the following seven-year increase in the maximum Pell Grant awards.

<u>Fiscal Year</u>	<u>Maximum Award</u>
1995	\$2,340
1996	\$2,470
1997	\$2,700
1998	\$2,780
1999	\$2,863
2000	\$2,949
2001	\$3,037
2002	\$3,128

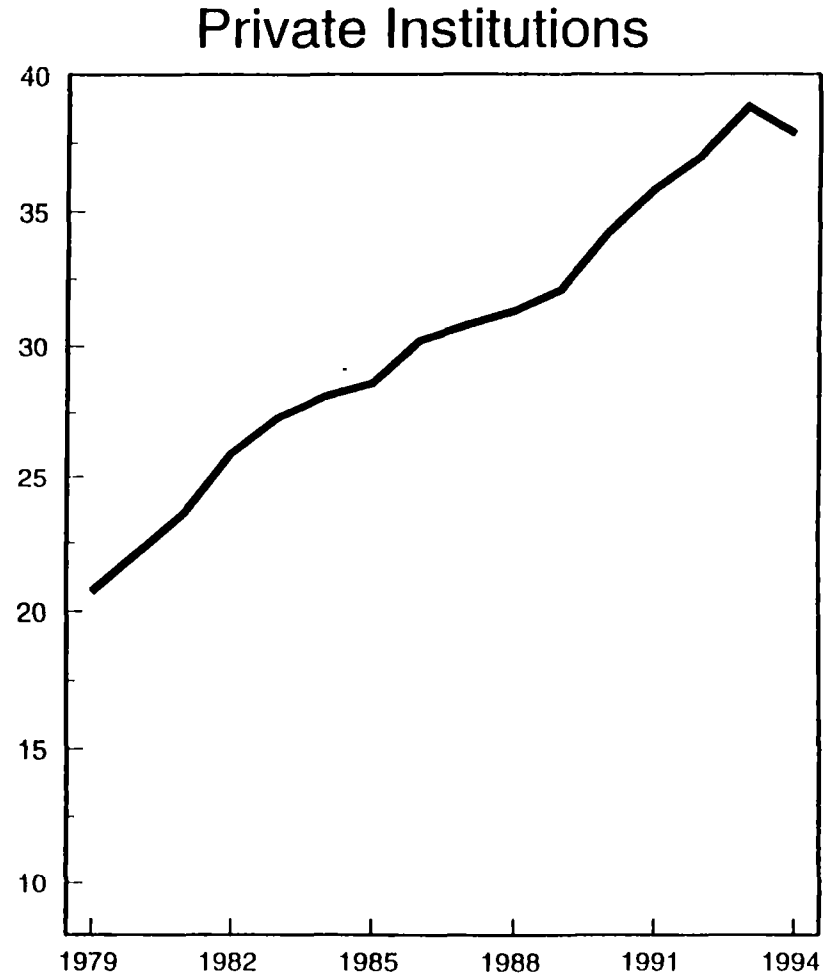
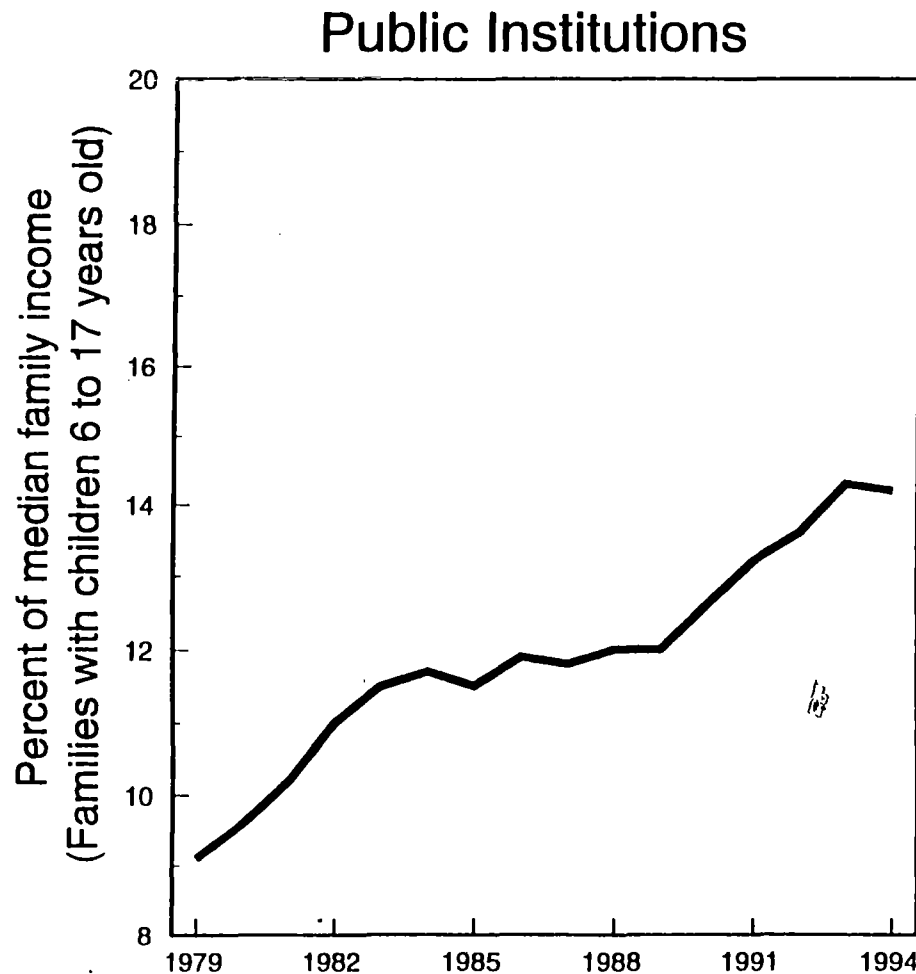
- **President's 7-Year Pell Grant Increase Could Provide 2.7 Million More Grants Than Republican Budget Resolutions:** Both the House and Senate FY1997 Budget Resolutions freeze the budget authority for the Pell Grant program from FY1997 -FY2002. This means that Republicans would provide 2.7 million fewer Pell grants over 6 years, and deny 191,000 students Pell grants in FY1997 alone compared to the President's balanced budget plan. Under the funding freeze assumed in the Republican resolutions, the maximum Pell grant award would decrease 17%, from \$2,470 in FY1996 to \$2,055 in FY2002.

Last year, House Republicans tried to cut the Pell Grant program by \$450 million, denying Pell Grants to 380,000 students in 1996 alone.

\$10,000 EDUCATION DEDUCTION

- **Breadth of Application:** The \$10,000 Education Deduction would be for every taxpayer for the tuition at any education or training program that is at least half-time or related to a worker's career.
- **Supplements Hope Scholarship Tax Cut:** In any year, students in the 13th and 14th grades would receive either the HOPE Scholarship or the \$10,000 tax deduction. Eligible students in their first two years or their parents can choose between either the HOPE Scholarship or the deduction. Students that relied on the \$1,500 tax credit in the first two years of college would still be eligible for the \$10,000 deduction in the remaining years of college or graduate school or for qualified lifelong learning. Students not eligible for the tax credit would still be eligible for the \$10,000 deduction. The deduction is up to \$10,000 a year per family. The credit is \$1,500 per student.
- **Income Limits:** For joint filers, the deduction would be phased out at incomes between \$80,000 and \$100,000. For single filers, the deduction would be phased out between \$50,000 and \$70,000.
- **Unlimited Number of Years:** While the HOPE Scholarship is for the first two years of college, the \$10,000 tax deduction is available any year a family had education expenses. For example, a family of four with an income of \$40,000 and five years of tuition expenses totaling \$10,000 would receive a \$7,500 tax cut over that five-year period.

Cost of College As Percent of Typical Family Income



Source: Department of Education, *The Condition of Education 1996*, p 76.

* Includes Calculation of Tuition, Room and Board

Tuition and Fees at Public Two-Year Institutions

<u>State</u>	<u>Average (1994-95) Tuition</u>	<u>Share of Average Tuition Covered By \$1,500 Credit</u>
AK	\$1,320	100%
AL	\$621	100%
AR	\$865	100%
AZ	\$727	100%
CA	\$363	100%
CO	\$1,227	100%
CT	\$1,520	99%
DE	\$1,266	100%
FL	\$1,064	100%
GA	\$1,019	100%
HI	\$499	100%
IA	\$1,696	88%
ID	\$990	100%
IL	\$1,188	100%
IN	\$1,797	83%
KS	\$1,014	100%
KY	\$1,009	100%
LA	\$769	100%
MA	\$2,435	62%
MD	\$1,857	81%
ME	\$2,188	69%
MI	\$1,411	100%
MN	\$1,965	76%
MO	\$1,227	100%
MS	\$934	100%
MT	\$1,414	100%
NC	\$581	100%
ND	\$1,666	90%
NE	\$1,083	100%
NH	\$2,315	65%
NJ	\$1,762	85%
NM	\$601	100%
NV	\$835	100%
NY	\$2,142	70%
OH	\$2,105	71%
OK	\$1,123	100%
OR	\$1,328	100%
PA	\$1,751	86%
RI	\$1,686	89%
SC	\$1,022	100%
SD	\$2,379	63%
TN	\$907	100%
TX	\$672	100%
UT	\$1,358	100%
VA	\$1,382	100%
VT	\$2,196	68%
WA	\$1,334	100%
WI	\$1,721	87%
WV	\$1,372	100%
WY	\$894	100%

Source: U.S. Department of Education. Estimate of share of tuition and fees covered by the HOPE Scholarship if it had been available in 1994-1995.

America's HOPE Scholarship Tax Cut

Background Materials

	<u>Page</u>
• 2-Page Background on the Georgia HOPE Scholarships	10
• 1-Page Background on the Arkansas Academic Challenge Scholarships	11
• Census Report: "More Education Means Higher Career Earnings"	12-13
• 2-Page Summary on the Returns of Education Investments	14-15

GEORGIA HOPE SCHOLARSHIPS

"The most far-reaching scholarship program in the nation"
-- *Los Angeles Times*, April 5, 1994

PROGRAM DESCRIPTION: The Georgia HOPE program, established by Governor Zell Miller in April 1993, provides full tuition, fees, and books at any in-state public college to any Georgia student who graduates from high school and maintains a B average or better in college.

A TRULY UNIQUE PROGRAM THAT PROVIDES HOPE FOR GEORGIA STUDENTS:

- **Governor Zell Miller.** "Of all the things that I've ever been involved with, It's the one thing that I'm most proud of. We are making college accessible in a way it never has been before in Georgia." [February 12, 1995]
- **Atlanta Journal Constitution.** "Where else in America can children know, from elementary school on, that if they work hard and earn a 3.0 average by graduation from high school, they can fulfill the dream of going to college whether their family has money or not? That's the opportunity created by Georgia's HOPE scholarship program. ...It's a marvelous thing, and it is a solemn promise from the state to its young residents. It is not, however, an entitlement requiring no effort. Students must meet the standards to get the scholarships, and they must keep up the struggle to hold onto them once they enter college." [Atlanta Journal Constitution, September 7, 1994]
- **Barry Fullerton, Vice Chancellor, University of Georgia.** "It's an ingenious program. It's a great public policy, and it has benefited thousands of students." [The Courier-Journal, April 9, 1995]
- **Orlando Sentinel.** "Imagine a state where every student with a B average gets a full college scholarship. ...Don't have that fanciful an imagination? You don't need one. You just need to look north, to Georgia." [Orlando Sentinel, April 8, 1996]
- **Atlanta Journal Constitution.** "It is, quite simply, an effort to help Georgia's young people become well-educated, productive citizens." [Atlanta Journal Constitution, December 16, 1994]

ELIGIBILITY REQUIREMENTS: Students must meet the following requirements:

2-Year and 4-Year Public Colleges/Universities

- For a HOPE Scholarship to a 4-year public college, graduating high school students must have a 3.0 cumulative grade point average on a 4.0 scale or an 80 numeric average and obtain a diploma with a State of Georgia College Preparatory Seal. (In order to obtain the college preparatory seal, students must meet and graduate from the required core college preparatory curriculum.)
- For a HOPE Scholarship to a public college, graduating high school students who do not meet the 3.0 grade in the core curriculum, must have a 3.2 cumulative grade average on a 4.0 scale or an 85 numeric average in other curriculum tracks.
- Students who maintain a B average in a 4-year public college and stay off drugs can continue to receive the same level of support for up to four years.

- Students whose college grades fall below 3.0 can requalify a year later if they bring their grades back up above 3.0.
- Students who are not eligible for HOPE scholarships upon graduation of high school, or who enter college later in life, can obtain HOPE scholarships after their sophomore year if they obtain a cumulative 3.0 grade average.

2-Year and 4-Year Private Colleges/Universities

- Students receive \$3,000 a year in HOPE money, but only if they have and maintain a B grade average.

Technical Schools and Adult Education Institutes

- All students in a diploma or certificate program at a Georgia technical institute are eligible for HOPE.

Universal Requirements

- All students must stay drug free. A Student is ineligible if, in accordance with the Drug-Free Postsecondary Education Act of 1990, he/she has been convicted for committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.

KEY FACTS:

- During the first 3 years of the program (1993-1995), nearly 200,000 Georgia students qualified for and received some form of HOPE scholarship.

<u>HOPE Scholarship Students 1993-1996</u>	
University System	60,682
Technical Institutes	74,830
Private Colleges	45,423
GED Recipients	9,066
TOTAL	190,001

- In the 1995-1996 school year, 70 percent of University of Georgia freshman students received a Georgia HOPE scholarship.
- The racial composition of those receiving HOPE scholarships mirrors that of the overall university system (75% white, 20% black).
- 84% of HOPE students who enrolled in public colleges in Fall 1994 were still in college in Fall 1995, versus 74% of all students.
- A 1995 poll by Georgia State University found that 77 percent of Georgia residents who were aware of the program thought it would lead parents to take a more active interest in their children's education.
- Since the start of the program, enrollment in Georgia's technical and adult education institutions has increased 24 percent. Enrollment increased 8 percent in 1995, alone.

ARKANSAS ACADEMIC CHALLENGE SCHOLARSHIPS

"We need more of our young people going to college and we need them to succeed and stay in college. This program will help them accomplish that goal."

-- Governor Bill Clinton, July 12, 1991

PROGRAM DESCRIPTION: Governor Bill Clinton signed the Arkansas Academic Challenge Scholarships into law on May 5, 1991, creating a guaranteed scholarship plan to promote academic achievement and encourage academically prepared Arkansas high school graduates to enroll in the state's colleges and universities. Through the 1993-1994 school year, the scholarship provided the lesser of \$1000 or the annual tuition. For the 1994-1995 school year, the scholarship was increased to provide annually the lesser of \$1500 or the annual tuition. The scholarship is renewable for up to 3 more years, provided the student meets the continuing eligibility standards established by the Arkansas Department of Higher Education.

REQUIREMENTS:

- **Income Requirement.** For families with one dependent child, income cannot exceed \$30,000 per year. An extra \$5,000 of family income is allowed per child.
- **Grade-Based Awards.** Awards are based on the applicant's meeting minimum standards with regard to the ACT composite score, grade point average (GPA) in the pre-collegiate core curriculum.
 - * Applicants must have a composite ACT score of 19 and a grade point average of 2.50 on a 4.00 scale, in the precollegiate core curriculum.
 - * Applicants not meeting either the grade point average or ACT requirements may still qualify for the Academic Challenge Scholarship if their combined ACT score and grade point average meet satisfactory levels when applied to a selection index (i.e. a student with a 15 ACT would have to achieve a minimum 3.25 GPA; a student with a 26 ACT would only have to have a 2.0 GPA.)
- **All students must stay drug free.** A student is ineligible if, in accordance with the Drug-Free Postsecondary Education Act of 1990, he/she has been convicted for committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.
- **Students must maintain their grades once in college.** In order to retain their scholarship for an additional year, students keep their grades above state-specified levels.

KEY FACTS:

- In 1987, 32 percent of Arkansas students who took the ACT had completed high school pre-college core curriculum. By 1992, the first year of the Academic Scholarships Program, that percentage rose to 48.
- The number of high school students qualifying for and receiving the Arkansas Achievement Scholarship has increased dramatically each year. In the 1991-1992 school year, there were 1,024 recipients. In the 1994-1995 school year, 5,383 students received awards.
- While Bill Clinton was governor of Arkansas, the percentage of high school students going on to college increased by 50% (from 38.2% in 1982 to 57.3% in 1992). The Arkansas "going rate" has remained steady since 1992.

Bureau of the Census

Statistical Brief

More Education Means Higher Career Earnings

Is it worth it to stay in school and earn a higher degree? As data from the Census Bureau's Current Population Survey show, the answer is a resounding yes!

This Brief examines the relationship between education and earnings during the 1992 calendar year; it also demonstrates how the relationship has changed over the last two decades. Additionally, it provides estimates (by level of education) of the total earnings adults are likely to accumulate over the course of their working life.

You'll see that more education means greater earnings over a year's time; over the length of one's working life, these differences become enormous. Moreover, this relationship between earnings and education is now even stronger than it was back in the 1970's.

We're more educated than ever.

In 1993, about four-fifths of American adults aged 25 and over had at least completed high school; over one in five had a Bachelor's degree or higher. Both figures are all-time highs.



SB/94-17
Issued August 1994

U.S. Department of Commerce
Economics and Statistics Administration
BUREAU OF THE CENSUS

Professional degree holders have the highest earnings.

Adults aged 18 and over who worked sometime during 1992 earned an average of \$23,227 that year. But this average masked the fact that the more education they received, the more money they made. (See graph below.) Earnings ranged from \$12,809 for high school dropouts to \$74,560 for those with professional degrees (such as M.D.'s and J.D.'s).

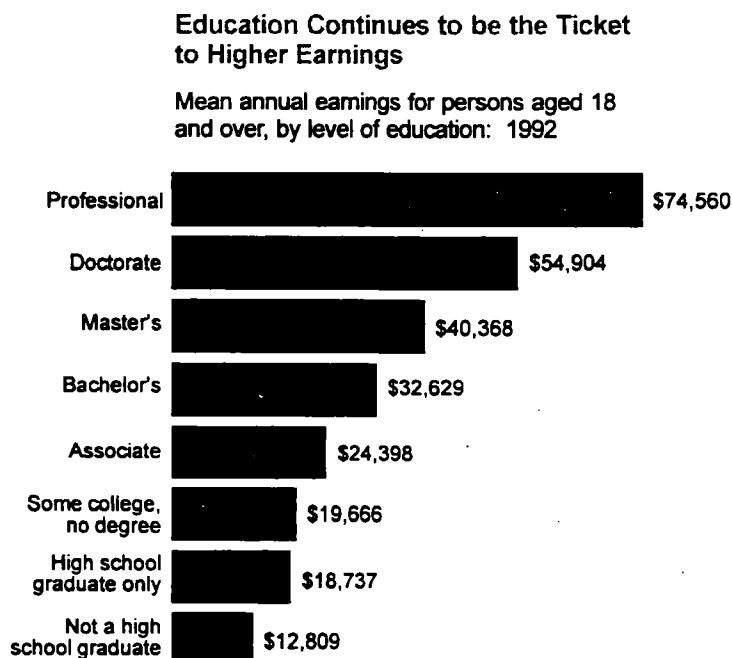
Earnings differences compound over one's lifetime.

Using 1992 data, we estimated the earnings a person would accrue over a typical "worklife." Here's

how we did it. First, we defined a worklife as lasting from ages 25 to 64 — a 40-year period. Then we began our calculations.

We started with high school dropouts. We took the 1992 mean earnings figure for persons of this group who were aged 25 to 34 and multiplied it by 10. The same thing was done for those aged 35-44, 45-54, and 55-64. Then, the four 10-year totals were added up. The result was an estimated lifetime earnings total for high school dropouts. This process was then repeated for each of the other seven educational levels.

These estimates dramatically illustrate the large earnings differences



that develop between educational levels over the long term. As the graph below shows —

- High school dropouts would make (in 1992 dollars) around \$600,000 during their lifetime.
- Completing high school would mean about another \$200,000.
- Persons who attended some college (but did not earn a degree) might expect lifetime earnings in the \$1 million range.
- You could tack on nearly another one-half million dollars for holders of a Bachelor's degree.
- Doctorate and professional degree holders would do even better, at just over \$2 million and \$3 million, respectively.

Lifetime differences may become even more striking in the future.

These estimates of lifetime earnings assume that 1992 earnings levels will stay in effect throughout one's worklife. But the reality is that the value of the dollar continually changes. And recent history shows that the value of higher levels of education has risen faster than that of lower levels. When we compare 1975 and 1992 figures, we see that average earnings —

- Doubled for high school dropouts (from \$6,014 to \$12,809).
- Rose 2.5 times for those who were high school graduates only (from \$7,536 to \$18,737).
- Nearly tripled for holders of Bachelor's degrees (from \$11,574 to \$32,629).
- Tripled for those who held advanced degrees (from \$15,619 to \$48,653).

Keep in mind that in 1992 the consumer price index (which measures yearly changes in the value of the dollar) was 140, 2.5 times what it was in 1975. This means that the earnings of high school dropouts did not even keep up with infla-

tion, and high school graduates just barely managed to keep pace. Real wages rose only for persons with education beyond the high school level. If these patterns continue, lifetime earnings differences between low and high levels of education will become even more dramatic than current levels indicate.

More information:

Several Census Bureau reports have information on the relationship between earnings and education. These include —

■ *Educational Attainment in the United States: March 1993 and 1992*, Current Population Reports, Series P20-476. Stock No. 803-005-00077-0. \$8.50.

■ *What's It Worth? Educational Background and Economic Status: Spring 1990*, Current Population Reports, Series P70-32. Stock No. 803-044-00020-1. \$3.50.

■ *Money Income of Households, Families, and Persons in the United States: 1992*, Current Population Reports, Series P60-184. Stock No. 803-005-30031-5. \$19.

■ *Education in the United States*, Series 1990, CP-3-4. Stock No. 003-024-08742-1. \$41.

To order any of these publications, call the U.S. Government Printing Office (202-512-1800).

Contacts:

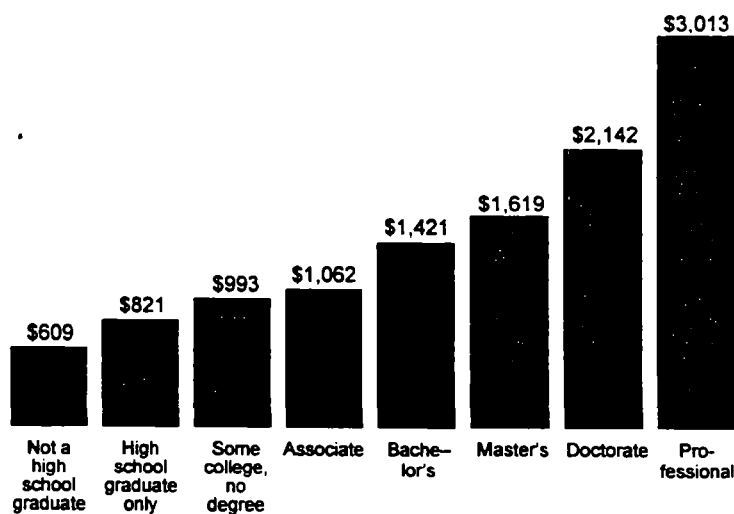
Earnings and education —
Robert Kominski
301-763-1154

Statistical Briefs —
Robert Bernstein
301-763-1584

This Brief is one of a series that presents information of current policy interest. It may include data from businesses, households, or other sources. All statistics are subject to sampling variability, as well as survey design flaws, respondent classification errors, and data processing mistakes. The Census Bureau has taken steps to minimize errors, and analytical statements have been tested and meet statistical standards. However, because of methodological differences, use caution when comparing these data with data from other sources.

Go to College, Make a \$Million

Estimates of worklife earnings, by level of education: 1992
(In thousands of dollars)



ECONOMIC RETURNS TO INVESTMENTS IN EDUCATION AND TRAINING

- Empirical studies indicate that each additional year of formal schooling is associated with a 6 to 12 percent increase in annual earnings later in life. [Kane and Rouse, 1995; Ashenfelter and Krueger 1994; Angrist and Krueger, 1991]
- This earnings benefit is not limited to education at four-year colleges; it also accrues from attendance at community colleges. [Thomas Kane and Cecilia Rouse, Labor Market Returns to Two and Four-Year College: Is a Credit a Credit and Do Degrees Matter American Economic Review, Vol. 85, No. 3, 1995.]
- The wage premium for better-educated workers has expanded dramatically over the past fifteen years. In 1979, full-time male workers aged 25 and over with at least a bachelors degree earned on average 49 percent more per year than comparable workers with only a high school degree. By 1993, the difference had nearly doubled, to 89 percent. [Economic Report of the President 1996, page 191.]
- Economists have long argued over whether education causes higher earnings, or whether those with better earnings prospects -- for example, because of greater innate ability -- simply consume more education. Recent analyses of compulsory schooling laws (which force students to consume more education regardless of their innate ability) and wage differentials between twins (who should have similar levels of innate ability) strongly suggest that schooling actually leads to higher earnings. [Joshua Angrist and Alan Krueger, Does Compulsory School Attendance Affect Schooling and Earnings; Quarterly Journal of Economics, November 1991; Orley Ashenfelter and Alan Krueger, Estimates of the Economic Returns to Schooling from a New Sample of Twins, American Economic Review, December 1994.]
- A college graduate is 43 percent more likely to be working in a job with a pension plan than a high school graduate and a college graduate is 27 percent more likely to have a job with health care coverage than a high school graduate. [Based on data from the Bureau of Labor Statistics, various years, Current Population Survey.]
- Since the early 1980s, high skill jobs are growing the fastest. Jobs requiring high skill levels grew by 32% over the period 1984-1994 while jobs requiring low skill levels grew by only 7%. [Based on data from the Bureau of Labor Statistics, various years, Current Population Survey.]

- Job displacement studies show that better-educated workers are less likely to lose their jobs than less-educated workers, although this advantage has declined over time. If better-educated workers do lose their jobs, they are more likely to find new jobs (which are more likely to be full-time), and they tend to suffer smaller proportional earnings losses than less-educated workers. [Henry S. Farber, The Changing Face of Job Loss in the United States, 1981-1993, Department of Economics, Princeton University, March 12, 1996.]
- Training workers also has significant payoffs. According to academic research conducted by Lisa Lynch before she became Chief Economist at the Labor Department, a year of either on-the-job training or formal training for workers raises wages by about as much as a year of college education. [Lisa Lynch, Private Sector Training and the Earnings of Young Workers, American Economic Review, Vol. 82, No. 1, 1992.]
- Other studies conclude that firm-provided training seems most effective when combined with other innovative workplace practices. [U.S. Department of Labor, High Performance Work Practices and Firm Performance, 1993; David Levine, Reinventing the Workplace: How Business and Employees Can Both Win (Washington: Brookings, 1993).]
- Education and training boost economic growth. Data from the Bureau of Labor Statistics suggest that the rise in the average educational attainment of the workforce accounted for one-fifth of the annual growth in productivity between 1963 and 1992. [Economic Report of the President 1996, pages 191-2.]
- International evidence reveals that, all else equal, those nations with the highest school enrollment rates in the early 1960s tended to enjoy the most robust growth in subsequent decades. [N. Gregory Mankiw, David Romer, and David Weil, A Contribution to the Empirics of Economic Growth, Quarterly Journal of Economics, Volume 107, May 1992.]

ADMIT ONE

SPECIAL GUEST

No. 0620

WILLIAM JEFFERSON CLINTON

Augusta State University

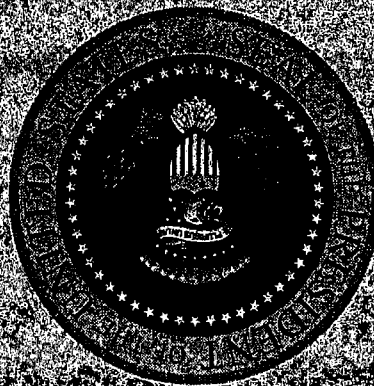
Physical Education/Athletic Complex

Augusta, Georgia

Wednesday, February 5, 1997

1:30 P.M.

Doors open at noon (please arrive early!)
CONVENIENT PARKING AND SHUTTLES AT DANIEL FIELD



SPECIAL GUEST

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You are Invited to Join
PRESIDENT OF THE UNITED STATES
WILLIAM JEFFERSON CLINTON
Augusta State University
Physical Education/Athletic Complex
Augusta, Georgia
Wednesday, February 5, 1997
1:30 P.M.

Doors open at noon (please arrive early!)
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No. 2591

SPECIAL GUEST

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