

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Collection/Record Group: Clinton Presidential Records
Subgroup/Office of Origin: National Economic Council
Series/Staff Member: Subject Files
Subseries:

OA/ID Number: 8482
FolderID:

Folder Title:
HOPE Scholarship

Stack:	Row:	Section:	Shelf:	Position:
S	20	1	3	1

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

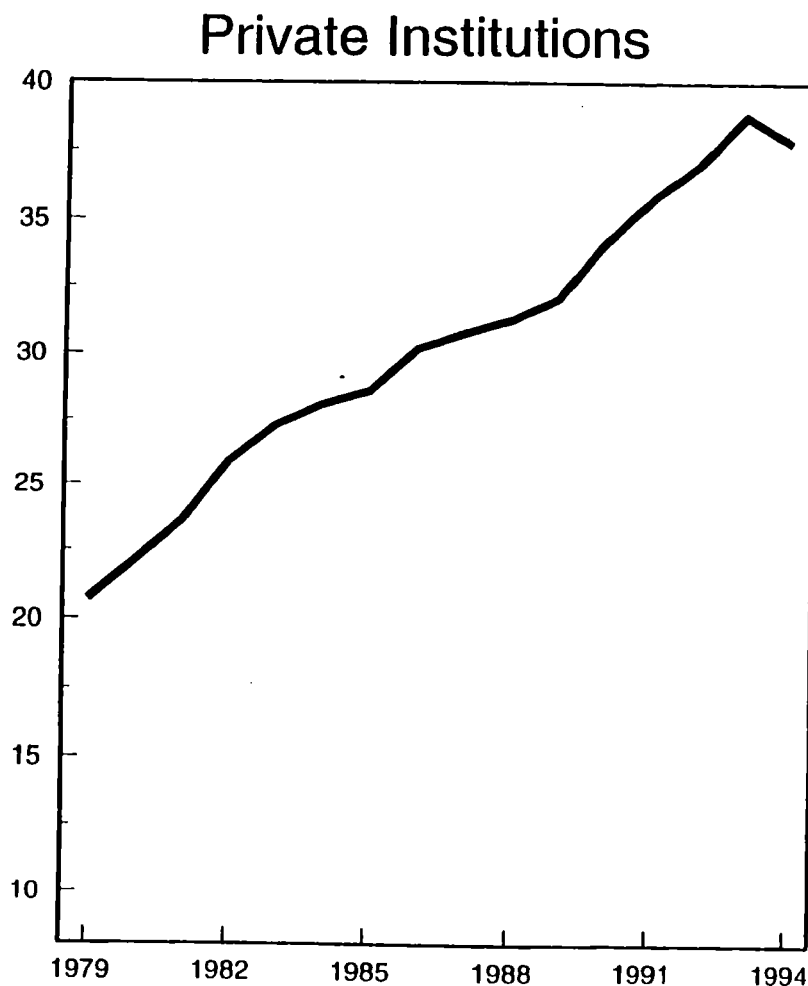
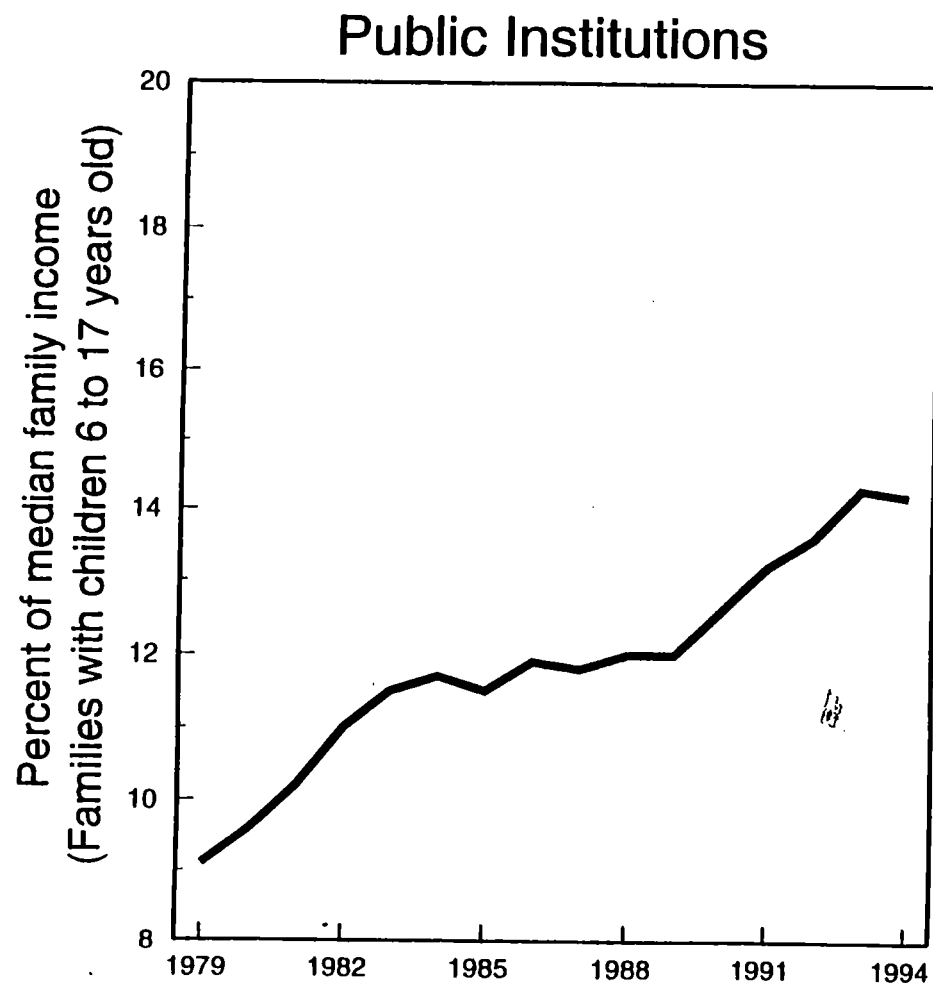
- **President's 7-Year Pell Grant Increase Could Provide 2.7 Million More Grants Than Republican Budget Resolutions:** Both the House and Senate FY1997 Budget Resolutions freeze the budget authority for the Pell Grant program from FY1997 -FY2002. This means that Republicans would provide 2.7 million 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 has 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

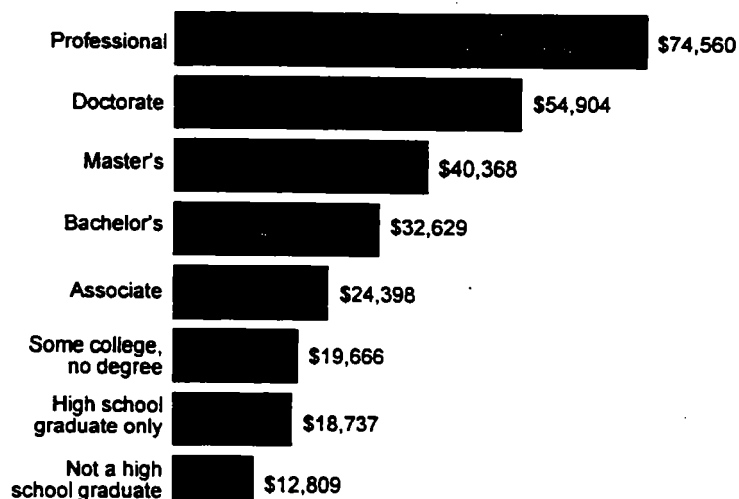
how we did it. First, we defined a worklife as lasting from ages 25 to 64 — a 40-year period. Then we began our calculations.

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

Education Continues to be the Ticket to Higher Earnings

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



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:

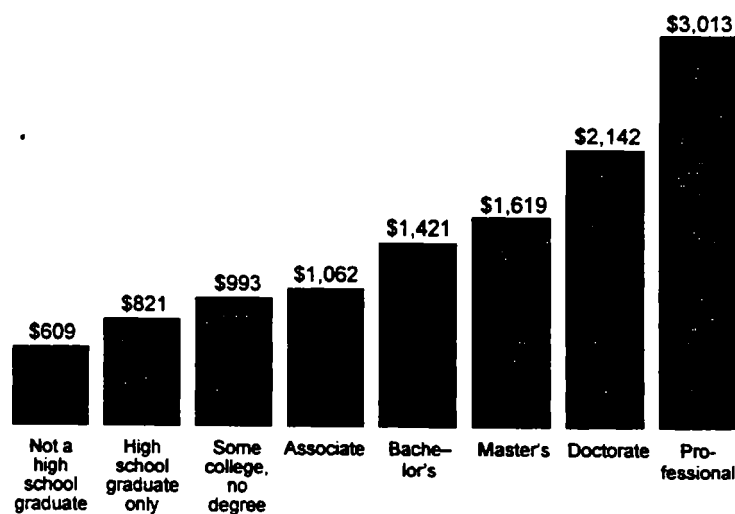
Earnings and education —
Robert Kominski
301-763-1154

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.]

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

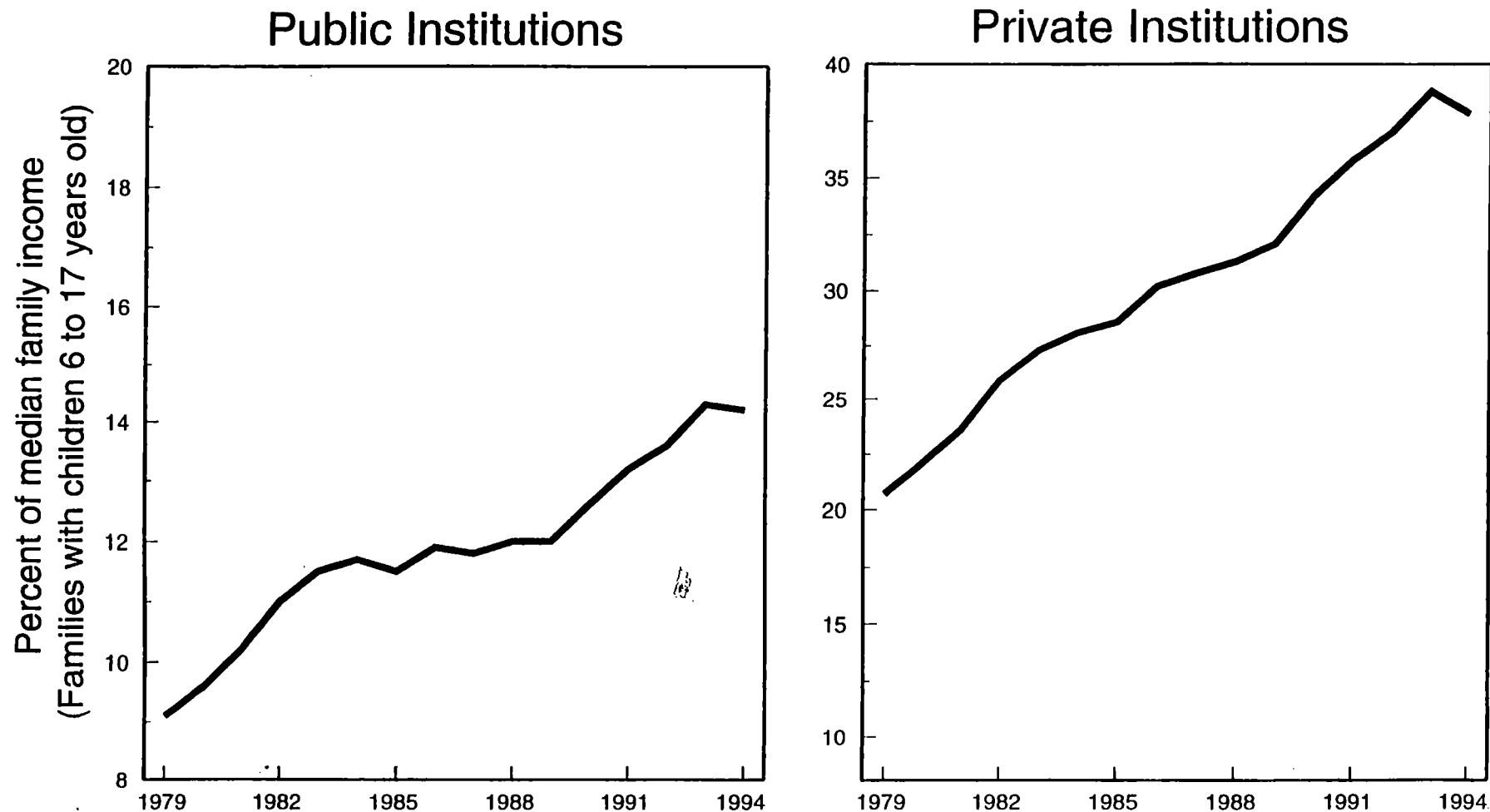
- **President's 7-Year Pell Grant Increase Could Provide 2.7 Million More Grants Than Republican Budget Resolutions:** Both the House and Senate FY1997 Budget Resolutions freeze the budget authority for the Pell Grant program from FY1997 -FY2002. This means that Republicans would provide 2.7 million 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 has 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

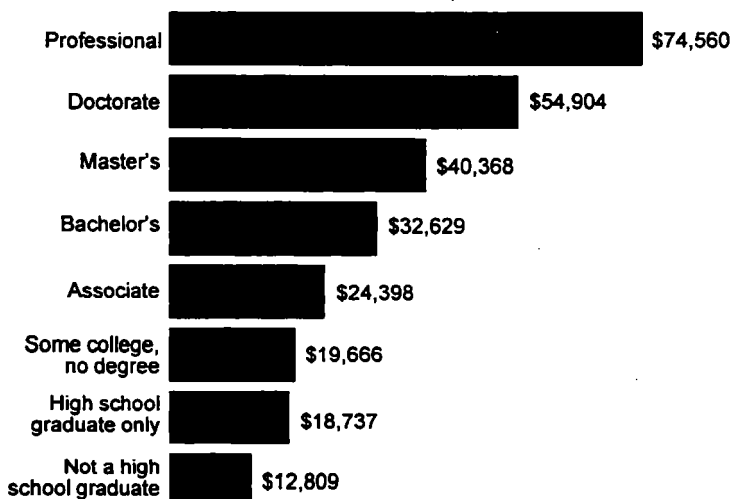
how we did it. First, we defined a worklife as lasting from ages 25 to 64 — a 40-year period. Then we began our calculations.

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

Education Continues to be the Ticket to Higher Earnings

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



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:

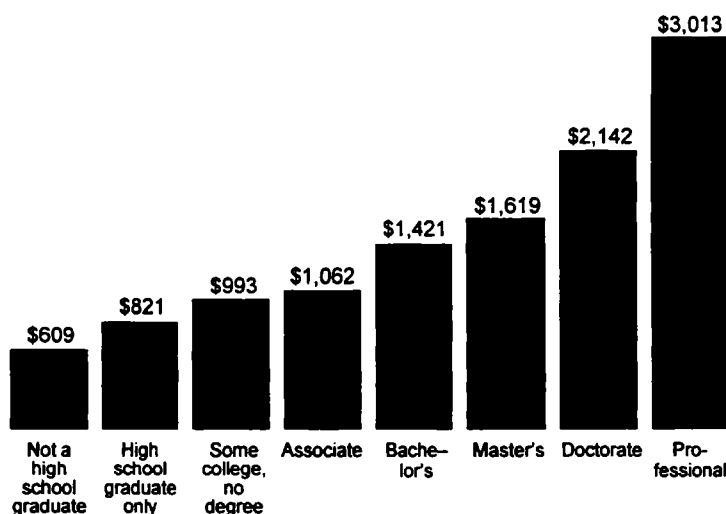
Earnings and education —
Robert Kominski
301-763-1154

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.]

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

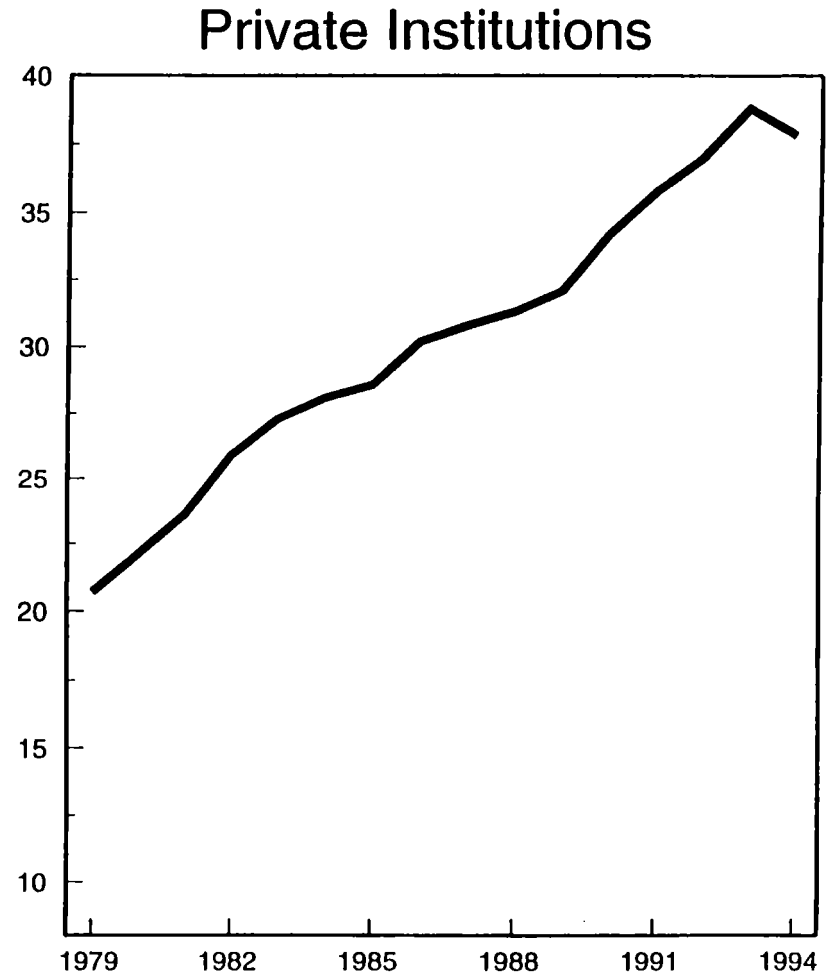
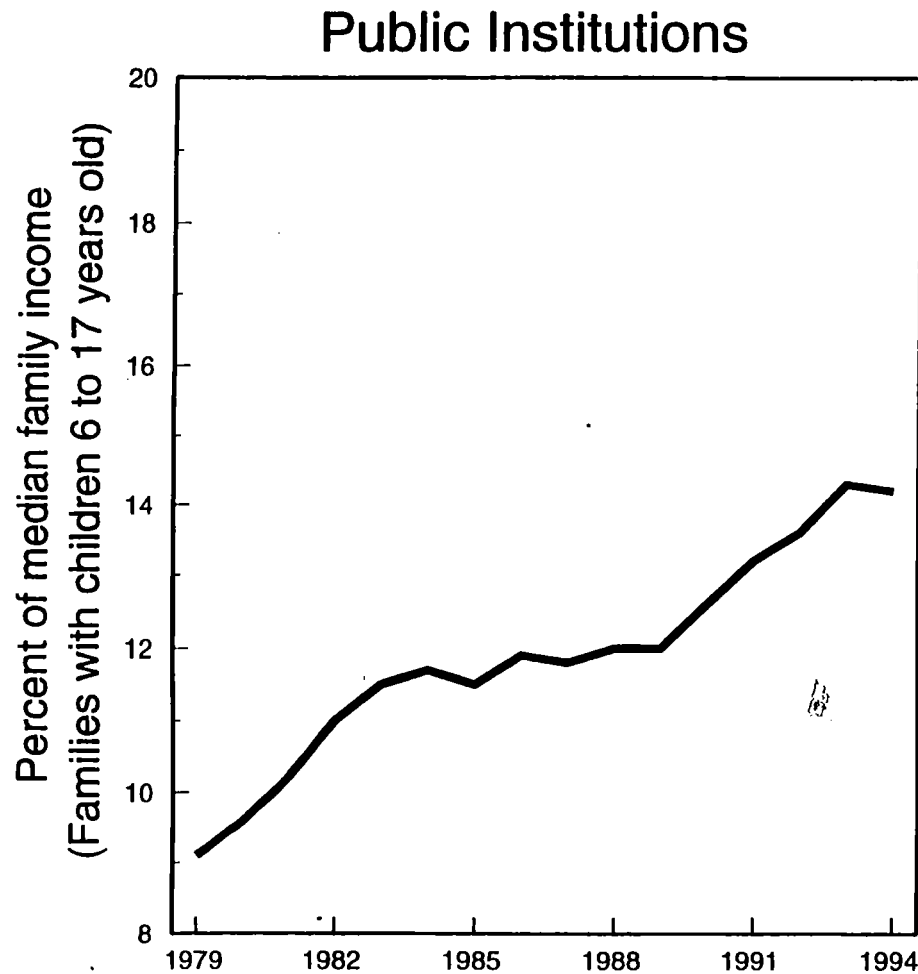
- **President's 7-Year Pell Grant Increase Could Provide 2.7 Million More Grants Than Republican Budget Resolutions:** Both the House and Senate FY1997 Budget Resolutions freeze the budget authority for the Pell Grant program from FY1997 -FY2002. This means that Republicans would provide 2.7 million 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 has 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

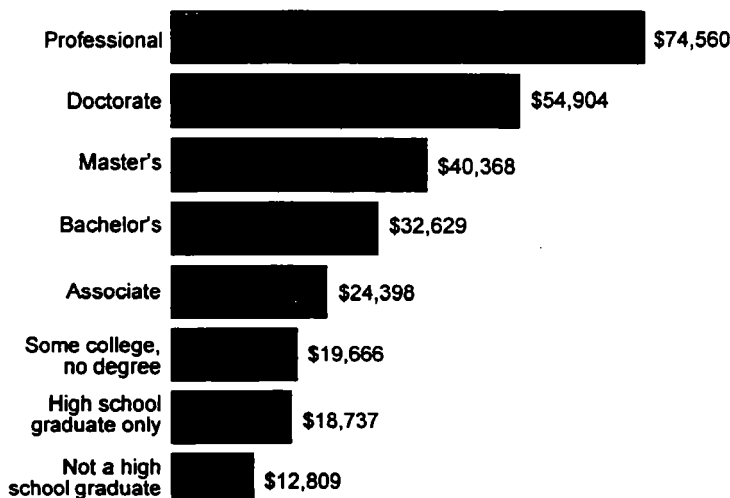
how we did it. First, we defined a worklife as lasting from ages 25 to 64 — a 40-year period. Then we began our calculations.

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

Education Continues to be the Ticket to Higher Earnings

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



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:

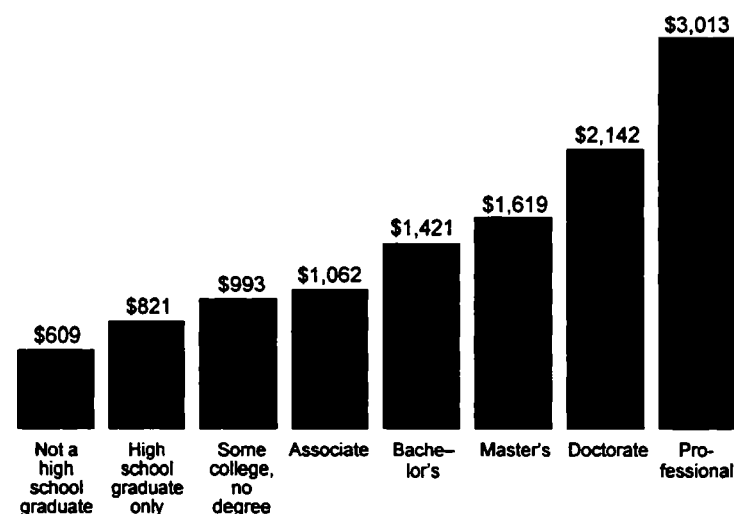
Earnings and education —
Robert Kominski
301-763-1154

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.]

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

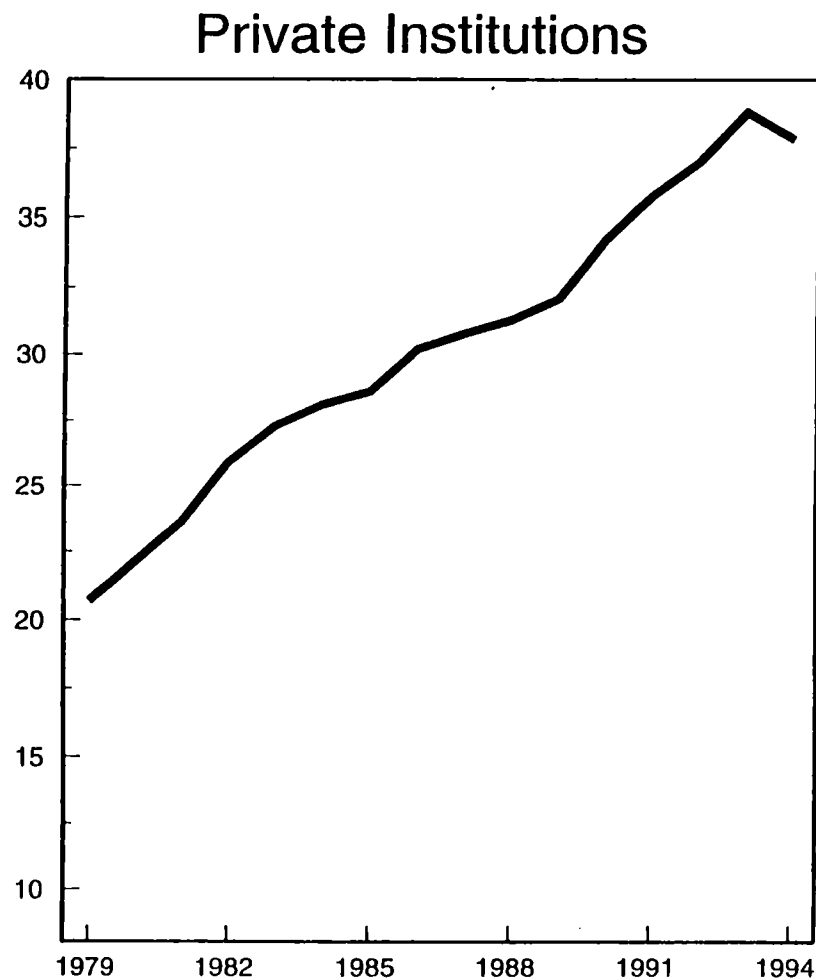
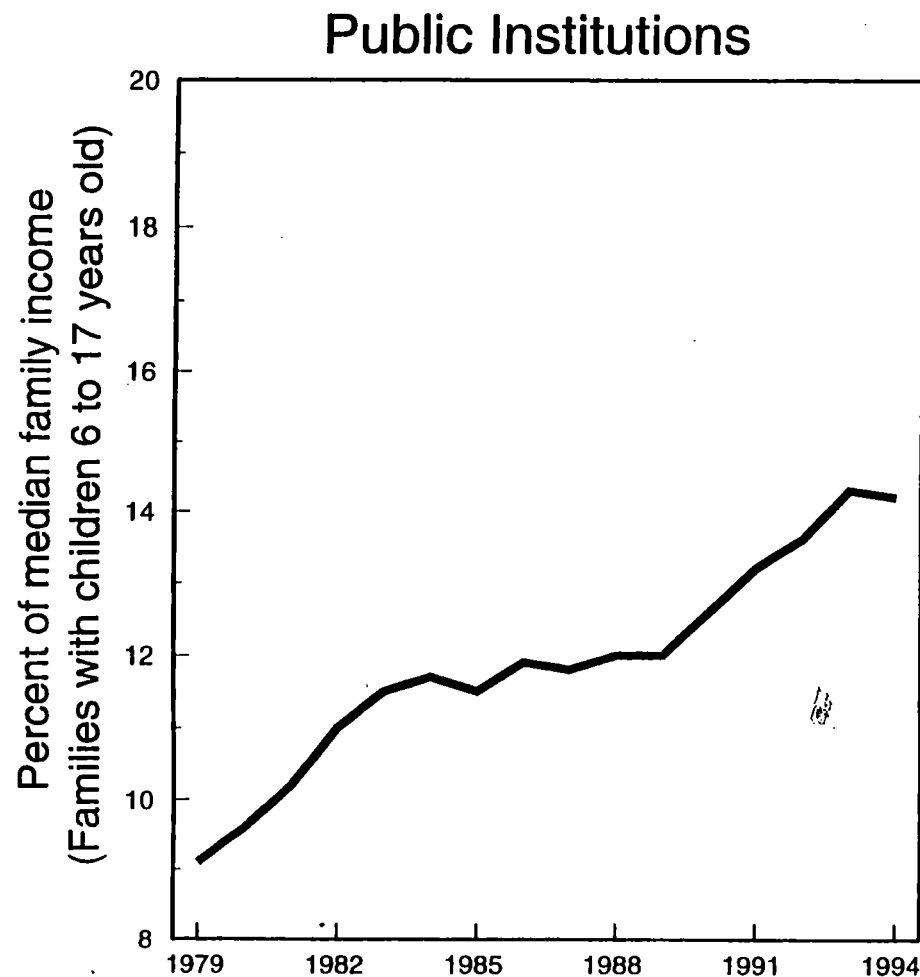
- **President's 7-Year Pell Grant Increase Could Provide 2.7 Million More Grants Than Republican Budget Resolutions:** Both the House and Senate FY1997 Budget Resolutions freeze the budget authority for the Pell Grant program from FY1997 -FY2002. This means that Republicans would provide 2.7 million 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 has 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.

HOPE Scholarship Students 1993-1996

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).

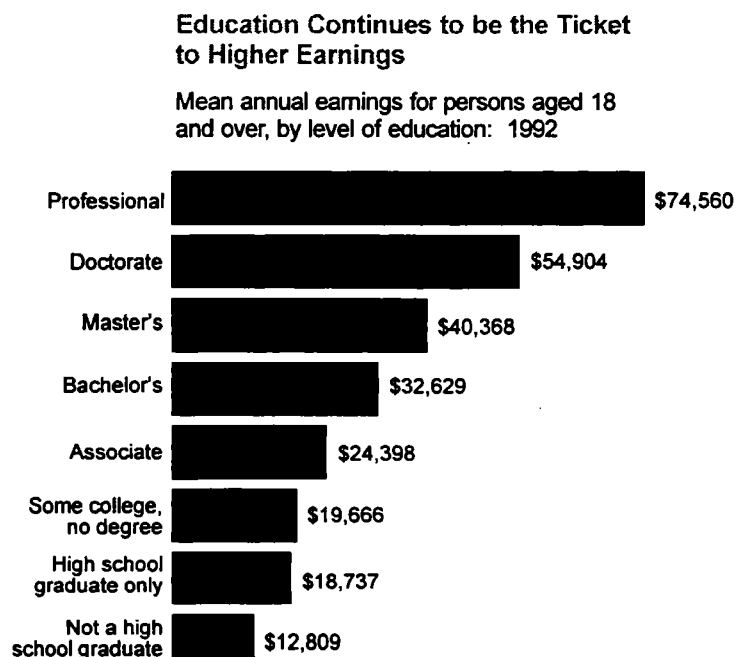
Earnings differences compound over one's lifetime.

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:

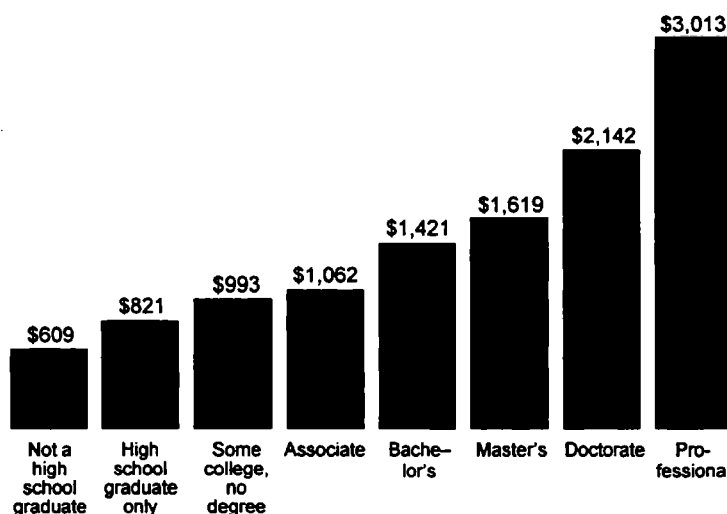
Earnings and education —
Robert Kominski
301-763-1154

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.]

THE WHITE HOUSE

Office of the Press Secretary
(Princeton, New Jersey)

For Immediate Release

June 4, 1996

REMARKS BY THE PRESIDENT
AT PRINCETON UNIVERSITY COMMENCEMENT ADDRESS

Princeton University
Princeton, New Jersey

12:00 Noon EDT

THE PRESIDENT: Thank you very much. President Shapiro, members of the faculty, alumni, to parents and friends of this graduating class, especially to the graduates of the Class of 1996 -- (applause.) Let me thank you co-Presidents, George Whitesides and Susan Suh, who came to say hello to me this morning; and compliment your valedictory address by Bryan Duff, and the Latin address by Charles Stowell. I actually took four years of Latin in high school. (Laughter.) And even without being prompted, I knew I was supposed to laugh when he was digging me about going to Yale. (Laughter.)

I want to also thank Princeton for honoring the high school teachers and the faculty members here for teaching, for today we celebrate the learning of the graduates and we should be honoring the teachers who made their learning possible. I thank you for that. (Applause.)

It's a great honor to be here in celebrating Princeton's 250 years. I understand that Presidents are only invited to speak here once every 50 years. President Truman and President Cleveland -- you've got to say one thing, for all the troubles the Democrats have had in the 20th century, we've had pretty good timing when it comes to Princeton over the last 100 years. (Laughter and applause.)

I want to thank President Shapiro for his distinguished service to higher education in our country. I thank Princeton for its long and noble service to our nation. I also am deeply indebted to Princeton for the contributions it has made to our administration and my presidency.

My Press Secretary, Mike McCurry, sat in these seats in 1976. I'm sure that Princeton had something to do with the fact that he not only thinks, but talks so fast. (Laughter.) The Chair of our National Economic Council, Laura Tyson, was a Princeton Professor then, and Mike McCurry's thesis advisor. And you got back from me Professor Alan Blinder, who was a distinguished member of the Council of Economic Advisors and the Vice Chairman of the Federal Reserve, and a brilliant contributor to our efforts to improve the economy. I want to thank Alan Blinder here among his colleagues and these students for what he has done.

I thank Tony Lake and Bruce Reed and John Hilley and Peter Bass, all members of our staff who graduated from Princeton. Two Princeton graduates who are no longer living -- Vic Raiser and his son, Monty, were great friends of mine. Vic's wife, Molly, is here -- our protocol chief. And if it hadn't been for him I might not be here today, and I want to recognize their contributions to

-more-

Princeton and Princeton's gifts to them.

I also want to say that one of my youngest staff members is a classmate here -- Jon Orszag. And when the ceremony is over I'd like to have you back at work, please. (Laughter.)

I would like to talk to the senior class today about not only the importance of your education, but the importance of everyone else's education to your future. At every pivotal moment in American history, Princeton, its leadership, its students have played a crucial role. Many of our Founding Fathers were among your first sons. A president of Princeton was the only university president to sign the Declaration of Independence. This hall was occupied by the British since 1776, liberated by Washington's army in 1777, and as the President said, sanctified forever to American history by the deliberations of the Continental Congress in 1783.

In 1896, the last time there was a Class of '96, when Princeton celebrated its 150th anniversary and, as has been said, Grover Cleveland was President, Professor Woodrow Wilson gave his very famous speech, "Princeton in the Nation's Service." I read that speech before I came here today. And I'd like to read just a brief quote from it: "Today we must stand as those who would count their force for the future. Those who made Princeton are dead. Those who shall keep it and better it still live. They are even ourselves." What he said about Princeton 100 years ago applied then to America and applies to America even more today.

At the time of that speech 100 years ago, America was living as it is living today, through a period of enormous change. The Industrial Age brought incredible new opportunities and great new challenges to our people. Princeton, through Wilson and his contemporaries, was at the center of efforts to master these powerful forces of change in a way that would enable all Americans to benefit from them and protect our time-honored values.

Less than three years after he left this campus, Woodrow Wilson became President of the United States. He followed Theodore Roosevelt as the leader of America's response to that time of change. We now know it as the Progressive Era.

Today, on the edge of a new century, all of you -- our Class of '96 -- are living through another time of great change, standing on the threshold of a new Progressive Era. Powerful forces are changing forever our jobs, our neighborhoods, the institutions which shape our lives. For many Americans, this is a time of enormous opportunity. But for others, it's a time of profound insecurity. They wonder whether their old skills and their enduring values will be enough to keep up with the challenges of this new age.

In 1996, like 1896, we really do stand at the dawn of a profoundly new era. I have called it the Age of Possibility because of the revolution in information and technology and market capitalism sweeping the globe -- a world no longer divided by the Cold War. Just consider this: There's more computer power in a Ford Taurus every one of you can buy and drive to the supermarket than there was in Apollo 11 when Neil Armstrong took it to the moon. Nobody who wasn't a high-energy physicist had even heard of the World Wide Web when I became President. And now even my cat, Socks, has his own page. (Laughter.) By the time a child born today is old enough to read, over 100 million people will be on the Internet.

This Age of Possibility means that more Americans than ever before will be able to live out their dreams. Indeed, for all of you in the Class of '96, this Age of Possibility is actually an age of high probability, in large measure because of the excellent

education you celebrate today.

But we know that not all Americans see the future that way. We know that about half of our people in this increasingly global economy are working harder and harder without making any more money; that about half of the people who lose their jobs today don't ever find another job doing as well as they were doing in their previous one.

We know that, therefore, our mission today must be to ensure that all of our people have the opportunity to live out their dreams in a nation that remains the world's strongest force for peace and freedom, for prosperity, for our commitment that we can respect our diversity and still find unity.

This is about more than money. Opportunity is what defines this country. For 220 years, the idea of opportunity for all and the freedom to seize it have literally been the defining elements of America. They were always ideals never perfectly realized, but always our history has been a steady march of striving to live up to them.

Having these ideals achievable, imaginable for all is an important part of maintaining our sense of democracy and our ability to forge an American community with such disparate elements of race and religion and ethnicity across so many borders that could so easily divide this country.

And so I say to you, creating opportunity for all, the opportunity that everyone has, that many of you are now exercising, dreaming about your future -- that is what you must do in order to make sure that this Age of Possibility is really that for all Americans.

When I took office, I was concerned about the uncertain steps our country was taking for that future. We'd let our deficit get out of hand, unemployment had exploded, job growth was the slowest since the Great Depression. The country seemed to be coming apart when we needed desperately to be coming together.

I wanted to chart a new course, rooted first in growth and opportunity -- first, to put our economic house in order so that our businesses could prosper and create jobs; second, to tap the full potential of the new global economy; third, to invest in our people so that they would have the capacity to meet the demands of this new age and to improve their own lives.

This strategy is in place, and it is working. The deficit is half of what it was. The government is now the smallest it's been in 30 years. As a percentage of the federal work force, the federal government is the smallest it's been since 1933, before the beginning of the New Deal. We signed over 200 trade agreements. Our exports are at an all-time high. Fifteen million of our hardest-pressed people have gotten tax cuts. Most of the small businesses have as well.

We've invested in research and defense transformations. We've invested in new technologies. And we've invested in environmental protection and sustainable development. And I will say, parenthetically, the great challenge of your age will be to prove that we can bring prosperity and opportunity to people all across the globe without destroying the environment, which is the precondition of our successful existence. And all of you will have to meet that challenge, and I challenge you to do it. (Applause.)

Our economy, while most of the rest of the world was in recession, has produced 8.5 million new jobs, the lowest combined rates of inflation, unemployment and home mortgages in three

decades, the lowest deficit as a percentage of our income of any advanced economy in the world, 3.7 million more American homeowners, and record numbers of new small businesses in each of the last three years.

We are doing well, but we must do better if we are going to make the promise of this new age real to all Americans. That means we have to grow faster. How fast can we grow? No one knows the exact answer to that. But if we look at the long-term, if we believe in our people and invest in them and their opportunities, and our people take responsibility, the sky is the limit.

We must look with the greatest skepticism toward those who promise easy and quick solutions. We know that the course that leads to long-term growth is in the minds and spirits and ideas and discipline and effort of people like those of you who graduate here today. We are on the right course; we must accelerate it, not veer from it.

We have to finish the job we started in 1993 and balance the budget -- not only because we want to free you and your children of the legacy of debt, but because that will keep interest rates down, increase savings, expand companies, start new small businesses, help more families buy homes and more parents send their children to college.

We know we have to continue to fight for fair and open trade because we proved now if other markets are as open to our products and services as we are to theirs, we'll do just fine. We know we have to do more to help all Americans deal with the economic changes of the present day in a more positive way by investing in the future and targeting tax cuts to help Americans deal with their own problems and build strong families.

We know we have to continue to invest in the things that a government needs to invest in, including research and development, and technology, and environmental protection. We know that since so many people will have to change jobs more often than in the past, we have to give families the security to know that if they change jobs they can still carry with them access to health care and pensions and education for a lifetime.

But finally and most importantly, if we really want Americans -- all Americans -- to participate in the future that is now at your fingertips, we have got to increase the quality and the level of education not just for the graduates of Princeton and Georgetown and Yale and the state universities of this country, but for all the American people. It is the only way to achieve that goal. (Applause.)

The very fact that we have been here or our forebears have for 250 years is testimony to the elemental truth that education has always been important to individual Americans. And for quite a long time, education has been quite important to our whole country. Fifty years ago when the Class of '46 was here, coming in after World War II the G.I. Bill helped to build a great American middle class and a great American economy. But today, more than ever before in the history of the United States, education is the fault line, the great Continental Divide between those who will prosper and those who will not in the new economy.

If you look at the census data, you can see what happens to hard-working people who have a high school diploma or who drop out of high school and try to keep up in the job market, but fall further and further behind. You can also see that if all Americans have access to education, it is no longer a fault line, it is a sturdy bridge that will lead us all together from the old economy to the new.

Now, we have to work to give every American that kind of opportunity. And we've worked hard to do it -- from increasing preschool opportunities, to improving the public school years, to increasing technology in our schools. And this spring the Vice President and I helped to kick off a Net Day in California where schools and businesses and civic leaders hooked up nearly 50 percent of the schools to the Internet in a single weekend. What I want to see is every schoolroom and every library in every school in America hooked up to the Internet by the end of the year 2000. We can do that. (Applause.)

And I am very proud that I was asked to announce today that a coalition of high-tech companies, parents, teachers and students are launching Net Day New Jersey this week to connect over a thousand schools in New Jersey to the Internet by this time next year. That will make a huge difference in making learning more democratic and information more accessible in this country. I thank them for that. Every single person in New Jersey who will be a part of that. (Applause.)

But we have to face the fact that that is not enough. We have to do more. Just consider the last hundred years. At the turn of the century, the progressives made it the law of the land for every child to be in school. Before then there was no such requirement. After World War II, we said 10 years are not enough, public schools should extend to 12 years. And then, as I said, the G.I. Bill and college loans threw open the doors of college to the sons and daughters of farmers and factory workers. And they have powered our economy ever since.

America knows that higher education is the key to the growth we need to lift our country. And today that is more true than ever. Just listen to these facts. Over half the new jobs created in the last three years have been managerial and professional jobs. The new jobs require higher-level skills. Fifteen years ago the typical worker with a college degree made 38 percent more than a worker with a high school diploma. Today, that figure is 73 percent more. Two years of college means a 20-percent increase in annual earnings. People who finish two years of college earn a quarter of a million dollars more than their high school counterparts over a lifetime.

Now, it is clear that America has the best higher education system in the world, and that it is a key to a successful future in the 21st century. It is also clear that because of cost and other factors, not all Americans have access to higher education.

I want to say today that I believe the clear facts of this time make it imperative that our goal must be nothing less than to make the 13th and 14th years of education as universal to all Americans as the first 12 are today. (Applause.)

We have put in place an unprecedented college opportunity strategy: Student loans can now be given directly to people who need them, with a provision to repay them based on the ability of the graduate to pay -- based on income. This is a dramatic change which is making loans more accessible to young people who did not have them before. Americorps, which by next year will have given over 65,000 young people the chance to earn their way through college by serving their country and their communities. More Pell Grants, scholarships for deserving students every year.

Now we want to go further; we want to expand work-study so that a million students can work their way through college by the year 2000. We want to let people use money from their Individual Retirement accounts to help pay for college. We want every honor student in the top five percent of every high school class in America to get a \$1,000 scholarship.

And we also want to do some other things that I believe we must do to make 14 years of education the standard for every American. First, I have asked Congress to pass a \$10,000 tax deduction to help families pay for the cost of all education after high school -- \$10,000 a year. (Applause.)

Today I announced one more element to complete our college strategy and make those two years of college as universal as four years of high school -- a way to do it, by giving families a tax credit targeted to achieve that goal and making clear that this opportunity requires responsibility to receive it.

We should say to Americans who want to go to college, we will give you a tax credit to pay the cost of tuition at the average community college for your first year; or you can apply the same amount to the first year in a four-year university or college. We will give you the exact same cut for the second year, but only if you earn it by getting a B average the first year. A tax deduction for families to help them pay for education after high school; a tax credit for individuals to guarantee their first year of college and the second year if they earn it.

This is not just for those individuals, this is for America. Your America will be stronger if all Americans have at least two years of higher education. (Applause.)

Think of it: We're not only saying to children from very poor families who think they would never be able to go to college, people who may not have stellar academic records in high school, if you're willing to work hard and take a chance, you can at least go to your local community college and we'll pay for the first year. If you're in your 20s and you're already working, but you can't move ahead on a high school diploma, now you can go back to college. If you're a mother planning to go to work, but you're afraid you don't have the skills to get a good job, you can go to college. If you're 40 and you're worried that you need more education to support your family, now you can go part-time, you can go at night. By all means, go to college and we'll pay the tuition.

I know this will work. When I was the governor of my home state, we created academic challenge scholarships that helped people who had good grades and who had good behavior to go to college. But my proposal today builds mostly on the enormously successful HOPE Scholarships in Georgia, which guaranteed any student in the state of Georgia free college as long as they had a B average. This year those scholarships are helping 80,000 students in the state of Georgia alone -- including 70 percent of the freshmen class at the University of Georgia.

In recognition of Georgia's leadership, I have decided to call this proposal America's HOPE Scholarships. And I want to thank the Governor of Georgia, Zell Miller, who developed this idea. I also would like to recognize him -- he came up here with me today -- and thank him for the contribution that he is now going to make to all of America's future.

Governor Miller, where are you? Would you please stand up? Here he is. Thank you. (Applause.)

Let me say, as all of you know, money doesn't grow on trees in Washington, and we're not financing deficits anymore. I'm proud to say, as a matter of fact, for the last two years our budget has been in surplus, except for the interest necessary to pay the debt run up in the several years before I became President. So we are doing our best to pay for these programs. And this program will be paid for by budgeted savings in the balanced budget plan. We cannot go back to the days of something for nothing or pretend that

in order to invest in education we have to sacrifice fiscal responsibility.

Now, this program will do three things. It will open the doors of college opportunity to every American, regardless of their ability to pay. Education at the typical community college will now be free. And the very few states that have tuition above the amount that we can afford to credit, I would challenge those states to close the gap. We're going to take care of most of the states. The rest of them should help us the last little way.

Second, it will offer free tuition and training to every adult willing to work for it. Nobody now needs to be stuck in a dead-end job or in unemployment. And finally, this plan will work because it will go to people who, by definition, are willing to work for it. It's America's most basic bargain. We'll help create opportunity if you'll take responsibility. This is the basic bargain that has made us a great nation.

I know that here at the reunion weekend the Class of '46 has celebrated its 50th reunion. And I want to just mention them one more time. Many members of the Class of '46 fought in the second world war. And they came home and laid down their arms and took up the responsibility of the future with the help of the G.I. Bill. That's when our nation did its part simply by giving them the opportunity to make the most of their own lives. And in doing that, they made America's most golden years.

The ultimate lesson of the Class of 1946 will also apply to the Class of 1996 in the 21st century. Because of the education you have, if America does well, you will do very well. If America is a good country to live in you will be able to build a very good life.

So I ask you never to be satisfied with an age of probability for only the sons and daughters of Princeton. You could go your own way in a society that, after all, seems so often to be coming apart instead of coming together. You will, of course, have the ability to succeed in the global economy, even if you have to secede from those Americans trapped in the old economy. But you should not walk away from our common purpose.

Again I will say this is about far more than economics and money. It is about preserving the quality of our democracy, the integrity of every person standing as an equal citizen before the law, the ability of our country to prove that no matter how diverse we get, we can still come together in shared community values to make each of our lives and our family's lives stronger and richer and better. This is about more than money.

The older I get and the more I become aware that I have more yesterdays than tomorrows, the more I think that in our final hours, which all of us have to face, very rarely will we say, gosh, I wish I'd spent more time at the office, or if only I'd just made a little more money. But we will think about the dreams we lived out, the wonders we knew when we were most fully alive. This is about giving every single, solitary soul in this country the chance to be most fully alive. And if we do that, those of you who have this brilliant education, who have been gifted by God with great minds and strong bodies and hearts, you will do very well and you will be very happy.

In 1914, Woodrow Wilson wrote as President, "The future is clear and bright with the promise of the best things. We are all in the same boat. We shall advance and advance together with a new spirit." I wish you well, and I pray that you will advance, and advance together with a new spirit.

God bless you and God bless America. (Applause.)

END

12:31 P.M. EDT

-more-

THE WHITE HOUSE
Office of the Press Secretary
(Princeton, New Jersey)

For Immediate Release

June 4, 1996

PRESS BRIEFING
BY
MIKE MCCURRY, GENE SPERLING
BRUCE REED, AND GOVERNOR ZELL MILLER

Princeton University
Princeton, New Jersey

10:10 A.M. EDT

MR. MCCURRY: Good morning, everybody. It's a pleasure to welcome you to the Chancellor Green Association where many, many, many nights I poured a beer right at that bar, back in the drinking days. What I'd like to do is have Gene Sperling and Bruce Reed, who you know well, tell you a little bit about the President's scholarship program. And then we're delighted to have with us Governor Zell Miller. The President invited Governor Miller to come with us today, given the importance that the Georgia HOPE Scholarship program played as an inspiration to the President's policymakers as we crafted the proposal that the President will announce today. He can tell you a little bit about the Georgia experience. Gene and Bruce can tell you more specifically about the proposal the President will make in his remarks this morning.

Gene, you want to start? We have the dynamic duo, and then the Governor.

MR. SPERLING: This was an idea that we started working on in October-November of '95. As we went into the balanced budget negotiations, we put it off for a while, obviously, to focus on the negotiations. But it's something that the President has wanted to do for a while.

The goal is that as we have now come to have a universal standard that every American should seek K through 12, 12 years of education, we wanted to stress the notion that 14 years of education, two years of college, should be considered the universal norm -- the minimum that people need in order to do well in the new economy. And so what we did was add to the President's \$10,000 education deduction a \$1,500 refundable tax credit for families up to \$100,000.

The \$1,500 refundable tax credit is available to any student in their first year, and then, in order to get it in your second year, the student has to have received a B average in their first year. If they're a part-time student or half-time student, then whatever point the hit one year they would need to show that they have maintained a B average. That would be technically probably a B-minus average; it was scored at 2.75.

So that is the core proposal. It does -- the way that it -- I think that we tried to put the cost of it fairly clear there. The credit ends up being \$25.1 billion, but just to give you a very quick walk-through, just because I know it gets confusing -- our \$10,000 deduction, the number you've seen before, was \$41.2

-more-

billion. That was the seven-year number, from Fiscal Year '96 to 2002.

Obviously, Fiscal Year '96 is practically gone, so now all of the budget issues are being -- by both us and the Republicans -- are being scored from Fiscal Year '97 to 2002.

So our costs over six years would have been \$35 billion for the \$10,000 education deduction. By adding the -- by limiting the income cap from \$120,000 to \$100,000, that saved \$6.5 billion. And then there is another \$10.7 billion that is saved just because the credit is more attractive, so families with kids in their first two years will choose -- most families will choose the credit over the deduction. That still left the total costing \$43 billion over six, or \$42.9 billion over six, or \$7.9 billion more than was in our balanced budget.

And so the savings you see on the foreign source sale income, the radio auction and the international departure fee are the three paid-fors that come to \$7.9 billion. This was absolutely critical to us that anything that we put forward have specific paid-fors so that we stay within the balanced budget context for the year -- by the year 2002.

MR. REED: Before we take any questions, why don't we give Governor Miller a chance to speak, because he needs to go out to the ceremony.

GOVERNOR MILLER: I'll only take a minute, but I'm very pleased to be here as the President announces this very bold and this very far-reaching program. And I'm here to tell you that such a program will work because I have seen it work in a remarkable way in the state of Georgia where we have a HOPE Scholarship plan of our own. I think it's only fair since I borrowed the President's name of his birthplace for my program that now he is being able to take it back.

You know, we live in a time where it is more important for our students to get a college education than ever before. But we also live in a time where it's never been harder for families to pay for that education. Georgia parents, like parents all over this country, wanted their children to be able to go to college, but they could not afford it until we had a HOPE Scholarship.

Now, in Georgia, to give you an idea, Georgia is the 10th largest state in the United States, but our university system is the fourth largest university system in the United States. We have record enrollments in our public colleges and record enrollments in our private colleges. We are being able because of this kind of scholarship to provide a skill and an educated work force. And that's what needed in these days and what will be needed for the 21st century.

I think it's a great program, and I applaud the President. And I applaud Gene and Bruce and all of those who worked on it because it is something, ladies and gentlemen, that will work. It's something that can make a difference in the lives of our citizen all over this country. I've seen it work in Georgia. I've seen more than -- soon we will have 200,000 students who have received the HOPE Scholarship. Many of those could not have gone to college without it.

Q Governor, could you tell us how long the program has been in effect there?

GOVERNOR MILLER: In Georgia it has been in effect since 1993. We have had three full school years.

Q How much, Governor, did it increase college attendance?

GOVERNOR MILLER: It almost doubled it in some places. In some places it tripled it. In south Georgia, only about nine percent of our high school graduates were going on to college. Now, in south Georgia, an area that's as big as a lot of states, nearly 25 percent are going on to the next two years or more of higher education.

Q How did you pay for it?

GOVERNOR MILLER: How did we pay for it? In Georgia we paid for it with a lottery. We put in a lottery and used the lottery proceeds to fund three programs: a pre-kindergarten program for four-year olds, this HOPE Scholarship program that The LA Times has called the most far-reaching in the nation, and then the third thing that we used lottery money for is technology in the classroom.

Q So you didn't have to -- (inaudible.)

GOVERNOR MILLER: No, we did not.

Another thing that it has done, it's enabled us to keep in Georgia our students. Instead of them going off to college somewhere else, they're staying in Georgia.

Q How much is the scholarship?

GOVERNOR MILLER: In Georgia it is the cost of tuition, plus a book allowance, plus the fees.

Q At a Georgia school?

GOVERNOR MILLER: At a Georgia public school, at a Georgia public college. If they decide to go to a private college, then we give them \$3,000 on their --

Q Governor, was this also an election-year proposal in Georgia?

GOVERNOR MILLER: What?

Q Was it an election-year proposal in Georgia?

GOVERNOR MILLER: Yes, it was.

Q -- at national level will you be glad to have the federal government take this over for you?

GOVERNOR MILLER: I am delighted that President Clinton wants to make this national in scope. I couldn't be more pleased.

Q What happens to your program, does it fade out or what?

GOVERNOR MILLER: No, it won't fade out, it will just enabled some Georgia students who cannot now take the benefit of our HOPE Scholarship program because they don't have a B average when they finish high school to be able to go the first year of college and show that they can get a B average the freshman year in college.

Q Could Georgia students get both benefits?

GOVERNOR MILLER: Possibly, yes.

Q You said in some areas nine percent attendance went up to 25 percent.

GOVERNOR MILLER: Went up to about 23.5 percent.

Q I thought you had said --

GOVERNOR MILLER: Well, in north Georgia, which includes the Atlanta area and our more populated area, there was a tremendous increase, I think about a 40 percent increase.

Q What I mean is, what about the 76 percent who still are not going on? I mean, is your goal, is it President Clinton's goal to get everybody to do two more years?

GOVERNOR MILLER: I think that would be the goal because I think all the studies show that the jobs that are going to be created in the future are going to require two years beyond high school in some kind of higher education. I applaud it. It's a very bold and far-reaching move.

Q Why did the materials that you handed out not have the income cap on it? It doesn't have anything about \$100,000 ceiling.

MR. SPERLING: My mistake. I mean, we just were --

Q -- you didn't just decide that for this morning?

MR. SPERLING: Yes. We were explicitly mentioning the \$100,000 lowering on the deduction because we were trying to explain -- make very clear to explain the savings. But this harmonizes the IRA and the deduction and the credit; they all phase out at \$100,000 -- \$50,000 to \$70,000 for an individual filer.

I just wanted to make a couple of things clear. The \$1,500 is applied towards any school you go your first two years, so it -- somebody at Princeton could apply; somebody at a community college. What we wanted to do is the national average for community colleges is \$1,200; at \$1,500, that's \$300 over, you're essentially saying to every state -- what we'd like to do is challenge every state to do what George has done, which is to use this to help them do something as bold as what George has done. But it at least says to every state, if you provide your tuition within \$300 of the national average, you could say to every person in your state that they can go to their first year of community college for free, tuition-wise free, and free for the second year if they maintain a B average in the first year.

So it can be applied towards public -- first-year, four-year public school, but we wanted to set a minimum that you're guaranteed at an average community college of having that tuition. And part of the reason it's important for families, as one of the charts we have in there show that the cost of college for a family has gone from nine percent in 1979 to 14 percent, '94. So it's becoming an increasing burden on families.

Our goal is the hope that states would supplement it and would use this extra help. In terms of the question to Governor Miller, the limit is on what you get from the federal government. We'd like states to supplement it and make their programs more ambitious.

Q Do all of these three payment methods -- the Spectrum sales, the sale source benefits and the -- those all require legislation, right?

MR. SPERLING: Oh, yes. These are new proposals that are not in our current balanced budget proposal. So we're not double dipping or double counting.

Q What is the auction -- who pays that money?

MR. SPERLING: I'm going to have to a little later get back -- I have OMB right now getting us more details on that. I apologize, I am not a particular expert on the details of auction, Spectrum auctions.

Q Is there a tax on cell phones or anything like that?

MR. SPERLING: We've got a lot here. Why don't I get some paper from OMB for you.

Q On the new tax for departure -- on the new departure tax, why should travelers have to pay new tax to support community college education?

MR. SPERLING: If you're serious about a balanced budget, if you're serious about keeping kind of fiscal integrity, you have to make priority choices. You have to -- there is no gain without a little pain somewhere.

Now, this is a kind of classic user fee. Right now people are able to use our public airports. These are people who are traveling abroad. They tend -- as Bruce is saying, it's below the international average. It tends to be higher income. So I think when you're making these types of choices, you want to be serious. You never like to do any of these things. You do them so that you can do more important things like promote education and still be in balance.

Q That these can conventionally -- that these airport departure fees have been used to pay for airports and runway upkeep and maintenance and unrelated measures?

MR. REED: It's general revenue.

MR. SPERLING: Money is fungible. You can --

Q The question was whether in the history of the United States airline departure fees, they're generally used for a related purpose. And it's an answerable question.

MR. SPERLING: That is true, but when you are -- but, Todd, when you are talking about balancing the budget, the funds that come in -- it is not -- you appropriate money from appropriations. So I am saying that the money is fungible. I will get you the -- I will try to get exact background on whether there has ever been, but I do want to say, money is fungible and --

Q -- restoration of the sales tax -- I mean, the departure tax that has now expired?

MR. SPERLING: It's a restoration, but -- no -- but this then increases for international from six to 16.

Q The three measures that you have listed only deal with the extra, what, \$7-point-something billion necessary to cover this. Were there other measures for the remaining \$35-plus for any --

MR. SPERLING: Yes, let me just try -- I was trying to explain it before. The \$35 billion was part of the balanced budget plan that was scored by CBO. So when we added this program -- one of the reasons why we were held up last night was it's the -- the complicated thing was Treasury figuring out what the interactions were going to be.

So the big question was, how much was this going to lower the deduction. Because for the average family making \$50,000 and sending their kid to school at \$3,000 average tuition, the \$1,500

tax credit is by three or four times more generous than the tax deduction. So as all those families choose the tax credit, they aren't using the tax deduction. So the cost of our tax deduction went down by \$10.7 billion. Then we lowered the income cap from \$120,000 to \$100,000. That was \$6.6 billion -- or \$6.5 billion. So when you add those together, you get about \$17.2 billion. Then you add -- that leaves you \$7.9 billion under budget. So we had to come up with that to stay in balance.

Q Are there other identifiable -- easily identifiable offsets for the original tax deduction?

MR. SPERLING: No. I mean, it's just part of the overall balance. It was just a part of the overall balanced budget plan that CBO scored.

Q There's a report in the Wall Street Journal today that as of last night there was still a bitter fight in the White House over this proposal and that there was --

MR. SPERLING: We are so good -- we put this whole thing together at 2:00 a.m. No, we -- this was a proposal we were doing, everybody had agreed on. There was some uncertainty because we wanted to be very committed to making sure we had enough to pay for. You know, there was some -- as we were running the numbers, we had to figure out exactly which paid-for that we wanted to use. But everybody was very, very committed to the idea that we would pay for anything --

MR. REED: Gene was going to be up late anyway. (Laughter.)

Q Gene, is the tax credit limited to the amount of the tuition? Suppose you live in California, you only get \$363, is that right?

MR. SPERLING: It's limited to the amount of the tuition. But that's for community college. For the people at UCLA, at Southern Cal, all of them would get the full \$1,500. It's what -- it covers up to the amount of tuition for that year, but not more than tuition.

Q How come you define drug-free in here as freedom from felony drug convictions?

MR. REED: That's the standard that's applied for other federal financial aid. It's also the standard in the Georgia program and the Arkansas program.

Q Do you have any evidence that tuition costs are an impediment to people going to community college?

MR. SPERLING: Well, I mean, there's no question that anything that has a price that's higher is going to be -- there's going to be some price sensitivity to that. I think that you see this in several ways. One, we want to lower the burden on families for doing the right thing, sending their kids to school. As we said, it's now 14 percent of their income. Secondly, I think the cost of tuition, what it does for a lot of people is it makes it difficult to engage in a full-time study or a half-time study. So I think there is a lot of evidence to say that as the costs are high, people have to work more, and it's harder for them to focus on their study.

When we did the \$10,000 deduction, we found that there was some number of several hundred thousand more who would come. But it's always difficult because, unlike people buying a car, this is something they buy a little bit at a time. But there's certainly reason to believe -- but what there is a lot of evidence on is that

a lot of times people don't even understand the current financial aid structure. And what Gary Orr feels -- he's at Harvard now, he used to be at University of Chicago -- said was that people's misperceptions about the burdens of college was as much a -- their misperceptions about how much it was going to cost them or financial aid was a big obstacle.

So one of the important things about having the President of the United States go out and say this is not only the tax credit, but when you give the message that there's guaranteed access and you communicate that message, that itself, based on a lot of the literature, would do a lot of good in getting people to go to college.

Q Why wouldn't this cause a lot of states to raise their tuition -- I mean, their average tuition of a community college to \$1,500 since you're going to -- that's the cap?

MR. SPERLING: There's a theory -- since one for a public school -- the public schools are usually over \$1,500. A lot of the community colleges are right around that amount. A lot of the community colleges have a large number of part-time students, so they have a whole group of consumers who would not necessarily be getting this credit who would be watching the cost.

Also, our hope is that as we publicize the state-by-state charts and people see that the average cost is \$1,200 that there might be a certain public pressure the other way on citizens ask why a community college in their state is so much above the national norm. For 33 states the students there would have the tuition free, essentially free. And I think our hope is that the citizens of the other states will ask why they're not closer to the national average as well.

Q Was there any thought given or look at the effect that this corporate tax increase or the removal of this exemption on corporations would have on exports? Because as I read the fact sheet, it looks like this tax break was given to companies to encourage exports. And now you're taking it away from them.

MR. SPERLING: Well, it was both Larry Summers and Les Samuels' strong feeling that this was much more in the area of an inappropriate loophole or a shelter. There is still -- it does not get rid of the whole benefit, it lowers it to half. And their feeling was that there was inappropriate use of the foreign tax credits to not pay U.S. income. So this was something that, as I said, both Larry Summers and Les Samuels thought was very good policy. Both of them are enormously sensitive to the issues of tax incentives for exports.

Q Could you explain that procedure, how that works --

Q In addition to the whole program together, all of these tax initiatives equal about \$107.6 billion, is that right? If you take everything that is in his balanced budget proposal plus what he's offering here?

MR. SPERLING: My memory is that because we'd added a few things in the last proposal, such as the expensing, that the gross number was \$117 billion. This would be adding about \$8 billion to that. So I'd say the overall gross total over seven years would be \$125 billion now.

The Middle Class Bill of Rights, however, the three core ones were \$107 billion under our scoring and a little less under CBO. That was under seven years -- and I'm sorry, we're all going through the same thing you are, trying to change all the numbers to six years. It's not easy.

-more-

Q Gene, at what point would it become more advantageous for a family -- at what income level, to take the deduction instead of the credit?

MR. SPERLING: The circumstances -- it's not as clear of an issue because the thing -- this is an interesting point. The \$10,000 deduction, that's the family limit for the deduction. But the credit if you have three children who are all in their first year or doing -- you can get at the same time. So a family, even an upper-income family -- let me just give you an example. If you have a child that was at \$10,000 and you were in the 28 percent bracket, you might say this doesn't matter to me. But if you had one child who was at Princeton and borrowing all \$10,000, and your next child starts their first year, you can't deduct that. You've already maxed out at that \$10,000. But if your child would get \$1,500, if they've got a B average, they'd get the \$1,500. So even for the families in the \$70,000, \$80,000 range that have two children, it could benefit.

But the general question is, if you had just one child, it would be a family that was making between -- depending on their deductions -- but \$60,000 and \$90,000 that had around \$6,000 of tuition might generally prefer the deduction. So pretty much somebody sending their kid to private school probably, near the upper cap, would prefer the deduction.

Q Could you double-check on initial participation, the only requirement is being accepted at an accredited college?

MR. SPERLING: We had a lot of discussion about this and I'll tell you why the President decided this. The President felt that if you were saying that for the country as a whole it is good for economic growth for everybody to go 13th and 14th year, that you don't -- that while you can understand in Georgia where you are offering such a generous benefit, four years tuition, why they have to have some limitations, but what he wanted to say is part -- when you go from -- when the country went from 10th grade to 12th grade they were saying to everybody, no matter what kind of a student you are, no matter who you are, you should go to 12th grade. So the President wanted to say to everybody, you should try a year of college.

But because he wanted to have the responsibility message in there, he wanted to be, while we give everybody a chance, everybody gets a chance, he felt that the second year you would have to earn. Now, somebody who doesn't earn it still gets the tax deduction, they're still eligible for Pell Grants. But for this specific credit it was an incentive to get everybody to go that first year, but also an incentive to perform.

That really goes, I think, to the heart of the speech a lot. The President is laying out his alternative, his growth strategy. He is saying this is what his strategy for growing the economy is, this is what he would like to do in the future. And he is saying that going to 13th and 14th grade, making that a minimum, is not just good for a personal family's fortunes, it is good for the economic growth of the country, and that the combination of maintaining a deficit reduction and a balanced budget path and a serious effort to get more people having the higher skills -- because when the country as a whole has more collective skills, that means that companies that have higher value-added production are more likely to locate here because they can find the workers they need. So it's not only good for families, it's good for growth for the whole country.

Q You may have already answered this, but after the Middle Class Bill of Rights, what happened to actual legislation of the

\$10,000 tax deduction?

MR. SPERLING: We sent that up, it has been included in our balanced budget that was voted on. It also was included in the -- when Daschle had their own version it was also included.

Q At the time of the Middle Class Bill of Rights were there actual legislation sent to the Hill?

MR. SPERLING: The President first proposed, as you remember, on December 15, 1994, in an Oval Office address. Shortly after that, my recollection was that Senator Daschle and Congressman Gephardt did put up legislation on it, and then they repeated that legislation in their balanced budget proposals, as well as ours that was voted on in the Senate.

That, by the way, I believe -- when they proposed it I believe it did have the \$100,000 cap. So while we're changing ours from \$120,000 to \$100,000, we're being consistent with how the congressional Democrats had proposed our --

Q Is there any evidence that one or two years of additional college raises incomes?

MR. SPERLING: I think that's a very important part of this speech. There's a chart from the Census Bureau in your packet, on page 13 and 14, which spells out exactly how much of a difference this makes. And just so you know, the Census Bureau estimated that for a high school graduate, average lifetime incomes are about \$800,000. For someone who goes on and gets some college, it's upwards of \$1 million. For a college graduate it's even more than that.

So we think this is very important to raising incomes over the long-term.

I just wanted to say, in addition to the Census, right behind that are the citations from the academic studies that show five to 15 percent per year, even for community college in the increase in earnings for higher education.

Q -- talk about community college, this credit is eligible for any tuition? It could be private or anything?

MR. SPERLING: Yes. Absolutely, it is for everybody. It was priced, though, to ensure a minimum.

Q You talk about wanting to lower the burden on families that are doing the right thing. Why not provide this type of tax cut to families who send their kids to K through 12 who are trying to prepare to go on? And the second thing, why shouldn't the Republicans view this as just an election-year gimmick?

MR. SPERLING: Well, the President has been devoted to education his whole life. And the other thing that you can see is that he had a program very similar to this in Arkansas that is described. So I think his bona fides and credentials on dedication to this are really without question. And the fact is we would have proposed this probably in the fall of '95 had we not gotten into the balanced budget negotiations.

What was your first question?

Q -- try to help middle income families put their kids through school, why not help parents who have kids K through 12?

MR. SPERLING: It's pretty rare that you hear a tax cut proposal that doesn't sound nice. All these things would be good.

It's just like why not buy --

MR. REED: That's not the question he's asking.

Q Why grades 13 and 14 and not K through 12?

MR. SPERLING: Why do we not provide a federal tax incentive for K through 12? The President feels that from the federal level, using the tax code to encourage higher education, that is where the evidence -- that is where the dramatic evidence is that there is higher earnings for the country, higher earnings for families. And when you're -- we inherited a bad situation and we have to be very targeted and very limited in the tax incentives that we give because we have to pay for everyone. And I'll tell you, it was not easy coming up even with the extra \$8 billion when things are as tight as they are now.

So it's just a matter of prioritization. The President is making higher education a key priority in his economic growth agenda.

Q Why shouldn't we believe that all of this is simply the result of all the talk among Dole's advisors that he's going to come forward with another tax cut and that Clinton is simply trying to preempt Dole?

MR. MCCURRY: Because the White House has absolutely no idea what proposals, if any, Senator Dole will make. We remain committed to expanding college opportunities. We've been working on this for some time, as you just heard from your briefers. And the President believes this is a good idea.

The last question.

Q I just wanted to clarify the definition of refundable tax credit. That is a deduction from taxes owed, right, so that if you owe less than \$1,500, you get back the remainder?

MR. SPERLING: I mean, that's right. I mean, just generally, a deduction -- you get to deduct \$2,000 from the amount of income that is subject. So if you were going to have \$30,000 taxed at 15 percent and you had a \$2,000 deduction, you'd have \$28,000. So you'd save \$300. But when you have a \$1,500 credit, you actually take \$1,500 -- you figure your tax bill and then you just minus \$1,500. If you only owed \$1,000 in taxes and you had a \$1,500 refundable credit, just like you get a refund or -- I just got a refund from the IRS -- you would get a \$500 refund on that credit.

MR. MCCURRY: Okay, I need to let these guys go. Do you have any other subjects?

Q Even though we don't know exactly what Dole's going to propose, assuming that perhaps he proposes an across-the-board rate cut, why is this targeted approach, in your minds, superior to that? Are there other investments people could make, particularly if they had money back in their pockets?

MR. SPERLING: I think it goes back to prioritization. Anything we do has to be paid for, it has to be paid for. We already have \$175 billion in Medicare and Medicaid saving. We have serious welfare savings. We have a very serious discretionary savings. We have pushed very hard. Anything we do comes with some pain in terms of spending cuts or raising revenues. So if you're committed to balancing the budget, you've got to make those tough choices. And so, for us, this is the choice that the President made. Higher education is key to economic growth, and that's worth the priority. And that's where he's coming down.

MR. MCCURRY: The other obvious point is that an across-the-board tax cut would cost hundreds of billions of dollars. The only way to pay for that -- because the President believes you have to pay for these proposals as you go -- would be huge cuts in Medicare and other social insurance programs that are necessary for the American people.

If Senator Dole is coming forward now in favor of across-the-board tax cut that could cost hundreds of billions of dollars, he will most likely also have to propose devastating cuts in Medicare and other programs, or diviserating our national defense, because we would assume that he would be consistent with his solid record of supporting pay-as-you-go tax cuts.

Q Can you explain these high-paying programs?

MR. MCCURRY: If we can get some additional information on that.

Is there any other subjects that we need to cover this morning?

Q Can you say a few words about the Japanese destroyer?

MR. MCCURRY: The President overnight got a written report on the incident involving the shootdown of the A-6. He was gratified to hear that the pilots were safely returned to the Intrepid and he accepts the gracious expression of regret by the Japanese government.

Q Wasn't it the Independence?

MR. MCCURRY: Oh, I'm sorry -- the Independence. The Intrepid was involved in the last encounter with the Japanese. (Laughter.)

Q The President accepts what, the gracious --

MR. MCCURRY: The gracious expression of regret extended by the Japanese government.

Any other subjects? Okay. We'll be around after the speech.

THE PRESS: Thank you.

END

10:45 A.M. EDT

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

- **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.

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.

\$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.

ISSUES TO BE DECIDED

1. 15% vs. 28% for families in the 28% tax bracket?

- Cost
- Making the credit more attractive than the deduction.

15%

2. Sign off on income limitations

Current \$100,000 phase-out at \$120,000
Change \$80,000 phase out at \$100,000

payson

3. B or B Minus Average:

- 3.0 44% -- 1.5 million of 5.2 million
 - 2.75 58% -- 2.6 million of 5.2 million
- State discretion on encouraging honor courses

B -
State discretion

could be
written
2002
with the
3 things

4. Second Chance

- 2nd Year eligibility if B average in first year
- High standards exam

yes

5. College B Average

- Does a student drop off if they get a C average in first year?

over 25 - grade based does not apply
non degree issue - same as Pell Title IV

6. Trade Schools -- Eligibility

7. Advanced Payment

- include and pay for
- not include and make it an issue for discussion

instant refund Thayer's
University

8. Costs:

- just pay for with \$10,000 restrictions
- specific add-ons

9. How Much Play Up "free" and Costless?

10. Name of Program

Concerns about speech / policies

- ① Additional step -- not new program
- ② 13th + 14th year standard -- but only for B students?
- ③ Why we did not do credit in the first place --
deduction was the wrong way to go

**QUESTIONS AND ANSWERS
AMERICA'S HOPE SCHOLARSHIPS**

For Internal Use

1. Why are you making a new proposal now? What was wrong with your original one?

The President has worked throughout his career and his administration to expand access to college. He put in place two new programs to make it easier to go to college (National Service and Direct Lending), increased Pell Grants, and proposed a \$10,000 deduction, honors scholarships for the top 5% of every high school class, and expanding work study to 1 million students over the next five years. Today, he is taking another important step that will help make two years of college as universal as four years of high school. The President is so determined to expand college opportunity that he is putting forward \$8 billion in new budget savings to pay for this new proposal.

2. Aren't you just trying to pre-empt Senator Dole?

We have no idea what Senator Dole plans to propose, if anything. The President is only interested in setting forth his vision for the country -- and giving more Americans the chance to go to college is central to that vision. He also believes that any tax cut must be targeted and paid for. We can't go back to the days of something for nothing.

3. Isn't this just an election-year gimmick?

The President is giving a series of commencement addresses on the challenges we face as we move into the next century: restoring the social fabric; keeping America the strongest force for freedom and democracy; promoting economic growth; strengthening the family. He came to Princeton today to give a serious, thoughtful speech that laid out his vision of how to promote economic growth and raise incomes.

4. How are you going to pay for this?

The Hope Scholarship Tax Credit costs \$25.1 billion over six years; the \$10,000 deduction now costs \$17.8 billion -- for a total of \$42.9 billion, an increase of \$7.9 billion over the proposal in the President's balanced budget plan. To offset those new costs, the Administration is proposing new budget savings: Auctioning radio spectrum (\$2.1b); increasing international departure tax (\$2.3b); reduction of sales source rule benefits (\$3.5b). The cost of the deduction is reduced largely because more people make use of the credit, and also by lowering the income limits to conform to the income limits on the Administration's expanded IRA proposal (i.e. from \$120,000 to \$100,000).

5. Doesn't this trigger off in 2001?

The President is committed to a permanent proposal to offer the America's Hope Scholarship tax cut. This new proposal is completely paid for with new offsets. Under OMB scoring, this new tax credit would be extended indefinitely. If Congressional Budget Office economic assumptions come into effect and there are less revenues to offset the tax cut, the Administration will put forward additional spending cuts for FY2001 and FY2002 to ensure both that the tax credit continues and that the budget stays in balance.

6. Can you take both the credit and the deduction at the same time?

The credit is \$1,500 per student. The deduction is \$10,000 per family. A family could use the deduction for one or more children and the credit for others. No single individual or family member, however, could use both the credit and the deduction for the same student.

7. Isn't it strange that under your proposal a family in the 28% bracket with \$10,000 in tuition would get over \$2000 in tax cuts even without attaining a B average?

The vast majority of families will choose the Hope Scholarship tax credit and find it far to their financial advantage. (The credit is estimated to cost \$25.1 billion; the deduction \$17.8 billion.) For example, for a family that makes \$45,000 and has tuition of \$2000, the credit would be worth \$1200 a year more than the deduction.

All families in the 28% bracket with tuition under \$5300 will find the credit to their advantage. And families with two or more children who are near the maximum will often find it to their advantage -- because they can take the credit for one child and the deduction for another.

8. Why did you not apply the B average to the deduction?

The President's \$10,000 deduction was designed to make a major statement for all education: investment in human capital should be given a tax deduction just as investment in physical capital is. The \$10,000 deduction is for families and it is for any type of education that contributes to one's career advancement -- college, graduate school, career training. The Hope Credit is a special tax credit designed to specifically encourage all Americans to see that two years of college must be a national norm, and it is designed to say to every state: if you offer tuition within \$300 of the national norm, you can now provide free community college tuition for all of your residents.

9. Will this plan lead to grade inflation?

So far, in Georgia, there is little if any evidence of that. In fact, many students have dropped off after the first years.

10. This plan is supposed to be based on the Georgia plan, yet unlike Georgia, it does not require a B average in High School.

Isn't this a different model?

The core of Georgia's plan is to expand access to college and challenge students to make the most of it. Like our plan, it requires students to maintain a B average in college in order to remain eligible.

Because they have made the bold decision to provide free tuition for four years of public college, they ask for a B average before making a student eligible for these extensive benefits.

The President's plan, gives everyone a chance for a start, and then like Georgia, requires a B average to maintain benefits. With this new federal partnership, the President's plan will make it more possible for more and more states to follow Georgia's move and provide four years of college tuition for those who perform at a B average.

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.

**QUESTIONS AND ANSWERS
AMERICA'S HOPE SCHOLARSHIPS**

For Internal Use

1. Why are you making a new proposal now? What was wrong with your original one?

The President has worked throughout his career and his administration to expand access to college. He put in place two new programs to make it easier to go to college (National Service and Direct Lending), increased Pell Grants, and proposed a \$10,000 deduction, honors scholarships for the top 5% of every high school class, and expanding work study to 1 million students over the next five years. Today, he is taking another important step that will help make two years of college as universal as four years of high school. The President is so determined to expand college opportunity that he is putting forward \$8 billion in new budget savings to pay for this new proposal.

2. Aren't you just trying to pre-empt Senator Dole?

We have no idea what Senator Dole plans to propose, if anything. The President is only interested in setting forth his vision for the country -- and giving more Americans the chance to go to college is central to that vision. He also believes that any tax cut must be targeted and paid for. We can't go back to the days of something for nothing.

3. Isn't this just an election-year gimmick?

The President is giving a series of commencement addresses on the challenges we face as we move into the next century: restoring the social fabric; keeping America the strongest force for freedom and democracy; promoting economic growth; strengthening the family. He came to Princeton today to give a serious, thoughtful speech that laid out his vision of how to promote economic growth and raise incomes.

4. How are you going to pay for this?

The Hope Scholarship Tax Credit costs \$25.1 billion over six years; the \$10,000 deduction now costs \$17.8 billion -- for a total of \$42.9 billion, an increase of \$7.9 billion over the proposal in the President's balanced budget plan. To offset those new costs, the Administration is proposing new budget savings: Auctioning radio spectrum (\$2.1b); increasing international departure tax (\$2.3b); reduction of sales source rule benefits (\$3.5b). The cost of the deduction is reduced largely because more people make use of the credit, and also by lowering the income limits to conform to the income limits on the Administration's expanded IRA proposal (i.e. from \$120,000 to \$100,000).

5. Doesn't this trigger off in 2001?

The President is committed to a permanent proposal to offer the America's Hope Scholarship tax cut. This new proposal is completely paid for with new offsets. Under OMB scoring, this new tax credit would be extended indefinitely. If Congressional Budget Office economic assumptions come into effect and there are less revenues to offset the tax cut, the Administration will put forward additional spending cuts for FY2001 and FY2002 to ensure both that the tax credit continues and that the budget stays in balance.

6. Can you take both the credit and the deduction at the same time?

The credit is \$1,500 per student. The deduction is \$10,000 per family. A family could use the deduction for one or more children and the credit for others. No single individual or family member, however, could use both the credit and the deduction for the same student.

7. Isn't it strange that under your proposal a family in the 28% bracket with \$10,000 in tuition would get over \$2000 in tax cuts even without attaining a B average?

The vast majority of families will choose the Hope Scholarship tax credit and find it far to their financial advantage. (The credit is estimated to cost \$25.1 billion; the deduction \$17.8 billion.) For example, for a family that makes \$45,000 and has tuition of \$2000, the credit would be worth \$1200 a year more than the deduction.

All families in the 28% bracket with tuition under \$5300 will find the credit to their advantage. And families with two or more children who are near the maximum will often find it to their advantage -- because they can take the credit for one child and the deduction for another.

8. Why did you not apply the B average to the deduction?

The President's \$10,000 deduction was designed to make a major statement for all education: investment in human capital should be given a tax deduction just as investment in physical capital is. The \$10,000 deduction is for families and it is for any type of education that contributes to one's career advancement -- college, graduate school, career training. The Hope Credit is a special tax credit designed to specifically encourage all Americans to see that two years of college must be a national norm, and it is designed to say to every state: if you offer tuition within \$300 of the national norm, you can now provide free community college tuition for all of your residents.

9. Will this plan lead to grade inflation?

So far, in Georgia, there is little if any evidence of that. In fact, many students have dropped off after the first years.

10. This plan is supposed to be based on the Georgia plan, yet unlike Georgia, it does not require a B average in High School. Isn't this a different model?

The core of Georgia's plan is to expand access to college and challenge students to make the most of it. Like our plan, it requires students to maintain a B average in college in order to remain eligible.

Because they have made the bold decision to provide free tuition for four years of public college, they ask for a B average before making a student eligible for these extensive benefits.

The President's plan, gives everyone a chance for a start, and then like Georgia, requires a B average to maintain benefits. With this new federal partnership, the President's plan will make it more possible for more and more states to follow Georgia's move and provide four years of college tuition for those who perform at a B average.

QUESTIONS AND ANSWERS AMERICA'S HOPE SCHOLARSHIPS

For Internal Use

1. Why are you making a new proposal now? What was wrong with your original one?

The President has worked throughout his career and his administration to expand access to college. He put in place two new programs to make it easier to go to college (National Service and Direct Lending), increased Pell Grants, and proposed a \$10,000 deduction, honors scholarships for the top 5% of every high school class, and expanding work study to 1 million students over the next five years. Today, he is taking another important step that will help make two years of college as universal as four years of high school. The President is so determined to expand college opportunity that he is putting forward \$8 billion in new budget savings to pay for this new proposal.

2. Aren't you just trying to pre-empt Senator Dole?

We have no idea what Senator Dole plans to propose, if anything. The President is only interested in setting forth his vision for the country -- and giving more Americans the chance to go to college is central to that vision. He also believes that any tax cut must be targeted and paid for. We can't go back to the days of something for nothing.

3. Isn't this just an election-year gimmick?

The President is giving a series of commencement addresses on the challenges we face as we move into the next century: restoring the social fabric; keeping America the strongest force for freedom and democracy; promoting economic growth; strengthening the family. He came to Princeton today to give a serious, thoughtful speech that laid out his vision of how to promote economic growth and raise incomes.

4. How are you going to pay for this?

The Hope Scholarship Tax Credit costs \$25.1 billion over six years; the \$10,000 deduction now costs \$17.8 billion -- for a total of \$42.9 billion, an increase of \$7.9 billion over the proposal in the President's balanced budget plan. To offset those new costs, the Administration is proposing new budget savings: Auctioning radio spectrum (\$2.1b); increasing international departure tax (\$2.3b); reduction of sales source rule benefits (\$3.5b). The cost of the deduction is reduced largely because more people make use of the credit, and also by lowering the income limits to conform to the income limits on the Administration's expanded IRA proposal (i.e. from \$120,000 to \$100,000).

5. Doesn't this trigger off in 2001?

The President is committed to a permanent proposal to offer the America's Hope Scholarship tax cut. This new proposal is completely paid for with new offsets. Under OMB scoring, this new tax credit would be extended indefinitely. If Congressional Budget Office economic assumptions come into effect and there are less revenues to offset the tax cut, the Administration will put forward additional spending cuts for FY2001 and FY2002 to ensure both that the tax credit continues and that the budget stays in balance.

6. Can you take both the credit and the deduction at the same time?

The credit is \$1,500 per student. The deduction is \$10,000 per family. A family could use the deduction for one or more children and the credit for others. No single individual or family member, however, could use both the credit and the deduction for the same student.

7. Isn't it strange that under your proposal a family in the 28% bracket with \$10,000 in tuition would get over \$2000 in tax cuts even without attaining a B average?

The vast majority of families will choose the Hope Scholarship tax credit and find it far to their financial advantage. (The credit is estimated to cost \$25.1 billion; the deduction \$17.8 billion.) For example, for a family that makes \$45,000 and has tuition of \$2000, the credit would be worth \$1200 a year more than the deduction.

All families in the 28% bracket with tuition under \$5300 will find the credit to their advantage. And families with two or more children who are near the maximum will often find it to their advantage -- because they can take the credit for one child and the deduction for another.

8. Why did you not apply the B average to the deduction?

The President's \$10,000 deduction was designed to make a major statement for all education: investment in human capital should be given a tax deduction just as investment in physical capital is. The \$10,000 deduction is for families and it is for any type of education that contributes to one's career advancement -- college, graduate school, career training. The Hope Credit is a special tax credit designed to specifically encourage all Americans to see that two years of college must be a national norm, and it is designed to say to every state: if you offer tuition within \$300 of the national norm, you can now provide free community college tuition for all of your residents.

9. Will this plan lead to grade inflation?

So far, in Georgia, there is little if any evidence of that. In fact, many students have dropped off after the first years.

10. This plan is supposed to be based on the Georgia plan, yet unlike Georgia, it does not require a B average in High School.

Isn't this a different model?

The core of Georgia's plan is to expand access to college and challenge students to make the most of it. Like our plan, it requires students to maintain a B average in college in order to remain eligible.

Because they have made the bold decision to provide free tuition for four years of public college, they ask for a B average before making a student eligible for these extensive benefits.

The President's plan, gives everyone a chance for a start, and then like Georgia, requires a B average to maintain benefits. With this new federal partnership, the President's plan will make it more possible for more and more states to follow Georgia's move and provide four years of college tuition for those who perform at a B average.

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.

HOPE Scholarship Students 1993-1996

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.