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RURAL EDUCATION ASSISTANCE

SEC. ____ RURAL EDUCATION.

Part J of title X of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8271 et seq.) is amended to read as follows:

PART J—RURAL EDUCATION INITIATIVE

SEC. 10951. SHORT TITLE.

This part may be cited as the 'Rural Education Initiative Act'.

SEC. 10952. FINDINGS.

Congress finds the following:

- (1) The National Center for Educational Statistics reports that 46 percent of our Nation's public schools serve rural areas.
- (2) While there are rural education initiatives identified at the State and local level, no Federal education policy focuses on the specific and unique needs of rural school districts and schools.
- (3) Small school districts often cannot use Federal grant funds distributed by formula because the formula allocation does not provide enough revenue to carry out the program the grant is intended to fund.
- (4) Rural schools often cannot compete for Federal funding distributed by competitive grants because the schools lack the personnel needed to prepare grant applications and the resources to hire specialists in the writing of Federal grant proposals.
- (5) A critical problem for rural school districts involves the hiring and retention of qualified administrators and certified teachers (especially in reading, science, and mathematics). As a result, teachers in rural schools are almost twice as likely to provide instruction in three or more subject areas than teachers in urban schools. Rural schools also face other tough challenges, such as shrinking local tax bases, high transportation costs, aging buildings, limited course offerings, and limited resources.

SEC. 10961. FORMULA GRANT PROGRAM AUTHORIZED.

(a) ALTERNATIVE USES —

- (1) IN GENERAL — Notwithstanding any other provision of law, an eligible local educational agency may use the applicable funding, that the agency is eligible to receive from the State educational agency for a fiscal year, to support local or statewide

education reform efforts intended to improve the academic achievement of elementary school and secondary school students and the quality of instruction provided for the students.

(2) NOTIFICATION – An eligible local educational agency shall notify the State educational agency of the local educational agency's intention to use the applicable funding in accordance with paragraph (1) not later than a date that is established by the State educational agency for the notification.

(b) ELIGIBILITY –

(1) IN GENERAL – A local educational agency shall be eligible to use the applicable funding in accordance with subsection (a) if –

(A)(i) the total number of students in average daily attendance at all of the schools served by the local educational agency is less than 600; and

(ii) all of the schools served by the local educational agency are located in a community with a Rural-Urban Continuum Code of 6, 7, 8, or 9, as determined by the Secretary of Agriculture; or

(B) the agency meets the criteria established in subparagraph (A)(i) and the Secretary, in accordance with paragraph (2), grants the local educational agency's request to waive the criteria described in subparagraph (A)(ii).

(2) CERTIFICATION – The Secretary shall determine whether or not to waive the criteria described in paragraph (1)(A)(ii) based on certification provided by the local educational agency, or the State educational agency on behalf of the local educational agency, that the local educational agency is located in an area defined as rural by a governmental agency of the State.

(c) APPLICABLE FUNDING – In this section, the term 'applicable funding' means funds provided under each of titles II, IV, VI, parts A and C of title VII, and part I of title X.

(d) DISBURSAL – Each State educational agency that receives applicable funding for a fiscal year shall disburse the applicable funding to local educational agencies for alternative uses under this section for the fiscal year at the same time that the State educational agency disburses the applicable funding to local educational agencies that do not intend to use the applicable funding for such alternative uses for the fiscal year.

(e) SUPPLEMENT NOT SUPPLANT – Funds used under this section shall be used to supplement and not supplant any other Federal, State, or local education funds that would otherwise be available for the purpose of this part.

(f) SPECIAL RULE – References in Federal law to funds for the provisions of law set forth in subsection (c) may be considered to be references to funds for this section.

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SEC. 10962. PROGRAM AUTHORIZED.

(a) **IN GENERAL** – The Secretary is authorized to award grants to eligible local educational agencies to enable the local educational agencies to support local or statewide education reform efforts intended to improve the academic achievement of elementary school and secondary school students and the quality of instruction provided for the students.

(b) ELIGIBILITY –

(1) **IN GENERAL** – A local educational agency shall be eligible to receive a grant under this section if –

(A)(i) the total number of students in average daily attendance at all of the schools served by the local educational agency is less than 600; and

(ii) all of the schools served by the local educational agency are located in a community with a Rural – Urban Continuum Code of 6, 7, 8, or 9, as determined by the Secretary of Agriculture; or

(B) the agency meets the criteria established in subparagraph (A)(i) and the Secretary, in accordance with paragraph (2), grants the local educational agency's request to waive the criteria described in subparagraph (A)(ii).

(2) **CERTIFICATION** – The Secretary shall determine whether or not to waive the criteria described in paragraph (1)(A)(ii) based on certification provided by the local educational agency, or the State educational agency on behalf of the local educational agency, that the local educational agency is located in an area defined as rural by a governmental agency of this State.

(c) ALLOCATION –

(1) **IN GENERAL** – Except as provided in paragraph (3), the Secretary shall award a grant to an eligible local educational agency for a fiscal year in an amount equal to the initial amount determined under paragraph (2) for the fiscal year minus the total amount received under the provisions of law described under section 10961(c) for the preceding fiscal year.

(2) **DETERMINATION OF THE INITIAL AMOUNT** – The initial amount referred to in paragraph (1) is equal to \$100 multiplied by the total number of students, over 50 students, in average daily attendance in such eligible agency plus \$20,000, except that the initial amount may not exceed \$60,000.

(3) **RATABLE ADJUSTMENT** –

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(A) **IN GENERAL** - If the amount made available for this part for any fiscal year is not sufficient to pay in full the amounts that local educational agencies are eligible to receive under paragraph (1) for such year, the Secretary shall ratably reduce such amounts for such year.

(B) **ADDITIONAL AMOUNTS** - If additional funds become available for making payments under paragraph (1) for such fiscal year, payments that were reduced under subparagraph (A) shall be increased on the same basis as such payments were reduced.

(4) CENSUS DETERMINATION -

(A) **IN GENERAL** - Each local educational agency desiring a grant under this section shall conduct a census not later than December 1 of each year to determine the number of kindergarten through grade 12 students in average daily attendance at the schools served by the local educational agency.

(B) **SUBMISSION** - Each local educational agency shall submit the number described in subparagraph (A) to the Secretary not later than March 1 of each year.

(d) **DISBURSAL** - The Secretary shall disburse the funds awarded to a local educational agency under this section for a fiscal year not later than July 1 of that year.

(e) **SUPPLEMENT NOT SUPPLANT** - Funds made available under this section shall be used to supplement and not supplant any other Federal, State or local education funds.

SEC. 10963. ACCOUNTABILITY.

(a) ACADEMIC ACHIEVEMENT -

(1) **IN GENERAL** - Each local educational agency that uses or receives funds under section 10961 or 10962 for a fiscal year shall administer an assessment consistent with section 1111 of title I.

(2) **SPECIAL RULE** - Each local educational agency that uses or receives funds under section 10961 or 10962 shall use the same assessment described in paragraph (1) for each year of participation in the program under such section.

(b) **STATE EDUCATIONAL AGENCY DETERMINATION REGARDING CONTINUING PARTICIPATION** - Each State educational agency that receives funding under the provisions of law described in section 10961(c) shall -

(1) after the second year that a local educational agency participates in a program under section 10961 or 10962 and on the basis of the results of the assessments described in subsection (a), determine whether the students served by the local educational agency participating in the program performed in accordance with section 1111 of title I; and

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(2) only permit those local educational agencies that so participated and met the requirements of section 1111(b)(2) of title I to continue to so participate.

SEC. 10981. DEFINITION.

For the purposes of this part, the term 'State' means each of the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico.

SEC. 10982. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to carry out this part \$62,500,000 for fiscal year 2001 and such sums as may be necessary for each of four succeeding fiscal years.

Class Size

Sec. ____ (a) From the amount appropriated for title VI of the Elementary and Secondary Education Act of 1965 in accordance with this section, the Secretary of Education—(1) shall make available a total of \$6,000,000 to the Secretary of the Interior (on behalf of the Bureau of Indian Affairs) and the outlying areas for activities under this section; and (2) shall allocate the remainder by providing each State the same percentage of that remainder as it received of the funds allocated to States under section 310(a)(2) of the Department of Education Appropriations Act, 2000.

(b)(1) Each State that receives funds under this section shall distribute 100 percent of such funds to local educational agencies, of which—(A) 80 percent of such amount shall be allocated to such local educational agencies in proportion to the number of children aged 5 to 17, who reside in the school district served by such local educational agency from families with incomes below the poverty line (as defined by the Office of Management and Budget and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2))) applicable to a family of the size involved for the most recent fiscal year for which satisfactory data are available compared to the number of such individuals who reside in the school districts served by all the local educational agencies in the State for that fiscal year; and (B) 20 percent of such amount shall be allocated to such local educational agencies in accordance with the relative enrollments of children, aged 5 to 17, in public and private nonprofit elementary and secondary schools within the boundaries of such agencies.

(2) Notwithstanding paragraph (1), if the award to a local educational agency under this section is less than the starting salary for a new fully qualified teacher in that agency who is certified within the State (which may include certification through State or local alternative routes), has a baccalaureate degree, and demonstrates the general knowledge, teaching skills, and subject matter knowledge required to teach in his or her content areas, that agency may use funds under this section to (A) help pay the salary of a full- or part-time teacher hired to reduce class size, which may be in combination with other Federal, State, or local funds; (B) pay for activities described in subsection (c)(2)(A)(iii) which may be related to teaching in smaller classes.

(c)(1) The basic purpose and intent of this section is to reduce class size with fully qualified teachers. Each local educational agency that receives funds under this section shall use such funds to carry out effective approaches to reducing class size with fully qualified teachers who are certified within the State, including teachers certified through State or local alternative routes, and who demonstrate competency in the areas in which they teach, to improve educational achievement for both regular and special needs children with particular consideration given to reducing class size in the early elementary grades for which some research has shown class size reduction is the most effective.

(2)(A) Each such local educational agency may use funds under this section for—

(i) recruiting (including through the use of signing bonuses and other financial incentives), hiring, and training fully qualified regular and special education teachers (which may include hiring special education teachers to team-teach with regular teachers in classrooms that contain both children with disabilities and non-disabled children) and teachers of special-needs children, who are certified within the State, including teachers certified through State or local alternative routes, have a baccalaureate degree and demonstrate the general knowledge required to teach in their content areas;

(ii) testing new teachers for academic content knowledge, and to meet State certification requirements that are consistent with title II of the Higher Education Act of 1965; and

(iii) providing professional development (which may include such activities as promoting

retention and mentioning) to teachers, including special education teachers and teachers of special-needs children, in order to meet the goal of ensuring that all instructional staff have the subject matter knowledge, teaching knowledge, and teaching skills necessary to teach effectively in the content area or areas in which they provide instruction, consistent with title II of the Higher Education Act of 1965.

(d)(1) Notwithstanding (c)(1), a local educational agency that has designed an educational program that is part of a local strategy for improving the educational achievement of all students, or that already has reduced class size in the early grades to 18 or less (or already has reduced class size to a State or local class size reduction goal that was in effect on the day before the enactment of the Department of Education Appropriations Act, 2000, if that State or local educational agency goal is 20 or fewer children), may use funds--

- (i) to make further class size reductions in grades kindergarten through 3;
- (ii) to reduce class size in other grades;
- (iii) to carry out activities to improve teacher quality, including professional development; and
- (iv) to carry out other activities authorized under title VI of the Elementary and Secondary Education Act of 1965.

(e)(1) Each State receiving funds under this section shall report on activities in the State under this section, consistent with section 6202(1)(2) of the Elementary and Secondary Education Act of 1965.

(2) Each State and local educational agency receiving funds under this section shall publicly report to parents on its progress in reducing class size, increasing the percentage of classes of core academic areas taught by fully qualified teachers who are certified within the State and demonstrate competency in the content areas in which they teach as defined by the State, on the impact that hiring additional highly qualified teachers and reducing class size has had, if any, on increasing student achievement as defined by the State or student performance as defined by the State and on the impact that the locally defined program has had, if any, on increasing student achievement as defined by the State or student performance as defined by the State.

(f) Each such agency shall use funds under this section only to supplement, and not to supplant, State and local funds that, in the absence of such funds, would otherwise be spent for activities under this section.

(g) Administrative expenses.--A local educational agency that receive funds under this section may use not more than 3 percent of such funds for local administrative expenses.

(h) Request for funds.--Each local educational agency that desires to receive funds under this section shall include in the application required under section 6303 of the Elementary and Secondary Education Act of 1965 a description of the agency's program to reduce class size by hiring additional highly qualified teachers and the agency's proposed educational program that is part of its local strategy for improving educational achievement for all students.

1 DRAFT 10/11 2:45 p.m

2 INSERT: Provided further, That of such \$2,700,000,000 amount, \$1,300,000,000 shall
3 be available, notwithstanding any other provision of law, for school renovation grants in
4 accordance with section 307 of this Act;

5

6 "SEC 307. (a)(1) PROGRAM AUTHORITY. The Secretary of Education shall carry
7 out a program of school renovation grants to assist high-need local educational agencies
8 and schools in making urgent repairs and renovations to public school facilities.

9 "(2) ALLOCATIONS. From amounts appropriated to carry out this section
10 for a fiscal year, the Secretary of Education shall provide—

11 "(A) \$50,000,000 for school renovation and construction grants,
12 made in accordance with such requirements as the Secretary may specify, to local
13 educational agencies (as defined in section 8013(9) of the Elementary and Secondary
14 Education Act of 1965) in which the number of children determined under section
15 8003(a)(1)(C) of such Act constituted at least 50 percent of the number of children who
16 were in average daily attendance in the schools of those local educational agencies
17 during the preceding school year and allocated to those local educational agencies
18 based on their respective numbers of children who were determined under section
19 8003(a)(1)(C) for purposes of the computation under section 8003(a) for the fiscal year
20 for which funds are appropriated;

21 "(B) [\$7] for charter school facilities financing
22 demonstration grants in accordance with subsection (d);

23 "(C) one-fourth of one percent of the amount so appropriated for
24 grants to the outlying areas for school repair and renovation activities in high-need

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1 schools and communities, allocated on such basis, and subject to such terms and
2 conditions, as the Secretary determines appropriate; and

3 "(D) the remainder of such amount to the State entities
4 responsible for the financing of education facilities (hereinafter in this section referred to
5 as the "State entity"), to enable them to award renovation grants in accordance with
6 subsection (b), on the following basis, subject to paragraphs (3) and (4):

7 "(i) 50 percent of those remaining funds shall be allocated
8 among State entities in proportion to the number of children 5 to 17 years of age,
9 inclusive, who reside in the State and who are from families with incomes below the
10 poverty line (as defined by the Office of Management and Budget and revised annually
11 in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C.
12 9902(2)) applicable to a family of the size involved for the most recent fiscal year for
13 which data satisfactory to the Secretary are available, compared to the number of such
14 individuals who reside in all the States for that fiscal year.

15 "(ii) 50 percent of those remaining funds shall be
16 allocated among State entities in proportion to the amount each State received under
17 part A of title I of the Elementary and Secondary Education Act of 1965 for the
18 preceding year.

19 "(3) MINIMUM STATE ENTITY ALLOCATIONS. For any fiscal year, no
20 State entity shall be allocated an amount that is less than one-fourth of one percent of
21 the total amount allocated to all the State entities under paragraph (2).

22 "(4) REALLOCATION.--(A) If any State entity does not apply for an
23 allocation of funds made available under paragraph (2)(D) for any fiscal year, or does
24 not use its entire allocation for any fiscal year, the Secretary shall reallocate the amount

1 of the State entity's allocation, or the remainder thereof, as the case may be, to the
2 remaining State entities in accordance with paragraphs (1) and (2).

3 "(B) Notwithstanding any other provision of law, any funds
4 reallocated under this paragraph shall be available for one additional fiscal year.

5 "(b) STATE ENTITY REQUIREMENTS.--(1) ADMINISTRATIVE COSTS. Each
6 State entity may reserve not more than 1 percent of its allocation under subsection
7 (a)(2)(D) for the costs of administering funds distributed under this section.

8 "(2) TYPES OF ASSISTANCE TO LOCAL EDUCATIONAL AGENCIES. A
9 State entity may provide assistance from its allocation under subsection (a)(2)(D) on a
10 competitive basis to local educational agencies in the form of grants (including matching
11 grants) or loans.

12 "(3) CRITERIA. In determining which local educational agencies to
13 assist under this subsection, the State entity shall consider, for each applicant—

14 "(A) the percentage of the local educational agency's attendance
15 that is comprised of children from low-income families;

16 "(B) the applicant's need for school renovations, as demonstrated
17 by the condition of its public school facilities;

18 "(C) the fiscal capacity of the applicant to meet its needs for
19 renovation of public school facilities without assistance under this section, including its
20 ability to raise funds through the use of local bonding capacity and otherwise; and

21 "(D) the likelihood that the applicant will maintain, in good
22 condition, any facility whose renovation is assisted under this title.

23 "(4) FEDERAL SHARE. The Federal share of the cost of each project
24 assisted through a State entity's allocation under subsection (a)(2)(D) shall be

determined based on the percentage of the local educational agency's attendance that is comprised of children 5 to 17 years of age, inclusive, who are from families with incomes below the poverty line (as defined by the Office of Management and Budget and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)) applicable to a family of the size involved for the most recent fiscal year for which data satisfactory to the Secretary are available:

<u>If the percentage is:</u>	<u>Then the Federal share shall be:</u>
40% or greater	100%
30-39.99%	80%
20-29.99%	60%
10-19.99%	40%
less than 10%	20%

"(5) STATE ENTITY APPLICATION. (A) THREE-YEAR APPLICATIONS.

In order to receive a grant under this section from funds allocated under subsection (a)(2)(D), each State entity shall submit to the Secretary a three-year application, which shall—

"(i) describe the types of financial assistance that the State entity will make to local educational agencies using funds from the State entity's allocation;

"(ii) describe the methods that the State entity will use in determining which local educational agencies will receive assistance, and how much and what types of assistance they will receive, including a description of how the State entity will apply the criteria set forth in paragraph (3);

"(iii) include an assurance that the State entity will provide funds or other assistance to a local educational agency only if the State finds that the projects assisted will be carried out in an economical manner;

1 "(iv) describe how the State entity will ensure that the
2 local educational agencies in the State with a rate of child poverty of at least 30
3 percent, or at least 10,000 poor children (including local educational agencies assisted
4 under subsection (a)(2)(A), unless the State entity describes in its application how such
5 local educational agencies are otherwise being adequately served) will receive, in the
6 aggregate, at least an amount from the State entity's allocation which bears the same
7 relationship to the amount made available under subsection (a)(2)(D) as the amount
8 such local educational agencies received under part A of title I of the Elementary and
9 Secondary Education Act of 1965 for the previous year bears to the amount received for
10 such year under such part by all local educational agencies in the State; and

11 "(v) describe how the State entity will ensure that the
12 funds it and its local educational agencies receive under this section, **and any funds**
13 **used to match those funds**, will be used only to supplement the amount of funds
14 that they would have used for school renovation in the absence of those funds.

15 "(B) APPROVAL OF APPLICATIONS. The Secretary shall approve
16 a State entity's application for funds allocated under subsection (a)(2)(D) if the
17 Secretary determines that it meets the requirements of this section and is of sufficient
18 quality to demonstrate that the State entity will successfully carry out the requirements
19 of this section.

20 "(C) DISAPPROVAL OF APPLICATIONS. The Secretary shall not
21 disapprove a State entity's application under this subsection, except after giving the
22 State entity notice and an opportunity for a hearing.

23 "(6) PROGRESS REPORTS. The Secretary shall require recipients of
24 grants under this section to submit progress reports and such other information as the

Secretary determines necessary to ensure compliance with this section and to evaluate its impact. Such progress reports shall—

"(A) describe the grantee's implementation of this section, including how the grantee has met the applicable requirements of this section; and

"(B) identify the specific school facilities renovated using assistance provided under this section, and type of assistance provided to finance those renovations.

"(c) AUTHORIZED ACTIVITIES BY LOCAL EDUCATIONAL AGENCIES. A local educational agency receiving assistance from funds allocated under subsection (a)(2)(D) may use such assistance only for one or more of the following activities with respect to one or more public school facilities:

"(1) Repairing or replacing roofs, electrical wiring, or plumbing.

"(2) Repairing, replacing, or installing heating, ventilation, or air conditioning systems.

"(3) Undertaking asbestos removal or abatement.

"(4) Bringing schools into compliance with fire and safety codes.

"(5) Ensuring that renovations under this section comply with the requirements of section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.) relating to the accessibility of public school programs to individuals with disabilities.

"(6) Making such other renovations as the State entity may reasonably determine are needed, such as projects to correct facilities problems that endanger the health and safety of students and staff.

1 "(d) CHARTER SCHOOL RENOVATION DEMONSTRATION GRANTS.--(1) IN
2 GENERAL. From the funds reserved under subsection (a)(2)(B), the Secretary shall--
3 "(A) carry out a program of competitive grants to State entities
4 and private, nonprofit organizations (which may include grants to such organizations
5 applying jointly with State or local agencies) to support innovative credit enhancement
6 approaches for providing financing to meet the facilities acquisition or renovation needs
7 of charter schools; and
8 "(B) disseminate information about the approaches supported
9 under this subsection.
10 "(2) APPLICATION REQUIREMENTS. Each State entity or private
11 nonprofit organization that desires to receive a grant under this subsection shall submit
12 an application to the Secretary, which shall--
13 "(A) describe how the State entity or private nonprofit
14 organization will assist charter schools in acquiring or renovating school facilities using
15 funds under this subsection;
16 "(B) describe the methods that the State entity or private
17 nonprofit organization will use in determining which charter schools will receive
18 assistance, and how much and what types of assistance they will receive;
19 "(C)(i) in the case of a State entity, describe actions that the
20 State entity has taken, or will take, to ensure that charter schools within the State
21 receive the funding they need to provide adequate public school facilities, including, if
22 applicable--
23 "(I) how the State entity will use funding under
24 this subsection to help meet that objective; and

"(II) changes in State policy that will enable charter schools in the State to have access to adequate facilities; or

"(ii) in the case of a private nonprofit organization--

"(I) identify the State or States in which the organization will provide assistance to charter schools using funds under this subsection; and

"(II) describe the previous activities of the organization (such as experience in capital market financing to support improvements in public infrastructure or in helping charter schools with financing) that demonstrate that the organization has the experience to administer a grant under this subsection successfully;

"(D) include an assurance that the State entity or private nonprofit organization will provide funds or other assistance to a charter school under this subsection only if the State or organization finds that the projects assisted will be carried out in an economical manner;

"(E) describe how the State entity or private nonprofit organization will ensure that it, and the charter schools that it will assist under this subsection, will use the funds received under this subsection, **and any funds used to match those funds**, only to supplement the amount of funds that they would have used for school renovation in the absence of such funds;

"(F) describe how the State entity or private nonprofit organization will ensure that, if it uses funds under this subsection to assist a charter school in renovating leased property, and the charter school later goes out of existence or vacates the property, other charter schools in the area, or the local educational

1 agency, will have the opportunity to continue the lease and make use of the renovated
2 facilities for school-related activities; and

3 "(G) such other information and assurances as the Secretary may
4 reasonably require.

5 "(3) AUTHORIZED ACTIVITIES. A grantee under this subsection shall
6 carry out credit enhancement activities designed to assist charter schools in acquiring or
7 renovating school facilities. Such activities may include--

8 "(A) guaranteeing, insuring, or otherwise subsidizing facilities
9 loans made to charter schools;

10 "(B) facilitating the development of secondary markets for charter
11 school facilities loans;

12 "(C) facilitating the issuance of charter school facilities bonds,
13 such as by assisting in the underwriting of such bonds;

14 "(D) subsidizing charter school facilities bonds, or other activities
15 designed to enhance their commercial feasibility, such as providing bond insurance or
16 taking other actions to reduce the risk of default on such bonds;

17 "(E) directly issuing bonds or other debt instruments for the
18 benefit of charter schools;

19 "(F) assisting charter schools' efforts to borrow funds from the
20 private sector for facilities acquisition or renovation; or

21 "(G) such other activities as the Secretary may determine are
22 appropriate.

1 "(4) PROHIBITIONS.--(A) A State entity or private nonprofit
2 organization shall not use funds received under this subsection to provide direct grants
3 or loans to charter schools.

4 "(B) A charter school assisted under this subsection shall not use
5 such assistance to construct new facilities or to pay for normal operating expenses.

6 "(5) PROGRESS REPORTS. The Secretary shall require recipients of
7 grants under this subsection to submit progress reports and other information
8 consistent, to the extent applicable, with the requirements of subsection (b)(6)."

9 "(e) NO FULL FAITH AND CREDIT FOR LOANS. A loan provided by a State
10 entity under this section (or any form of credit enhancement provided by a State entity
11 or a private, nonprofit organization under subsection (d)) shall not be an obligation of,
12 or guaranteed in any respect by, the United States. The full faith and credit of the
13 United States is not pledged to the payment of funds that may be required to be paid
14 under any loan made pursuant to any provision of this section.

15 "(e) TECHNICAL EMPLOYEES. For the purpose of carrying out this section, the
16 Secretary, without regard to the provisions of title 5, United States Code, governing
17 appointments in the competitive service, may appoint not more than 10 professional and
18 technical employees who may be paid without regard to the provisions of chapter 51
19 and subchapter III of chapter 53 of that title relating to classification and General
20 Schedule pay rates. Nothing in this subsection shall be construed as altering any
21 personnel ceilings otherwise applicable, or funds for salaries and expenses otherwise
22 available, to the Department of Education for any fiscal year.

23 "(f) DEFINITIONS. As used in this section, the following terms have the
24 following meanings:

1 "(1) The term 'charter school' has the meaning given that term in section
2 10310(1) of the Elementary and Secondary Education Act of 1965.

3 "(2) The term 'Indian lands' has the meaning given that term in section
4 8013(7) of the Elementary and Secondary Education Act of 1965.

5 "(3) The term 'local educational agency' has the meaning given that term
6 in subparagraphs (A) and (B) of section 14101(18) of such Act.

7 "(4) The term 'outlying area' has the meaning given that term in section
8 14101(21) of such Act.

9 "(5) The term 'public school facility' means a public school building whose
10 purpose is the instruction of public elementary or secondary students and minimal
11 equipment, machinery, and utilities necessary or appropriate for that purpose. The term
12 excludes athletic stadiums or any other structure or facility intended primarily for athletic
13 exhibitions, contests, games, or events for which admission is charged to the general
14 public.

15 "(6) The term 'renovation' means the repair or renovation of an existing
16 public school facility without increasing its size.

17 "(7) The term 'State' means each of the 50 States, the District of
18 Columbia, and the Commonwealth of Puerto Rico.

19 "(g) AUTHORIZATION OF APPROPRIATIONS. For the purpose of carrying out
20 this section, there are authorized to be appropriated [\$_____] for fiscal
21 year 2001 and such sums as may be necessary for each of the following four fiscal
22 years."

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Charter Schools

1 SEC. ____ (a) Part U of title X of the Elementary
2 and Secondary Education Act of 1965 (20 U.S.C. 8061
3 et seq.) is amended—

4 (1) by inserting after the part heading the fol-
5 lowing:

6 "Subpart 1—Basic Charter School Grant Program";

7 and

8 (2) by adding at the end the following:

9 "Subpart 2—Credit Enhancement Initiatives to Assist
10 Charter School Facility Acquisition, Construc-
11 tion, and Renovation

12 "SEC. 10321. PURPOSE.

13 "The purpose of this subpart is to provide one-time
14 grants to eligible entities to permit them to demonstrate
15 innovative credit enhancement initiatives that assist char-
16 ter schools to address the cost of acquiring, constructing,
17 and renovating facilities.

18 "SEC. 10322. GRANTS TO ELIGIBLE ENTITIES.

19 "(a) IN GENERAL.—The Secretary shall use 100 per-
20 cent of the amount appropriated under section 10331 to
21 award not less than 3 grants to eligible entities having
22 applications approved under this subpart to demonstrate
23 innovative methods of assisting charter schools to address
24 the cost of acquiring, constructing, and renovating facili-

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1 ties by enhancing the availability of loans or bond financ-
2 ing.

3 “(b) GRANTEE SELECTION.—The Secretary shall
4 evaluate each application submitted, and shall make an
5 initial determination of which are sufficient to merit ap-
6 proval and which are not. The Secretary shall award at
7 least one grant to an eligible entity described in section
8 10330(2)(A), at least one grant to an eligible entity de-
9 scribed in section 10330(2)(B), and at least one grant to
10 an eligible entity described in section 10330(2)(C), if ap-
11 plications are submitted that permit the Secretary to do
12 so without approving an application that is not of suffi-
13 cient quality to merit approval.

14 “(c) GRANT CHARACTERISTICS.—Grants under this
15 subpart shall be of a sufficient size, scope, and quality so
16 as to ensure an effective demonstration of an innovative
17 means of financing charter school acquisition, construc-
18 tion, or renovation.

19 “SEC. 10328. APPLICATIONS.

20 “(a) IN GENERAL.—In order to receive a grant under
21 this subpart for a fiscal year, an eligible entity shall sub-
22 mit to the Secretary an application for such year in such
23 form as the Secretary may reasonably require.

24 “(b) CONTENTS.—An application under subsection
25 (a) shall contain—

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1 “(1) a statement identifying the activities pro-
2 posed to be undertaken with funds received under
3 this subpart;

4 “(2) a statement explaining the potential for
5 the proposed activities to be broadly expanded or
6 replicated and disseminated;

7 “(3) assurances of the involvement of charter
8 schools in the application's development and the de-
9 sign of the proposed activities;

10 “(4) assurances that the applicant possesses ex-
11 pertise in capital market financing;

12 “(5) assurances that the proposed activities will
13 leverage the maximum amount of private sector fi-
14 nancing capital relative to the amount of government
15 funding used and otherwise enhance credit available

16 to charter schools; and

17 “(6) assurances that the applicant possesses
18 sufficient expertise in education in order to evaluate
19 the likelihood of success of a charter school program
20 for which facilities financing is sought.

21 **“SEC. 10324. CHAPTER SCHOOL OBJECTIVES.**

22 “An eligible entity receiving a grant under this sub-
23 part shall use the funds deposited in the reserve account
24 established under section 10325(a) to access private sector

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1 capital in order to assist one or more charter schools to
2 accomplish one or both of the following objectives:

3 “(1) The acquisition (by purchase, lease, dona-
4 tion, or otherwise) of an interest (including an inter-
5 est held by a third party for the benefit of a charter
6 school) in improved or unimproved real property
7 that is necessary to commence or continue the oper-
8 ation of a charter school.

9 “(2) The construction of new facilities, or the
10 renovation, repair, or alteration of existing facilities,
11 necessary to commence or continue the operation of
12 a charter school.

13 **“SEC. 10325. RESERVE ACCOUNT.**

14 “(a) **USE OF FUNDS.**—To assist charter schools to
15 accomplish the objectives described in section 10324, an

16 ~~eligible entity receiving a grant under this subpart shall,~~
17 in accordance with State and local law, directly or indi-
18 rectly, alone or in collaboration with others, deposit the
19 funds received under this subpart (other than funds used
20 for administrative costs in accordance with section 10326)
21 in a reserve account established and maintained by the
22 entity for this purpose. Amounts deposited in such account
23 shall be used by the entity for one or more of the following
24 purposes:

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1 “(1) Guaranteeing, insuring, and reinsuring
2 bonds, notes, evidences of debt, loans, and interests
3 therein, the proceeds of which are used for an objec-
4 tive described in section 10324.

5 “(2) Guaranteeing and insuring leases of per-
6 sonal and real property for an objective described in
7 section 10324.

8 “(3) Identifying potential lending sources, en-
9 couraging private lending, and other similar activi-
10 ties that directly promote lending to or for the ben-
11 efit of charter schools.

12 “(4) Facilitating the issuance of bonds by char-
13 ter schools or by other public entities for the benefit
14 of charter schools by providing technical, administra-
15 tive, and other appropriate assistance (including the
16 recruitment of bond counsel, underwriters, and po-
17 tential investors and the consolidation of multiple
18 charter school projects within a single bond issue).

19 “(h) REINVESTMENT OF EARNINGS.—Any earnings
20 on funds received under this subpart shall be deposited
21 in the reserve account established under subsection (a)
22 and used in accordance with such subsection.

23 “SEC. 10326. LIMITATION ON ADMINISTRATIVE COSTS.

24 “An eligible entity may use not more than 0.25 per-
25 cent of the funds received under this subpart for the ad-

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1 ministrative costs of carrying out its responsibilities under
2 this subpart.

3 "SEC. 10327. AUDITS AND REPORTS.

4 "(a) FINANCIAL RECORD MAINTENANCE AND
5 AUDIT.—The financial records of each eligible entity re-
6 ceiving a grant under this subpart shall be maintained in
7 accordance with generally accepted accounting principles
8 and shall be subject to an annual audit by an independent
9 public accountant.

10 "(b) REPORTS.—

11 "(1) GRANTEE ANNUAL REPORTS.—Each eligi-
12 ble entity receiving a grant under this subpart annu-
13 ally shall submit to the Secretary a report of its op-
14 erations and activities under this subpart.

15 "(2) CONTENTS.—Each such annual report
16 shall include—

17 "(A) a copy of the most recent financial
18 statements, and any accompanying opinion on
19 such statements, prepared by the independent
20 public accountant reviewing the financial
21 records of the eligible entity;

22 "(B) a copy of any report made on an
23 audit of the financial records of the eligible en-
24 tity that was conducted under subsection (a)
25 during the reporting period;

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1 be required to be paid under any obligation made by an
2 eligible entity pursuant to any provision of this subpart.

3 **"SEC. 10329. RECOVERY OF FUNDS.**

4 **"(a) IN GENERAL.**—The Secretary, in accordance
5 with chapter 37 of title 31, United States Code, shall
6 collect—

7 **"(1)** all of the funds in a reserve account estab-
8 lished by an eligible entity under section 10325(a) if
9 the Secretary determines, not earlier than 2 years
10 after the date on which the entity first received
11 funds under this subpart, that the entity has failed
12 to achieve at least one of the purposes described in
13 section 10325(a); or

14 **"(2)** all or a portion of the funds in a reserve
15 account established by an eligible entity under sec-
16 ~~tion 10325(a) if the Secretary determines that the~~
17 eligible entity has permanently ceased to use all or
18 a portion of the funds in such account to accomplish
19 any purpose described in section 10325(a).

20 **(b) PROCEDURES.**—The provisions of sections 451,
21 452, and 458 of the General Education Provisions Act (20
22 U.S.C. 1234 et seq.) shall apply to the recovery of funds
23 under subsection (a).

24 **(c) CONSTRUCTION.**—This section shall not be con-
25 strued to impair or affect the authority of the Secretary

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1 to recover funds under part D of the General Education
2 Provisions Act (20 U.S.C. 1234 et seq.).

3 **"SEC. 10330. DEFINITIONS.**

4 "In this subpart:

5 "(1) The term 'charter school' has the meaning
6 given such term in section 10310.

7 "(2) The term 'eligible entity' means—

8 "(A) a public entity;

9 "(B) a private nonprofit entity; or

10 "(C) a consortium of entities described in
11 subparagraphs (A) and (B).

12 **"SEC. 10331. AUTHORIZATION OF APPROPRIATIONS.**

13 "For the purpose of carrying out this subpart, there
14 are authorized to be appropriated \$100,000,000 for fiscal
15 year 2001."

16 ~~(b) Part C of title X of the Elementary and Sec-~~
17 ~~ondary Education Act of 1965 (20 U.S.C. 8061 et seq.)~~
18 ~~is amended in each of the following provisions by striking~~
19 ~~"part" each place such term appears and inserting "sub-~~
20 ~~part":~~

21 (1) Sections 10301 through 10305.

22 (2) Section 10307.

23 (3) Sections 10309 through 10311.

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SENATE APPROPRIATIONS

SENATE MINORITY

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7 SEC. ____ EDUCATIONAL ASSISTANCE FOR MILITARY CON-
8 NECTED CHILDREN.

9 (a) SHORT TITLE.—This section may be cited as the
10 "Educational Assistance for Military Connected Children
11 Act of 2000".

12 (b) FUNDING RESPONSIBILITY FOR MILITARY CON-
13 NECTED CHILDREN.—Title VIII of the Elementary and
14 Secondary Education Act of 1965 (20 U.S.C. 7701 et
15 seq.) is amended by adding at the end the following:

16 "SEC. 8015. FUNDING RESPONSIBILITY OF SECRETARY OF
17 DEFENSE.

18 "(a) COMPUTATION OF AMOUNTS.—

19 "(1) FEDERAL PROPERTY.—The Secretary
20 shall determine, for each local educational agency re-
21 ceiving assistance under section 8002, the amount of
22 payment in each fiscal year attributable to the pres-
23 ence of a military installation.

24 "(2) MILITARY CONNECTED CHILDREN.—The
25 Secretary shall determine, for each local educational
26 agency receiving assistance under section 8003 or

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SENATE APPROPRIATIONS

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1 8007, the number of military connected children
2 served by such agency in a fiscal year.

3 "(3) ~~FACTUUM~~.—The Secretary shall deter-
4 mine the amount provided for each local educational
5 agency under section 8008.

6 "(4) ~~TOTAL AMOUNT OF PAYMENTS~~.—The Sec-
7 retary shall determine the total amount of
8 payments—

9 "(A) all local educational agencies are to
10 receive under section 8002 which are attrib-
11 utable to the presence of a military installation
12 in each fiscal year;

13 "(B) all local educational agencies are to
14 receive under section 8003 or 8007 for military
15 connected children in each fiscal year; and

16 "(C) all local educational agencies are to
17 receive under section 8008 in each fiscal year.

18 "(b) ~~TRANSFER OF FUNDS~~.—From any amounts
19 available to the Secretary of Defense, the Secretary of De-
20 fense shall transfer to the Secretary of Education in each
21 fiscal year the total amount of funds necessary for the
22 Secretary of Education to make all of the payments de-
23 scribed in subsection (a)(4) for such fiscal year.

24 "(c) ~~GENERAL RULE~~.—Notwithstanding any other
25 provision of law, funds made available by the Secretary

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1 of Defense to the Secretary of Education pursuant to sub-
2 section (b) shall be the only funds used to make payments
3 under section 8002, 8003, 8007, or 8008 to local edu-
4 cational agencies for military connected children or prop-
5 erty.

6 "(d) DEFINITIONS.—For the purpose of this
7 section—

8 "(1) the term 'military connected children'
9 means the children described in—

10 "(A) section 8003(a)(1)(A) who reside on
11 military installations;

12 "(B) section 8003(a)(1)(B) who reside on
13 military installations; and

14 "(C) section 8003(a)(1)(D) who have par-
15 ents employed on military installations.

16 "(2) the term 'military installation' has the
17 same meaning given to such term in section 2801(c)
18 of title 10, United States Code."