UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

FAX TRANSMITTAL

TO: John Schnur / Mike Cohen / Bill Kincaid

ORGANIZATION:

FAX NUMBER:

PHONE NUMBER:

FROM: Kevin Sullivan

PHONE NUMBER:

MESSAGE: FYI - Side by side on school const.

7 pages

CONFIDENTIALITY NOTICE

Comparison of the Administration's Proposed School Construction Program and Daschle-Gephardt

Administration	Daschle-Gephardt
<u>Funding</u>	
Appropriates $5 billion in mandatory spending, available for obligation over five years.	Appropriates $1.9 billion in mandatory spending in fiscal year 1998, to be available until expended.
No specific offset.	Reduces the "carryback period" on unused foreign tax credits from 2 years to 1, and extends the "carryforward period" from 5 years to 7, in order to create a specific offset.
<u>Allocation of funds</u>	
Allows the Secretary to reserve up to 2% of the total fund for Bureau of Indian Affairs schools and territories.	Allows up to 1.5% of the total funds to be spent on "Indian schools," .5% to be spent on territories, and .1% to be spent on data collection and evaluation.
50 % of the remaining funds go to State formula grants.	67% of the remaining funds go to State formula grants.
50% of the remaining funds go to direct local grants.	33% of the remaining funds go to direct local grants.

Eligible projects Authorizes construction projects that: • remove environmental hazards, • increase school safety, • accommodate individuals with disabilities, • enable the use of educational technologies, • increase energy efficiency, • build new schools to accommodate enrollment growth or replace old schools, and • provide charter and community schools	Authorizes construction projects that: • remove environmental hazards, • increase school safety, • accommodate individuals with disabilities, • enable the use of educational technologies, • increase energy efficiency, • build new schools to accommodate enrollment growth, and • engage in other construction activities the Secretary believes achieve the purpose of this program.
Allowable uses of funds Federal funds would pay a portion of the interest cost on bonds, certificates of participation, or other forms of indebtedness; for credit enhancements; or for other expenditures that leverage funds for additional school construction.	Federal funds could subsidize only bond interest, unless the State or local bond authority receives a waiver from the Secretary to use the funds to subsidize other financing mechanisms.
Amount of subsidy Limits the subsidy to one-half the interest cost of repaying bonds, or an equivalent amount if an alternative financiang mechanism is used. The Secretary or the State, as applicable, would determine the precise amount of the subsidy, taking into account the percentage of low-income children residing in a locality.	Caps the subsidy at between 10 percent and 50 percent of the interest cost, determined under a sliding scale based on the percentage and number of low-income children in the locality. In additon, States could apply for a waiver, allowing up to an 80 percent subsidy, for hardship cases.

State grants

<u>Formula</u> Allocates funds based on the share of Title I basic grants each State would have received under the preceding year if the child count for the districts receiving local grants under this program were not counted.	Allocates one-half of the funds based on Title I basic grants and one-half based on Title VI (i.e., same as the Goals 2000 formula) if the LEAs that receive direct grants are excluded.
<u>State administrative unit</u> Requires the Governor to designate a State agency with the concurrence of the chief State school officer.	Designates the State agency with authority to issue bonds for the construction of educational facilities as the recipient; the agency must be designated by both the Governor and chief State school officer if there is more than one such agency.
<u>State survey</u> Requires States to survey the construction needs within the State unless it has already done such a survey.	No comparable requirement.
<u>Supplemental funds</u> Requires that grants to States and subgrants supplement spending that would have been made without the availability of the Federal funds. Requires States to ensure that construction spending during the four years after receiving the grant will be at least 125% of the amount in the preceding four years.	Requires States, in their applications, to assure that grant funds will be used to increase the amount of school construction funding compared to the previous fiscal years.
<u>State matching</u> No required State match.	Appears to require States to contribute $1 for every $1 in Federal funds.

<u>State sub-allocations</u> Permits the State to use the Federal grant to subsidize State bonds and other State-level expenditures, or to make subgrants or loans to localities. Selection of localities would give the highest priority to those with the greatest needs (inadequate facilities plus low level of resources) and greatest potential to leverage Federal funds.	 Allows use of State funds for both State-level financing or local subgrants. Highest priority is given to localities with high numbers or percentages of poor children; low fiscal capacity; unsafe, old, or inadequate facilities; and to projects that would not be completed without grant assistance.
<u>State reports</u> Requires States to issue periodic reports to the Secretary regarding their implementation of the program.	 No required reports.

Direct Local Grants

Eligible LEAs Authorizes direct grants to the 100 LEAs with the highest numbers of children from low-income families.	Authorizes direct grants to (1) the 100 LEAs with the highest numbers of children from low-income families and (2) 25 additional high-need LEAs selected by the Secretary.
Distribution of grants Distributes 70% of the amount for local grants by a formula (based on share of Title I funds) to 100 recipients and 30% on a discretionary basis.	The amount of all grants would be discretionary.
Local administrative unit Designates LEAs or an LEA's designee.	Designates local bond authority with the ability to issue a bond for the LEA.
Local survey Requires LEAs to survey its construction needs unless it has already done such a survey.	No comparable requirement.
Criteria for discretionary grants Secretary would make bonus grants to recipients of the formula grants based on construction needs, ability to pay, and the leveraging of Federal funds.	In making all direct grants, the Secretary would consider the LEA's size, numbers and percentages of low-income children, fiscal capacity, facilities age and conditions, overcrowding, the costs of the proposed construction projects, and the extent to which the asistance would support construction that would not otherwise occur.

Supplemental funds Grants to LEAs must supplement spending that would have been made without the availability of the Federal funds. Construction spending during the four years after receiving the grant must be at least 125% of the amount in the preceding four years.	No non-supplanting requirement, except for the specification that Secretary would consider, in making grants, whether construction projects would go forward in absence of a grant.
Local reports LEAs are required to issue periodic reports to the Secretary regarding their implementation of the program.	No required reports.

General provisions

Federal liability Exempts the Federal government from debt liability associated with construction funded under the program. Requires that financial instruments include a statement that indicates they do not represent obligations of the Federal government.	 Exempts the Federal government from debt liability associated with construction funded under the program.
Evaluation None required.	 Requires the Secretary to evaluate and report on the program.
Fair wages Requires that wages for laborers and mechanics employed under the program meet Davis-Bacon "prevailing wage" requirements; creates a waiver for volunteers.	 Makes program subject to Davis-Bacon. No waiver for volunteers.
Technical employees Authorizes the Department to hire up to 10 technical experts under "excepted service" rules to help administer the program.	 No comparable provision.

ED/OUS/DESVA
9/23/97

School Construction

ADMINISTRATION SCHOOL CONSTRUCTION STRATEGY

We believe that you should press for a more aggressive role in shaping the Administration's school construction strategy and that the Administration must actively find a way to work with the Congressional leadership (Daschle/Gephardt and Rangel) that is seeking to reinvigorate the school construction debate and use it as a counter to Coverdell/IRA. **The Administration should address this issue in this session of Congress rather than delay and wait for the FY99 budget**. This is important for three reasons:

(1) many Democratic members of Congress feel let down and remain at odds with the Administration for not fighting hard enough to keep school construction in the budget agreement. Members of the Black Caucus have raised this issue repeatedly in the context of the debate on testing. School construction allows us to re-engage some members of the Black Caucus in terms of supporting the voluntary national tests

(2) we need to reshape the battle over vouchers from the current formula of bad public schools vs. good private schools and recast it as a choice between taking tax dollars from overcrowded public schools and giving them to well-off private schools at a time of immense overcrowding.. We were successful in doing that yesterday based on the coverage of your voucher speech in both USA TODAY and the Washington Post.

(3) school overcrowding and/class size are issues that are easily understood by parents and the general public in key states like California, Florida, New York, Texas, Washington, Georgia and North Carolina as well as urban areas. This is an issue that is both suburban and urban in its appeal and even rural in character (S. Texas), and it allows us to reach those citizens who care most about education, particularly women. .

Since the balanced budget agreement has been passed we have kept this issue alive by releasing our latest *Baby-Boom Echo* report, by raising the issue in speeches, and by your recent visit to Florida We believe however that more needs to be done now to work with members of Congress during this session of Congress. To achieve that end you will have to weigh in developing current White House strategy. It is our understanding that Bruce Reed and Gene Sperling are pushing for the President to support the Daschle/Gephardt provision but they are opposed by Frank Raines who wants to hold this issue for the FY 99 budget. As you know, our FY99 budget submission includes $5 billion for school construction. We suggest the following:

(1) place calls to Frank Raines and Erskine Bowles to express your desire for the Administration to actively move forward in implementing the Rangel tax proposal as an alternative to Coverdell/IRA. Call Rubin to gain his support as well

(2) urge the Raines and Bowles to support the Daschle/Gephardt $1.9 billion school construction alternative as one step toward the President's $5 billion goal. Ask Bowles to involve you in any decision making process regarding school construction.

(3) convey your concerns to the President if the opportunity arises during your trip to Little Rock.

ELLEN O. TAUSCHER
10TH DISTRICT, CALIFORNIA

School Construction/
current

MIKE -
Take a look.
BR

Congress of the United States
House of Representatives
Washington, DC 20515–0510

May 20, 1997

COSPONSOR THE TAUSCHER PROPOSAL TO REINVEST, REBUILD AND REPAIR AMERICA'S SCHOOL

Dear NDC Colleague,

As Chairs of the New Democratic Coalition, we would like to urge your consideration and support of the State Infrastructure Banks (SIBs) for Schools Act of 1997 to be introduced shortly by Congresswoman Ellen O. Tauscher.

As you know, our nation's schools infrastructure demands top $112 billion. In order to assist our communities with flexible financing to repair, replace and improve our schools, Congresswoman Tauscher will be introducing this important legislation on May 21, 1997. **This bill could complement other school construction programs and proposals. When one considers the massive school construction needs, we believe multiple proposals can and should be supported.** This proposal would allow States to establish SIBs for school construction, providing maximum flexibility in financing mechanism and minimal restrictions regarding project approval.

Specifically, SIBs will offer a **flexible** menu of loan and credit enhancement assistance such as low interest loans, bond financing security, loan guarantees, or credit support for financing projects, resulting in lower interest costs. As loans are repaid, the SIBs funds would be replenished and the banks could make new loans or loan guarantees to other school infrastructure projects (similar to the widely successful State Revolving Funds (SRFs) used for Clean Water Act and Safe Drinking Water Act infrastructure improvements). SIBs could make such proposals less daunting, more affordable, and thus, more widely available. The establishment of State Infrastructure Banks could also help school districts **save local taxpayer's money** because they could avoid bond market pressures to borrow more money than necessary.

This is a **modest, common-sense** proposal, authorizing $250 million each year for five years to capitalize the banks, after which point sufficient funds should be revolving to maintain self-sufficiency. If you have any additional questions about this bill, or would like to become an original cosponsor, please speak with us or contact Ken Kero at 5-1880. Thank you.

Sincerely,

Tim Roemer
M.C.

Jim Moran
M.C.

Cal Dooley
M.C.

ELLEN O. TAUSCHER
10TH DISTRICT, CALIFORNIA

Congress of the United States
House of Representatives
Washington, DC 20515–0510

May 22, 1997

INTERESTED IN INVESTMENT IN SCHOOL CONSTRUCTION? STATE INFRASTRUCTURE BANKS ARE AN ANSWER!!

Dear Colleague,

As you know, our nation's schools infrastructure demands top $112 billion. In order to assist our communities with flexible financing to repair, replace and improve our schools, I will be introducing the State Infrastructure Banks for Schools Act of 1997 and I'd like to invite you to become an original cosponsor of this much needed piece of legislation.

In my view, we need to do all we can to provide our students today with the academic environment required as they prepare for the 21st Century workplace. My proposal would establish State Infrastructure Banks (SIBs) for school construction, providing maximum **flexibility** in financing mechanisms and **minimal restrictions** regarding project approval.

Specifically, SIBs will offer a flexible menu of loan and credit enhancement assistance such as low interest loans, bond financing security, loan guarantees, or credit support for financing projects, resulting in lower interest costs. The money would not be used for a traditional grant program. Rather, as loans are repaid the SIBs would be replenished and the banks could make new loans or loan guarantees to other school infrastructure projects (similar to the widely successful State Revolving Funds (SRFs) used for Clean Water Act and Safe Drinking Water Act infrastructure improvements). SIBs could make such proposals less daunting, more affordable, and thus, more widely available. The establishment of State Infrastructure Banks could also help school districts **save local taxpayer's money** because they could avoid bond market pressures to borrow more money than necessary.

This is a **modest, common-sense, and cost-effective** proposal, authorizing $250 million each year for five years to capitalize the banks, after which point sufficient funds should be revolving to maintain self-sufficiency. I will be introducing the measure on ***June 3, 1997***. If you have any additional questions about this bill, or would like to become an original cosponsor, please speak with me or contact Ken Kero on my staff at 5-1880. Thank you.

Sincerely,

Ellen

Ellen O. Tauscher
Member of Congress

EOT:kk

H.R. 1822, THE STATE INFRASTRUCTURE BANKS FOR SCHOOLS ACT
Summary

The Problem: America's kids cannot adequately prepare for the 21st century workplace while being taught in schools equipped for the 19th century student.

Background: According to a General Accounting Office study (GAO/HEHS 95-61) the nation's schools are in need of about $112 billion to repair or upgrade America's educational infrastructure to ensure they are in good overall condition equipped to meet the needs of today's students and tomorrow's workers. In California, for example, 43% of schools report inferior building facilities, nearly one-third report inadequate electrical power, and 70% report insufficient modem and modem line capability. Children and families are expecting schools to be safe and effective places of learning, yet instead our nation's youth are confronted with toilets that don't flush, computers which cannot link to the Internet, roofs which do not keep kids dry and blackouts which prevent lessons from being taught. (See also: CRS Report 96-178 EPW, GAO Reports 96-103, 96-148 and 95-95).

The Solution: This legislation would establish State Infrastructure Banks (SIBs) for school construction. The proposal is based on the SIBs for transportation program established through the National Highway System Act passed during the 104th Congress, and is also similar to the widely successful State Revolving Funds (SRFs) used for Clean Water Act and Safe Drinking Water Act infrastructure improvements. The bill would allow States to establish SIBs for school construction with the approval of the Treasury Department and in consultation with the Department of Education. States would provide a minimum 25% matching grant to the establishment of the SIBs.

A State Infrastructure Bank, like a private bank, needs equity capital to get started and offers customers (i.e., local school districts) a range of loan and credit options to help finance locally supported projects. School districts could avoid bond market pressures to borrow more than necessary (which frequently occurs to make the loan more financially worthy for the bond marketeers) which can often make the entire project unacceptable to local voters. Specifically, SIBs will be created with federal seed money and offer a flexible menu of loan and credit enhancement assistance such as low interest loans, bond financing security, loan guarantees, or credit support for financing projects, resulting in lower interest costs. The money would not be used for a traditional grant program. As loans are repaid, the SIBs funds would be replenished and the SIB could make new loans or loan guarantees to other educational infrastructure projects. This legislation would provide school districts with financing assistance well into the future without requiring ongoing appropriations. Local bond or other fundraising measures would still need to be approved at the local level, but the SIB could make such proposals less daunting, more affordable, and thus, more widely available.

This is a modest proposal, authorizing $250 million each year for five years after which point sufficient funds should be revolving to maintain self-sufficiency. This bill could complement other school construction programs and proposals. When we consider the $112 billion in minimum school construction needs, multiple proposals should be supported. This bill would allow states to competitively bid for the ability to establish SIBs, ensuring quality start-up and promotion of the program.

If you have any additional comments or questions about this bill, please contact Ken Kero with Congresswoman Ellen O. Tauscher at 225-1880. Thank you.

DANVILLE SENTINEL
An Independent Community Newspaper. Community News & Information

GOVERNMENT

Education — A Top Priority

A quality education should be the top priority of every person in this country. Almost everything we achieve in life begins with a good education. As the first in my family to go to college, I know the importance that good schooling plays in the future success of our children. One needs to look no further than the booming communities in the 10th District to realize the value of a strong, healthy school system.

As we approach the 21st century, however, our children face an education system that is in decline. The fact that many of our schools are deteriorating before our eyes and many of our school districts lack the space to house students due to increasing numbers and mandated class size reductions are problems that we cannot ignore.

For instance, while I applaud the benefits of the much needed statewide class size reduction initiative, I know school districts have been confronted with the dilemma of how to meet the demands for new classrooms. Class size reduction efforts will require the State of California to provide an additional 6,500 classrooms within the next few years to meet the goals of this effort. In the meantime, some school districts even have been forced to downsize schoolbased day care programs in order to meet the need for emergency classroom space. Programs like Kids Country in Danville and San Ramon have had to retrofit their large multipurpose rooms used for before-and-after-school care to provide space needed to accommodate the overflow of students.

Ellen Tauscher
Congresswoman, 10th District

Other problems facing the school systems in the 10th Congressional District and across the nation are the increasing deferred maintenance demands in existing schools and the need to wire our facilities for quick and reliable access to the Internet. Children and parents are expecting schools to be safe and effective places of leaning. Instead, children are faced with temporary classrooms, electrical wiring that can't support computer use, and many aging and simply inadequate classrooms.

For these reasons, I recently introduced the State Infrastructure Banks for Schools Act of 1997. State Infrastructure Banks (SIBs) will be created to provide a flexible menu of loan and credit enhancement assistance, terms, and maturities, such as low interest loans, bond financing security, loan guarantees, or credit support for financing projects, all of which will allow local school districts to save local taxpayer dollars. This type of funding for major infrastructure needs is modeled after the successful State Revolving Loan Funds used for the Clean Water and Safe Drinking Water Acts. A revolving fund allows the initial outlay of money to be repaid and used to finance new projects without requiring additional dollars from the Federal treasury.

What also makes the use of SIBs so appealing is that they would save local taxpayers money by allowing local communities to seek smaller loans. Often, local communities must increase the scope and thus the cost of their projects in order to attract bond market interest, because smaller loans can be cost prohibitive for bond financing thresholds. Also, a bond issued on the market usually includes fees and other administrative costs that would not be associated with State Infrastructure Banks.

With over $112 billion in unmet educational infrastructure needs across the country, SIBs are a modest, common-sense, and cost effective proposal that would benefit the entire nation. We need to start finding new and innovative ways of financing the building, modernization, and upkeep of our nation's schools. In the end, we can get the most for our money while giving the best to our kids.

CALIFORNIA DEPARTMENT OF EDUCATION
721 Capitol Mall
Sacramento
CA 95814
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DELAINE EASTIN

State Superintendent of Public Instruction

June 6, 1997

Members of the California Congressional Delegation

Dear Member:

As State Superintendent of Public Instruction, I want to voice my support for legislation to establish State Infrastructure Banks that will assist local school districts to rebuild, repair or replace their current facilities. If you have not already done so, I urge you to lend your support as a cosponsor of H.R. 1822.

Facility needs are ever increasing in California for several reasons: a growing student population; modernization of old school facilities to support new technology infrastructure; deferred maintenance; and a vigorous class size reduction program.

The Department of Finance predicts California's K-12 populations will grow by another one million students to a total of nearly 6.4 million students by the year 2005, a 19 percent increase. This is fully one-third of the predicted national increase. To accommodate this increase, California will need to build almost as many schools as currently exist in all of Oregon and Colorado. It is estimated that 60 percent of existing schools are over 30 years old and many are badly in need of repair. Class size reduction facility costs depend on the number of grades implemented, but permanent construction for four grades (K-3) is estimated to cost $2.5 billion. A summary of the ten-year need for California's school facilities is:

Increased student population	$ 15.0 billion
Modernization of old school facilities	10.0 billion
Deferred maintenance	5.0 billion
Class size reduction	2.5 billion
TOTAL NEED	**$ 32.5 billion**

State Infrastructure Banks would provide a flexible menu of loan and credit enhancement assistance, such as low interest loans, bond financing security, loan guarantees, or credit support for financing projects, resulting in lower interest costs. This proposed program will assist California schools as they endeavor to meet these pressing facilities needs.

If you have any questions or if we can be of any help in this matter, please feel free to contact me or Henry Der, Deputy Superintendent for External Affairs, at (916) 657-5360.

Sincerely,

Delaine Eastin

DELAINE EASTIN
State Superintendent of Public Instruction

DE:hdk

105TH CONGRESS
1ST SESSION

H. R. 1822

To establish State infrastructure banks for education.

IN THE HOUSE OF REPRESENTATIVES

JUNE 5, 1997

Mrs. TAUSCHER (for herself, Mr. MCINTYRE, Ms. LOFGREN, Mr. FROST, Mr. FARR of California, Mr. ENGLISH of Pennsylvania, Mr. MORAN of Virginia, Mr. DOOLEY of California, Mr. ROEMER, Mr. MILLER of California, Mr. JEFFERSON, Mr. LEWIS of Georgia, Mr. LAMPSON, Mr. MCGOVERN, Mr. BROWN of California, Mr. BOYD, Ms. STABENOW, Ms. HOOLEY of Oregon, Mr. PAYNE, Mr. FORD, Mr. MATSUI, Mr. SNYDER, Ms. CHRISTIAN-GREEN, Ms. ESHOO, Ms. SANCHEZ, Mr. FILNER, Mr. PETERSON of Minnesota, Mr. MINGE, Mr. CONDIT, Mr. HOLDEN, Mr. FAZIO of California, and Mr. TIERNEY) introduced the following bill; which was referred to the Committee on Education and the Workforce

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A BILL

To establish State infrastructure banks for education.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "State Infrastructure Banks for Schools Act of 1997".

SEC. 2. FINDINGS.

The Congress finds the following:

(1) According to a 1996 study conducted by the American School & University, $10.42 billion was spent to address the Nation's education infrastructure needs in 1995, with the average total cost of a new high school at $15.4 million.

(2) According to a 1995 report to Congress by the General Accounting Office, an estimated $112 billion in school repair, modernization, expansion, and construction is needed.

(3) Approximately 14 million American students attend schools which report the need for extensive repair or replacement of one or more buildings.

(4) Academic research has proven a direct correlation between the condition of school facilities and student achievement. At Georgetown University, researchers found that students assigned to schools in poor conditions can be expected to fall 10.9 percentage points behind those in buildings in excellent condition. Similar studies have demonstrated up to a 20 percent improvement in test scores when students were moved from a poor facility to a new facility.

(5) The Director of Education and Employment Issues at the Government Accounting Office testified that nearly 52 percent of schools, affecting 21.3 mil-

lion students, reported insufficient technology elements for 6 or more areas.

(6) Large numbers of local educational agencies have difficulties securing financing for school facility improvement.

(7) The challenges facing our Nation's public elementary and secondary schools require the concerted efforts of all levels of government and all sectors of the community.

(8) The United States's competitive position within the world economy is vulnerable if America's future workforce continues to be educated in schools not equipped for the 21st century.

SEC. 3. STATE INFRASTRUCTURE BANK PILOT PROGRAM.

(a) ESTABLISHMENT.—

(1) COOPERATIVE AGREEMENTS.—Subject to the provisions of this section, the Secretary of the Treasury, in consultation with the Secretary of Education, may enter into cooperative agreements with States for the establishment of State infrastructure banks and multistate infrastructure banks for making loans to local educational agencies for building or repairing elementary or secondary schools which provide free public education (as such terms are de-

fined in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801)).

(2) INTERSTATE COMPACTS.—Congress grants consent to 2 or more of the States, entering into a cooperative agreement under paragraph (1) with the Secretary of the Treasury for the establishment of a multistate infrastructure bank, to enter into an interstate compact establishing such bank in accordance with this section.

(b) FUNDING.—The Secretary of the Treasury, in consultation with the Secretary of Education, shall make grants to State infrastructure banks and multistate infrastructure banks in a State in a cooperative agreement under subsection (a)(1) to provide initial capital for loans provided under this section to local educational agencies. Each bank shall apply repayments of principal and interest on loans to the making of additional loans. The Secretary shall take final action on an application for a grant under this subsection within 90 days of the date of the submittal of such application.

(c) INFRASTRUCTURE BANK REQUIREMENTS.—In order to establish an infrastructure bank under this section, each State establishing the bank shall—

(1) contribute, at a minimum, in each account of the bank from non-Federal sources an amount

equal to 25 percent of the amount of each capitalization grant made to the State and contributed to the bank under subsection (b);

(2) identify an operating entity of the State as recipient of the grant if the entity has the capacity to manage loan funds and issue debt instruments of the State for purposes of leveraging the funds;

(3) allow such funds to be used as reserve for debt issued by the State so long as proceeds are deposited in the fund for loan purposes;

(4) ensure that investment income generated by funds contributed to an account of the bank will be—

(A) credited to the account;

(B) available for use in providing loans to projects eligible for assistance from the account; and

(C) invested in United States Treasury securities, bank deposits, or such other financing instruments as the Secretary may approve to earn interest to enhance the leveraging of projects assisted by the bank;

(5) ensure that any loan from the bank will bear interest at or below the lowest interest rates being offered for bonds the income from which is ex-

empt from Federal taxation, as determined by the State, to make the project that is the subject of the loan feasible;

(6) ensure that repayment of any loan from the bank will commence not later than 1 year after the project has been completed.

(7) ensure that the term for repaying any loan will not exceed 30 years after the date of the first payment on the loan under paragraph (5); and

(8) require the bank to make an annual report to the Secretary on its status and make such other reports as the Secretary may require by guidelines.

(d) FORMS OF ASSISTANCE FROM INFRASTRUCTURE BANKS.—

(1) IN GENERAL.—An infrastructure bank established under this section may make loans to a local educational agency in an amount equal to all or part of the cost of carrying out a project eligible for assistance under this section.

(2) APPLICATIONS FOR LOANS.—An application to an infrastructure bank by a local educational agency for a loan shall include—

(A) in the case of a renovation project, a description of each architectural, civil, structural, mechanical, or electrical deficiency to be corrected with funds under a loan and the priorities to be applied;

(B) a description of the criteria used by the applicant to determine the type of corrective action necessary for the renovation of a facility;

(C) a description of improvements to be made and a cost estimate for the improvements;

(D) a description of how work undertaken with the loan will promote energy conservation; and

(E) such other information as the infrastructure bank may require.

An infrastructure bank shall take final action on a completed application submitted to it within 90 days after the date of its submittal.

(3) CRITERIA FOR LOANS.—In considering applications for a loan an infrastructure bank shall consider—

(A) the extent to which the local educational agency involved lacks the fiscal capacity, including the ability to raise funds through the full use of such agency's bonding capacity and otherwise, to undertake the project for which the loan would be used without the loan;

(B) the threat that the condition of the physical plant in the project poses to the safety and well-being of students;

(C) the demonstrated need for the construction, reconstruction, or renovation based on the condition of the facility in the project; and

(D) the age of such facility.

(e) QUALIFYING PROJECTS.—A project is eligible for a loan from an infrastructure bank if it is a project that consists of—

(1) the construction of new elementary or secondary schools to meet the needs imposed by enrollment growth;

(2) the repair or upgrading of classrooms or structures related to academic learning, including the repair of leaking roofs, crumbling walls, inadequate plumbing, poor ventilation equipment, and inadequate heating or light equipment;

(3) an activity to increase physical safety at the educational facility involved;

(4) an activity to enhance the educational facility involved to provide access for students, teachers, and other individuals with disabilities;

(5) an activity to address environmental hazards at the educational facility involved, such as poor ventilation, indoor air quality, or lighting;

(6) the provision of basic infrastructure that facilitates educational technology, such as communications outlets, electrical systems, power outlets, or a communication closet;

(7) work that will bring an educational facility into conformity with the requirements of—

(A) environmental protection or health and safety programs mandated by Federal, State, or local law if such requirements were not in effect when the facility was initially constructed; and

(B) hazardous waste disposal, treatment, and storage requirements mandated by the Resource Conservation and Recovery Act of 1976 or similar State laws;

(8) work that will enable efficient use of available energy resources, especially coal, solar power, and other renewable energy resources; or

(9) work to detect, remove, or otherwise contain asbestos hazards in educational facilities.

(f) SUPPLEMENTATION.—Any loan made by an infrastructure bank shall be used to supplement and not supplant other Federal, State, and local funds available.

(g) LIMITATION ON REPAYMENTS.—Notwithstanding any other provision of law, the repayment of a loan from an infrastructure bank under this section may not be credited towards the non-Federal share of the cost of any project.

(h) SECRETARIAL REQUIREMENTS.—In administering this section, the Secretary of the Treasury shall specify procedures and guidelines for establishing, operating, and providing assistance from an infrastructure bank.

(i) UNITED STATES NOT OBLIGATED.—The contribution of Federal funds into an infrastructure bank established under this section shall not be construed as a commitment, guarantee, or obligation on the part of the United States to any third party, nor shall any third party have any right against the United States for payment solely by virtue of the contribution. Any security or debt financing instrument issued by the infrastructure bank shall expressly state that the security or instrument does not constitute a commitment, guarantee, or obligation of the United States.

(j) MANAGEMENT OF FEDERAL FUNDS.—Sections 3335 and 6503 of title 31, United States Code, shall not apply to funds contributed under this section.

(k) PROGRAM ADMINISTRATION.—For each of fiscal years 1998 through 2002, a State may expend not to exceed 2 percent of the Federal funds contributed to an infrastructure bank established by the State under this section to pay the reasonable costs of administering the bank.

(l) SECRETARIAL REVIEW.—The Secretary of the Treasury shall review the financial condition of each infrastructure bank established under this section and transmit to Congress a report on the results of such review not later than 90 days after the completion of the review.

(m) AUTHORIZATION OF APPROPRIATIONS.—For grants to States for the initial capitalization of infrastructure banks there are authorized to be appropriated $250,000,000 for fiscal year 1998 and for each of the next 4 fiscal years.

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UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

School Construction

FAX TRANSMITTAL

TO: John Schnur / B. Kincaid

ORGANIZATION: V. P

PHONE NUMBER:

FAX NUMBER:

FROM: Kevin Sullivan

PHONE NUMBER:

FAX NUMBER: [redacted]

MESSAGE:

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Statement of
Richard. W. Riley
U.S. Secretary of Education

DRAFT

On the Educational Facilities Improvement Act
September 10, 1997

It is clear that the increasing number of young people filling our nation's classrooms will be a central feature that will define American education for years to come. Last year, the United States broke the twenty-five year old enrollment record that was set by the baby boom generation in 1971. This year we will once again will break the record with enrollment rising to 52.2 million, and we will continue to break this record for many years to come.

This is both a suburban and urban issue and many states, particularly California, Texas, Georgia, Florida, North Carolina, New York and Arizona will be hard pressed to meet record enrollment. Virginia and Maryland, here in the Washington area, are also two states that have significant enrollment increases in the years ahead.

Six thousand new schools will have to be built to meet this growing enrollment and many more need to be substantially remodeled to replace or modernize the more than a third of the nation's existing schools that are currently over 50 years old.

Temporary measures to meet this rising enrollments increases may not be adequate. Unlike the previous baby boom (1947-61), there will be no sharp decline in enrollments after 2007. Instead, the student population will simply plateau at a much higher level as the number of births stabilizes. This finding suggests that many school districts may not be able to adequately meet the needs of their student population by simply buying more portables, or double-shifting students.

I am encouraged by any efforts by the Congress to revisit this issue within a balanced budget framework.

TOM DASCHLE
SOUTH DAKOTA

United States Senate
Office of the Democratic Leader
Washington, DC 20510–7020

EDUCATIONAL FACILITIES IMPROVEMENT ACT

FACT SHEET

Need for Action

Democrats continue to believe that Federal support for education is one of the best investments our nation can make to ensure its secure and prosperous future. For our students to learn, they must be in a physical environment that is conducive to learning. Unfortunately, our nations schools are in disrepair: about one third of all schools need extensive repair or replacement, and about 60 percent of schools have at least one major problem, such as a leaky roof or crumbling walls.

Summary

The Educational Facilities Improvement Act provides $1.9 billion over 5 years to pay a portion of the interest cost on state and local bond issues used to finance public elementary and secondary school repair, renovation, modernization, and construction projects.

After set-asides for Indian Schools, U.S. territories, and evaluations, 33 percent of the funds will be administered by the Secretary of Education for competitive awards to the 100 school districts with the largest numbers of poor children, and 25 other districts with extraordinary needs. The remaining 67 percent will be distributed to states according to a formula that takes into account school-age population, poverty, and other criteria. States will set up competitive programs to award these funds to school districts. School districts will be eligible for a subsidy of up to 50 percent of the interest cost on the bonds, using a sliding scale based on need.

Authorized Activities

The new program funds may be used to:

- repair or upgrade classrooms or structures related to academic learning, including the repair of leaking roofs, crumbling walls, inadequate plumbing, poor ventilation, and heating or light problems;
- increase physical safety;
- enhance access for students, teachers, or others with disabilities;
- improve energy efficiency;
- address environmental hazards;
- provide the basic infrastructure to facilitate educational technology, such as communications outlets and closets, electrical systems, and power outlets;
- construct new schools to meet the needs imposed by growth; or
- conduct any other related activity identified and approved by the Secretary.

Distribution of the Funds

Of the new funds, 1.5 percent would be reserved for Indian schools, and 0.5 percent would be reserved for the U. S. territories to be administered at the discretion of the Secretary. Not more than 0.1 percent would be set aside for the Secretary to collect data, study the condition of elementary and secondary schools, evaluate the program, and report the findings to Congress.

Of the remaining funds, 33 percent would be reserved for administration by the Secretary to the 100 school districts with the largest numbers of poor children, as well as to 25 additional districts at the discretion of the Secretary. The remaining 67 percent would be reserved for administration by the states to local education agencies.

Funds to Local Bond Authorities

Under this program. 33 percent of the funding will be administered directly by the Secretary of Education. School districts will be eligible for up to a 50-percent interest rate subsidy, using a sliding scale based on need. The 100 school districts with the largest numbers of poor children will be eligible to apply directly to the Secretary for the interest-rate subsidy. Eligible districts will be the top 100 with the highest levels of children ages 5 to 17 living in poverty. In addition, the Secretary may designate up to 25 additional districts for direct grants, based on their extraordinary needs.

The Secretary will award grants to districts based on a number of criteria, including the numbers of poor children in that district, the overall age and condition of the schools and their potential threat to children's health and safety, the extent of overcrowding, the extent to which construction would otherwise not occur, and other factors.

Funds to States

Of the remaining funds, 67 percent will be administered directly by the states. The states must submit an application to the Secretary describing the criteria the state will use to award funds within the state. States can use the money to subsidize local bond issues or to subsidize state bonds issued on behalf of the school districts.

The federal government will award the funds to the states based on a two-part formula. Half of the funds will be based on the state's share of federal Title I funds, and half will be based on the state's share of federal Title VI funds. School districts that receive direct grants from the Secretary will be excluded from the calculations used to determine the state-by-state allocations.

Funding

The amendment is funded at $1.9 billion, to remain available until obligated. It is paid for by restructuring the foreign tax credit carryover rules passed by the Senate and left on the table during conference on the tax bill (Section 867 of the Senate bill). This proposal would cut the current carryback period for taxpayers with unused foreign tax credits from 2 years to one, while extending the carryforward period from 5 to 7 years.

THOMAS A. DASCHLE
SOUTH DAKOTA

United States Senate
Office of the Democratic Leader
Washington, DC 20510-7020

REMARKS BY SENATE DEMOCRATIC LEADER TOM DASCHLE ANNOUNCING THE EDUCATIONAL FACILITIES IMPROVEMENT ACT WEDNESDAY, SEPT. 10, 1997

Today, Democrats in the Senate are introducing an important bill today to help local communities expand schools that are overcrowded, and repair or replace schools that are crumbling, or obsolete.

The Labor/HHS/Education bill already contains $40 million for school construction and repair.

The bill we are introducing today, the Educational Facilities Improvement Act, provides an additional $1.9 billion over the next five years. It represents the second installment in our efforts to upgrade the school buildings America's children attend.

Communities can use the money to underwrite up to 50 percent of the interest costs on school construction projects. Every community -- urban, suburban and rural -- will be eligible to apply for the funds.

Democrats in the House will introduce a companion bill as well, which Dick will talk about in just a minute.

This is an urgent priority. All over the country, children are returning to schools this month that are crowded or obsolete -- even dangerous. Children are being taught in trailers. Some schoolyards have so many trailers outside that you can't tell if it's a playground or a trailer court.

We need to address this problem now, not next year, not sometime in the future. So we in the Senate will use a special parliamentary option -- known as "Rule 14" -- to skip the normal committee process and place the bill directly on the Senate calendar. We hope our Republican colleagues will join the call for an early vote on this critical issue.

We don't need a bunch of committee hearings to know what the problem is. The GAO, the non-partisan Government Accounting Office, has already documented the problem. They say it will take $112 billion to bring all of America's schools up to par.

We obviously can't commit that many federal dollars. And we shouldn't. Public education has always been -- and should remain-- first and foremost a local responsibility.

But the sheer size of America's school facilities problem requires that the federal government be a partner. We can't put America's educational house in order while our schools themselves are falling down. Students can't learn in classrooms that are crowded and buildings that are crumbling. And most local communities can't afford to foot their whole school construction bill themselves.

Our bill will help communities begin to fix the most urgent of the problems. Joining me to talk about the bill are:

- Dick Gephardt;
- Senator Carol Moseley-Braun, who is really the driving force behind this bill in the Senate;
- Rep. Nita Lowey, the chief sponsor in the House; and
- two experts who knows first-hand about crumbling and overcrowded schools: Rita Melius, principal at Abbott Middle School, in Waukegan, Illinois, just north of Chicago; and Pam Latt, principal at Centerville High School in Fairfax County, Virginia.

We also have a short video that shows the condition of some of the school buildings in which America's children are trying to learn.

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