HOPE/Postsecondary

Diana_Phillips @ ed.gov
04/01/97 09:46:00 AM

Record Type: Record

To: William R. Kincaid

cc:
Subject: Re[2]: National Urban League

Bill: Thanks very much for the information to get in touch with you and Mike.

Mike and Bill -- A few weeks ago, Hugh Price wrote to the President, referring to a discussion he had with the Secretary to request that the President become involved in the launching of Year 2 of the National Urban League Campaign called "Doing the Right Thing". Price had also sent copies here to the Secretary, and to Sperling and Reed at the White House.

I talked with Terry Peterson and Mike Smith here, and with Hugh Price. Terry and Mike Smith see a real opportunity to relate the National Urban League campaign with the President's Call to Action. And as it turns out, after talking with Price, they are flexible in terms of time -- and could launch such an event in one or more of 27 different cities across the country. Price has the President's Call to Action, and the Ed piece called "Answer the Call". (I have the list of cities Price thought through on the phone.)

I am faxing a copy of Hugh Price's letter to both of you to look at the possibilities. What might you want the President to do for such an opportunity? What would you do? Please let me know what you think, and I'll pursue in any way you suggest. Thanks very much.
Diana

______________________________ Reply Separator ______________________________
Subject: Re: National Urban League
Author: William_R._Kincaid@oa.eop.gov at Internet
Date: 3/31/97 8:07 PM

Message Creation Date was at 31-MAR-1997 20:07:00

Diana--

My fax number is 456-7028; my phone is 456-2857; Mike's fax is the same as mine. His e-mail is (I believe) cohen_m@a1.eop.gov

I'm happy to discuss this with you. You may also want to chat with Bob Shireman who just joined the NEC staff from OMB and who will be working on HOPE scholarships and the postsecondary package.

Hope all is well.

Bill

Diana_Phillips @ ed.gov
03/31/97 03:13:00 PM
Record Type: Record

To: William R. Kincaid
cc:
Subject: National Urban League

Bill, hope you're there! How are you? In the midst of chaos I'm sure. But expect you're having a great time.

Terry Peterson wants me to talk with both you and Mike Cohen about connecting up a Hugh Price/National Urban League letter re Year 2 launch of their campaign, "Doing the Right Thing", with our goals on answering the President's Call to Action. We think it could be a great opportunity to team up and hit home with the public.

Would you please send me your fax number, AND Mike Cohen's e-mail address (I have his other numbers), so that I can send you stuff and write to both of you about this. I've talked with Price, and they are flexible on both time and location. To be continued..... Thanks.
Diana

Hope / Postsecondary

U.S. DEPARTMENT OF EDUCATION
OFFICE OF THE DEPUTY SECRETARY
600 INDEPENDENCE AVENUE, S.W.
WASHINGTON, D.C. 20202-0500

DATE: 4/1/97

TO: Bill Kincaid
Mike Cohen

ORGANIZATION: W.H.

PHONE: 456-2857 FAX: 456-7028

FROM: Diana

Diana C. Phillips
Special Assistant to the Deputy Secretary

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PHONE: ______________

TOTAL PAGES (including cover) ~~##~~ 4

FEB 27 12 05 PM '97

OS/ES [illegible]

National Urban League, Inc.

The Equal Opportunity Building
500 East 62nd Street, New York, N.Y. 10021-8379
Telephone (212) 310-9000

February 19, 1997

The Honorable Richard Riley
Secretary
U.S. Department of Education
400 Maryland Avenue, SW
Room 4181
Washington, DC 20202

Dear Mr. Secretary:

I wanted to follow up quickly on the promising idea that we discussed when we met. It's the notion of involving President Clinton in the launch of Year 2 of the National Urban League's nationwide celebration of youth who are "Doing the Right Thing." Just so you are aware, I am sending similar letters to Bruce Reed and Eugene Sperling.

Last September 21st, Urban League affiliates all across the country staged high profile events to celebrate young people who are excelling in school, providing leadership in their schools, serving their communities and otherwise "doing the right thing." Working with PTAs, churches, civic groups and others, our affiliates staged block parties, assemblies and even parades to recognize these successful youth who are playing by the rules.

As you can see from the enclosed newspaper clips, our initiative really resonated in the communities we serve. We believe that's because it addresses a hunger among young people for recognition and a desire for the media to portray more positive images of urban youth.

NUL's celebratory events derive from our determination to counteract the negative, anti-achievement peer culture in the minority community. As you can see from the enclosed NUL position paper, this is a major plank of our agenda to improve urban education. The importance of combatting this peer culture was also addressed by Professor Laurence Steinberg in his important new book, *Beyond the Classroom*. He played a prominent role in our recent C-SPAN forum on education.

Now to our idea. We are eager for President Clinton to help us launch this year's celebratory initiative by the National Urban League. We envision a press conference to be held this spring on a date that works for him. The ideal site is the Baltimore Urban League, which is housed in a restored church originally built by slaves in 1839. There's a section of the underground railroad in the basement. The enclosed postcard will give you a sense of this historic space.

The Baltimore Urban League would stage a mini-celebratory event for local youth. President Clinton would speak and hand out awards. The ceremony would be held in the worship hall that is pictured on the postcard. On this occasion I would join the President in announcing the national celebration, to be held this year on Saturday, September 20th.

This event would enable the President to address, in a high profile way, a critically important aspect of his education agenda. His prominent and "live" involvement in this event would give our efforts to promote a positive peer culture an enormous boost.

As I trust you can see, the venue is a natural for the media. Mayor Kurt Schmoke, Roger Lyons (CEO of the Baltimore Urban League) and I could take President Clinton and the press on a tour of the lovingly restored facility. With cameras rolling, Mr. Clinton could even peer into the accessible section of the underground railroad.

Optimally, Mr. Lyons would like four weeks lead time to organize the mini-celebratory event at his headquarters. He indicated that he can do it with a bit less advance notice if need be. But since this event would be staged specifically for the President, we would need a firm commitment from the White House, as well as a few weeks to work with. For now, I will assume that Bruce is the point person in the White House with whom we should work.

We stand ready to work with you on this exciting event and look forward to your response. Thank you in advance for your consideration.

Sincerely,

Hugh B. Price
President

cc. Bruce Reed
Eugene Sperling

Clinton's proposals on education aid get going-over at forum

4/3/97

PHOTOCOPY PRESERVATION

BY JAY MEISEL
ARKANSAS DEMOCRAT-GAZETTE

CONWAY — Some elements of President Clinton's proposed education program were met with skepticism Monday at a forum organized by U.S. Rep. Vic Snyder, D-Ark.

The two elements getting the most attention at the forum at the University of Central Arkansas were proposed tax credits and possible changes to the work-study program.

About 30 people attended the forum at the business college building.

Clinton has proposed a $1,500 tax credit to students during their first year of college. They could retain that credit for a second year by maintaining a B average.

Snyder said he questions whether students should have to maintain a B average to get help from the federal government. He said he's concerned the proposal will lead to grade inflation, students dropping hard courses and taking easier classes.

"I work hard and I maintain a C-plus average," one student said. He said his grade point average might be higher if he didn't have to work, because financial aid doesn't cover all of his college expenses.

If a B average were required for financial aid, he said, "I'd be at home right now."

"It would basically screw everyone who's got a C average," said student Chad Harris.

Jonathan Ross, another student, said he doesn't oppose setting standards. "I think it gives somebody a goal to work for," he said.

But Ross said he doesn't favor a proposal to give assistance to only the top five percent of students. Those students already get the aid they need from scholarships and other financial aid, while other students have to borrow money, he said.

Ross said he knows one student who received about $3,800 more than he needed in financial aid and is planning to use the extra money to buy a car.

University of Central Arkansas President Winfred Thompson said he believes federal student aid should largely be directed to those who need it rather than to those who maintain a particular grade average.

Thompson also said he has qualms about Clinton's proposals for student work-study programs.

Clinton wants students in work-study programs to help tutor or serve as mentors for those in lower grades, Snyder said. But that probably won't be a requirement, he said.

Thompson said he likes to have work-study students on campus. Students who have a job on campus become more involved in university activities and are more likely to stay in college, he said.

Many students end up paying for their education through loans rather than work-study programs or scholarships. University officials say students who rely on loans generally end up with large debts at the end of their college careers.

Snyder said one of Clinton's proposals is to increase the amount of Pell grants to low- and moderate-income students from $2,700 to $3,000.

Bill on education goals clears House committee

BY CHRIS REINOLDS
ARKANSAS DEMOCRAT-GAZETTE

The bill that would be the blueprint for public school education in Arkansas was approved Thursday in a House committee.

Senate Bill 57 would so extensively rewrite the current blueprint in Act 236 of 1991 as to nearly repeal it.

The act was described by its creators as a visionary way to help Arkansas meet national education goals. It defined what was expected of high school graduates, and it required changes in teaching methods and new approaches to learning described as outcomes-based education.

The law restructured the state's education system in accordance with national education goals set in 1990 to be implemented by 2000 (known as Goals 2000). In Arkansas, the approach focuses on what students are expected to know and how well public schools perform.

The lead sponsor of the new legislation, Sen. Stanley Russ, D-Conway, has said it is needed to allow more flexibility in state education and allow the Department of Education to update its mission, which contains many goals that may have been suitable earlier but now are outdated.

Gene Wilhoit of Little Rock, director of the state Department of Education, said the bill would preserve many positive achievements of Act 236 while improving many aspects of the education plan.

Wilhoit called the legislation a blueprint that will spur more bills in coming years for expansion of the plan. The bill says the state must raise student academic achievement, increase the number of students who graduate from high school, and ensure that students graduate with the knowledge and preparation to contribute to society.

The plan also says schools will be safe and functional and school officials will enforce discipline for students.

The bill has had its critics. Margaret Brogley, a retired Fort Smith public school teacher, said the bill is the downfall of education because it gives the federal government too much control over what's being taught to Arkansas children.

Penny Lane of Alma, a spokesman for Educate America, which she described as a research group dedicated to informing citizens about education issues that affect local schools, agreed with Brogley. Lane called Educate America a conservative group and said she represents the people of Arkansas.

Gov. Mike Huckabee has endorsed the legislation, said Rep. Dave Bisbee, R-Rogers, a cosponsor of the bill.

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Hope

The Chronicle of Higher Education, March 7, 1997
Section: Government & Politics, Page: A31

Clinton Rallies Support for Tax Breaks for College Tuition

By Stephen Burd

Washington – The Clinton Administration put on a full-court press last week to persuade college officials to support the President's proposed tax breaks to help students pay for college. The campaign of Presidential meetings with college officials was largely successful, but some college leaders stayed on the sidelines.

President Clinton was eager to unify college leaders behind his plan before formally submitting it to the scrutiny of the Republican-led Congress. The House of Representatives Ways and Means Committee is expected to begin examining the plan this week. It may be in for a bumpy ride: At a Senate higher-education hearing last week, Republicans and Democrats alike expressed skepticism about the tax proposals.

The White House received a big boost when the American Council on Education used its annual meeting last week to announce that it had endorsed the President's plan. The council is the umbrella group for American higher education and represents about 1,700 public and private universities.

"Your endorsement today will be a historic element in making sure that my education proposals will be part of the ultimate budget plan Congress approves," Mr. Clinton said in a speech to the group. "I thank you for standing with us. You are standing for opportunity for generations to come in a way that will change America forever, for the better."

Promising to "make the 13th and 14th years of education as universal to all Americans as the first 12 are today," the President has proposed a plan to allow families to choose between a $10,000 tax deduction and a $1,500 tax credit to help them pay for their children's college education.

The American Council's decision to back the President's plan came despite continuing complaints from some of its members that the tax breaks would do little to expand access to higher education for needy students and could increase federal intrusion into the academic affairs of colleges.

Stanley O. Ikenberry, the council's president, said at a press conference that his group still had "some concerns" about the details of the President's proposals and would work with the Administration and Congress to deal with them. But over all, he said, it was important for the group to stand behind the President's efforts.

"The details are yet to be worked through," Dr. Ikenberry said. "The key thing is that we recognized that the real danger here is that this whole proposal might be lost to the higher-education community if we don't get behind this. We have a real opportunity here to make it easier for students and their families to afford college."

David A. Longanecker, Assistant Secretary for postsecondary education, said he was "thrilled" by the group's action. "We were hopeful," he said. "But we did not necessarily expect it."

The American Council on Education was not alone in offering support. Before Secretary Richard W. Riley spoke at a meeting of the American Association of Community Colleges and the Association of Community College Trustees, the groups gave him a letter, signed by 500 administrators and trustees, that endorsed the President's plan.

But representatives of some other higher-education groups, including the American Association of State Colleges and Universities, the College Board, and the United States Student Association, have not thrown their weight behind the President's proposal. Their officials said the details of the plan could not be overlooked.

"The President's plan as it stands today targets the wrong people," said James B. Appleberry, president of the state-college association. "It is not an access program."

Mr. Longanecker and Mr. Riley acknowledge that the tax proposal would provide little benefit to the neediest students. But they say it would provide "needed relief" to middle-income families struggling to afford the rising costs of sending their children to public and private colleges.

Officials at the state-college association said they would release an analysis of the proposal this week that will show that those who would get the greatest relief from the President's tax plans would be upper-middle-income families, who normally can afford to pay for college without government aid.

That, they say, is because under the President's plan, the government would subtract from the amount of a student's tax credit not only the value of a Pell Grant, but also any state and institutional aid a student is due to receive.

The report will also show that families making $12,000 and less would not receive any money under the President's tax plans.

Senators from both parties expressed similar concerns at a hearing last week of the Committee on Labor and Human Resources.

"I have been approached by the presidents of the community colleges in my home state, and they tell me that the President's plan will be of little benefit to them," said Senator Tim Hutchinson, an Arkansas Republican. "While it may provide them with the incentive to raise their prices, it will not help the poorest students."

Senator Edward M. Kennedy, a Massachusetts Democrat, agreed: "The Senator from Arkansas has put his finger on the problem. We must make these tax breaks more accessible to low-income students."

Presidents of historically black colleges also withheld their full support for the President's plan last week. At a White House meeting with President Clinton, Vice-President Gore, and Mr. Riley, about 80 members of the National Association for Equal Opportunity in Higher Education expressed their "concerns" about the President's budget plan.

Henry Ponder, the group's president, said that black-college officials disliked the tax proposals because they would do little for recipients of Pell Grants. Because 90 per cent of students at black colleges receive Pell Grants, few of them would qualify for the tax credit.

Dr. Ponder said the presidents liked some aspects of the Administration's budget plan, including its call for a $1.7-billion increase in spending on Pell Grants.

President Clinton seemed to recognize those facts in his remarks to the black-college group. He spoke at length about the benefits of the Pell Grant increase, but referred to the tax credit only in passing.

Mr. Clinton did try last week to ease one concern that college leaders have expressed about his plan.

-more

Clinton cont.

From the moment the President first proposed the $1,500 tax credit, many college officials criticized it because it would require a student to earn a B average as a freshman to get the tax credit for a second year. Critics complained that such a standard would entangle the government too deeply in academic decision making by forcing colleges to report grades to the Internal Revenue Service.

In his speech at the American Council on Education meeting, President Clinton tried to reassure college leaders "The Treasury Department is committed to working with the Department of Education and all of you to make this tax plan work," Mr. Clinton said. "The Internal Revenue Service will not interfere with the affairs of educational institutions. We are committed to making this simple."

American Council on Education officials said they were encouraged by the President's words. And the President was pleased by the reception the group gave him.

"This is a really big day for us," he said.

The Chronicle of Higher Education [Academe Today] March 3, 1997

Lawmaker Says Taxpayers Lose Under Plan Tying Student-Loan Repayments to Income

A U.S. Congressman charged Friday that taxpayers are being ripped off by a student-loan plan that allows borrowers to have their repayments set according to their incomes after they graduate.

Representative Bart Gordon also charged that an Education Department proposal would only exacerbate the problem.

Mr. Gordon, a Tennessee Democrat, said at a press briefing that income-contingent repayment was a good idea that had been poorly executed. The option allows students who take out direct loans to make payments based on their incomes. If they cannot discharge the loan within 25 years, the balance is repaid by the government.

The Congressman cited a book about how to save money on student loans published by David Klein, a chiropractor in Nevada. In the book, Mr. Klein describes how he was crushed by student-loan debt from chiropractic school until he discovered the income-contingent repayment option.

In a telephone recording in which he touts the book, Mr. Klein urges students to act fast "because the problem is that in the upcoming months this program might get cut because this program might cost the government some money." Mr. Klein could not be reached for comment.

Mr. Gordon said Mr. Klein's message was tantamount to saying: "There's an egregious loophole in the federal government's loan program. Jump through it while you can."

Supporters of the direct-lending program said that Representative Gordon's criticisms rang hollow.

"Mr. Gordon has been a reliable and consistent opponent of direct lending, and all of his comments have to be taken in context of that idea," said Barmak Nassirian, a policy analyst at the American Association of State Colleges and Universities. Mr. Nassirian suggested that Mr Gordon was engaging in "political maneuvering."

Tom Butts, assistant vice-president for university relations at the University of Michigan, said that only a "very small number of people" are not able to repay their student loans after 25 years. He said the direct-lending program, including the income-contingent repayment option, seemed to be working well.

Direct lending, which the Clinton Administration strongly supports, provides federal loan funds directly to students through their colleges, bypassing banks and loan-guarantee agencies. The program was started in 1994.

David A. Longanecker, Assistant Secretary of Education for postsecondary education, said 10 to 20 per cent of students in the direct-lending program were selecting the income-contingent repayment option. "We think it is a valuable option for some students," he said.

Mr. Gordon contended Friday that he would not oppose a direct-lending program modified to deal with his criticisms. But, he said, he had become particularly concerned about income-contingent repayment recently, when the government proposed a change in the program.

As the program now stands, students who fail to repay their loans after 25 years are taxed on the balance that is forgiven. The Education Department is proposing to eliminate that tax, a step that Mr. Gordon said would place an even greater burden on taxpayers.

Mr. Butts countered that the proposal would deal with a technicality. And Mr. Nassirian said that it was unlikely to induce people to cheat. "If they have unpaid balances after 25 years of making payments," he said, "they must be poor folks."

-- Kim Strosnider

UNITED STATES DEPARTMENT OF EDUCATION
PUBLIC AFFAIRS

Op-Ed Column by U.S. Secretary of Education Richard W. Riley

President Harry Truman, a man remembered for the common sense of his wisdom, once said: "There is no limit to knowledge. A person learns as long as he lives." He made that remark at a time when a high school diploma was a ticket to a steady job and economic security.

Today, President Truman's observation is more relevant than ever. The jobs and the industries that are being created today often require more skills and training than a high school diploma affords. At the same time, the rising cost of college is discouraging many Americans from continuing their education.

Driven by those concerns, President Clinton has made a bold proposal to the nation: To make available at least two years of college for every American who is interested and qualified.

President Clinton's plan for the America's HOPE Scholarships is simple: We will provide a tax cut in the form of a refundable tax credit to working and middle-income families for up to two years of college tuition. The credit would provide up to $1,500 for full-time students in their first year of college, $750 for half-time students. For students who earn a B average during their freshman year, we'll provide the same thing for a second year. While this tax credit can be used at any public or private college, it will cover the tuition at more than two-thirds of the community colleges across America.

This plan is coupled with the President's prior proposal for a tax deduction of up to $10,000 per family for tuition for college, graduate school, community college, or a certified technical program. The costs are covered in the President's balanced budget plan.

Families could choose the credit or the deduction, but not both at the same time for the same student. For either option, full assistance would be available to single tax filers with incomes of up to $50,000, with smaller benefits available for incomes of up to $70,000. For families, the full benefits are available for incomes of up to $80,000, with smaller benefits available up to an income level of $100,000.

600 INDEPENDENCE AVE., S.W. WASHINGTON, D.C. 20202-0131
(202) 401-1576

There are three keys to why this proposal is a good deal for students and for America. First, it provides access for at least the first two years of college. The financial benefits of attending college are profound: Today's college graduate earns an average of 73 percent more than today's high school graduate, and that figure is growing. With tuition to a four-year public university running at 14 percent of the median family income, however, the cost of college deters people at the very time that the nation needs more people to enroll in order to navigate today's changing economy. A financial guarantee for two years of study will ensure that college is financially within reach for every American.

Second, this plan provides tax relief for working and middle-income families while encouraging investment through the education of our people. During his speech at Princeton University earlier this month, President Clinton said: "The mind is the great natural resource of the next American century." This plan will encourage more Americans than ever to cultivate their educational and economic potential, making it a sound investment for the future of the nation.

Third, this plan reinforces the idea that education is important for a lifetime. The tax benefits are designed to serve students of all ages in the program of the student's choosing to underscore the importance of lifelong learning.

Some have observed that this assistance covers a small share of the tuition charged by some private institutions. Yet for all families, a $1,500 tuition tax credit can provide real relief for their family budget. Further, more than 11 million students -- 78 percent of the nation's collegiate student body -- attend public two-year and four-year campuses. For students at public institutions, a $1,500 tax credit will cover much, if not all, of their tuition.

America's HOPE Scholarships and the tuition tax deduction are part of the President's actions to make college more affordable for students of all ages, including: greater investments in Pell Grants for low-income college students and College Work-Study; Skills Grants for those who want to upgrade their job skills; Presidential merit scholarships for students who graduate in the top 5 percent of their high school class; direct loans for college students; and penalty-free IRA withdrawals.

In all of these ways, President Clinton is working to expand access to college. In this Information Age, access to higher education is at the heart of our economic well-being and the American spirit of opportunity.

UNITED STATES DEPARTMENT OF EDUCATION

PUBLIC AFFAIRS

*Remarks by
U.S. Secretary of Education
Richard W. Riley

Press Conference
Middle Income Tax Cut for College
Barnard Auditorium
June 4, 1996

Thank you all for coming this afternoon.

During his commencement address at Princeton University today, President Clinton made an important announcement and put access to a college education at the heart of our national economic well-being.

Forty years ago, the educational goal for working Americans was the high school diploma. The jobs and the industries that are being created today, though, require more skills and more training than a high school diploma affords.

With that in mind, the President today made a bold proposal to the nation: To make available for every American at least two years of college. In the Information Age in which we live, high school must be seen as a stepping stone to something more. In reaching for something more, however, many families are finding the cost of college to be a daunting financial obstacle.

To that end, the President today unveiled what he calls America's HOPE Scholarship -- a refundable tax credit for the first two years of college. The concept is simple: We will provide a tax cut for middle-income and working families to help pay tuition for the first two years of college. This tax credit would provide full-time students in America up to $1,500 for their first year of college and half-time students $750. For students who earn a B average during their freshman year, we'll provide the same thing for a second year. This proposal covers the breadth of post-secondary education -- technical schools, community colleges, public and private colleges and universities.

The plan is coupled with the President's current proposal for a tax deduction of up to $10,000 per family for tuition for college, graduate school, community college, or certified technical programs. Families could choose either the credit or the deduction.

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*The Secretary may depart from prepared remarks.

This plan is targeted at middle-income and working families. Full assistance would be available to single tax filers with incomes up to $50,000, with smaller benefits available to those with incomes up to $70,000. For families, the full benefits are available for those with incomes up to $80,000, with smaller benefits available up to an income level of $100,000.

These tax cuts will be paid for with a handful of new offsets, none of which involve education dollars. They include the auctioning of radio spectrum, an increase in the international departure tax, and a reduction of sales source rule benefits.

Overall, the credit and deduction amount to more than $42 billion in tax relief over the next six years for middle-income and working families to invest in themselves -- a boost for those people who are working to improve their skills, to better provide for their families, and to strengthen our economy. It is accounted for in the President's plan to balance the federal budget by the year 2002.

This plan is a natural outgrowth of discussions within the Administration over the past several months, and builds on the Administration's strong commitment to higher education and strengthening American families.

This proposal is offered within the context of the Administration's overall student aid plan -- greater investments in Pell Grants, Work-Study, and TRIO; Skills Grants; the Presidential merit scholarships; direct lending; AmeriCorps; penalty-free IRA withdrawals.

It should also be considered against the backdrop of the coming tidal wave of students. With a record of more than 51 million elementary and secondary students in the nation's schools this fall, this is a fine time to send the signal that if they study and work hard, we will ensure their access to higher education.

The President's proposal is driven by the simple mission of cutting taxes and encouraging investment in our nation's future. I believe this is a sound proposal that is in the best interests of not only higher education, but all of America.

America has the best system of higher education in the world. We should not change that system, but rather ensure that it is available to all Americans.

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

June 4, 1996

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

* NEW AMERICA'S HOPE SCHOLARSHIP TAX CUT -- Guarantees 2 Years of Tuition at the Average Community College for Any Student Who Earns a B Average. Modeled on the successful Georgia HOPE Scholarship program, this new proposal provides all students with a $1,500 refundable tax credit for full-time tuition in their first year ($750 for half-time), and another $1,500 in their second year if they work hard, stay off drugs, and earn at least a B average in their first year. This $1,500 tax credit will pay for more than the full cost of tuition at the national average-priced community colleges -- and a downpayment at more expensive four-year schools.

* $10,000 Tax Deduction for All Education and Training. The President maintains his $10,000 tax deduction for tuition for college, graduate school, community college, certified training and technical programs. This encourages lifetime investment in higher education.

* Scholarship Increases (Pell Grants) for Lower-Income Students: The President announced that his balanced budget plan increases Pell Grants each year. Indeed, the maximum Pell Grant award will increase by 33% from fiscal 1995 to fiscal 2002. The proposed increase in fiscal 1997 is the largest in the program's 25-year history.

BUILDS ON PRESIDENT'S PLAN FOR GUARANTEED ACCESS TO COLLEGE.

The above initiatives build on the President's plan to guarantee that college is both accessible and affordable to every person -- through loans with pay-as-you-can repayment, grants, scholarships, and work study.

* With the increased Pell Grant program support, students have access to up to $5,100 in Pell Grants and student loans for their first year in college, and much more in future years.
* The new Direct Student Loan program enacted as part of the President's 1993 Economic Plan is allowing millions of students to borrow in a simpler, less bureaucratic way, and to pay back their loans as a share of their income, and part of the savings from Direct Lending will be returned to students in the form of lower interest payments on their loans.

  * New Direct Loans With Pay-As-You-Can Option: Will account for 50% of loans
  * National Service -- AmeriCorps: 30,000 students earning up to $4,725 for service
  * Pell Grants: Provides for 7-year expansion, increasing maximum award to $3,128 in 2002
  * $10,000 Education Deduction: 16.5 million students get deduction for their tuition
  * Work Study Expansion: Proposes expansion to 1 million participants by FY2002
  * Honors Scholarships: Proposes $1,000 scholarship for top 5% of every high school class
  * IRAs for Education: Proposal allows penalty-free withdrawals for education
  * Skill Grants: Proposed $2,600 Skill Grants to enable dislocated workers to get needed skills

AMERICA'S HOPE SCHOLARSHIPS

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

June 4, 1996

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

- **NEW AMERICA'S HOPE SCHOLARSHIP TAX CUT -- Guarantees 2 Years of Tuition at the Average Community College for Any Student Who Earns a B Average.** Modeled on the successful Georgia HOPE Scholarship program, this new proposal provides all students with a $1,500 refundable tax credit for full-time tuition in their first year ($750 for half-time), and another $1,500 in their second year if they work hard, stay off drugs, and earn at least a B average in their first year. This $1,500 tax credit will pay for more than the full cost of tuition at the national average-priced community colleges -- and a downpayment at more expensive four-year schools.

- **$10,000 Tax Deduction for All Education and Training.** The President maintains his $10,000 tax deduction for tuition for college, graduate school, community college, certified training and technical programs. This encourages lifetime investment in higher education.

- **Scholarship Increases (Pell Grants) for Lower-Income Students:** The President announced that his balanced budget plan increases Pell Grants each year. Indeed, the maximum Pell Grant award will increase by 33% from fiscal 1995 to fiscal 2002. The proposed increase in fiscal 1997 is the largest in the program's 25-year history.

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

- **With the increased Pell Grant program support,** students have access to up to $5,100 in Pell Grants and student loans for their first year in college, and much more in future years.

- **The new Direct Student Loan program** enacted as part of the President's 1993 Economic Plan is allowing millions of students to borrow in a simpler, less bureaucratic way, and to pay back their loans as a share of their income, and part of the savings from Direct Lending will be returned to students in the form of lower interest payments on their loans.

  - **New Direct Loans With Pay-As-You-Can Option:** Will account for 50% of loans
  - **National Service -- AmeriCorps:** 30,000 students earning up to $4,725 for service
  - **Pell Grants:** Provides for 7-year expansion, increasing maximum award to $3,128 in 2002
  - **$10,000 Education Deduction:** 16.5 million students get deduction for their tuition
  - **Work Study Expansion:** Proposes expansion to 1 million participants by FY2002
  - **Honors Scholarships:** Proposes $1,000 scholarship for top 5% of every high school class
  - **IRAs for Education:** Proposal allows penalty-free withdrawals for education
  - **Skill Grants:** Proposed $2,600 Skill Grants to enable dislocated workers to get needed skills

America's HOPE Scholarship Tax Cut

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BACKGROUND ON HOPE SCHOLARSHIPS

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

- **Guaranteed Average Tuition For Two Years of Community College:** The HOPE Scholarship Plan will ensure that students can get up to a $1,500 refundable tax credit, a Pell Grant, or a combination for tuition in their first year after high school, and another $1,500 in their second year if they work hard, stay off drugs, and earn at least a "B" average. This $1,500 credit is $300 above the national average community college tuition and would make tuition free for 67% of all community college students. It would enable states that set tuition within $300 of the national average *to make community college tuition free for every student.* The credit would be indexed to inflation each year to protect its value.

- **$1,500 For The First Two Years At Any College For Students Who Earn At Least a B Average:** While the HOPE Scholarship tax credit is priced to pay for the full cost of two years of community college tuition for students who earn at least a "B" average in their freshman year, the $1,500 credit can be applied to tuition at any college, from a two-year public community college to a four-year private college. This $1500 tax credit will be a substantial downpayment for parents sending their children to colleges with higher tuition.

- **$750 for Half-Time Students:** The HOPE Scholarship Tax Cut is designed to assist parents and current workers who want to further their education. Those who can only go to school half-time because of their job or parenting obligations, are eligible for a $750 refundable credit per year until they have completed two full years of college. The "B" average requirement also applies to half-time students.

- **Includes 1-Year Certificate Programs:** Students at training and technical programs eligible for Pell Grants under Title IV of the HEA are also eligible HOPE Scholarships.

- **Interaction with the $10,000 Education Tax Deduction:** Students would receive either the HOPE scholarship or the $10,000 tax deduction in any year. Eligible students in their first two years or their parents can choose between either the Hope Scholarship or the deduction. The deduction is up to $10,000 a year per family. The credit is $1,500 per student.

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

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

- **"B" Average:** To remain eligible for the credit, students must earn at least a "B" average or a 2.75 grade point average in their first year of college or post-secondary school. Based on the National Post-Secondary Student Aid study, more than half of students earn a 2.75 average or better.

- **Students Must Stay Drug-Free:** A student is ineligible if, in accordance with the Drug-Free Post-Secondary Education Act of 1990, he or she has been convicted of committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.

- **Administration:** Administrative issues such as the timing and delivery of the tax credit will require consultation with colleges to ensure that the plan provides maximum flexibility and efficiency rather than top-down administration. The Treasury Department and Department of Education will work with Members of Congress, Governors, and college presidents and financial aid administrators to design the most flexible and efficient system, and to ensure against excessive and abusive tuition increases.

- **Challenge to States.** The President is challenging states to build on the HOPE Scholarship Plan by following Georgia's lead and making scholarships available for four years of college for students who maintain a "B" average. The President is also challenging the 17 States that set tuition above $1,500 to reduce costs so that with the HOPE Scholarship tax cut, community college will be free for every student.

Paying For America's HOPE Scholarship Tax Cut

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

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

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

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

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

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

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

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

BACKGROUND ON NEW SAVINGS MEASURES

SAVINGS
$3.5 Billion

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

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

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

SAVINGS
$2.1 Billion

AUCTION RADIO DARS SPECTRUM
(FY 1997 - 2002)

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

SAVINGS
$2.3 Billion

INTERNATIONAL DEPARTURE FEE
(FY 1997 - 2002)

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

BACKGROUND ON PELL GRANT INCREASE

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

- **$2 Billion Program Deficit Eliminated.** The projected $2 billion Pell Grant program deficit was eliminated within the first two years of the Clinton Administration.

- **Record Increase in FY1997:** The President's fiscal year 1997 budget calls for funding to support a $2,700 maximum Pell Grant -- nearly a 10% increase over the current level -- which would provide more than 3.7 million students with Pell Grants averaging $1,706 in 1997. This proposed increase in the maximum Pell Grant Award would be the largest increase in the program's 25-year history.

- **President Announces Yearly Pell Grant Increases:** The President's balanced budget contains the following seven-year increase in the maximum Pell Grant awards.

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

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

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

$10,000 EDUCATION DEDUCTION

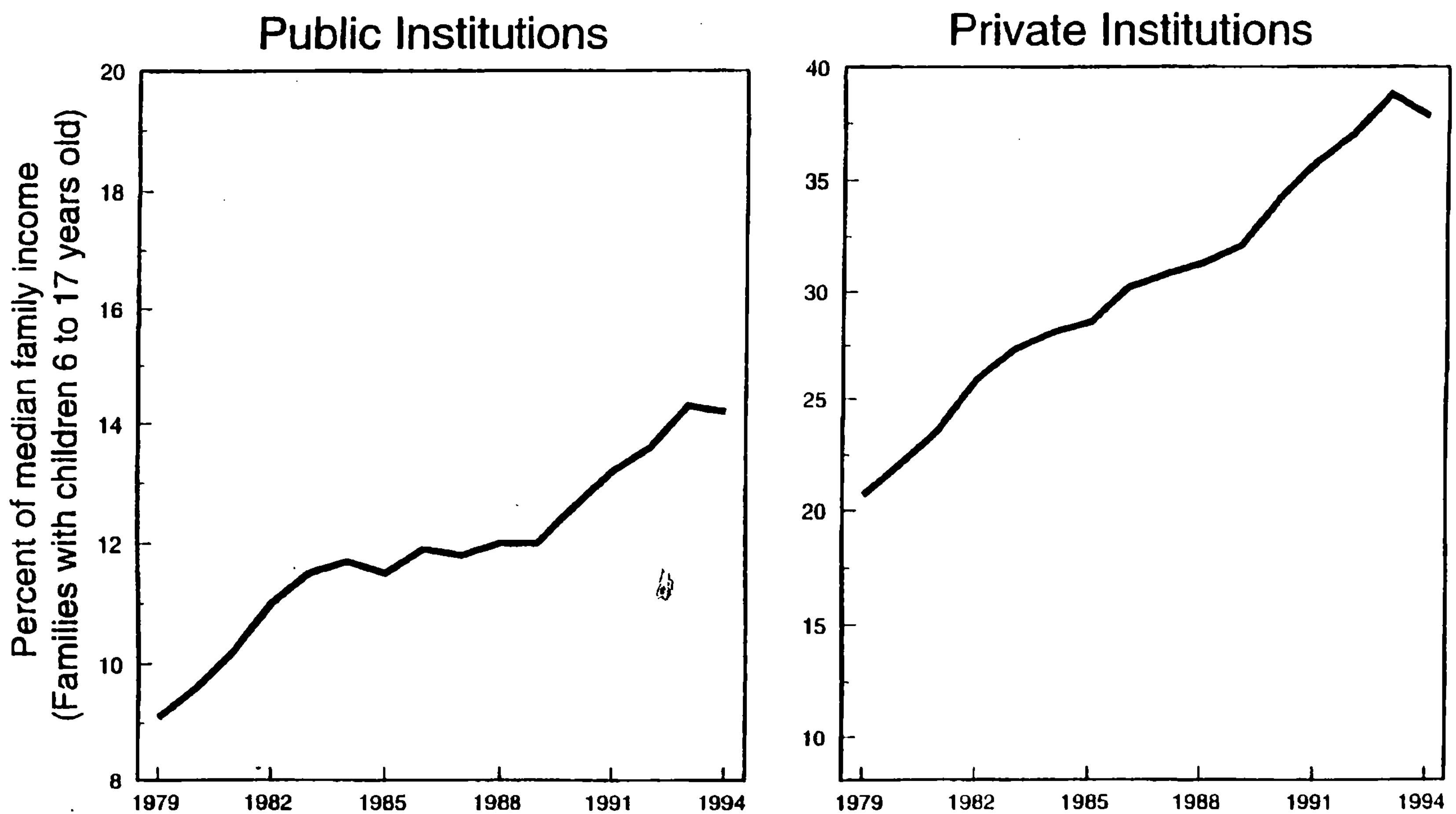
- **Breadth of Application**: The $10,000 Education Deduction would be for every taxpayer for the tuition at any education or training program that is at least half-time or related to a worker's career.

- **Supplements Hope Scholarship Tax Cut**: In any year, students in the 13th and 14th grades would receive either the HOPE Scholarship or the $10,000 tax deduction. Eligible students in their first two years or their parents can choose between either the HOPE Scholarship or the deduction. Students that relied on the $1,500 tax credit in the first two years of college would still be eligible for the $10,000 deduction in the remaining years of college or graduate school or for qualified lifelong learning. Students not eligible for the tax credit would still be eligible for the $10,000 deduction. The deduction is up to $10,000 a year per family. The credit is $1,500 per student.

- **Income Limits**: For joint filers, the deduction would be phased out at incomes between $80,000 and $100,000. For single filers, the deduction would be phased out between $50,000 and $70,000.

- **Unlimited Number of Years**: While the HOPE Scholarship is for the first two years of college, the $10,000 tax deduction is available any year a family had education expenses. For example, a family of four with an income of $40,000 and five years of tuition expenses totaling $10,000 would receive a $7,500 tax cut over that five-year period.

Cost of College As Percent of Typical Family Income



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

* Includes Calculation of Tuition, Room and Board

Tuition and Fees at Public Two-Year Institutions

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

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

America's HOPE Scholarship Tax Cut
Background Materials

GEORGIA HOPE SCHOLARSHIPS

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

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

A TRULY UNIQUE PROGRAM THAT PROVIDES HOPE FOR GEORGIA STUDENTS:

- **Governor Zell Miller**. "Of all the things that I've ever been involved with, It's the one thing that I'm most proud of. We are making college accessible in a way it never has been before in Georgia." [February 12, 1995]

- ***Atlanta Journal Constitution.*** "Where else in America can children know, from elementary school on, that if they work hard and earn a 3.0 average by graduation from high school, they can fulfill the dream of going to college whether their family has money or not? That's the opportunity created by Georgia's HOPE scholarship program. ...It's a marvelous thing, and it is a solemn promise from the state to its young residents. It is not, however, an entitlement requiring no effort. Students must meet the standards to get the scholarships, and they must keep up the struggle to hold onto them once they enter college." [Atlanta Journal Constitution, September 7, 1994]

- **Barry Fullerton, Vice Chancellor, University of Georgia.** "It's an ingenious program. It's a great public policy, and it has benefited thousands of students." [The Courier-Journal, April 9, 1995]

- ***Orlando Sentinel.*** "Imagine a state where every student with a B average gets a full college scholarship. ...Don't have that fanciful an imagination? You don't need one. You just need to look north, to Georgia." [Orlando Sentinel, April 8, 1996]

- ***Atlanta Journal Constitution.*** "It is, quite simply, an effort to help Georgia's young people become well-educated, productive citizens." [Atlanta Journal Constitution, December 16, 1994]

ELIGIBILITY REQUIREMENTS: Students must meet the following requirements:

2-Year and 4-Year Public Colleges/Universities

- For a HOPE Scholarship to a 4-year public college, graduating high school students must have a 3.0 cumulative grade point average on a 4.0 scale or an 80 numeric average and obtain a diploma with a State of Georgia College Preparatory Seal. (In order to obtain the college preparatory seal, students must meet and graduate from the required core college preparatory curriculum.)

- For a HOPE Scholarship to a public college, graduating high school students who do not meet the 3.0 grade in the core curriculum, must have a 3.2 cumulative grade average on a 4.0 scale or an 85 numeric average in other curriculum tracks.

- Students who maintain a B average in a 4-year public college and stay off drugs can continue to receive the same level of support for up to four years.

- Students whose college grades fall below 3.0 can requalify a year later if they bring their grades back up above 3.0.

- Students who are not eligible for HOPE scholarships upon graduation of high school, or who enter college later in life, can obtain HOPE scholarships after their sophomore year if they obtain a cumulative 3.0 grade average.

2-Year and 4-Year Private Colleges/Universities

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

Technical Schools and Adult Education Institutes

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

Universal Requirements

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

KEY FACTS:

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

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

- In the 1995-1996 school year, 70 percent of University of Georgia freshman students received a Georgia HOPE scholarship.

- The racial composition of those receiving HOPE scholarships mirrors that of the overall university system (75% white, 20% black).

- 84% of HOPE students who enrolled in public colleges in Fall 1994 were still in college in Fall 1995, versus 74% of all students.

- A 1995 poll by Georgia State University found that 77 percent of Georgia residents who were aware of the program thought it would lead parents to take a more active interest in their children's education.

- Since the start of the program, enrollment in Georgia's technical and adult education institutions has increased 24 percent. Enrollment increased 8 percent in 1995, alone.

ARKANSAS ACADEMIC CHALLENGE SCHOLARSHIPS

> *"We need more of our young people going to college and we need them to succeed and stay in college. This program will help them accomplish that goal."*
> -- Governor Bill Clinton, July 12, 1991

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

REQUIREMENTS:

- **Income Requirement.** For families with one dependent child, income cannot exceed $30,000 per year. An extra $5,000 of family income is allowed per child.

- **Grade-Based Awards.** Awards are based on the applicant's meeting minimum standards with regard to the ACT composite score, grade point average (GPA) in the pre-collegiate core curriculum.

  * Applicants must have a composite ACT score of 19 and a grade point average of 2.50 on a 4.00 scale, in the precollegiate core curriculum.

  * Applicants not meeting either the grade point average or ACT requirements may still qualify for the Academic Challenge Scholarship if their combined ACT score and grade point average meet satisfactory levels when applied to a selection index (i.e. a student with a 15 ACT would have to achieve a minimum 3.25 GPA; a student with a 26 ACT would only have to have a 2.0 GPA.)

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

- **Students must maintain their grades once in college.** In order to retain their scholarship for an additional year, students keep their grades above state-specified levels.

KEY FACTS:

- In 1987, 32 percent of Arkansas students who took the ACT had completed high school pre-college core curriculum. By 1992, the first year of the Academic Scholarships Program, that percentage rose to 48.

- The number of high school students qualifying for and receiving the Arkansas Achievement Scholarship has increased dramatically each year. In the 1991-1992 school year, there were 1,024 recipients. In the 1994-1995 school year, 5,383 students received awards.

- While Bill Clinton was governor of Arkansas, the percentage of high school students going on to college increased by 50% (from 38.2% in 1982 to 57.3% in 1992). The Arkansas "going rate" has remained steady since 1992.

Bureau of the Census Statistical Brief

More Education Means Higher Career Earnings

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

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

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

We're more educated than ever.

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

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Issued August 1994

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

Professional degree holders have the highest earnings.

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

Earnings differences compound over one's lifetime.

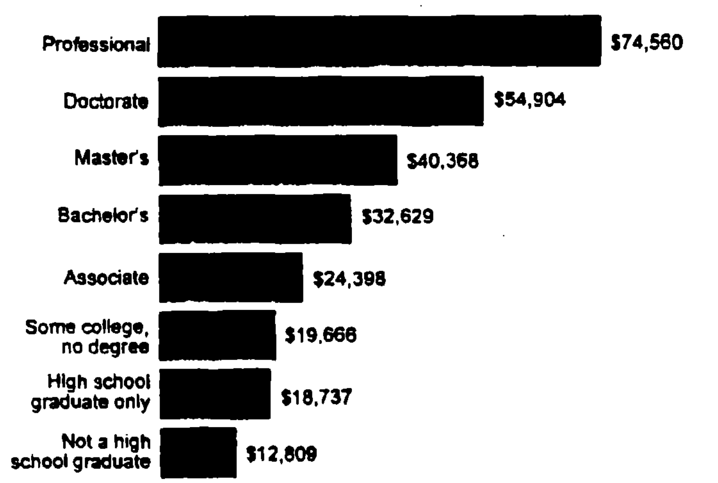
Using 1992 data, we estimated the earnings a person would accrue over a typical "worklife." Here's how we did it. First, we defined a worklife as lasting from ages 25 to 64 — a 40-year period. Then we began our calculations.

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

These estimates dramatically illustrate the large earnings differences

Education Continues to be the Ticket to Higher Earnings

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



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

- High school dropouts would make (in 1992 dollars) around $600,000 during their lifetime.

- Completing high school would mean about another $200,000.

- Persons who attended some college (but did not earn a degree) might expect lifetime earnings in the $1 million range.

- You could tack on nearly another one-half million dollars for holders of a Bachelor's degree.

- Doctorate and professional degree holders would do even better, at just over $2 million and $3 million, respectively.

Lifetime differences may become even more striking in the future.

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

- Doubled for high school dropouts (from $6,014 to $12,809).

- Rose 2.5 times for those who were high school graduates only (from $7,536 to $18,737).

- Nearly tripled for holders of Bachelor's degrees (from $11,574 to $32,629).

- Tripled for those who held advanced degrees (from $15,619 to $48,653).

Keep in mind that in 1992 the consumer price index (which measures yearly changes in the value of the dollar) was 140, 2.5 times what it was in 1975. This means that the earnings of high school dropouts did not even keep up with inflation, and high school graduates just barely managed to keep pace. Real wages rose only for persons with education beyond the high school level. If these patterns continue, lifetime earnings differences between low and high levels of education will become even more dramatic than current levels indicate.

More information:

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

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

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

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

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

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

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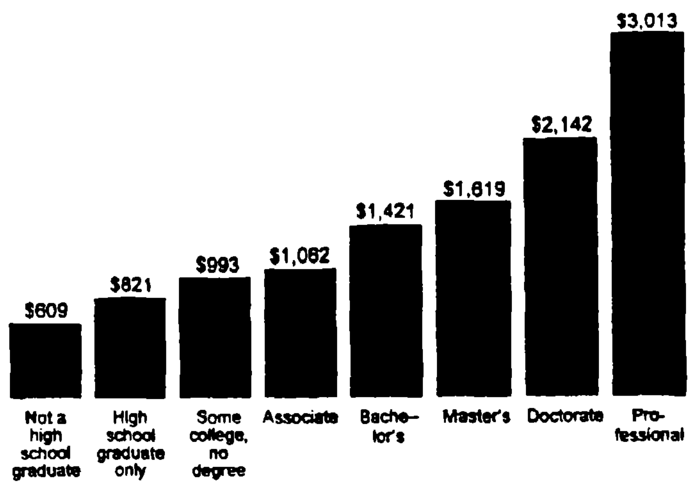
This Brief is one of a series that presents information of current policy interest. It may include data from businesses, households, or other sources. All statistics are subject to sampling variability, as well as survey design flaws, respondent classification errors, and data processing mistakes. The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

Go to College, Make a $Million

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



ECONOMIC RETURNS TO INVESTMENTS IN EDUCATION AND TRAINING

- Empirical studies indicate that each additional year of formal schooling is associated with a 6 to 12 percent increase in annual earnings later in life. [Kane and Rouse, 1995; Ashenfelter and Krueger 1994; Angrist and Krueger, 1991]

- This earnings benefit is not limited to education at four-year colleges; it also accrues from attendance at community colleges. [Thomas Kane and Cecilia Rouse, Labor Market Returns to Two and Four-Year College: Is a Credit a Credit and Do Degrees Matter American Economic Review, Vol. 85, No. 3, 1995.]

- The wage premium for better-educated workers has expanded dramatically over the past fifteen years. In 1979, full-time male workers aged 25 and over with at least a bachelors degree earned on average 49 percent more per year than comparable workers with only a high school degree. By 1993, the difference had nearly doubled, to 89 percent. [Economic Report of the President 1996, page 191.]

- Economists have long argued over whether education causes higher earnings, or whether those with better earnings prospects -- for example, because of greater innate ability -- simply consume more education. Recent analyses of compulsory schooling laws (which force students to consume more education regardless of their innate ability) and wage differentials between twins (who should have similar levels of innate ability) strongly suggest that schooling actually leads to higher earnings. [Joshua Angrist and Alan Krueger, Does Compulsory School Attendance Affect Schooling and Earnings; Quarterly Journal of Economics, November 1991; Orley Ashenfelter and Alan Krueger, Estimates of the Economic Returns to Schooling from a New Sample of Twins, American Economic Review, December 1994.]

- A college graduate is 43 percent more likely to be working in a job with a pension plan than a high school graduate and a college graduate is 27 percent more likely to have a job with health care coverage than a high school graduate. [Based on data from the Bureau of Labor Statistics, various years, Current Population Survey.]

- Since the early 1980s, high skill jobs are growing the fastest. Jobs requiring high skill levels grew by 32% over the period 1984-1994 while jobs requiring low skill levels grew by only 7%. [Based on data from the Bureau of Labor Statistics, various years, Current Population Survey.]

- Job displacement studies show that better-educated workers are less likely to lose their jobs than less-educated workers, although this advantage has declined over time. If better-educated workers do lose their jobs, they are more likely to find new jobs (which are more likely to be full-time), and they tend to suffer smaller proportional earnings losses than less-educated workers. [Henry S. Farber, The Changing Face of Job Loss in the United States, 1981-1993, Department of Economics, Princeton University, March 12, 1996.]

- Training workers also has significant payoffs. According to academic research conducted by Lisa Lynch before she became Chief Economist at the Labor Department, a year of either on-the-job training or formal training for workers raises wages by about as much as a year of college education. [Lisa Lynch, Private Sector Training and the Earnings of Young Workers, American Economic Review, Vol. 82, No. 1, 1992.]

- Other studies conclude that firm-provided training seems most effective when combined with other innovative workplace practices. [U.S. Department of Labor, High Performance Work Practices and Firm Performance, 1993; David Levine, Reinventing the Workplace: How Business and Employees Can Both Win (Washington: Brookings, 1993).]

- Education and training boost economic growth. Data from the Bureau of Labor Statistics suggest that the rise in the average educational attainment of the workforce accounted for one-fifth of the annual growth in productivity between 1963 and 1992. [Economic Report of the President 1996, pages 191-2.]

- International evidence reveals that, all else equal, those nations with the highest school enrollment rates in the early 1960s tended to enjoy the most robust growth in subsequent decades. [N. Gregory Mankiw, David Romer, and David Weil, A Contribution to the Empirics of Economic Growth, Quarterly Journal of Economics, Volume 107, May 1992.]

8.

New York Times, June 5, 1996, p. 6B

Excerpts From Address To Princeton Graduates

Following are excerpts from President Clinton's speech at Princeton University yesterday, as transcribed by the Federal News Service, a private transcription agency:

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

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

At the turn of the century, the progressives made it the law of the land for every child to be in school. Before then there was no such requirement. After World War II, we said 10 years are not enough; public schools should extend to 12 years.

And then, as I said, the G.I. Bill and college loans threw open the doors of college to the sons and daughters of farmers and factory workers, and they have powered our economy ever since.

America knows that higher education is the key to the growth we need to lift our country, and today that is more true than ever. Just listen to these facts. Over half the new jobs created in the last three years have been managerial and professional jobs. The new jobs require a higher level of skills. Fifteen years ago, the typical worker with a college degree made 38 percent more than a worker with a high school diploma. Today, that figure is 73 percent more.

Two years of college means a 20 percent increase in annual earnings. People who finish two years of college earn a quarter of a million dollars more than their high school counterparts over a lifetime.

Now, it is clear that America has the best higher-education system in the world and that it is the key to a successful future in the 21st century. It is also clear that because of costs and other factors, not all Americans have access to higher education. I want to say today that I believe the clear facts of this time make it imperative that our goal must be nothing less than to make the 13th and 14th years of education as universal to all Americans as the first 12 are today.

We have put in place an unprecedented college opportunity strategy. Student loans can now be given directly to people who need them....

Now we want to go further. We want to expand work study so that a million students can work their way through college by the year 2000. We want to let people use money from their individual retirement accounts to help pay for college. We want every honor student in the top 5percent of every high school class in America to get a $1,000 scholarship.

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

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

We should say to Americans who want to go to college, we will give you a tax credit to pay the cost of tuition at the average community college for your first year, or you can apply the same amount to the first year in a four-year university or college.

We will give you the exact same cut for the second year, but only if you earn it by getting a B average the first year. A tax deduction for families to help them pay for education after high school, a tax credit for individuals to guarantee their first year of college and the second year if they earn it.

Now, this program will do three things. It will open the doors of college opportunity to every American regardless of their ability to pay.

Education at the typical community college will now be free. And the very few states that have tuition above the amount that we can afford to credit, I would challenge those states to close the gap. We are going to take care of most of the states; the rest of them should help us the last little way.

Second, it will offer free tuition and training to every adult willing to work for it. Nobody now needs to be stuck in a dead-end job or in unemployment.

And finally, this plan will work because it will go to people who by definition are willing to work for it. It's America's most basic bargain. We'll help create opportunity if you'll take responsibility. This is the basic bargain that has made us a great nation.

THE WHITE HOUSE

Office of the Press Secretary
(Princeton, New Jersey)

For Immediate Release June 4, 1996

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

Princeton University
Princeton, New Jersey

10:10 A.M. EDT

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

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

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

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

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

So that is the core proposal. It does -- the way that it -- I think that we tried to put the cost of it fairly clear there. The credit ends up being $25.1 billion, but just to give you a very quick walk-through, just because I know it gets confusing -- our $10,000 deduction, the number you've seen before, was $41.2 billion. That was the seven-year number, from Fiscal Year '96 to 2002.

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

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

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

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

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

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

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

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

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

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

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

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

Q How did you pay for it?

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

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

GOVERNOR MILLER: No, we did not.

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

Q How much is the scholarship?

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

Q At a Georgia school?

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

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

GOVERNOR MILLER: What?

Q Was it an election-year proposal in Georgia?

GOVERNOR MILLER: Yes, it was.

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

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

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

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

Q Could Georgia students get both benefits?

GOVERNOR MILLER: Possibly, yes.

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

GOVERNOR MILLER: Went up to about 23.5 percent.

Q I thought you had said --

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

Q What I mean is, what about the 76 percent who still are not going on? I mean, is your goal, is it President

Clinton's goal to get everybody to do two more years?

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

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

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

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

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

I just wanted to make a couple of things clear. The $1,500 is applied towards any school you go your first two years, so it -- somebody at Princeton could apply; somebody at a community college. What we wanted to do is the national average for community colleges is $1,200;

at $1,500, that's $300 over, you're essentially saying to every state -- what we'd like to do is challenge every state to do what George has done, which is to use this to help them do something as bold as what George has done. But it at least says to every state, if you provide your tuition within $300 of the national average, you could say to every person in your state that they can go to their first year of community college for free, tuition-wise free, and free for the second year if they maintain a B average in the first year.

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

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

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

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

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

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

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

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

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

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

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

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

MR. REED: It's general revenue.

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

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

MR. SPERLING: That is true, but when you are -- but, Todd, when you are talking about balancing the budget, the funds that come in -- it is not -- you appropriate money from appropriations. So I am saying that the money is fungible. I will get you the -- I will try to

get exact background on whether there has ever been, but I do want to say, money is fungible and
--

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

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

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

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

So the big question was, how much was this going to lower the deduction. Because for the average family making $50,000 and sending their kid to school at $3,000 average tuition, the $1,500 tax credit is by three or four times more generous than the tax deduction. So as all those families choose the tax credit, they aren't using the tax deduction. So the cost of our tax deduction went down by $10.7 billion. Then we lowered the income cap from $120,000 to $100,000. That was $6.6 billion -- or $6.5 billion. So when you add those together, you get about $17.2 billion. Then you add -- that leaves you $7.9 billion under budget. So we had to come up with that to stay in balance.

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

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

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

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

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

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

MR. SPERLING: It's limited to the amount of the tuition. But that's for community college. For the people at UCLA, at Southern

Cal, all of them would get the full $1,500. It's what -- it covers up to the amount of tuition for that year, but not more than tuition.

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

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

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

MR. SPERLING: Well, I mean, there's no question that anything that has a price that's higher is going to be -- there's going to be some price sensitivity to that. I think that you see this in

several ways. One, we want to lower the burden on families for doing the right thing, sending their kids to school. As we said, it's now 14 percent of their income. Secondly, I think the cost of tuition, what it does for a lot of people is it makes it difficult to engage in a full-time study or a half-time study. So I think there is a lot of evidence to say that as the costs are high, people have to work more, and it's harder for them to focus on their study.

When we did the $10,000 deduction, we found that there was some number of several hundred thousand more who would come. But it's always difficult because, unlike people buying a car, this is something they buy a little bit at a time. But there's certainly reason to believe -- but what there is a lot of evidence on is that a lot of times people don't even understand the current financial aid structure. And what Gary Orr feels -- he's at Harvard now, he used to be at University of Chicago -- said was that people's misperceptions about the burdens of college was as much a -- their misperceptions about how much it was going to cost them or financial aid was a big obstacle.

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

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

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

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

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

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

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

Q In addition to the whole program together, all of these tax initiatives equal about $107.6 billion, is that right? If you take

everything that is in his balanced budget proposal plus what he's offering here?

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

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

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

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

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

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

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

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

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

Q You may have already answered this, but after the Middle

Class Bill of Rights, what happened to actual legislation of the $10,000 tax deduction?

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

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

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

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

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

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

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

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

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

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

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

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

What was your first question?

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

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

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

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

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

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

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

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

The last question.

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

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

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

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

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

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

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

Q Can you explain these high-paying programs?

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

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

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

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

Q Wasn't it the Independence?

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

Q The President accepts what, the gracious --

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

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

THE PRESS: Thank you.

END 10:45 A.M. EDT

UNITED STATES DEPARTMENT OF EDUCATION

PUBLIC AFFAIRS

Remarks by*
U.S. Secretary of Education
Richard W. Riley

Press Conference
Middle Income Tax Cut for College
Barnard Auditorium
June 4, 1996

Thank you all for coming this afternoon.

During his commencement address at Princeton University today, President Clinton made an important announcement and put access to a college education at the heart of our national economic well-being.

Forty years ago, the educational goal for working Americans was the high school diploma. The jobs and the industries that are being created today, though, require more skills and more training than a high school diploma affords.

With that in mind, the President today made a bold proposal to the nation: To make available for every American at least two years of college. In the Information Age in which we live, high school must be seen as a stepping stone to something more. In reaching for something more, however, many families are finding the cost of college to be a daunting financial obstacle.

To that end, the President today unveiled what he calls America's HOPE Scholarship -- a refundable tax credit for the first two years of college. The concept is simple: We will provide a tax cut for middle-income and working families to help pay tuition for the first two years of college. This tax credit would provide full-time students in America up to $1,500 for their first year of college and half-time students $750. For students who earn a B average during their freshman year, we'll provide the same thing for a second year. This proposal covers the breadth of post-secondary education -- technical schools, community colleges, public and private colleges and universities.

The plan is coupled with the President's current proposal for a tax deduction of up to $10,000 per family for tuition for college, graduate school, community college, or certified technical programs. Families could choose either the credit or the deduction.

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*The Secretary may depart from prepared remarks.

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This plan is targeted at middle-income and working families. Full assistance would be available to single tax filers with incomes up to $50,000, with smaller benefits available to those with incomes up to $70,000. For families, the full benefits are available for those with incomes up to $80,000, with smaller benefits available up to an income level of $100,000.

These tax cuts will be paid for with a handful of new offsets, none of which involve education dollars. They include the auctioning of radio spectrum, an increase in the international departure tax, and a reduction of sales source rule benefits.

Overall, the credit and deduction amount to more than $42 billion in tax relief over the next six years for middle-income and working families to invest in themselves -- a boost for those people who are working to improve their skills, to better provide for their families, and to strengthen our economy. It is accounted for in the President's plan to balance the federal budget by the year 2002.

This plan is a natural outgrowth of discussions within the Administration over the past several months, and builds on the Administration's strong commitment to higher education and strengthening American families. This proposal is offered within the context of the Administration's overall student aid plan -- greater investments in Pell Grants, Work-Study, and TRIO; Skills Grants; the Presidential merit scholarships; direct lending; AmeriCorps; penalty-free IRA withdrawals.

It should also be considered against the backdrop of the coming tidal wave of students. With a record of more than 51 million elementary and secondary students in the nation's schools this fall, this is a fine time to send the signal that if they study and work hard, we will ensure their access to higher education.

The President's proposal is driven by the simple mission of cutting taxes and encouraging investment in our nation's future. I believe this is a sound proposal that is in the best interests of not only higher education, but all of America.

America has the best system of higher education in the world. We should not change that system, but rather ensure that it is available to all Americans.

AMERICA'S HOPE SCHOLARSHIPS

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

June 4, 1996

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

- **NEW AMERICA'S HOPE SCHOLARSHIP TAX CUT -- Guarantees 2 Years of Tuition at the Average Community College for Any Student Who Earns a B Average.** Modeled on the successful Georgia HOPE Scholarship program, this new proposal provides all students with a $1,500 refundable tax credit for full-time tuition in their first year ($750 for half-time), and another $1,500 in their second year if they work hard, stay off drugs, and earn at least a B average in their first year. This $1,500 tax credit will pay for more than the full cost of tuition at the national average-priced community colleges -- and a downpayment at more expensive four-year schools.

- **$10,000 Tax Deduction for All Education and Training.** The President maintains his $10,000 tax deduction for tuition for college, graduate school, community college, certified training and technical programs. This encourages lifetime investment in higher education.

- **Scholarship Increases (Pell Grants) for Lower-Income Students:** The President announced that his balanced budget plan increases Pell Grants each year. Indeed, the maximum Pell Grant award will increase by 33% from fiscal 1995 to fiscal 2002. The proposed increase in fiscal 1997 is the largest in the program's 25-year history.

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

- **With the increased Pell Grant program support,** students have access to up to $5,100 in Pell Grants and student loans for their first year in college, and much more in future years.

- **The new Direct Student Loan program** enacted as part of the President's 1993 Economic Plan is allowing millions of students to borrow in a simpler, less bureaucratic way, and to pay back their loans as a share of their income, and part of the savings from Direct Lending will be returned to students in the form of lower interest payments on their loans.

  - **New Direct Loans With Pay-As-You-Can Option:** Will account for 50% of loans
  - **National Service -- AmeriCorps:** 30,000 students earning up to $4,725 for service
  - **Pell Grants:** Provides for 7-year expansion, increasing maximum award to $3,128 in 2002
  - **$10,000 Education Deduction:** 16.5 million students get deduction for their tuition
  - **Work Study Expansion:** Proposes expansion to 1 million participants by FY2002
  - **Honors Scholarships:** Proposes $1,000 scholarship for top 5% of every high school class
  - **IRAs for Education:** Proposal allows penalty-free withdrawals for education
  - **Skill Grants:** Proposed $2,600 Skill Grants to enable dislocated workers to get needed skills

America's HOPE Scholarship Tax Cut

BACKGROUND ON HOPE SCHOLARSHIPS

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

- **Guaranteed Average Tuition For Two Years of Community College:** The HOPE Scholarship Plan will ensure that students can get up to a $1,500 refundable tax credit, a Pell Grant, or a combination for tuition in their first year after high school, and another $1,500 in their second year if they work hard, stay off drugs, and earn at least a "B" average. This $1,500 credit is $300 above the national average community college tuition and would make tuition free for 67% of all community college students. It would enable states that set tuition within $300 of the national average *to make community college tuition free for every student.* The credit would be indexed to inflation each year to protect its value.

- **$1,500 For The First Two Years At Any College For Students Who Earn At Least a B Average:** While the HOPE Scholarship tax credit is priced to pay for the full cost of two years of community college tuition for students who earn at least a "B" average in their freshman year, the $1,500 credit can be applied to tuition at any college, from a two-year public community college to a four-year private college. This $1500 tax credit will be a substantial downpayment for parents sending their children to colleges with higher tuition.

- **$750 for Half-Time Students:** The HOPE Scholarship Tax Cut is designed to assist parents and current workers who want to further their education. Those who can only go to school half-time because of their job or parenting obligations, are eligible for a $750 refundable credit per year until they have completed two full years of college. The "B" average requirement also applies to half-time students.

- **Includes 1-Year Certificate Programs:** Students at training and technical programs eligible for Pell Grants under Title IV of the HEA are also eligible HOPE Scholarships.

- **Interaction with the $10,000 Education Tax Deduction:** Students would receive either the HOPE scholarship or the $10,000 tax deduction in any year. Eligible students in their first two years or their parents can choose between either the Hope Scholarship or the deduction. The deduction is up to $10,000 a year per family. The credit is $1,500 per student.

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

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

- **"B" Average:** To remain eligible for the credit, students must earn at least a "B" average or a 2.75 grade point average in their first year of college or post-secondary school. Based on the National Post-Secondary Student Aid study, more than half of students earn a 2.75 average or better.

- **Students Must Stay Drug-Free:** A student is ineligible if, in accordance with the Drug-Free Post-Secondary Education Act of 1990, he or she has been convicted of committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.

- **Administration:** Administrative issues such as the timing and delivery of the tax credit will require consultation with colleges to ensure that the plan provides maximum flexibility and efficiency rather than top-down administration. The Treasury Department and Department of Education will work with Members of Congress, Governors, and college presidents and financial aid administrators to design the most flexible and efficient system, and to ensure against excessive and abusive tuition increases.

- **Challenge to States.** The President is challenging states to build on the HOPE Scholarship Plan by following Georgia's lead and making scholarships available for four years of college for students who maintain a "B" average. The President is also challenging the 17 States that set tuition above $1,500 to reduce costs so that with the HOPE Scholarship tax cut, community college will be free for every student.

Paying For America's HOPE Scholarship Tax Cut

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

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

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

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

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

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

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

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

BACKGROUND ON NEW SAVINGS MEASURES

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

SAVINGS
$3.5 Billion

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

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

AUCTION RADIO DARS SPECTRUM
(FY 1997 - 2002)

SAVINGS
$2.1 Billion

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

INTERNATIONAL DEPARTURE FEE
(FY 1997 - 2002)

SAVINGS
$2.3 Billion

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

BACKGROUND ON PELL GRANT INCREASE

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

- **$2 Billion Program Deficit Eliminated.** The projected $2 billion Pell Grant program deficit was eliminated within the first two years of the Clinton Administration.

- **Record Increase in FY1997:** The President's fiscal year 1997 budget calls for funding to support a $2,700 maximum Pell Grant -- nearly a 10% increase over the current level -- which would provide more than 3.7 million students with Pell Grants averaging $1,706 in 1997. This proposed increase in the maximum Pell Grant Award would be the largest increase in the program's 25-year history.

- **President Announces Yearly Pell Grant Increases:** The President's balanced budget contains the following seven-year increase in the maximum Pell Grant awards.

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

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

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

$10,000 EDUCATION DEDUCTION

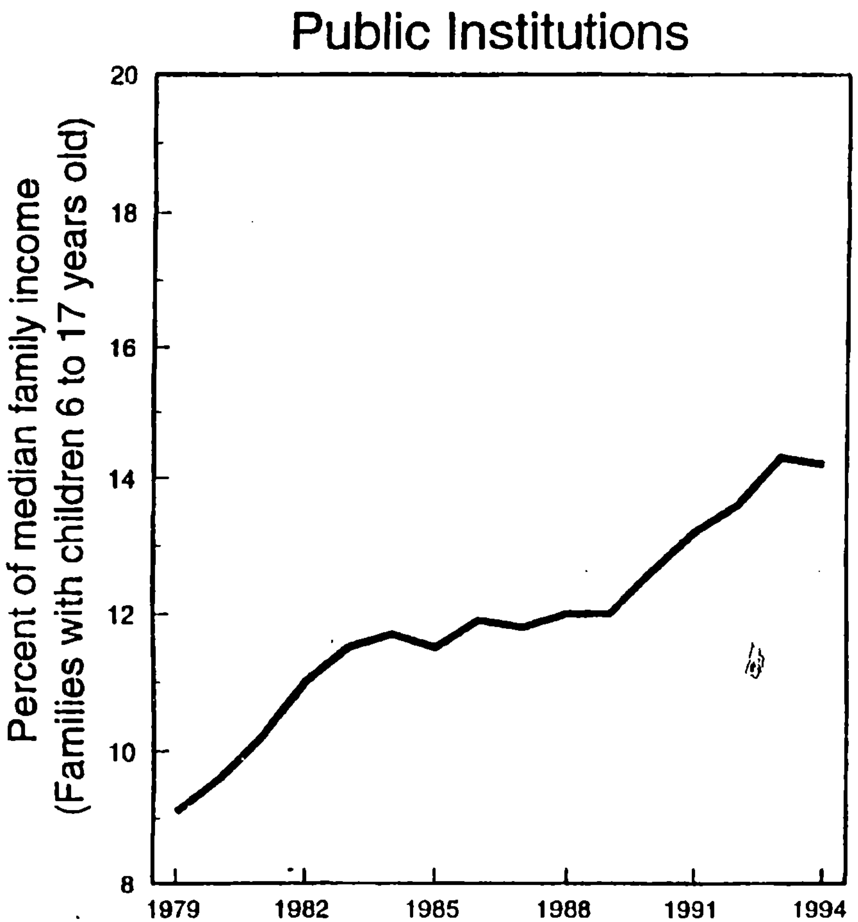
- **Breadth of Application**: The $10,000 Education Deduction would be for every taxpayer for the tuition at any education or training program that is at least half-time or related to a worker's career.

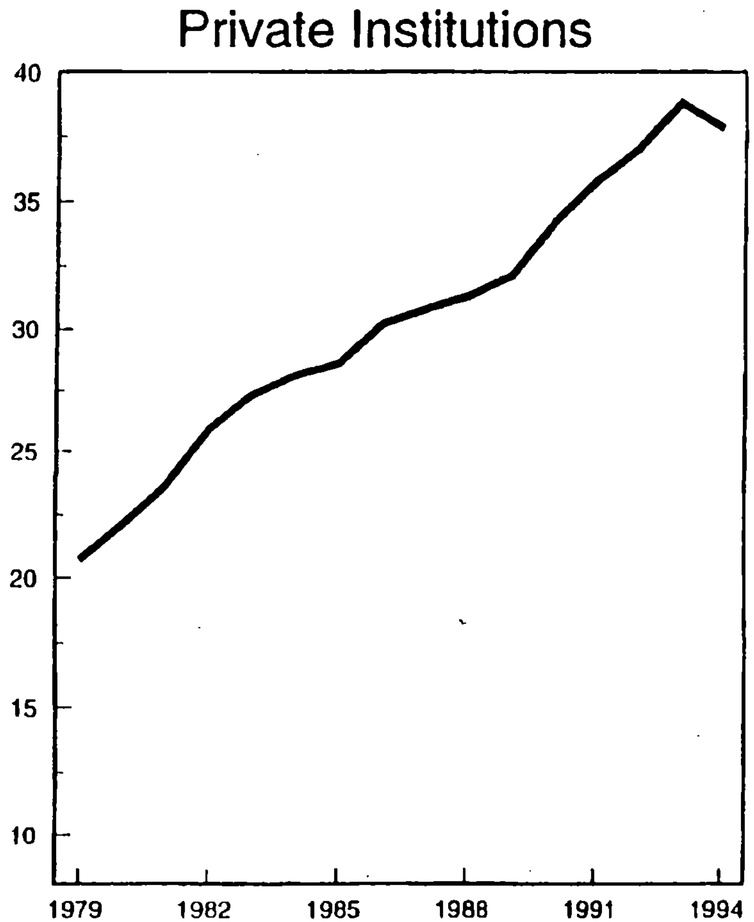
- **Supplements Hope Scholarship Tax Cut**: In any year, students in the 13th and 14th grades would receive either the HOPE Scholarship or the $10,000 tax deduction. Eligible students in their first two years or their parents can choose between either the HOPE Scholarship or the deduction. Students that relied on the $1,500 tax credit in the first two years of college would still be eligible for the $10,000 deduction in the remaining years of college or graduate school or for qualified lifelong learning. Students not eligible for the tax credit would still be eligible for the $10,000 deduction. The deduction is up to $10,000 a year per family. The credit is $1,500 per student.

- **Income Limits**: For joint filers, the deduction would be phased out at incomes between $80,000 and $100,000. For single filers, the deduction would be phased out between $50,000 and $70,000.

- **Unlimited Number of Years**: While the HOPE Scholarship is for the first two years of college, the $10,000 tax deduction is available any year a family had education expenses. For example, a family of four with an income of $40,000 and five years of tuition expenses totaling $10,000 would receive a $7,500 tax cut over that five-year period.

Cost of College As Percent of Typical Family Income





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

* Includes Calculation of Tuition, Room and Board

Tuition and Fees at Public Two-Year Institutions

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

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

America's HOPE Scholarship Tax Cut
Background Materials

GEORGIA HOPE SCHOLARSHIPS

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

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

A TRULY UNIQUE PROGRAM THAT PROVIDES HOPE FOR GEORGIA STUDENTS:

- **Governor Zell Miller**. "Of all the things that I've ever been involved with, It's the one thing that I'm most proud of. We are making college accessible in a way it never has been before in Georgia." [February 12, 1995]

- ***Atlanta Journal Constitution.*** "Where else in America can children know, from elementary school on, that if they work hard and earn a 3.0 average by graduation from high school, they can fulfill the dream of going to college whether their family has money or not? That's the opportunity created by Georgia's HOPE scholarship program. ...It's a marvelous thing, and it is a solemn promise from the state to its young residents. It is not, however, an entitlement requiring no effort. Students must meet the standards to get the scholarships, and they must keep up the struggle to hold onto them once they enter college." [Atlanta Journal Constitution, September 7, 1994]

- **Barry Fullerton, Vice Chancellor, University of Georgia.** "It's an ingenious program. It's a great public policy, and it has benefited thousands of students." [The Courier-Journal, April 9, 1995]

- ***Orlando Sentinel.*** "Imagine a state where every student with a B average gets a full college scholarship. ...Don't have that fanciful an imagination? You don't need one. You just need to look north, to Georgia." [Orlando Sentinel, April 8, 1996]

- ***Atlanta Journal Constitution.*** "It is, quite simply, an effort to help Georgia's young people become well-educated, productive citizens." [Atlanta Journal Constitution, December 16, 1994]

ELIGIBILITY REQUIREMENTS: Students must meet the following requirements:

2-Year and 4-Year Public Colleges/Universities

- For a HOPE Scholarship to a 4-year public college, graduating high school students must have a 3.0 cumulative grade point average on a 4.0 scale or an 80 numeric average and obtain a diploma with a State of Georgia College Preparatory Seal. (In order to obtain the college preparatory seal, students must meet and graduate from the required core college preparatory curriculum.)

- For a HOPE Scholarship to a public college, graduating high school students who do not meet the 3.0 grade in the core curriculum, must have a 3.2 cumulative grade average on a 4.0 scale or an 85 numeric average in other curriculum tracks.

- Students who maintain a B average in a 4-year public college and stay off drugs can continue to receive the same level of support for up to four years.

- Students whose college grades fall below 3.0 can requalify a year later if they bring their grades back up above 3.0.

- Students who are not eligible for HOPE scholarships upon graduation of high school, or who enter college later in life, can obtain HOPE scholarships after their sophomore year if they obtain a cumulative 3.0 grade average.

2-Year and 4-Year Private Colleges/Universities

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

Technical Schools and Adult Education Institutes

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

Universal Requirements

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

KEY FACTS:

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

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

- In the 1995-1996 school year, 70 percent of University of Georgia freshman students received a Georgia HOPE scholarship.

- The racial composition of those receiving HOPE scholarships mirrors that of the overall university system (75% white, 20% black).

- 84% of HOPE students who enrolled in public colleges in Fall 1994 were still in college in Fall 1995, versus 74% of all students.

- A 1995 poll by Georgia State University found that 77 percent of Georgia residents who were aware of the program thought it would lead parents to take a more active interest in their children's education.

- Since the start of the program, enrollment in Georgia's technical and adult education institutions has increased 24 percent. Enrollment increased 8 percent in 1995, alone.

ARKANSAS ACADEMIC CHALLENGE SCHOLARSHIPS

> *"We need more of our young people going to college and we need them to succeed and stay in college. This program will help them accomplish that goal."*
> -- Governor Bill Clinton, July 12, 1991

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

REQUIREMENTS:

- **Income Requirement.** For families with one dependent child, income cannot exceed $30,000 per year. An extra $5,000 of family income is allowed per child.

- **Grade-Based Awards.** Awards are based on the applicant's meeting minimum standards with regard to the ACT composite score, grade point average (GPA) in the pre-collegiate core curriculum.

  * Applicants must have a composite ACT score of 19 and a grade point average of 2.50 on a 4.00 scale, in the precollegiate core curriculum.

  * Applicants not meeting either the grade point average or ACT requirements may still qualify for the Academic Challenge Scholarship if their combined ACT score and grade point average meet satisfactory levels when applied to a selection index (i.e. a student with a 15 ACT would have to achieve a minimum 3.25 GPA; a student with a 26 ACT would only have to have a 2.0 GPA.)

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

- **Students must maintain their grades once in college.** In order to retain their scholarship for an additional year, students keep their grades above state-specified levels.

KEY FACTS:

- In 1987, 32 percent of Arkansas students who took the ACT had completed high school pre-college core curriculum. By 1992, the first year of the Academic Scholarships Program, that percentage rose to 48.

- The number of high school students qualifying for and receiving the Arkansas Achievement Scholarship has increased dramatically each year. In the 1991-1992 school year, there were 1,024 recipients. In the 1994-1995 school year, 5,383 students received awards.

- While Bill Clinton was governor of Arkansas, the percentage of high school students going on to college increased by 50% (from 38.2% in 1982 to 57.3% in 1992). The Arkansas "going rate" has remained steady since 1992.

Bureau of the Census Statistical Brief

More Education Means Higher Career Earnings

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

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

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

We're more educated than ever.

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

SB/94-17
Issued August 1994

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

Professional degree holders have the highest earnings.

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

Earnings differences compound over one's lifetime.

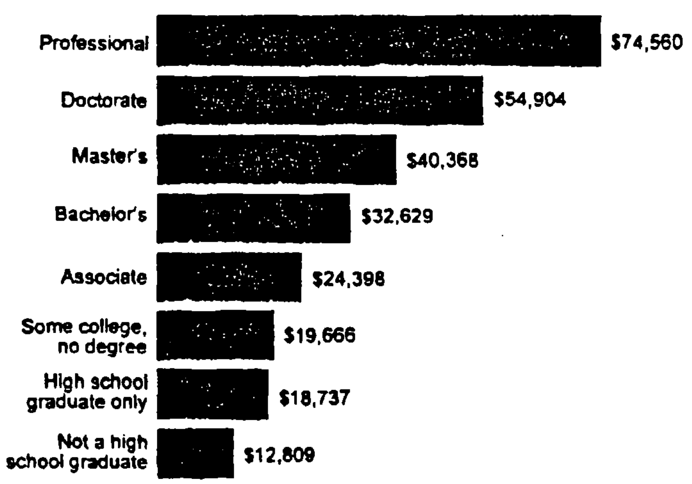
Using 1992 data, we estimated the earnings a person would accrue over a typical "worklife." Here's how we did it. First, we defined a worklife as lasting from ages 25 to 64 — a 40-year period. Then we began our calculations.

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

These estimates dramatically illustrate the large earnings differences

Education Continues to be the Ticket to Higher Earnings

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



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

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

Lifetime differences may become even more striking in the future.

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

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

Keep in mind that in 1992 the consumer price index (which measures yearly changes in the value of the dollar) was 140, 2.5 times what it was in 1975. This means that the earnings of high school dropouts did not even keep up with inflation, and high school graduates just barely managed to keep pace. Real wages rose only for persons with education beyond the high school level. If these patterns continue, lifetime earnings differences between low and high levels of education will become even more dramatic than current levels indicate.

More information:

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

- *Educational Attainment in the United States: March 1993 and 1992,* Current Population Reports, Series P20-476. Stock No. 803-005-00077-0. $8.50.
- *What's It Worth? Educational Background and Economic Status: Spring 1990,* Current Population Reports, Series P70-32. Stock No. 803-044-00020-1. $3.50.
- *Money Income of Households, Families, and Persons in the United States: 1992,* Current Population Reports, Series P60-184. Stock No. 803-005-30031-5. $19.
- *Education in the United States,* Series 1990, CP-3-4. Stock No. 003-024-08742-1. $41.

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

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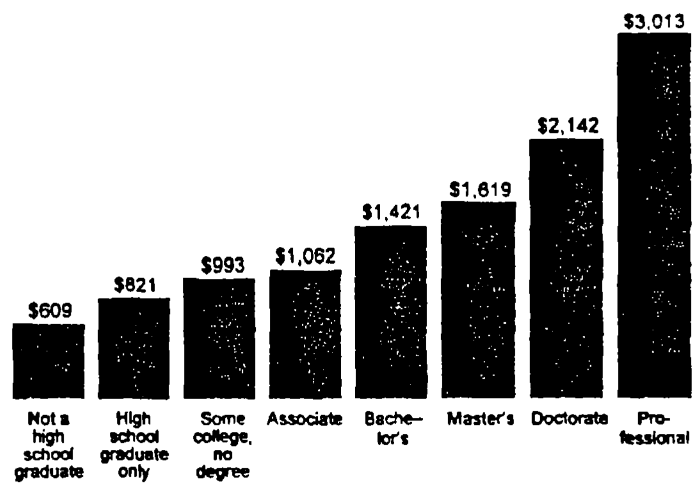
This Brief is one of a series that presents information of current policy interest. It may include data from businesses, households, or other sources. All statistics are subject to sampling variability, as well as survey design flaws, respondent classification errors, and data processing mistakes. The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

Go to College, Make a $Million

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



ECONOMIC RETURNS TO INVESTMENTS IN EDUCATION AND TRAINING

- Empirical studies indicate that each additional year of formal schooling is associated with a 6 to 12 percent increase in annual earnings later in life.' [Kane and Rouse, 1995; Ashenfelter and Krueger 1994; Angrist and Krueger, 1991]

- This earnings benefit is not limited to education at four-year colleges; it also accrues from attendance at community colleges. [Thomas Kane and Cecilia Rouse, Labor Market Returns to Two and Four-Year College: Is a Credit a Credit and Do Degrees Matter American Economic Review, Vol. 85, No. 3, 1995.]

- The wage premium for better-educated workers has expanded dramatically over the past fifteen years. In 1979, full-time male workers aged 25 and over with at least a bachelors degree earned on average 49 percent more per year than comparable workers with only a high school degree. By 1993, the difference had nearly doubled, to 89 percent. [Economic Report of the President 1996, page 191.]

- Economists have long argued over whether education causes higher earnings, or whether those with better earnings prospects -- for example, because of greater innate ability -- simply consume more education. Recent analyses of compulsory schooling laws (which force students to consume more education regardless of their innate ability) and wage differentials between twins (who should have similar levels of innate ability) strongly suggest that schooling actually leads to higher earnings. [Joshua Angrist and Alan Krueger, Does Compulsory School Attendance Affect Schooling and Earnings; Quarterly Journal of Economics, November 1991; Orley Ashenfelter and Alan Krueger, Estimates of the Economic Returns to Schooling from a New Sample of Twins, American Economic Review, December 1994.]

- A college graduate is 43 percent more likely to be working in a job with a pension plan than a high school graduate and a college graduate is 27 percent more likely to have a job with health care coverage than a high school graduate. [Based on data from the Bureau of Labor Statistics, various years, Current Population Survey.]

- Since the early 1980s, high skill jobs are growing the fastest. Jobs requiring high skill levels grew by 32% over the period 1984-1994 while jobs requiring low skill levels grew by only 7%. [Based on data from the Bureau of Labor Statistics, various years, Current Population Survey.]

- Job displacement studies show that better-educated workers are less likely to lose their jobs than less-educated workers, although this advantage has declined over time. If better-educated workers do lose their jobs, they are more likely to find new jobs (which are more likely to be full-time), and they tend to suffer smaller proportional earnings losses than less-educated workers. [Henry S. Farber, The Changing Face of Job Loss in the United States, 1981-1993, Department of Economics, Princeton University, March 12, 1996.]

- Training workers also has significant payoffs. According to academic research conducted by Lisa Lynch before she became Chief Economist at the Labor Department, a year of either on-the-job training or formal training for workers raises wages by about as much as a year of college education. [Lisa Lynch, Private Sector Training and the Earnings of Young Workers, American Economic Review, Vol. 82, No. 1, 1992.]

- Other studies conclude that firm-provided training seems most effective when combined with other innovative workplace practices. [U.S. Department of Labor, High Performance Work Practices and Firm Performance, 1993; David Levine, Reinventing the Workplace: How Business and Employees Can Both Win (Washington: Brookings, 1993).]

- Education and training boost economic growth. Data from the Bureau of Labor Statistics suggest that the rise in the average educational attainment of the workforce accounted for one-fifth of the annual growth in productivity between 1963 and 1992. [Economic Report of the President 1996, pages 191-2.]

- International evidence reveals that, all else equal, those nations with the highest school enrollment rates in the early 1960s tended to enjoy the most robust growth in subsequent decades. [N. Gregory Mankiw, David Romer, and David Weil, A Contribution to the Empirics of Economic Growth, Quarterly Journal of Economics, Volume 107, May 1992.]