Senate GOP Bill Embraces Mix Of Education Issues

Senate Republicans introduced a sweeping bill on Tuesday that addresses school choice, forced raises for special education funding and tax breaks for prepaid tuition programs.

S. 1, the Safe and Affordable Schools Act, would give states the option of using existing Title VI block grants for public and private school choice, same-sex schools, and staff or school bonuses for improved student performance.

In another bold step, it would force federal appropriators to raise funding for special education, starting with a $1 billion hike next year *(see story, p. 3)*.

Touting Safety

A draft of the bill also would create a demonstration program for up to 30 school districts to offer vouchers. These would enable low-income students to attend public, charter, private or parochial schools "where the emphasis is on learning, not survival."

Low-income families would be defined as those earning up to 185 percent of the poverty level. "Unsafe schools" would be defined as those with high rates of criminal, drug or disciplinary problems. Applicants would outline in their grant proposals why they qualify as unsafe schools.

The bill would allow $50 million for the voucher project in its first year and unspecified amounts the following four years.

Sponsored by Sen. Paul Coverdell, R-Ga., and 22 others, S. 1 also would:

- Permit federal funds to be used to finance the tuition of crime victims, and witnesses of violence sent to other schools;
- Allow schools to use federal money to compensate and provide services to victims of school violence;
- Authorize Justice Department grants for districts developing victim and witness protection programs; and
- Authorize grants to improve the safety of schools where violence is common.

"A child's school day should be a search for knowledge, not an exercise in survival," Coverdell said Tuesday at a news conference.

The measure would authorize $400 million to "streamline and strengthen" high school equivalency degree and adult literacy programs.

Student Aid Benefits

S. 1 would exempt from taxation $1,000 annually per child in savings under "Bob Dole Educational Investment Accounts." The money would not be taxed if it is used for expenses at an accredited postsecondary institution. The student aid section of the bill also would:

- Exempt state prepaid tuition plans from federal taxes when the money is disbursed. A recent change in the federal law exempts the saving when it is paid into the accounts (ED, Dec. 30, 1996).
- Make federal Work-Study aid nontaxable for students; and
- Make permanent the tax exemption for up to $5,250 in employer-paid benefits for undergraduate or graduate education.

Because of the tax provisions, S. 1 was first referred to the Senate Finance Committee, where no hearings are scheduled.

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Senate GOP Bill Embraces Mix Of School Issues (Cont.

The bill also may be referred to the Senate Labor and Human Resources Committee, which oversees education law.

Clinton Weighs In

Meanwhile, Democrats introduced President Clinton's education proposals Tuesday as S. 12, the Education for the 21st Century Act.

Sponsored by Minority Leader Tom Daschle, the bill would:

- Require the federal government to pay up to half of the interest costs on state and local bonds for school repair, renovation and construction. Twenty percent of the funding would be allotted for the nation's 100 poorest districts. Daschle estimated the cost of this provision at $5 billion;

- Allow $1.45 billion over five years to fund 30,000 reading specialists and volunteer coordinators. And it would authorize $300 million over five years for networks that disseminate information helping parents teach children to read;

- Provide families earning less than $100,000 annually a $10,000 tax deduction for college tuition;

- Allow a $1,500 tax credit for tuition payments for the first two years of postsecondary education; and

- Authorize $2 billion for a technology fund created in 1994 to increase "technology literacy" among children.

S. 12 also was referred to the Senate Finance Committee. —William J. Cahir former members of the uniformed services and their dependents to the extent that such expenses are not payable under medicare, and for other purposes; to the Committee on Armed Services.

S. 167. A bill for the relief of Alfredo Tolentino of Honolulu, Hawaii; to the Committee on Government Affairs.

By Mr. DEWINE:

S. 168. A bill to reform criminal procedure, and for other purposes; to the Committee on the Judiciary.

By Mr. CRAIG:

S. 169. A bill to amend the Immigration and Nationality Act with respect to the admission of temporary H-2A workers; to the Committee on the Judiciary.

By Mr. DEWINE:

S. 170. A bill to provide for a process to authorize the use of clone pagers, and for other purposes; to the Committee on the Judiciary.

S. 171. A bill to amend title 18, United States Code, to insert a general provision for criminal attempt; to the Committee on the Judiciary.

S. 172. A bill to amend title 18, United States Code, to set forth the civil jurisdiction of the United States for crimes committed by persons accompanying the Armed Forces outside of the United States, and for other purposes; to the Committee on the Judiciary.

S. 173. A bill to expedite State reviews of criminal records of applicants for private security officer employment, and for other purposes; to the Committee on the Judiciary.

S. 174. A bill to establish the Fallen Timbers Battlefield, Fort Meigs, and Fort Miamis National Historical Site in the State of Ohio; to the Committee on Energy and Natural Resources.

By Mr. INOUYE:

S. 175. A bill to amend chapter 81 of title 5, United States Code, to authorize the use of clinical social workers to conduct evaluations to determine work-related emotional and mental illnesses; to the Committee on Governmental Affairs.

S. 176. A bill for the relief of Susan Rebola Cardenas; to the Committee on the Judiciary.

S. 177. A bill to provide for a special application of section 1034 of the Internal Revenue Code of 1986; to the Committee on Finance.

By Mr. DEWINE:

S. 178. A bill to amend the Social Security Act to clarify that the reasonable efforts requirement includes consideration of the health and safety of the child; to the Committee on Finance.

By Mr. HATCH (for himself, Mr. LOTT, Mr. THURMOND, Mr. CRAIG, Mr. NICKLES, Mr. DOMENICI, Mr. STEVENS, Mr. ROTH, Mr. BRYAN, Mr. KOHL, Mr. GRASSLEY, Mr. GRAHAM, Mr. SPECTER, Mr. BAUCUS, Mr. THOMPSON, Mr. BREAUX, Mr. KYL, Ms. MOSELEY-BRAUN, Mr. DEWINE, Mr. ROBB, Mr. ABRAHAM, Mr. ASHCROFT, Mr. SESSIONS, Mr. D'AMATO, Mr. HELMS, Mr. LUGAR, Mr. CHAFEE, Mr. MCCAIN, Mr. JEFFORDS, Mr. WARNER, Mr. COVERDELL, Mr. COCHRAN, Mrs. HUTCHISON, Mr. MACK, Mr. GRAMM, Ms. SNOWE, Mr. ALLARD, Mr. BROWNBACK, Ms. COLLINS, Mr. ENZI, Mr. HAGEL, Mr. HUTCHINSON, Mr. ROBERTS, Mr. GORDON H. SMITH, Mr. BENNETT, Mr. BOND, Mr. BURNS, Mr. CAMPBELL, Mr. COATS, Mr. FAIRCLOTH, Mr. FRIST, Mr. GORTON, Mr. GRAMS, Mr. GREGG, Mr. INHOFE, Mr. KEMPTHORNE, Mr. MCCONNELL, Mr. MURKOWSKI, Mr. SANTORUM, Mr. SHELBY, Mr. SMITH, and Mr. THOMAS):

S.J. Res. 1. A joint resolution proposing an amendment to the Constitution of the United States to require a balanced budget; to the Committee on the Judiciary.

By Mr. HOLLINGS (for himself, Mr. SPECTER, Mr. DASCHLE, Mr. DORGAN, Mr. SHELBY, Mr. REID, Mr. FORD, and Mr. REED):

S.J. Res. 2. A joint resolution proposing an amendment to the Constitution of the United States relating to contributions and expenditures intended to affect elections; to the Committee on the Judiciary.

By Mr. THURMOND:

S.J. Res. 3. A joint resolution proposing an amendment to the Constitution of the United States relating to voluntary school prayer; to the Committee on the Judiciary.

S.J. Res. 4. A joint resolution proposing an amendment to the Constitution of the United States; to the Committee on the Judiciary.

By Mr. ROTH (for himself and Mr. MOYNIHAN):

S.J. Res. 5. A joint resolution waiving certain provisions of the Trade Act of 1974 relating to the appointment of the United States Trade Representative; to the Committee on Finance.

By Mr. KYL (for himself and Mrs. FEINSTEIN):

S.J. Res. 6. A joint resolution proposing an amendment to the Constitution of the United States to protect the rights of crime victims; to the Committee on the Judiciary.

By Mr. GRAMM:

S.J. Res. 7. A joint resolution proposing an amendment to the Constitution of the United States to require a balanced budget; to the Committee on the Judiciary.

By Mr. KYL:

S.J. Res. 8. A joint resolution proposing an amendment to the Constitution of the United States to provide that expenditures for a fiscal year shall exceed neither revenues for such fiscal year nor 19 per centum of the Nation's gross domestic product for the last calendar year ending before the beginning of such fiscal year; to the Committee on the Judiciary.

By Mr. KYL (for himself, Mr. ABRAHAM, Mr. BROWNBACK, Mr. COVERDELL, Mr. CRAIG, Mr. FAIRCLOTH, Mr. GRAMS, Mr. HAGEL, Mr. HELMS, Mrs. HUTCHISON, Mr. HUTCHINSON, Mr. INHOFE, Mr. MCCAIN, Mr. SANTORUM, Mr. SESSIONS, Mr. SHELBY, Mr. SMITH, and Mr. THOMPSON):

S.J. Res. 9. A joint resolution proposing an amendment to the Constitution of the United States to require two-thirds majorities for increasing taxes; to the Committee on the Judiciary.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. MACK (for himself, Mr. GRAMM, Mr. FIRST, Mr. D'AMATO, and Mr. SPECTER):

S. Res. 15. A resolution expressing the sense of the Senate that the Federal commitment to biomedical research should be increased substantially over the next 5 years; to the Committee on Appropriations.

By Mr. LUGAR:

S. Res. 16. A resolution expressing the sense of the Senate that the income tax should be eliminated and replaced with a national sales tax; to the Committee on Finance.

S. Res. 17. A resolution on the ratification of the Chemical Weapons Convention; to the Committee on Foreign Relations.

By Mr. FAIRCLOTH:

S. Res. 18. A resolution to express the sense of the Senate regarding reduction of the national debt; to the Committee on the Budget and the Committee on Governmental Affairs, jointly, pursuant to the order of August 4, 1977 with instructions that if one Committee reports, the other Committee have thirty days to report or be discharged.

By Mr. MOYNIHAN (for himself, Mr. HELMS, Mr. LEAHY, Mr. JEFFORDS, Mr. DODD, Mr. FEINGOLD, and Mr. WELLSTONE):

S. Res. 19. A resolution expressing the sense of the Senate regarding United States opposition to the prison sentence of Tibetan ethnomusicologist Ngawang Choephel by the Government of the People's Republic of China; to the Committee on Foreign Relations.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. COVERDELL (for himself, Mr. COATS, Mr. GREGG, Mr. LOTT, Mr. BOND, Mr. ABRAHAM, Mr. ALLARD, Mr. ASHCROFT, Mr. CRAIG, Mr. DEWINE, Mr. DOMENICI, Mr. FAIRCLOTH, Mr. GORTON, Mr. GRAMS, Mr. HAGEL, Mr. HATCH, Mrs. HUTCHISON, Mr. HUTCHINSON, Mr. KYL, Mr. MCCAIN, Mr. MCCONNELL, Mr. MURKOWSKI, Mr. NICKLES, Mr. SMITH, Mr. THURMOND, and Mr. WARNER):

S. 1. A bill to provide for safe and affordable schools; to the Committee on Finance.

THE SAFE AND AFFORDABLE SCHOOLS ACT OF 1997

Mr. COVERDELL. Mr. President, for people to remain free, they must be educated. It is at the foundation of our liberty. This bill that has just been referred owes a great debt to Senator COATS of Indiana, Senator GREGG of New Hampshire, Senator ROTH of Delaware, Senator JEFFORDS of Vermont, Senator BOND of Missouri, Senator SHELBY of Alabama, and Senator GRASSLEY of Iowa.

Mr. President, there is a grave condition in our elementary and high schools across the land. Forty-six percent of our students have made at least one change in daily routine because of concerns about personal safety. Twenty-nine percent said it was easy to get illegal drugs. Seventy-nine percent have friends who are regular drinkers. Sixty-eight percent can buy marijuana within a day. Sixty-two percent have friends who use marijuana.

During the last 15 years, Mr. President, tuition at 4-year public colleges and universities rose 234 percent. In contrast, median household income rose only 82 percent, putting an ever tighter squeeze on those families that choose to and desire to send their children to college.

Since 1990, American college students have borrowed over $100 billion, and borrowing among students and families to seek their higher education has skyrocketed.

Mr. President, since 1965, the United States has spent half a trillion dollars—$500 billion—on Federal education programs, yet 66 percent of 17-year-olds do not read at a proficient level, and reading scores have been declining for three decades. Moreover, 75 percent of fourth graders nationally scored below the proficient level of reading.

Mr. President, the Safe and Affordable Schools Act believes that no family—no family—in America should be forced to send their student to an unsafe, violent, and drug-infested school. I repeat, no family should be forced—forced—to put their child in a school that is certifiably unsafe, certifiably drug ridden.

This act will provide choice for children attending unsafe schools and provide an escape route from those kinds of schools. This act will ensure safe and drug-free schools and offers a grant program to those schools who are building better safety in the school place.

It is hard to believe, Mr. President, that 40 percent of our students today do not feel safe in school. One in five are taking a weapon to school. There are 2,000 acts of violence every hour in American classrooms.

Every student who chooses to go to college ought to have an affordable plan to do it. At the center point of this legislation is the Bob Dole Educational Investment Account. This will allow a family to put $1,000 a year, after tax, into an investment account of their choice, and when they are ready to send their child to school, the funds withdrawn from that account will occur with no tax liability. In other words, a plan setting forth, under the name of our former colleague, an opportunity for families to plan for their child's future education.

It will provide for the deduction of student loan interest. It will protect State prepaid tuition plans. It will provide and extend employer-provided educational assistance, and it will make nontaxable work-study awards, all geared toward making it possible for that family, that student, to provide for their higher education.

The Presiding Officer is very familiar with the Federal Government's propensity to force unfunded mandates on State and local governments. Such is the case with the individuals in the Disabilities Education Act, which was mandated by the Federal Government but never really paid for by the Federal Government. We are only making about a 7 percent to 8 percent contribution.

This act will authorize spending up to $10 billion over the next 7 years so that the Federal Government will be a true partner in that mandate and fund upwards to 40 percent of this act that was imposed on State government, freeing those State governments of funds that they can use to better improve their educational system.

Mr. President, when students arrive at college they ought to be proficient in the basic skills. I just cited figures that said they are not. This act will promote adult education and family literacy. The legislation provides $400 million in the form of block grants to States to establish programs to combat illiteracy. The bill creates a separate $100 million fund to provide incentive grants to encourage local innovation in addressing the problem of illiteracy.

Mr. President, I began my remarks by saying that one of the fundamental extensions of freedom is education. This has always been the case in America. We have come to a time when the schoolroom is not safe. Therefore, the education that must emanate there is severely impaired. This education is a function of the States. The Federal Government has a role in leadership and innovation and assistance. That is at the core of this legislation we are offering today.

Mr. President, I appreciate the opportunity to describe the act today.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "Safe and Affordable Schools Act of 1997".

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS.—Congress finds that—

(1) in too many of our Nation's elementary and secondary schools the test confronting our Nation's children is survival, not learning;

(2) our Nation's schools will not be restored to excellence unless parents, States, and local communities take the lead; and

(3) the Federal Government's role in education is quite properly to encourage, not to mandate.

(b) PURPOSE.—The purpose of this Act is—

(1) to ensure that parents, local communities and States have the primary role in educating our Nation's children;

(2) to restore excellence to our Nation's schools;

(3) to give local communities and States maximum flexibility in administering Federal education programs;

(4) to allow education reforms to be tailored to the unique needs of local communities and States;

(5) to place the highest priority on providing our Nation's students with safe, drug-free learning environments;

(6) to ensure that the choice of whether to attend college is to the greatest extent possible the result of individual student desire and initiative, not the result of economic circumstances that leave young parents wondering how they can best provide such an education in the face of staggering college tuition costs;

(7) to focus resources on adult education, realizing that education often is a lifelong process; and

(8) to promote literacy by attacking our Nation's unacceptably high level of illiteracy.

TITLE I—SAFE AND DRUG-FREE SCHOOLS INITIATIVE

Subtitle A—Student Opportunity and Safety

SEC. 111. SHORT TITLE.

This subtitle may be cited as the "Student Opportunity and Safety Act".

SEC. 112. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress finds as follows:

(1) Violence, crime, and illegal drug activity have increased significantly in our Nation's public schools.

(2) It is estimated that 3,000,000 violent acts or thefts occur in or near schools, and that one in five public high school students carries a weapon.

(3) The incidence of violence, and criminal and illegal drug activity within public elementary and secondary schools threatens the school environment and interferes with the learning process.

(4) 2,000,000 more children are using drugs in 1997 than were doing so in 1993. For the first time in the 1990s, over half of our Nation's graduating high school seniors have experimented with drugs and approximately 1 out of every 4 of the students have used drugs in the past month.

(5) After 11 years of declining marijuana use among children aged 12 to 17, such use doubled between 1992 and 1995. The number of 8th graders who have used marijuana in the past month has more than tripled since 1991.

(6) More of our Nation's school children are becoming involved with hard core drugs at earlier ages, as use of heroin and cocaine by 8th graders has more than doubled since 1991.

(7) Students have a right to be safe and secure in their persons while attending school.

(8) Low-income families whose children attend high poverty public schools generally lack the financial ability to enroll their children in private schools or the opportunity to choose to enroll their children in public schools less impacted by poverty, illegal drugs, or violence, while such alternatives are typically available to more affluent families.

(9) Numerous research studies, including the 1993 National Assessment of the Chapter 1 Program, have concluded that students attending high poverty public schools have much lower levels of academic achievement than other students, regardless of the income level of the family of such students.

(10) Federally supported efforts to meet the educational needs of disadvantaged children attending high poverty schools have had little, if any, success in improving student achievement, especially in the highest poverty schools and school districts.

(11) Evidence obtained from systematic evaluations of school choice demonstration projects that involve public and private, including sectarian, schools will make an important contribution toward resolving debates over the most effective means of improving the academic achievement of disadvantaged children.

(12) It is increasingly important that children from families of all income levels meet high standards of academic achievement, in order to exercise the responsibilities of citizenship and to compete in globally competitive markets.

(b) PURPOSE.—It is the purpose of this subtitle—

(1) to provide children from low-income families who attend unsafe schools with the option of attending safer schools;

(2) to improve schools and academic programs by providing certain low-income parents with increased consumer power and dollars to choose safer and drug-free schools and programs that such parents determine best fit the needs of their children;

(3) to engage more fully certain low-income parents in their children's schooling;

(4) through families, to provide at the school site new dollars that teachers and principals may use to help certain children achieve high educational standards; and

(5) to demonstrate, through a discretionary demonstration grant program, the effects of

projects that provide certain low-income families with more of the same choices regarding all schools, including public, private, or sectarian schools, that wealthier families have.

SEC. 113. DEFINITIONS.

As used in this subtitle—

(1) the term "choice school" means any public or private school, including a private sectarian school or a public charter school, that—

(A) is involved in a demonstration project assisted under this subtitle; and

(B) is not an unsafe school;

(2) the term "eligible child" means a child in any of the grades 1 through 12—

(A) whose family income does not exceed 185 percent of the poverty line; and

(B) who would normally be assigned to attend an unsafe school in the absence of—

(i) a demonstration project under this subtitle; or

(ii) participation, prior to the date of enactment of this Act, in a school choice program;

(3) the term "eligible entity" means a public agency, institution, or organization, such as a State, a State or local educational agency, a consortium of public agencies, or a consortium of public and private nonprofit organizations, that can demonstrate, to the satisfaction of the Secretary, its ability to—

(A) receive, disburse, and account for Federal funds; and

(B) carry out the activities described in its application under this subtitle;

(4) the term "evaluating agency" means any academic institution, consortium of professionals, or private or nonprofit organization, with demonstrated experience in conducting evaluations, that is not an agency or instrumentality of the Federal Government;

(5) the term "local educational agency" has the same meaning given such term in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801);

(6) the term "parent" includes a legal guardian or other individual acting in loco parentis;

(7) the term "poverty line" means the poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2))) applicable to a family of the size involved;

(8) the term "school" means a school that provides elementary education or secondary education (through grade 12), as determined under State law;

(9) the term "Secretary" means the Secretary of Education;

(10) the term "State" means each of the 50 States of the United States, the District of Columbia, and the Commonwealth of Puerto Rico; and

(11) the term "unsafe school" means a school that has serious crime, violence, illegal drug, and discipline problems, as indicated by conditions that may include high rates of—

(A) expulsions and suspensions of students from school;

(B) referrals of students to alternative schools for disciplinary reasons, to special programs or schools for delinquent youth, or to juvenile court;

(C) victimization of students or teachers by criminal acts, including robbery, assault and homicide;

(D) enrolled students who are under court supervision for past criminal behavior;

(E) possession, use, sale or distribution of illegal drugs;

(F) enrolled students who are attending school while under the influence of illegal drugs;

(G) possession or use of guns or other weapons;

(H) participation in youth gangs; or

(I) crimes against property, such as theft or vandalism.

SEC. 114. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated $50,000,000 for the fiscal year 1998, and such sums as may be necessary for each of the fiscal years 1999 through 2002, to carry out this subtitle.

SEC. 115. PROGRAM AUTHORIZED.

(a) RESERVATION.—From the amount appropriated pursuant to the authority of section 114 in any fiscal year, the Secretary shall reserve and make available to the Comptroller General of the United States 2 percent for evaluation of programs assisted under this subtitle in accordance with section 121.

(b) GRANTS.—

(1) IN GENERAL.—From the amount appropriated pursuant to the authority of section 114 and not reserved under subsection (a) for any fiscal year, the Secretary shall award grants to eligible entities to enable such entities to carry out at least 20, but not more than 30, demonstration projects under which low-income parents receive education certificates for the costs of enrolling their eligible children in a choice school.

(2) AMOUNT.—The Secretary shall award grants under paragraph (1) for fiscal year 1998 so that—

(A) not more than 2 grants are awarded in amounts of $5,000,000 or less; and

(B) grants not described in subparagraph (A) are awarded in amounts of $3,000,000 or less.

(3) CONTINUING ELIGIBILITY.—The Secretary shall continue a demonstration project under this subtitle by awarding a grant under paragraph (1) to an eligible entity that received such a grant for a fiscal year preceding the fiscal year for which the determination is made, if the Secretary determines that such eligible entity was in compliance with this subtitle for such preceding fiscal year.

(4) PRIORITY.—The Secretary shall give priority to awarding a grant under paragraph (1) to an eligible entity that—

(A) is conducting a school choice program, involving public or private schools, on the date of enactment of this Act; and

(B) operates a school choice program, involving public and private schools, that is authorized by Federal law.

(c) USE OF GRANTS.—Grants awarded under subsection (b) shall be used to pay the costs of—

(1) providing education certificates to low-income parents to enable such parents to pay the tuition, the fees, the allowable costs of transportation, if any, and the costs of complying with section 119(a)(1), if any, for their eligible children to attend a choice school; and

(2) administration of the demonstration project, which shall not exceed 15 percent of the amount received in the first fiscal year for which the eligible entity provides education certificates under this subtitle or 10 percent in any subsequent year, including—

(A) seeking the involvement of choice schools in the demonstration project;

(B) providing information about the demonstration project, and the schools involved in the demonstration project, to parents of eligible children;

(C) making determinations of eligibility for participation in the demonstration project for eligible children;

(D) selecting students to participate in the demonstration project;

(E) determining the amount of, and issuing, education certificates;

(F) compiling and maintaining such financial and programmatic records as the Secretary may prescribe; and

(G) collecting such information about the effects of the demonstration project as the evaluating agency may need to conduct the evaluation described in section 121.

(d) SPECIAL RULE.—Any school participating in the demonstration program under this subtitle shall comply with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and not discriminate on the basis of race, color, or national origin.

(e) SUPPLEMENT NOT SUPPLANT.—Each eligible entity receiving funds under this subtitle shall use such funds to supplement and not supplant the amount of funds that would, in the absence of such Federal funds, be made available from other sources to carry out the activities assisted under this subtitle.

(f) SUPPLEMENTATION OF FUNDING.—Each eligible entity receiving funds under this section is encouraged to supplement the funding received under this subtitle with funding received from State, local, or private sources.

(g) EDUCATION CERTIFICATES.—

(1) ASSISTANCE TO FAMILIES, NOT CHOICE SCHOOLS.—Education certificates provided under this subtitle shall be considered to be aid to families, not choice schools. A parent's use of an education certificate at a choice school under this subtitle shall not be construed to be Federal financial aid or assistance to that choice school.

(2) TAXES AND DETERMINATIONS OF ELIGIBILITY FOR OTHER FEDERAL PROGRAMS.—Education certificates provided under this subtitle shall not be considered as income to an eligible child or the parent of such eligible child for Federal, State, or local tax purposes or for determining eligibility for any other Federal program.

SEC. 116. AUTHORIZED PROJECTS; PRIORITY.

(a) AUTHORIZED PROJECTS.—The Secretary may award a grant under this subtitle only for a demonstration project that—

(1) involves at least one local educational agency that—

(A) receives funds under section 1124A of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6334); and

(B) is among the 20 percent of local educational agencies receiving funds under section 1124A of such Act (20 U.S.C. 6334) in the State and having the highest number or greatest percentage of children described in section 1124(c) of such Act (20 U.S.C. 6333(c)); and

(2) includes the involvement of a sufficient number of public and private choice schools, including sectarian schools, to allow for a valid demonstration project.

(b) PRIORITY.—In awarding grants under this subtitle, the Secretary shall give priority to demonstration projects—

(1) in which choice schools offer an enrollment opportunity to the broadest range of eligible children;

(2) that involve diverse types of choice schools; and

(3) that will contribute to the geographic diversity of demonstration projects assisted under this subtitle, including awarding grants for demonstration projects in States that are primarily rural and awarding grants for demonstration projects in States that are primarily urban.

SEC. 117. APPLICATIONS.

(a) IN GENERAL.—Any eligible entity that wishes to receive a grant under this subtitle shall submit an application to the Secretary at such time and in such manner as the Secretary may prescribe.

(b) CONTENTS.—Each application described in subsection (a) shall contain—

(1) information demonstrating the eligibility for participation in the demonstration program of the eligible entity;

(2) a description of how the eligible entity will determine a school to be a unsafe school in accordance with section 113(11);

(3) with respect to choice schools—

(A) a description of the types of potential choice schools that will be involved in the demonstration project;

(B)(i) a description of the procedures used to encourage public and private schools to be involved in the demonstration project; and

(ii) a description of how the eligible entity will annually determine the number of spaces available for eligible children in each choice school;

(C) an assurance that each choice school will not impose higher standards for admission or participation in its programs and activities for eligible children provided education certificates under this subtitle than the choice school does for other children;

(D) an assurance that the eligible entity will terminate the involvement of any choice school that fails to comply with the conditions of its involvement in the demonstration project; and

(E) a description of the extent to which choice schools will accept education certificates under this subtitle as full or partial payment for tuition and fees;

(4) with respect to the participation in the demonstration project of eligible children—

(A) a description of the procedures to be used to make a determination of eligibility for participation in the demonstration project for an eligible child;

(B) a description of the procedures to be used to ensure that, in selecting eligible children to participate in the demonstration project, the eligible entity will—

(i) apply the same criteria to both public and private school eligible children; and

(ii) give priority to eligible children from the lowest income families;

(C) a description of the procedures to be used to ensure maximum choice of schools for participating eligible children; and

(D) a description of the procedures to be used to ensure compliance with section 119(a)(1), which may include—

(i) the direct provision of services by a local educational agency; and

(ii) arrangements made by a local educational agency with other service providers;

(5) with respect to the operation of the demonstration project—

(A) a description of the procedures to be used for the issuance and redemption of education certificates under this subtitle;

(B) a description of the procedures by which a choice school will make a pro rata refund of the education certificate under this subtitle for any participating eligible child who withdraws from the school for any reason, before completing 75 percent of the school attendance period for which the education certificate was issued;

(C) a description of the procedures to be used to provide the parental notification described in section 120;

(D) an assurance that the eligible entity will place all funds received under this subtitle into a separate account, and that no other funds will be placed in such account;

(E) an assurance that the eligible entity will cooperate with the Comptroller General of the United States and the evaluating agency in carrying out the evaluations described in section 121; and

(F) an assurance that the eligible entity will—

(i) maintain such records as the Secretary may require; and

(ii) comply with reasonable requests from the Secretary for information; and

(6) such other assurances and information as the Secretary may require.

SEC. 118. EDUCATION CERTIFICATES.

(a) EDUCATION CERTIFICATES.—

(1) AMOUNT.—The amount of an eligible child's education certificate under this subtitle shall be determined by the eligible entity, but shall be an amount that provides to the recipient of the education certificate the maximum degree of choice in selecting the choice school the eligible child will attend.

(2) CONSIDERATIONS.—

(A) IN GENERAL.—Subject to such regulations as the Secretary shall prescribe, in determining the amount of an education certificate under this subtitle an eligible entity shall consider—

(i) the additional reasonable costs of transportation directly attributable to the eligible child's participation in the demonstration project; and

(ii) the cost of complying with section 119(a)(1).

(B) SCHOOLS CHARGING TUITION.—If an eligible child participating in a demonstration project under this subtitle was attending a public or private school that charged tuition for the year preceding the first year of such participation, then in determining the amount of an education certificate for such eligible child under this subtitle the eligible entity shall consider—

(i) the tuition charged by such school for such eligible child in such preceding year; and

(ii) the amount of the education certificates under this subtitle that are provided to other eligible children.

(3) SPECIAL RULE.—An eligible entity may provide an education certificate under this subtitle to the parent of an eligible child who chooses to attend a school that does not charge tuition or fees, to pay the additional reasonable costs of transportation directly attributable to the eligible child's participation in the demonstration project or the cost of complying with section 119(a)(1).

(b) ADJUSTMENT.—The amount of the education certificate for a fiscal year may be adjusted in the second and third years of an eligible child's participation in a demonstration project under this subtitle to reflect any increase or decrease in the tuition, fees, or transportation costs directly attributable to that eligible child's continued attendance at a choice school, but shall not be increased for this purpose by more than 10 percent of the amount of the education certificate for the fiscal year preceding the fiscal year for which the determination is made. The amount of the education certificate may also be adjusted in any fiscal year to comply with section 119(a)(1).

(c) MAXIMUM AMOUNT.—Notwithstanding any other provision of this section, the amount of an eligible child's education certificate shall not exceed the per pupil expenditure for elementary or secondary education, as appropriate, by the local educational agency in which the public school to which the eligible child would normally be assigned is located for the fiscal year preceding the fiscal year for which the determination is made.

SEC. 119. EFFECT ON OTHER PROGRAMS.

(a) EFFECT ON OTHER PROGRAMS.—

(1) IN GENERAL.—An eligible child participating in a demonstration project under this subtitle, who, in the absence of such a demonstration project, would have received services under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.) shall be provided such services.

(2) PART B OF THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT.—Nothing in this subtitle shall be construed to affect the requirements of part B of the Individuals with Disabilities Education Act (20 U.S.C. 1411 et seq.).

(b) COUNTING OF ELIGIBLE CHILDREN.—Notwithstanding any other provision of law, any local educational agency participating in a demonstration project under this subtitle may count eligible children who, in the absence of such a demonstration project, would attend the schools of such agency, for purposes of receiving funds under any program administered by the Secretary.

(c) SECTARIAN INSTITUTIONS.—Nothing in this subtitle shall be construed to supersede or modify any provision of a State constitution that prohibits the expenditure of public funds in or by sectarian institutions.

SEC. 120. PARENTAL NOTIFICATION.

Each eligible entity receiving a grant under this subtitle shall provide timely notice of the demonstration project to parents of eligible children residing in the area to be served by the demonstration project. At a minimum, such notice shall—

(1) describe the demonstration project;

(2) describe the eligibility requirements for participation in the demonstration project;

(3) describe the information needed to make a determination of eligibility for participation in the demonstration project for an eligible child;

(4) describe the selection procedures to be used if the number of eligible children seeking to participate in the demonstration project exceeds the number that can be accommodated in the demonstration project;

(5) provide information about each choice school, including information about any admission requirements or criteria for each choice school participating in the demonstration project; and

(6) include the schedule for parents to apply for their eligible children to participate in the demonstration project.

SEC. 121. EVALUATION.

(a) ANNUAL EVALUATION.—

(1) CONTRACT.—The Comptroller General of the United States shall enter into a contract, with an evaluating agency that has demonstrated experience in conducting evaluations, for the conduct of an ongoing rigorous evaluation of the demonstration program under this subtitle.

(2) ANNUAL EVALUATION REQUIREMENT.—The contract described in paragraph (1) shall require the evaluating agency entering into such contract to annually evaluate each demonstration project under this subtitle in accordance with the evaluation criteria described in subsection (b).

(3) TRANSMISSION.—The contract described in paragraph (1) shall require the evaluating agency entering into such contract to transmit to the Comptroller General of the United States—

(A) the findings of each annual evaluation under paragraph (1); and

(B) a copy of each report received pursuant to section 122(a) for the applicable year.

(b) EVALUATION CRITERIA.—The Comptroller General of the United States, in consultation with the Secretary, shall establish minimum criteria for evaluating the demonstration program under this subtitle. Such criteria shall provide for—

(1) a description of the implementation of each demonstration project under this subtitle and the demonstration project's effects on all participants, schools, and communities in the demonstration project area, with particular attention given to the effect of parent participation in the life of the school and the level of parental satisfaction with the demonstration program; and

(2) a comparison of the educational achievement of, and the incidences of violence and drug activity related to, all students in the demonstration project area, including a comparison of similar—

(A) students receiving education certificates under this subtitle; and

(B) students not receiving education certificates under this subtitle.

SEC. 122. REPORTS.

(a) REPORT BY GRANT RECIPIENT.—Each eligible entity receiving a grant under this subtitle shall submit to the evaluating agency entering into the contract under section 121(a)(1) an annual report regarding the demonstration project under this subtitle. Each such report shall be submitted at such time, in such manner, and accompanied by such information, as such evaluating agency may require.

(b) REPORTS BY COMPTROLLER GENERAL.—

(1) ANNUAL REPORTS.—The Comptroller General of the United States shall report annually to the Congress on the findings of the annual evaluation under section 121(a)(2) of each demonstration project under this subtitle. Each such report shall contain a copy of—

(A) the annual evaluation under section 121(a)(2) of each demonstration project under this subtitle; and

(B) each report received under subsection (a) for the applicable year.

(2) FINAL REPORT.—The Comptroller General shall submit a final report to the Congress within 6 months after the conclusion of the demonstration program under this subtitle that summarizes the findings of the annual evaluations conducted pursuant to section 121(a)(2).

Subtitle B—Common Sense School Safety

SEC. 141. SHORT TITLE.

This subtitle may be cited as the "Common Sense School Safety Act".

CHAPTER I—PUPIL SAFETY AND FAMILY CHOICE

SEC. 151. PUPIL SAFETY AND FAMILY SCHOOL CHOICE.

Subpart 1 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.) is amended by inserting after section 1115A of such Act (20 U.S.C. 6316) the following:

"SEC. 1115B. PUPIL SAFETY AND FAMILY SCHOOL CHOICE.

"(a) IN GENERAL.—If a student is eligible to be served under section 1115(b), or attends a school eligible for a schoolwide program under section 1114, and becomes a victim of a violent criminal offense while in or on the grounds of a public elementary school or secondary school that the student attends and that receives assistance under this part, then the local educational agency may use funds provided under this part to pay the supplementary costs for such student to attend another school. The agency may use the funds to pay for the supplementary costs of such student to attend any other public or private elementary school or secondary school, including a sectarian school, in the same State as the school where the criminal offense occurred, that is selected by the student's parent. The State educational agency shall determine what actions constitute a violent criminal offense for purposes of this section.

"(b) SUPPLEMENTARY COSTS.—The supplementary costs referred to in subsection (a) shall not exceed—

"(1) in the case of a student for whom funds under this section are used to enable the student to attend a public elementary school or secondary school served by a local educational agency that also serves the school where the violent criminal offense occurred, the costs of supplementary educational services and activities described in section 1114(b) or 1115(c) that are provided to the student;

"(2) in the case of a student for whom funds under this section are used to enable the student to attend a public elementary school or secondary school served by a local educational agency that does not serve the school where the violent criminal offense occurred but is located in the same State—

"(A) the costs of supplementary educational services and activities described in section 1114(b) or 1115(c) that are provided to the student; and

"(B) the reasonable costs of transportation for the student to attend the school selected by the student's parent; and

"(3) in the case of a student for whom funds under this section are used to enable the student to attend a private elementary school or secondary school, including a sectarian school, the costs of tuition, required fees, and the reasonable costs of such transportation.

"(c) CONSTRUCTION.—Nothing in this Act or any other Federal law shall be construed to prevent a parent assisted under this section from selecting the public or private elementary school or secondary school that a child of the parent will attend within the State.

"(d) CONSIDERATION OF ASSISTANCE.—Assistance used under this section to pay the costs for a student to attend a private school shall not be considered to be Federal aid to the school, and the Federal Government shall have no authority to influence or regulate the operations of a private school as a result of assistance received under this section.

"(e) CONTINUING ELIGIBILITY.—A student assisted under this section shall remain eligible to continue receiving assistance under this section for at least 3 academic years without regard to whether the student is eligible for assistance under section 1114 or 1115(b).

"(f) STATE LAW.—All actions undertaken under this section shall be undertaken in accordance with State law and may be undertaken only to the extent such actions are permitted under State law.

"(g) TUITION CHARGES.—Assistance under this section may not be used to pay tuition or required fees at a private elementary school or secondary school in an amount that is greater than the tuition and required fees paid by students not assisted under this section at such school.

"(h) SPECIAL RULE.—Any school receiving assistance provided under this section shall comply with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and not discriminate on the basis of race, color, or national origin.

"(i) ASSISTANCE; TAXES AND OTHER FEDERAL PROGRAMS.—

"(1) ASSISTANCE TO FAMILIES, NOT SCHOOLS.—Assistance provided under this section shall be considered to be aid to families, not schools. Use of such assistance at a school shall not be construed to be Federal financial aid or assistance to that school.

"(2) TAXES AND DETERMINATIONS OF ELIGIBILITY FOR OTHER FEDERAL PROGRAMS.—Assistance provided under this section to a student shall not be considered to be income of the student or the parent of such student for Federal, State, or local tax purposes or for determining eligibility for any other Federal program.

"(j) PART B OF THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT.—Nothing in this section shall be construed to affect the requirements of part B of the Individuals with Disabilities Education Act (20 U.S.C. 1411 et seq.).

"(k) SECTARIAN INSTITUTIONS.—Nothing in this section shall be construed to supersede or modify any provision of a State constitution that prohibits the expenditure of public funds in or by sectarian institutions.

"(l) MAXIMUM AMOUNT.—Notwithstanding any other provision of this section, the amount of assistance provided under this part for a student shall not exceed the per pupil expenditure for elementary or secondary education, as appropriate, by the local educational agency that serves the school where the criminal offense occurred for the fiscal year preceding the fiscal year for which the determination is made.".

SEC. 152. TRANSFER OF REVENUES.

(a) IN GENERAL.—Notwithstanding any other provision of Federal law, a State, a State educational agency, or a local educational agency may transfer any non-Federal public funds associated with the education of a student who is a victim of a violent criminal offense while in or on the grounds of a public elementary school or secondary school served by a local educational agency to another local educational agency or to a private elementary school or secondary school, including a sectarian school.

(b) DEFINITIONS.—For the purpose of subsection (a), the terms "elementary school", "secondary school", "local educational agency", and "State educational agency" have the meanings given such terms in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801).

CHAPTER II—VICTIM ASSISTANCE PROGRAMS

SEC. 161. AMENDMENTS TO VICTIMS OF CRIME ACT OF 1984.

(a) VICTIM COMPENSATION.—Section 1403 of the Victims of Crime Act of 1984 (42 U.S.C. 10602) is amended by adding at the end the following:

"(f) VICTIMS OF SCHOOL VIOLENCE.—Notwithstanding any other provision of law, an eligible crime victim compensation program may expend funds granted under this section to offer compensation to elementary and secondary school students who are victims of elementary and secondary school violence (as school violence is defined under applicable State law).".

(b) VICTIM AND WITNESS ASSISTANCE.—Section 1404(c) of the Victims of Crime Act of 1984 (42 U.S.C. 10603(c)) is amended by adding at the end the following:

"(4) ASSISTANCE FOR VICTIMS OF AND WITNESSES TO SCHOOL VIOLENCE.—Notwithstanding any other provision of law, the Director may make a grant under this section for a demonstration project or for training and technical assistance services to a program that assists local educational agencies (as local educational agency is defined in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801)) in developing, establishing, and operating programs that are designed to protect victims of and witnesses to incidents of elementary and secondary school violence (as school violence is defined under applicable State law), including programs designed to protect witnesses testifying in school disciplinary proceedings.".

CHAPTER III—INNOVATIVE PROGRAMS TO IMPROVE UNSAFE SCHOOLS

SEC. 171. FINDINGS AND PURPOSE.

(a) FINDINGS.—Congress finds that—

(1) the continued presence in schools of violent students who are a thereat to both teachers and other students is incompatible with a safe learning environment;

(2) unsafe school environments place students who are already at risk of school failure for other reasons in further jeopardy;

(3) recently, over one-forth of high school students surveyed reported being threatened at school;

(4) 2,000,000 more children are using drugs in 1997 than were doing so a few short years prior to 1997;

(5) nearly 1 out of every 20 students in 6th through 12th grade uses drugs on school grounds;

(6) more of our children are becoming involved with hard drugs at earlier ages, as use of heroin and cocaine by 8th graders has more than doubled since 1991; and

(7) greater cooperation between schools, parents, law enforcement, the courts, and the community is essential to making our schools safe from drugs and violence.

SEC. 172. PURPOSE.

It is the purpose of this chapter—

(1) to urge States, State educational agencies, and local educational agencies to provide comprehensive services to victims and witnesses of school violence;

(2) to urge States, State educational agencies, and local educational agencies to remove violent and drug selling student offenders from school premises;

(3) to urge States, State educational agencies, and local educational agencies to report violent crimes and drug dealing on school grounds to appropriate law enforcement authorities;

(4) to provide incentive grants for States, State educational agencies, and local educational agencies to involve parents, former armed forces personnel, and community volunteers in efforts to improve school safety; and

(5) to provide incentive grants to States, State educational agencies, and local educational agencies to develop innovative programs to improve the safety of our Nation's schools and to better serve at-risk students.

SEC. 173. DEFINITIONS.

In this chapter:

(1) ELEMENTARY SCHOOL, LOCAL EDUCATIONAL AGENCY, SECONDARY SCHOOL, AND STATE EDUCATIONAL AGENCY.—The terms "elementary school", "local educational agency", "secondary school", and State educational agency" have the meanings given the terms in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801).

(2) SECRETARY.—The term "Secretary" means the Secretary of Education.

SEC. 174. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated such sums as may be necessary to carry out this chapter.

SEC. 175. PROGRAM AUTHORIZED.

(a) IN GENERAL.—The Secretary is authorized to award grants to States, State educational agencies, and local educational agencies to develop, establish, or conduct innovative programs to improve unsafe elementary schools or secondary schools.

(b) PRIORITY.—The Secretary shall give priority to awarding grants under subsection (a) to programs that—

(1) provide parent and teacher notification of crimes or drug activity occurring at school;

(2) provide for the suspension, delay, or restriction of driving privileges of persons under the age of 18 who have a conviction, an adjudication in a juvenile proceeding, or a finding in a school disciplinary proceeding, involving illegal drugs;

(3) programs that link local educational agencies with community-based mentoring programs in order to link individual at-risk youth with responsible, individual adults who serve as mentors for the purpose of—

(A) discouraging at-risk youth from—

(i) using illegal drugs;

(ii) violence;

(iii) using dangerous weapons;

(iv) criminal activity; and

(v) involvement in gangs;

(B) increasing youth participation in, and enhancing the ability of such youth to benefit from, elementary and secondary education;

(C) promoting personal and social responsibility;

(D) encouraging at-risk youth participation in community service and community activities; and

(E) providing general guidance to at-risk youth;

(4) programs that include cooperative efforts between the Secretary and the Secretary of Defense to share the training and salary costs of former members of the Armed Forces who are hired as teachers and assigned to teach in public elementary schools and secondary schools, especially those programs located in communities that are adversely affected by the recent closing or substantial downsizing of a military base or facility; and

(5) programs to enhance school security measures that may include—

(A) equipping schools with metal detectors, fences, closed circuit cameras, and other physical security measures;

(B) providing increased police patrols in and around elementary schools and secondary schools, including canine patrols;

(C) mailings to parents at the beginning of the school year stating that the possession of a gun or other weapon, or the sale of drugs in school, will not be tolerated by school authorities; and

(D) gun hotlines.

SEC. 176. APPLICATION.

(a) IN GENERAL.—Each State, State educational agency, or local educational agency desiring a grant under this chapter shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require.

(b) CONTENTS.—Each application submitted under subsection (a) shall contain an assurance that the State or agency has implemented or will implement policies that—

(1) provide protections for victims and witnesses to school crime, including protections for attendance at school disciplinary proceedings;

(2) expel students who, on school grounds, sell drugs, or who commit a violent offense that causes serious bodily injury of another student or teacher; and

(3) require referral to law enforcement authorities or juvenile authorities of any student who on school grounds—

(A) commits a violent offense resulting in serious bodily injury; or

(B) sells drugs.

(c) SPECIAL RULE.—For purposes of paragraphs (2) and (3) of subsection (b), State law shall determine what constitutes a violent offense or serious bodily injury.

CHAPTER IV—NOTIFICATION FOR JUVENILE JUSTICE AND LAW ENFORCEMENT PURPOSES

SEC. 181. NOTIFICATION FOR JUVENILE JUSTICE AND LAW ENFORCEMENT PURPOSES.

The Secretary of Education, not later than 90 days after the date of enactment of this Act, shall prepare and distribute to State educational agencies and local educational agencies a notice regarding the extent of permissible disclosure of educational records under subparagraphs (E) and (J) of section 444(b) of the General Education Provisions Act (20 U.S.C. 1232g), including under the regulations issued pursuant to such subparagraphs.

TITLE II—AMENDMENTS TO THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965

SEC. 201. SHORT TITLE.

This title may be cited as the "State Education Flexibility Act".

SEC. 202. AMENDMENTS TO ESEA.

Subsection (b) of section 6301 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7351) is amended—

(1) in paragraph (7), by striking "and" after the semicolon;

(2) in paragraph (8), by striking the period and inserting a semicolon; and

(3) by adding at the end the following:

"(9) programs using scholarships or vouchers provided to a parent by a local educational agency that permit the parent to select the public or private, including sectarian, school that the parent's child will attend, which programs may be similar to the program assisted under title I of the Safe and Affordable Schools Act of 1997, except that the provisions of sections 6402 and 14507, and any generally applicable provision relating to a prohibition against the use of Federal funds for religious worship or instruction, shall not apply to any program operated pursuant to this paragraph;

"(10) education reform projects that provide same gender schools, as long as comparable educational opportunities are offered for students of both sexes; and

"(11) education reform projects that reward teachers, administrators, and schools with cash bonuses and other incentives for significantly improving the academic performance of their students.".

TITLE III—TAX INCENTIVES FOR HIGHER EDUCATION

SEC. 300. SHORT TITLE; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE.—This title may be cited as the "Affordable College Act".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 301. BOB DOLE EDUCATION INVESTMENT ACCOUNTS.

(a) IN GENERAL.—Part VIII of subchapter F of chapter 1 (relating to qualified State tuition programs) is amended by adding at the end the following new section:

"SEC. 530. BOB DOLE EDUCATION INVESTMENT ACCOUNTS.

"(a) GENERAL RULE.—A Bob Dole education investment account (hereafter in this section referred to as an 'education investment account') shall be exempt from taxation under this subtitle. Notwithstanding the preceding sentence, the education investment account shall be subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable organizations).

"(b) LIMITATIONS ON ACCOUNTS.—

"(1) ACCOUNT MAY NOT BE ESTABLISHED FOR BENEFIT OF MORE THAN 1 INDIVIDUAL.—An education investment account may not be established for the benefit of more than 1 individual.

"(2) SPECIAL RULE WHERE MORE THAN 1 ACCOUNT.—If, at any time during a calendar year, 2 or more education investment accounts are maintained for the benefit of an individual, only the account first established shall be treated as a Bob Dole education investment account for purposes of this section. This paragraph shall not apply to the extent more than 1 account exists solely by reason of a rollover contribution.

"(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) BOB DOLE EDUCATION INVESTMENT ACCOUNT.—The term 'Bob Dole education investment account' means a trust created or organized in the United States exclusively for the purpose of paying the qualified higher education expenses of the account holder, but only if the written governing instrument creating the trust meets the following requirements:

"(A) No contribution will be accepted—

"(i) unless it is in cash,

"(ii) except in the case of rollover contributions from another education investment account, in excess of $1,000 for any calendar year, and

"(iii) after the date on which the account holder attains age 18.

"(B) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which that person will administer the trust will be consistent with the requirements of this section.

"(C) No part of the trust assets will be invested in life insurance contracts (other than contracts the beneficiary of which is the trust and the face amount of which does not exceed the amount by which the maximum amount which can be contributed to the education investment account exceeds the sum of the amounts contributed to the account for all taxable years).

"(D) The assets of the trust shall not be commingled with other property except in a common trust fund or common investment fund.

"(E) Any balance in the education investment account on the day after the date on which the individual for whose benefit the trust is established attains age 30 (or, if earlier, the date on which such individual dies) shall be distributed within 30 days of such date to the account holder (or in the case of death, the beneficiary).

"(2) TIME WHEN CONTRIBUTIONS DEEMED MADE.—A taxpayer shall be deemed to have made a contribution on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (including extensions thereof).

"(3) QUALIFIED HIGHER EDUCATION EXPENSES.—

"(A) IN GENERAL.—The term 'qualified higher education expenses' has the same meaning given such term by section 529(e)(3), except that such expenses shall be reduced by any amount described in section 135(d)(1) (relating to certain scholarships and veterans benefits).

"(B) STATE TUITION PLANS.—Such term shall include amounts paid or incurred to purchase tuition credits or certificates, or to make contributions to an account, under a qualified State tuition program (as defined in section 529(b)).

"(4) ELIGIBLE EDUCATIONAL INSTITUTION.—The term 'eligible educational institution' has the meaning given such term by section 135(c)(3).

"(5) ACCOUNT HOLDER.—The term 'account holder' means the individual for whose benefit the education investment account is established.

"(d) TAX TREATMENT OF DISTRIBUTIONS.—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, any amount paid or distributed out of an education investment account shall be included in gross income of the payee or distributee for the taxable year in the manner prescribed by section 72. For purposes of the preceding sentence, rules similar to the rules of section 408(d)(2) shall apply.

"(2) DISTRIBUTION USED TO PAY EDUCATIONAL EXPENSES.—Paragraph (1) shall not apply to any payment or distribution out of an education investment account to the extent such payment or distribution is used exclusively to pay the qualified higher education expenses of the account holder.

"(3) SPECIAL RULE FOR APPLYING SECTION 2503.—If any payment or distribution from an education investment account is used exclusively for the payment to an eligible educational institution of the qualified higher education expenses of the account holder, such payment shall be treated as a qualified transfer for purposes of section 2503(e).

"(4) ADDITIONAL TAX FOR DISTRIBUTIONS NOT USED FOR EDUCATIONAL EXPENSES.—

"(A) IN GENERAL.—The tax imposed by this chapter for any taxable year on any taxpayer who receives a payment or distribution from an education investment account which is includible in gross income under paragraph (1) shall be increased by 10 percent of the amount which is so includible.

"(B) EXCEPTION FOR DISABILITY, DEATH, OR SCHOLARSHIP.—Subparagraph (A) shall not apply if the payment or distribution is—

"(i) made on account of the death or disability of the account holder, or

"(ii) made on account of a scholarship (or allowance or payment described in section 135(d)(1) (B) or (C)) received by the account holder to the extent the amount of the payment or distribution does exceed the amount of the scholarship, allowance, or payment.

"(C) EXCESS CONTRIBUTIONS RETURNED BEFORE DUE DATE OF RETURN.—Subparagraph (A) shall not apply to the distribution to a contributor of any contribution paid during a taxable year to an education investment account to the extent that such contribution, when added to previous contributions to the account during the taxable year, exceeds $1,000 if—

"(i) such distribution is received on or before the day prescribed by law (including extensions of time) for filing such contributor's return for such taxable year, and

"(ii) such distribution is accompanied by the amount of net income attributable to such excess contribution.

Any net income described in clause (ii) shall be included in the gross income of the contributor for the taxable year in which such excess contribution was made.

"(5) ROLLOVER CONTRIBUTIONS.—Paragraph (1) shall not apply to any amount paid or distributed from an education investment account to the extent that the amount received is paid into another education investment account for the benefit of the account holder not later than the 60th day after the day on which the holder receives the payment or distribution. The preceding sentence shall not apply to any payment or distribution if it applied to any prior payment or distribution during the 12-month period ending on the date of the payment or distribution.

"(6) SPECIAL RULES FOR DEATH AND DIVORCE.—Rules similar to the rules of section 220(f) (7) and (8) shall apply.

"(e) TAX TREATMENT OF ACCOUNTS.—Rules similar to the rules of paragraphs (2) and (4) of section 408(e) shall apply to any education investment account, and any amount treated as distributed under such rules shall be treated as not used to pay qualified higher education expenses.

"(f) COMMUNITY PROPERTY LAWS.—This section shall be applied without regard to any community property laws.

"(g) CUSTODIAL ACCOUNTS.—For purposes of this section, a custodial account shall be treated as a trust if the assets of such account are held by a bank (as defined in section 408(n)) or another person who demonstrates, to the satisfaction of the Secretary, that the manner in which he will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an account described in subsection (b)(1). For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

"(h) REPORTS.—The trustee of an education investment account shall make such reports regarding such account to the Secretary and to the account holder with respect to contributions, distributions, and such other matters as the Secretary may require under regulations. The reports required by this subsection shall be filed at such time and in such manner and furnished to such individuals at such time and in such manner as may be required by those regulations."

(b) TAX ON PROHIBITED TRANSACTIONS.—Section 4975 (relating to prohibited transactions) is amended—

(1) by adding at the end of subsection (c) the following new paragraph:

"(5) SPECIAL RULE FOR EDUCATION INVESTMENT ACCOUNTS.—An individual for whose benefit an education investment account is established and any contributor to such account shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be an education investment account by reason of the application of section 530 to such account."; and

(2) in subsection (e)(1), by striking "or" at the end of subparagraph (D), by redesignating subparagraph (E) as subparagraph (F), and by inserting after subparagraph (D) the following new subparagraph:

"(E) a education investment account described in section 530, or".

(c) FAILURE TO PROVIDE REPORTS ON EDUCATION INVESTMENT ACCOUNTS.—Section 6693 (relating to failure to provide reports on individual retirement accounts or annuities) is amended—

(1) by inserting "**OR ON EDUCATION INVESTMENT ACCOUNTS**" after "**ANNUITIES**" in the heading of such section, and

(2) in subsection (a)(2), by striking "and" at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting ", and", and by adding at the end the following new subparagraph:

"(C) section 530(h) (relating to education investment accounts)."

(d) COORDINATION WITH SAVINGS BOND EXCLUSION.—Section 135(d)(1) is amended by striking "or" at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting ", or" , and by inserting at the end the following new subparagraph:

"(E) a payment or distribution from an education investment account (as defined in section 530)."

(e) CLERICAL AMENDMENTS.—

(1) The table of sections for part VIII of subchapter F of chapter 1 is amended by adding at the end the following new item:

"Sec. 530. Bob Dole education investment accounts."

(2)(A) The heading for part VIII of subchapter F of chapter 1 is amended to read as follows:

"PART VIII—HIGHER EDUCATION SAVINGS ENTITIES".

(B) The table of parts for subchapter F of chapter 1 is amended by striking the item relating to part VIII and inserting:

"Part VIII. Higher education savings entities."

(3) The table of sections for subchapter B of chapter 68 is amended by striking the item

relating to section 6693 and inserting the following new item:

"Sec. 6693. Failure to provide reports on individual retirement accounts or annuities or on education investment accounts."

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1996.

SEC. 302. EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE PROGRAMS.

(a) PERMANENT EXTENSION.—Section 127 of the Internal Revenue Code of 1986 (relating to exclusion for educational assistance programs) is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

(b) REPEAL OF LIMITATION ON GRADUATE EDUCATION.—The last sentence of section 127(c)(1) of such Code is amended by striking ", and such term also does not include any payment for, or the provision of any benefits with respect to, any graduate level course of a kind normally taken by an individual pursuing a program leading to a law, business, medical, or other advanced academic or professional degree".

(c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 1996.

(2) GRADUATE EDUCATION.—The amendment made by subsection (b) shall apply with respect to expenses relating to courses beginning after June 30, 1996.

SEC. 303. MODIFICATIONS OF TAX TREATMENT OF QUALIFIED STATE TUITION PROGRAMS.

(a) EXCLUSION OF DISTRIBUTIONS USED FOR EDUCATIONAL PURPOSES.—Subparagraph (B) of section 529(c)(3) is amended to read as follows:

"(B) DISTRIBUTIONS FOR QUALIFIED HIGHER EDUCATION EXPENSES.—Subparagraph (A) shall not apply to any distribution to the extent—

"(i) the distribution is used exclusively to pay qualified higher education expenses of the distributee, or

"(ii) the distribution consists of providing a benefit to the distributee which, if paid for by the distributee, would constitute payment of a qualified higher education expense."

(b) QUALIFIED HIGHER EDUCATION EXPENSES TO INCLUDE ROOM AND BOARD.—Section 529(e)(3) is amended to read as follows:

"(3) QUALIFIED HIGHER EDUCATION EXPENSES.—The term 'qualified higher education expenses' means the cost of attendance (within the meaning of section 472 of the Higher Education Act of 1965 (20 U.S.C. 1087ll), as in effect on the date of the enactment of the Affordable College Act) of a designated beneficiary at an eligible educational institution (as defined in section 135(c)(3))."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1996.

SEC. 304. DEDUCTION FOR INTEREST ON EDUCATION LOANS.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 221 as section 222 and by inserting after section 220 the following new section:

"SEC. 221. INTEREST ON EDUCATION LOANS.

"(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction for the taxable year an amount equal to the interest paid by the taxpayer during the taxable year on any qualified education loan.

"(b) MAXIMUM DEDUCTION.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the deduction allowed by subsection (a) for the taxable year shall not exceed $2,500.

"(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

"(A) IN GENERAL.—If the modified adjusted gross income of the taxpayer for the taxable year exceeds $45,000 ($65,000 in the case of a joint return), the amount which would (but for this paragraph) be allowable as a deduction under this section shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which would be so allowable as such excess bears to $20,000.

"(B) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means adjusted gross income determined—

"(i) without regard to this section and sections 135, 911, 931, and 933, and

"(ii) after application of sections 86, 219, and 469.

For purposes of sections 86, 135, 219, and 469, adjusted gross income shall be determined without regard to the deduction allowed under this section.

"(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 1997, the $45,000 and $65,000 amounts referred to in subparagraph (A) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section (1)(f)(3) for the calendar year in which the taxable year begins, by substituting '1996' for '1992'.

"(D) ROUNDING.—If any amount as adjusted under subparagraph (C) is not a multiple of $50, such amount shall be rounded to the nearest multiple of $50.

"(c) DEPENDENTS NOT ELIGIBLE FOR DEDUCTION.—No deduction shall be allowed by this section to an individual for the taxable year if a deduction under section 151 with respect to such individual is allowed to another taxpayer for the taxable year beginning in the calendar year in which such individual's taxable year begins.

"(d) LIMIT ON PERIOD DEDUCTION ALLOWED.—A deduction shall be allowed under this section only with respect to interest paid on any qualified education loan during the first 60 months (whether or not consecutive) in which interest payments are required. For purposes of this paragraph, any loan and all refinancings of such loan shall be treated as 1 loan.

"(e) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED EDUCATION LOAN.—The term 'qualified education loan' means any indebtedness incurred to pay qualified higher education expenses—

"(A) which are incurred on behalf of the taxpayer, the taxpayer's spouse, or any dependent of the taxpayer as of the time the indebtedness was incurred,

"(B) which are paid or incurred within a reasonable period of time before or after the indebtedness is incurred, and

"(C) which are attributable to education furnished during a period during which the recipient was at least a half-time student.

Such term includes indebtedness used to refinance indebtedness which qualifies as a qualified education loan. The term 'qualified education loan' shall not include any indebtedness owed to a person who is related (within the meaning of section 267(b) or 707(b)(1)) to the taxpayer.

"(2) QUALIFIED HIGHER EDUCATION EXPENSES.—The term 'qualified higher education expenses' means the cost of attendance (as defined in section 472 of the Higher Education Act of 1965, 20 U.S.C. 1087ll, as in effect on the day before the date of the enactment of this Act) of the taxpayer or the taxpayer's spouse at an eligible educational institution, reduced by the sum of—

"(A) the amount excluded from gross income under section 135 by reason of such expenses, and

"(B) the amount of the reduction described in section 135(d)(1).

For purposes of the preceding sentence, the term 'eligible educational institution' has the same meaning given such term by section 135(c)(3), except that such term shall also include an institution conducting an internship or residency program leading to a degree or certificate awarded by an institution of higher education, a hospital, or a health care facility which offers postgraduate training.

"(3) HALF-TIME STUDENT.—The term 'half-time student' means any individual who would be a student as defined in section 151(c)(4) if 'half-time' were substituted for 'full-time' each place it appears in such section.

"(4) DEPENDENT.—The term 'dependent' has the meaning given such term by section 152.

"(f) SPECIAL RULES.—

"(1) DENIAL OF DOUBLE BENEFIT.—No deduction shall be allowed under this section for any amount for which a deduction is allowable under any other provision of this chapter.

"(2) MARRIED COUPLES MUST FILE JOINT RETURN.—If the taxpayer is married at the close of the taxable year, the deduction shall be allowed under subsection (a) only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

"(3) MARITAL STATUS.—Marital status shall be determined in accordance with section 7703.".

(b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a) of section 62 is amended by inserting after paragraph (16) the following new paragraph:

"(17) INTEREST ON EDUCATION LOANS.—The deduction allowed by section 221."

(c) REPORTING REQUIREMENT.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 (relating to information concerning transactions with other persons) is amended by inserting after section 6050R the following new section:

"SEC. 6050S. RETURNS RELATING TO EDUCATION LOAN INTEREST RECEIVED IN TRADE OR BUSINESS FROM INDIVIDUALS.

"(a) EDUCATION LOAN INTEREST OF $600 OR MORE.—Any person—

"(1) who is engaged in a trade or business, and

"(2) who, in the course of such trade or business, receives from any individual interest aggregating $600 or more for any calendar year on 1 or more qualified education loans, shall make the return described in subsection (b) with respect to each individual from whom such interest was received at such time as the Secretary may by regulations prescribe.

"(b) FORM AND MANNER OF RETURNS.—A return is described in this subsection if such return—

"(1) is in such form as the Secretary may prescribe,

"(2) contains—

"(A) the name, address, and TIN of the individual from whom the interest described in subsection (a)(2) was received,

"(B) the amount of such interest received for the calendar year, and

"(C) such other information as the Secretary may prescribe.

"(c) APPLICATION TO GOVERNMENTAL UNITS.—For purposes of subsection (a)—

"(1) TREATED AS PERSONS.—The term 'person' includes any governmental unit (and any agency or instrumentality thereof).

"(2) SPECIAL RULES.—In the case of a governmental unit or any agency or instrumentality thereof—

"(A) subsection (a) shall be applied without regard to the trade or business requirement contained therein, and

"(B) any return required under subsection (a) shall be made by the officer or employee appropriately designated for the purpose of making such return.

"(d) STATEMENTS TO BE FURNISHED TO INDIVIDUALS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under subsection (a) shall furnish to each individual whose name is required to be set forth in such return a written statement showing—

"(1) the name and address of the person required to make such return, and

"(2) the aggregate amount of interest described in subsection (a)(2) received by the person required to make such return from the individual to whom the statement is required to be furnished.

The written statement required under the preceding sentence shall be furnished on or before January 31 of the year following the calendar year for which the return under subsection (a) was required to be made.

"(e) QUALIFIED EDUCATION LOAN DEFINED.—For purposes of this section, except as provided in regulations prescribed by the Secretary, the term 'qualified education loan' has the meaning given such term by section 221(e)(1).

"(f) RETURNS WHICH WOULD BE REQUIRED TO BE MADE BY 2 OR MORE PERSONS.—Except to the extent provided in regulations prescribed by the Secretary, in the case of interest received by any person on behalf of another person, only the person first receiving such interest shall be required to make the return under subsection (a).".

(2) ASSESSABLE PENALTIES.—Section 6724(d) (relating to definitions) is amended—

(A) in paragraph (1)(B), by redesignating clauses (x) through (xv) as clauses (xi) through (xvi), respectively, and by inserting after clause (ix) the following new clause:

"(x) section 6050S (relating to returns relating to education loan interest received in trade or business from individuals),", and

(B) in paragraph (2), by striking "or" at the end of the next to last subparagraph, by striking the period at the end of the last subparagraph and inserting ", or", and by adding at the end the following new subparagraph:

"(Z) section 6050S(d) (relating to returns relating to education loan interest received in trade or business from individuals)."

(d) CLERICAL AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 is amended by striking the last item and inserting the following new items:

"Sec. 221. Interest on education loans.

"Sec. 222. Cross reference.".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to any qualified education loan (as defined in section 221(e)(1) of the Internal Revenue Code of 1986, as added by this section) incurred on, before, or after the date of the enactment of this Act, but only with respect to any loan interest payment due after December 31, 1996.

SEC. 306. EXCLUSION OF FEDERAL WORK STUDY PAYMENTS.

(a) IN GENERAL.—Section 117 (relating to exclusion of qualified scholarships) is amended by adding at the end the following new subsection:

"(e) EXCLUSION FOR WORK STUDY PAYMENTS.—Notwithstanding any other provision of this section, gross income does not include any amount received for services performed under a Federal work study program operated under section 441 of the Higher Education Act of 1965 (42 U.S.C. 2751), as in effect on the date of the enactment of this subsection."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1996.

TITLE IV—FUNDING FOR PART B OF THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT

SEC. 401. FUNDING FOR PART B OF THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT.

Section 611(h) of the Individuals with Disabilities Education Act (20 U.S.C. 1411(h)) is amended by striking "such sums as may be necessary" and inserting "not less than $4,107,522 for fiscal year 1998, not less than $5,607,522 for fiscal year 1999, not less than $7,107,522 for fiscal year 2000, not less than $8,607,522 for fiscal year 2001, not less than $10,107,522 for fiscal year 2002, not less than $11,607,522 for fiscal year 2003, not less than $13,107,522 for fiscal year 2004, and such sums as may be necessary for each succeeding fiscal year.".

TITLE V—ADULT EDUCATION AND FAMILY LITERACY

Subtitle A—Adult Education Act

SEC. 511. AUTHORIZATION OF ADULT EDUCATION ACT.

The Adult Education Act (20 U.S.C. 1201 et seq.) is amended to read as follows:

"TITLE III—ADULT EDUCATION PROGRAMS

"SEC. 301. SHORT TITLE.

"This title may be cited as the "Adult Education Act".

"SEC. 302. STATEMENT OF PURPOSE.

"It is the purpose of this title to assist the States and the outlying areas to provide—

"(1) to adults, the basic educational skills necessary for employment and self-sufficiency; and

"(2) to adults who are parents, the educational skills necessary to be full partners in the educational development of their children.

"SEC. 303. DEFINITIONS.

"As used in this title:

"(1) ADULT EDUCATION.—The term 'adult education' means services or instruction below the postsecondary level for individuals—

"(A) who have attained 16 years of age;

"(B) who are not enrolled or required to be enrolled in secondary school;

"(C)(i) who lack sufficient mastery of basic educational skills to enable the individuals to function effectively in society; or

"(ii) who do not have a certificate of graduation from a school providing secondary education and who have not achieved an equivalent level of education; and

"(D) who lack a mastery of basic skills and are therefore unable to speak, read, or write the English language.

"(2) ADULT EDUCATION AND LITERACY ACTIVITIES.—The term 'adult education and literacy activities' means the activities authorized in section 315.

"(3) COMMUNITY-BASED ORGANIZATION.—The term 'community-based organization' means a private nonprofit organization of demonstrated effectiveness that is representative of a community or a significant segment of a community.

"(4) ELIGIBLE AGENCY.—The term 'eligible agency' means—

"(A) the individual, entity, or agency in a State or an outlying area responsible for administering or setting policies for adult education and literacy services in such State or outlying area pursuant to the law of the State or outlying area; or

"(B) if no individual, entity, or agency is responsible for administering or setting such policies pursuant to the law of the State or outlying area, the individual, entity, or agency in a State or outlying area responsible for administering or setting policies for adult education and literacy services in such State or outlying area on the date of enactment of this Act.

"(5) ELIGIBLE PROVIDER.—The term 'eligible provider', used with respect to adult education and literacy activities described in section 315(b), means a provider determined to be eligible for assistance in accordance with section 314.

"(6) ENGLISH LITERACY PROGRAM.—The term 'English literacy program' means a program of instruction designed to help individuals of limited English proficiency achieve full competence in the English language.

"(7) FAMILY LITERACY SERVICES.—The term 'family literacy services' means services that are of sufficient intensity in terms of hours, and of sufficient duration, to make sustainable changes in a family and that integrate all of the following activities:

"(A) Interactive literacy activities between parents and their children.

"(B) Training for parents on how to be the primary teacher for their children and full partners in the education of their children.

"(C) Parent literacy training.

"(D) An age-appropriate education program for children.

"(8) INDIVIDUAL OF LIMITED ENGLISH PROFICIENCY.—The term 'individual of limited English proficiency' means an individual—

"(A) who has limited ability in speaking, reading, or writing the English language; and

"(B)(i) whose native language is a language other than English; or

"(ii) who lives in a family or community environment where a language other than English is the dominant language.

"(9) INDIVIDUAL WITH A DISABILITY.—

"(A) IN GENERAL.—The term 'individual with a disability' means an individual with any disability (as defined in section 3 of the Americans with Disabilities Act of 1990 (42 U.S.C. 12102)).

"(B) INDIVIDUALS WITH DISABILITIES.—The term 'individuals with disabilities' means more than 1 individual with a disability.

"(10) LITERACY.—The term 'literacy', used with respect to an individual, means the ability of the individual to speak, read, and write English, and compute and solve problems, at levels of proficiency necessary—

"(A) to function on the job, in the family of the individual, and in society;

"(B) to achieve the goals of the individual; and

"(C) to develop the knowledge potential of the individual.

"(11) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the meaning given such term in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801).

"(12) OUTLYING AREA.—The term 'outlying area' means the United States Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

"(13) POSTSECONDARY EDUCATIONAL INSTITUTION.—The term 'postsecondary educational institution' means an institution of higher education (as such term is defined in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088)) that continues to meet the eligibility and certification requirements under title IV of such Act (20 U.S.C. 1070 et seq.).

"(14) SECRETARY.—The term 'Secretary' means the Secretary of Education.

"(15) STATE.—The term 'State' means each of the several States of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

"SEC. 304. AUTHORIZATION OF APPROPRIATIONS.

"(a) IN GENERAL.—There are authorized to be appropriated to carry out this title (except section 321) $400,000,000 for fiscal year 1998, and such sums as may be necessary for each of the fiscal years 1999 through 2003.

"(b) RESERVATION OF FUNDS FOR NATIONAL LEADERSHIP ACTIVITIES.—For any fiscal year, the Secretary may reserve not more than $4,500,000 of the amount appropriated under subsection (a) to establish and carry out the program of national leadership and evaluation activities described in section 322.

"(c) PROGRAM YEAR.—Appropriations for any fiscal year for programs and activities carried out under part A shall be available for obligation only on the basis of a program year. The program year shall begin on July 1 in the fiscal year for which the appropriation is made.

"PART A—GRANTS TO ELIGIBLE AGENCIES

"SEC. 311. AUTHORITY TO MAKE GRANTS.

"(a) IN GENERAL.—In the case of each eligible agency that in accordance with section 313 submits to the Secretary a plan for a fiscal year, the Secretary shall make a grant for the year to the eligible agency for the purpose specified in subsection (b). The grant shall consist of the initial and additional allotments determined for the eligible agency under section 312.

"(b) PURPOSE OF GRANTS.—The Secretary may make a grant under subsection (a) only if the applicant involved agrees to expend the grant for adult education and literacy activities in accordance with the provisions of this part.

"SEC. 312. ALLOTMENTS.

"(a) INITIAL ALLOTMENTS.—From the sums available for the purpose of making grants under this part for any fiscal year, the Secretary shall allot to each eligible agency that in accordance with section 313 submits to the Secretary a plan for the year an initial amount as follows:

"(1) $100,000, in the case of an eligible agency of the United States Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

"(2) $250,000, in the case of any other eligible agency.

"(b) ADDITIONAL ALLOTMENTS.—

"(1) IN GENERAL.—From the remainder available for the purpose of making grants under this part for any fiscal year after the application of subsection (a), the Secretary shall allot to each eligible agency that receives an initial allotment under such subsection an additional amount that bears the same relationship to such remainder as the number of qualifying adults in the State or outlying area of the agency bears to the number of such adults in all States and outlying areas.

"(2) QUALIFYING ADULT.—For purposes of this subsection, the term 'qualifying adult' means an adult who—

"(A) is at least 16 years of age, but less than 61 years of age;

"(B) is beyond the age of compulsory school attendance under the law of the State or outlying area;

"(C) does not have a certificate of graduation from a school providing secondary education and has not achieved an equivalent level of education; and

"(D) is not currently enrolled in secondary school.

"(c) SPECIAL RULE.—

"(1) IN GENERAL.—Notwithstanding any other provision of this section and using funds allotted for the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau under this section, the Secretary shall award grants to Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau to carry out activities described in this part in accordance with the provisions of this part that the Secretary determines are not inconsistent with this subsection.

"(2) AWARD BASIS.—The Secretary shall award grants pursuant to paragraph (1) on a competitive basis and pursuant to recommendations from the Pacific Region Educational Laboratory in Honolulu, Hawaii.

"(3) TERMINATION OF ELIGIBILITY.—Notwithstanding any other provision of law, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau shall not receive any funds under this part for any fiscal year that begins after September 30, 2001.

"(4) ADMINISTRATIVE COSTS.—The Secretary may provide not more than 5 percent of the funds made available for grants under this subsection to pay the administrative costs of the Pacific Region Educational Laboratory regarding activities assisted under this subsection.

"SEC. 313. AGENCY PLAN.

"For an eligible agency to be eligible to receive a grant under this part for any fiscal year, the agency shall submit to the Secretary a plan for the year that includes the following:

"(1) A description of the adult education and literacy activities that will be carried out with funds received under the grant.

"(2) A description of how such activities will be integrated with other adult education and career development activities in the State or outlying area of the agency.

"(3) A description of how the eligible agency annually will evaluate the effectiveness of the adult education and literacy activities that are carried out with funds received under the grant.

"(4) A description of the benchmarks required under section 317 and how such benchmarks will ensure continuous improvement of adult education and literacy services in the State or outlying area of the agency.

"(5) An assurance that the funds received under the grant will not be expended for any purpose other than the activities described in sections 314 and 315.

"(6) An assurance that the eligible agency will expend the funds received under the grant only in a manner consistent with the fiscal requirements in section 316.

"SEC. 314. USE OF FUNDS.

"(a) IN GENERAL.—Of the sum that is made available under this part to an eligible agency for any program year—

"(1) not less than 85 percent shall be made available to award grants in accordance with this section to carry out adult education and literacy activities;

"(2) not more than 10 percent shall be made available to carry out activities described in section 315(a); and

"(3) subject to paragraph (1), not more than 5 percent, or $50,000, whichever is greater, shall be made available for administrative expenses at the State level (or the level of the outlying area).

"(b) GRANTS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), from the amount made available to an eligible agency for adult education and literacy under subsection (a)(1) for a program year, such agency shall award grants, on a competitive basis, to local educational agencies, correctional education agencies, community-based organizations of demonstrated effectiveness, volunteer literacy organizations, libraries, public or private nonprofit agencies, postsecondary educational institutions, public housing authorities, and other nonprofit institutions, that have the ability to provide literacy services to adults and families, or consortia of agencies, organizations, or institutions described in this subsection, to enable such agencies, organizations, institutions, and consortia to carry out adult education and literacy activities.

"(2) CONSORTIA.—An eligible agency may award a grant under this section to a consortium that includes a provider described in paragraph (1) and a for-profit agency, organization, or institution, if such agency, organization, or institution—

"(A) can make a significant contribution to carrying out the objectives of this title; and

"(B) enters into a contract with such provider to carry out adult education and literacy activities.

"(c) GRANT REQUIREMENTS.—

"(1) REQUIRED LOCAL ACTIVITIES.—An eligible agency shall require that each provider receiving a grant under this section use the grant in accordance with section 315(b).

"(2) EQUITABLE ACCESS.—Each eligible agency awarding a grant under this section for adult education and literacy activities shall ensure that the providers described in subsection (b) will be provided direct and equitable access to all Federal funds provided under this section.

"(3) SPECIAL RULE.—Each eligible agency awarding a grant under this section shall not use any funds made available under this title for adult education and literacy activities for the purpose of supporting or providing programs, services, or activities for individuals who are not individuals described in subparagraphs (A) and (B) of section 303(1), except that such agency may use such funds for such purpose if such programs, services, or activities are related to family literacy services.

"(4) CONSIDERATIONS.—In awarding grants under this section, the eligible agency shall consider—

"(A) the past effectiveness of a provider described in subsection (b) in providing services (especially with respect to recruitment and retention of educationally disadvantaged adults and the learning gains demonstrated by such adults);

"(B) the degree to which the provider will coordinate services with other literacy and social services available in the community; and

"(C) the commitment of the provider to serve individuals in the community who are most in need of literacy services.

"(d) LOCAL ADMINISTRATIVE COST LIMITS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), of the funds provided under this section by an eligible agency to a provider described in subsection (b), not less than 95 percent shall be expended for provision of adult education and literacy activities. The remainder shall be used for planning, administration, personnel development, and interagency coordination.

"(2) SPECIAL RULE.—In cases where the cost limits described in paragraph (1) will be too restrictive to allow for adequate planning, administration, personnel development, and interagency coordination supported under this section, the eligible agency shall negotiate with the provider described in subsection (b) in order to determine an adequate level of funds to be used for noninstructional purposes.

"SEC. 315. ADULT EDUCATION AND LITERACY ACTIVITIES.

"(a) PERMISSIBLE AGENCY ACTIVITIES.—An eligible agency may use not more than 10 percent of the funds made available to the eligible agency under this part for activities that may include—

"(1) the establishment or operation of professional development programs to improve the quality of instruction provided pursuant to local activities required under subsection (b), including instruction provided by volunteers or by personnel of a State or outlying area;

"(2) the provision of technical assistance to eligible providers of activities authorized in this section;

"(3) the provision of technology assistance to eligible providers of activities authorized in this section to enable the providers to improve the quality of such activities;

"(4) the support of State or regional networks of literacy resource centers; and

"(5) the monitoring and evaluation of the quality of and the improvement in activities authorized in this section.

"(b) REQUIRED LOCAL ACTIVITIES.—The eligible agency shall require that each eligible provider receiving a grant under section 314 use the grant to establish or operate 1 or more programs that provide instruction or services in 1 or more of the following categories:

"(1) Adult education and literacy services.

"(2) Family literacy services.

"(3) English literacy programs.

"SEC. 316. FISCAL REQUIREMENTS AND RESTRICTIONS RELATED TO USE OF FUNDS.

"(a) SUPPLEMENT NOT SUPPLANT.—Funds made available under this part for adult education and literacy activities shall supplement, and may not supplant, other public funds expended to carry out activities described in section 315.

"(b) MAINTENANCE OF EFFORT.—

"(1) DETERMINATION.—

"(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), and paragraph (2), no payments shall be made under this part for any program year to an eligible agency for adult education and literacy activities unless the Secretary of Education determines that the fiscal effort per student or the aggregate expenditures of such eligible agency for activities described in section 315 for the program year preceding the program year for which the determination is made, equaled or exceeded such effort or expenditures for activities described in such section for the second program year preceding the fiscal year for which the determination is made.

"(B) COMPUTATION.—In computing the fiscal effort or aggregate expenditures pursuant to subparagraph (A), the Secretary of Education shall exclude capital expenditures, special one-time project costs, and similar windfalls.

"(C) DECREASE IN FEDERAL SUPPORT.—If the amount made available for adult education and literacy activities under this part for a fiscal year is less than the amount made available for adult education and literacy activities under this part for the preceding fiscal year, then the fiscal effort per student or the aggregate expenditures of an eligible agency required by subparagraph (A) for such preceding fiscal year shall be decreased by the same percentage as the percentage decrease in the amount so made available.

"(2) WAIVER.—The Secretary of Education may waive the requirements of paragraph (1) (with respect to not more than 5 percent of expenditures required for the preceding fiscal year by any eligible agency) for 1 program year only, after making a determination that such waiver would be equitable due to exceptional or uncontrollable circumstances affecting the ability of the eligible agency to meet such requirements, such as a natural disaster or an unforeseen and precipitous decline in financial resources. No level of funding permitted under such a waiver may be used as the basis for computing the fiscal effort or aggregate expenditures required under this subsection for years subsequent to the year covered by such waiver. The fiscal effort or aggregate expenditures for the subsequent years shall be computed on the basis of the level of funding that would, but for such waiver, have been required.

"(c) EXPENDITURES OF NON-FEDERAL FUNDS FOR ADULT EDUCATION AND LITERACY ACTIVITIES.—For any program year for which a grant is made to an eligible agency under this part, the eligible agency shall expend, on programs and activities relating to adult education and literacy activities, an amount, derived from sources other than the Federal Government, equal to 25 percent of the amount made available to the eligible agency under this part for adult education and literacy activities.

"SEC. 317. ACCOUNTABILITY AND CONTINUOUS IMPROVEMENT.

"(a) GOAL.—Each eligible agency that receives a grant under this part shall use such grant to meet the goal of enhancing and developing more fully the literacy skills of the adult population in the State or outlying area of the agency.

"(b) BENCHMARKS.—To be eligible to receive a grant under this part, an eligible agency shall develop and identify in the agency plan, submitted under section 313, proposed quantifiable benchmarks to measure the progress of the eligible agency toward meeting the goal described in subsection (a) throughout the State or outlying area of the agency, which shall include, at a minimum, measures for participants of—

"(1) demonstrated improvements in literacy skill levels;

"(2) attainment of secondary school diplomas or general equivalency diplomas;

"(3) placement in, retention in, or completion of, postsecondary education, training, or employment; and

"(4) attainment of the literacy skills and knowledge individuals need to be productive and responsible citizens and to become more actively involved in the education of their children.

"(c) POPULATIONS.—

"(1) PERFORMANCE MEASURES.—In developing and identifying measures of progress of the eligible agency toward meeting the goal described in subsection (a), an eligible agency shall develop and identify in the agency plan, in addition to the benchmarks described in subsection (b), proposed quantifiable benchmarks for populations that include, at a minimum—

"(A) low-income individuals;

"(B) at-risk youth and young adults;

"(C) individuals with disabilities; and

"(D) individuals of limited literacy, as determined by the eligible agency.

"(2) ADDITIONAL MEASURES.—In addition to the benchmarks described in paragraph (1), an eligible agency may develop and identify in the agency plan proposed quantifiable benchmarks to measure the progress of the eligible agency toward meeting the goal described in subsection (a) for populations with multiple barriers to educational enhancement.

"PART B—NATIONAL PROGRAMS

"SEC. 321. NATIONAL INSTITUTE FOR LITERACY.

"(a) ESTABLISHMENT.—

"(1) IN GENERAL.—There is established the National Institute for Literacy (in this section referred to as the "Institute"). The Institute shall be administered under the terms of an interagency agreement entered into by the Secretary of Education with the Secretary of Labor and the Secretary of Health and Human Services (in this section referred to as the "Interagency Group"). The Interagency Group may include in the Institute any research and development center, institute, or clearinghouse established within the Department of Education, the Department of Labor, or the Department of Health and Human Services whose purpose is determined by the Interagency Group to be related to the purpose of the Institute.

"(2) OFFICES.—The Institute shall have offices separate from the offices of the Department of Education, the Department of Labor, and the Department of Health and Human Services.

"(3) BOARD RECOMMENDATIONS.—The Interagency Group shall consider the recommendations of the National Institute for Literacy Advisory Board (in this section referred to as the "Board") established under subsection (d) in planning the goals of the Institute and in the implementation of any programs to achieve such goals.

"(4) DAILY OPERATIONS.—The daily operations of the Institute shall be carried out by the Director of the Institute appointed under subsection (g).

"(b) DUTIES.—

"(1) IN GENERAL.—The Institute shall improve the quality and accountability of the adult basic skills and literacy delivery system by—

"(A) providing national leadership for the improvement and expansion of the system for delivery of literacy services;

"(B) coordinating the delivery of such services across Federal agencies;

"(C) identifying effective models of basic skills and literacy education for adults and families that are essential to success in job training, work, the family, and the community;

"(D) supporting the creation of new methods of offering improved literacy services;

"(E) funding a network of State or regional adult literacy resource centers to assist State and local public and private nonprofit efforts to improve literacy by—

"(i) encouraging the coordination of literacy services;

"(ii) carrying out evaluations of the effectiveness of adult education and literacy activities;

"(iii) enhancing the capacity of State and local organizations to provide literacy services; and

"(iv) serving as a reciprocal link between the Institute and providers of adult education and literacy activities for the purpose of sharing information, data, research, expertise, and literacy resources;

"(F) supporting the development of models at the State and local level of accountability systems that consist of goals, performance measures, benchmarks, and assessments that can be used to improve the quality of adult education and literacy activities;

"(G) providing technical assistance, information, and other program improvement activities to national, State, and local organizations, such as—

"(i) improving the capacity of national, State, and local public and private organizations that provide literacy and basic skills services, professional development, and technical assistance, such as the State or regional adult literacy resource centers referred to in subparagraph (E); and

"(ii) establishing a national literacy electronic database and communications network;

"(H) working with the Interagency Group, Federal agencies, and the Congress to ensure that such Group, agencies, and the Congress have the best information available on literacy and basic skills programs in formulating Federal policy with respect to the issues of literacy, basic skills, and workforce and career development; and

"(I) assisting with the development of policy with respect to literacy and basic skills.

"(2) GRANTS, CONTRACTS, AND AGREEMENTS.—The Institute may make grants to, or enter into contracts or cooperative agreements with, individuals, public or private institutions, agencies, organizations, or consortia of such institutions, agencies, or organizations to carry out the activities of the Institute. Such grants, contracts, or agreements shall be subject to the laws and regulations that generally apply to grants, contracts, or agreements entered into by Federal agencies.

"(c) LITERACY LEADERSHIP.—

"(1) FELLOWSHIPS.—The Institute, in consultation with the Board, may award fellowships, with such stipends and allowances as the Director considers necessary, to outstanding individuals pursuing careers in adult education or literacy in the areas of instruction, management, research, or innovation.

"(2) USE OF FELLOWSHIPS.—Fellowships awarded under this subsection shall be used, under the auspices of the Institute, to engage in research, education, training, technical assistance, or other activities to advance the field of adult education or literacy, including the training of volunteer literacy providers at the national, State, or local level.

"(3) INTERNS AND VOLUNTEERS.—The Institute, in consultation with the Board, may award paid and unpaid internships to individuals seeking to assist the Institute in carrying out its mission. Notwithstanding section 1342 of title 31, United States Code, the Institute may accept and use voluntary and uncompensated services as the Institute determines necessary.

"(d) NATIONAL INSTITUTE FOR LITERACY ADVISORY BOARD.—

"(1) ESTABLISHMENT.—

"(A) IN GENERAL.—There is established a National Institute for Literacy Advisory Board. The Board shall consist of 10 individuals appointed by the President, with the advice and consent of the Senate, from individuals who—

"(i) are not otherwise officers or employees of the Federal Government; and

"(ii) are representative of entities or groups described in subparagraph (B).

"(B) ENTITIES OR GROUPS DESCRIBED.—The entities or groups referred to in subparagraph (A) are—

"(i) literacy organizations and providers of literacy services, including—

"(I) nonprofit providers of literacy services;

"(II) providers of programs and services involving English language instruction; and

"(III) providers of services receiving assistance under this title;

"(ii) businesses that have demonstrated interest in literacy programs;

"(iii) literacy students;

"(iv) experts in the area of literacy research;

"(v) State and local governments; and

"(vi) representatives of employees.

"(2) DUTIES.—The Board—

"(A) shall make recommendations concerning the appointment of the Director and staff of the Institute;

"(B) shall provide independent advice on the operation of the Institute; and

"(C) shall receive reports from the Interagency Group and the Director.

"(3) FEDERAL ADVISORY COMMITTEE ACT.—Except as otherwise provided, the Board established by this subsection shall be subject to the provisions of the Federal Advisory Committee Act (5 U.S.C. App.).

"(4) TERMS.—

"(A) IN GENERAL.—Each member of the Board shall be appointed for a term of 3 years, except that the initial terms for members may be 1, 2, or 3 years in order to establish a rotation in which ⅓ of the members are selected each year. Any such member may be appointed for not more than 2 consecutive terms.

"(B) VACANCY APPOINTMENTS.—Any member appointed to fill a vacancy occurring before the expiration of the term for which the member's predecessor was appointed shall be appointed only for the remainder of that term. A member may serve after the expiration of that member's term until a successor has taken office. A vacancy in the Board shall be filled in the manner in which the original appointment was made. A vacancy in the Board shall not affect the powers of the Board.

"(5) QUORUM.—A majority of the members of the Board shall constitute a quorum but a lesser number may hold hearings. Any recommendation of the Board may be passed only by a majority of the Board's members present.

"(6) ELECTION OF OFFICERS.—The Chairperson and Vice Chairperson of the Board shall be elected by the members of the Board. The term of office of the Chairperson and Vice Chairperson shall be 2 years.

"(7) MEETINGS.—The Board shall meet at the call of the Chairperson or a majority of the members of the Board.

"(e) GIFTS, BEQUESTS, AND DEVISES.—The Institute may accept, administer, and use gifts or donations of services, money, or property, both real and personal.

"(f) MAILS.—The Board and the Institute may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Federal Government.

"(g) DIRECTOR.—The Interagency Group, after considering recommendations made by the Board, shall appoint and fix the pay of a Director.

"(h) APPLICABILITY OF CERTAIN CIVIL SERVICE LAWS.—The Director and staff of the Institute may be appointed without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of that title relating to classification and General Schedule pay rates, except that an individual so appointed may not receive pay in excess of the maximum rate payable under section 5376 of title 5, United States Code.

"(i) EXPERTS AND CONSULTANTS.—The Board and the Institute may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

"(j) REPORT.—The Institute shall submit a report biennially to the Committee on Economic and Educational Opportunities of the House of Representatives and the Committee on Labor and Human Resources of the Senate. Each report submitted under this subsection shall include—

"(1) a comprehensive and detailed description of the Institute's operations, activities, financial condition, and accomplishments in the field of literacy for the period covered by the report;

"(2) a description of how plans for the operation of the Institute for the succeeding two fiscal years will facilitate achievement of the goals of the Institute and the goals of the literacy programs within the Department of Education, the Department of Labor, and the Department of Health and Human Services; and

"(3) any additional minority, or dissenting views submitted by members of the Board.

"(k) FUNDING.—Any amounts appropriated to the Secretary of Education, the Secretary of Labor, or the Secretary of Health and Human Services for purposes that the Institute is authorized to perform under this section may be provided to the Institute for such purposes.

"(l) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $10,000,000 for fiscal year 1998 and such sums as may be necessary for each of the fiscal years 1999 through 2003 to carry out this section.

"SEC. 222. NATIONAL LEADERSHIP ACTIVITIES.

"The Secretary shall establish and carry out a program of national leadership activities to enhance the quality of adult education and family literacy programs nationwide. Such activities shall include the following:

"(1) Providing technical assistance to recipients of assistance under part A in developing and using benchmarks and performance measures for improvement of adult education and literacy activities, including family literacy services.

"(2) Awarding grants, on a competitive basis, to an institution of higher education, a public or private organization or agency, or a consortium of such institutions, organizations, or agencies to carry out research and technical assistance—

"(A) for the purpose of developing, improving, and identifying the most successful methods and techniques for addressing the education needs of adults; and

"(B) to increase the effectiveness of, and improve the quality of, adult education and literacy activities, including family literacy services.

"(3) Providing for the conduct of an independent evaluation and assessment of adult education and literacy activities, through studies and analyses conducted independently through grants and contracts awarded on a competitive basis. Such evaluation and assessment shall include descriptions of—

"(A) the effect of benchmarks, performance measures, and other measures of accountability on the delivery of adult education and literacy activities, including family literacy services;

"(B) the extent to which the adult education and literacy activities, including family literacy services, increase the literacy skills of adults (and of children, in the case of family literacy services), lead the participants in such activities to involvement in further education and training, enhance the employment and earnings of such participants, and, if applicable, lead to other positive outcomes, such as reductions in recidivism in the case of prison-based adult education and literacy services; and

"(C) the extent to which eligible agencies have distributed funds part A to meet the needs of adults through community-based organizations.

"(4) Carrying out demonstration programs, replicating model programs, disseminating best practices information, and providing technical assistance, for the purposes of developing, improving, and identifying the most successful methods and techniques for providing the activities assisted under part A.".

SEC. 512. EXTENSION OF FUNCTIONAL LITERACY AND LIFE SKILLS PROGRAM FOR STATE AND LOCAL PRISONERS.

Paragraph (3) of section 601(i) of the National Literacy Act of 1991 (20 U.S.C. 1211-2(i)) is amended—

(1) by striking "1994, and" and inserting "1994,"; and

(2) by inserting ", and such sums as may be necessary for each of the fiscal years 1998, 1999, 2000, 2001, 2002, and 2003" before the period.

SEC. 513. CONFORMING ADULT EDUCATION ACT AMENDMENTS.

(a) REFUGEE EDUCATION ASSISTANCE ACT.—Subsection (b) of section 402 of the Refugee

Education Assistance Act of 1980 (8 U.S.C. 1522 note) is repealed.

(b) ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965.—

(1) SECTION 1206 OF ESEA.—Section 1206(a)(1)(A) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6366(a)(1)(A)) is amended by striking "an adult basic education program" and inserting "adult education and literacy activities".

(2) SECTION 3113 OF ESEA.—Section 3113(1) of such Act (20 U.S.C. 6813(1)) is amended by striking "section 312" and inserting "section 303".

(3) SECTION 9161 OF ESEA.—Section 9161(2) of such Act (20 U.S.C. 7881(2)) is amended by striking "section 312(2)" and inserting "section 303".

Subtitle B—Demonstration Programs and Projects To Promote Literacy

SEC. 521. SHORT TITLE.

Title X of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8001 et seq.) is amended by adding at the end the following:

"PART N—DEMONSTRATION PROGRAMS AND PROJECTS TO PROMOTE LITERACY

"SEC. 10996. DEMONSTRATION PARTNERSHIPS TO PROMOTE LITERACY.

"(a) TRAINING DEMONSTRATION PROGRAMS AND PROJECTS.—The Secretary is authorized to make grants to, and enter into contracts and cooperative agreements with, State educational agencies, local educational agencies, institutions of higher education, and other public and private agencies, organizations, and institutions to—

"(1) provide in-service training for teachers, and, where appropriate, other staff such as teacher's aides, in language acquisition skills and systematic phonics;

"(2) provide pre-service training for teachers, and, where appropriate, other staff, in language acquisition skills and systematic phonics; and

"(3) provide training opportunities for parents, community volunteers, and other persons interested in obtaining language acquisition and systematic phonics skills for the purpose of improving their literacy or the literacy skills of children or other adults.

"(b) OTHER DEMONSTRATION PROGRAMS AND PROJECTS.—The Secretary is authorized to make grants to, and enter into contracts with, State educational agencies, local educational agencies, and private nonprofit agencies or organizations that use practices determined by replicated experimental research to be effective in preventing and responding to illiteracy in children and adults. Such grants shall be awarded for time-limited, demonstration programs and projects as follows:

"(1) FAMILY LITERACY PROGRAMS.—The Secretary shall award grants for programs that encourage parental involvement with their children in family literacy services (as defined in section 303 of the Adult Education Act). Such programs may combine literacy activities with parent training, in order to emphasize the parent's role as their child's primary teacher.

"(2) SCHOOL AND COMMUNITY PARTNERSHIPS.—The Secretary shall award grants to local educational agencies and private nonprofit organizations for the development of partnerships among schools, parents, private, nonprofit community volunteer organizations, and other community associations. Such partnerships shall demonstrate in the application submitted under subsection (c) the partnership's commitment to, and participation in, programs involving voluntary tutoring sessions for—

"(A) children in kindergarten through 4th grade; and

"(B) the parents of such children, where requested by the parent.

"(c) APPLICATION.—Each entity desiring assistance under this section shall submit an application to the Secretary, at such time, in such manner, and accompanied by such information as the Secretary may require.

"(d) ANNUAL EVALUATION.—

"(1) IN GENERAL.—In making grants and entering into contracts and cooperative agreements for demonstration programs and projects under this section, the Secretary, in cooperation with the Comptroller General, shall require all such programs and projects to be evaluated for their effectiveness using nationally recognized standardized assessments which measure reading achievement.

"(2) FUNDING.—The Secretary may provide funding for the evaluations described in paragraph (1) through—

"(A) a stated percentage of funds awarded under a grant or contracted under this subsection; or

"(B) a separate grant made by the Secretary for evaluating an individual demonstration program or project, or group of demonstration programs or projects.

"(3) RESERVATION.—The Secretary is authorized to reserve not more than 2 percent of the amount appropriated under subsection (e) for each fiscal year to fund the evaluations under this subsection.

"(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $100,000,000 for fiscal year 1998 and such sums as may be necessary for each of the 4 succeeding fiscal years.".

Subtitle C—National Commission on Literacy

SEC. 531. SHORT TITLE.

This subtitle may be cited as the "National Commission on Literacy".

SEC. 532. FINDINGS.

Congress finds as follows:

(1) Since 1965, the United States has spent over $500,000,000,000 on Federal education programs, yet 66 percent of 17-year olds do not read at a proficient level and reading scores have been declining for 3 decades. More over 75 percent of 4th graders, nationally, scored below the proficient level of reading.

(2) 85 percent of juvenile delinquents cannot read.

(3) American businesses are spending more than $30,000,000,000 in retraining employees, primarily because the employees cannot read at an adult level.

(4) In most junior colleges, at least one-third of the students must take remedial English because the students are not able to read at college level.

SEC. 533. NATIONAL COMMISSION ON LITERACY.

(a) ESTABLISHMENT.—There is hereby established a commission to be known as the "National Commission on Literacy" (in this subtitle referred to as the "Commission").

(b) MEMBERSHIP.—

(1) IN GENERAL.—The Commission shall consist of—

(A) 5 members to be appointed by the President of the United States;

(B) 5 members to be appointed by the Speaker of the House of Representatives; and

(C) 5 members to be appointed by the Majority Leader of the Senate.

(2) APPOINTMENTS.—

(A) IN GENERAL.—The President, the Speaker of the House of Representatives, and the Majority Leader of the Senate shall each appoint as members of the Commission any United States citizen, including educators and other professionals involved in the research, study, and analysis of illiteracy.

(B) PROHIBITION.—An individual with a direct financial interest in the outcome of the Commission shall not be appointed to the Commission.

(3) CONSULTATION.—The appointments made pursuant to subparagraphs (B) and (C) of paragraph (1) shall be made in consultation with the chairpersons of the Committee on Education and the Workplace of the House of Representatives and the Committee on Labor and Human Resources of the Senate.

(c) DUTIES.—

(1) IN GENERAL.—The Commission shall—

(A) conduct a comprehensive review of the social and economic impact of illiteracy in the United States and any correlation between such impact and welfare costs, juvenile delinquency, special education, adult literacy programs, drug addiction, and underemployment;

(B) examine matters including—

(i) a review of—

(I) requirements set for prospective reading teachers studying at colleges of education; and

(II) whether such requirements include obtaining knowledge about direct, intensive, and systematic phonics with decodable text as an important step in reading instruction;

(ii) a review of the available testing instruments that determine whether, and to what extent, children can decode the English language;

(iii) an assessment of the extent to which the use of experimentally unverified methods and teaching materials contributes to illiteracy;

(iv) a review of medical and neurological evidence regarding how individuals acquire the skill of reading;

(v) a review of the cost of illiteracy to business and industry;

(vi) an assessment of the negative impact of illiteracy on the economy in general, and in particular the impact of illiteracy on economically depressed areas; and

(vii) other issues that a majority of the members of the Commission deem appropriate to investigate in accordance with this subtitle.

(2) PUBLIC HEARINGS.—The Commission (and any committees the Commission may form) shall conduct public hearings in different geographic areas of the United States, both urban and rural, in order to receive the views of a broad spectrum of the public on the issue of literacy and on ways to enhance the reading proficiency of children, adults, and families in the United States.

(3) TESTIMONY.—The Commission is authorized to receive testimony from individuals, including—

(A) representatives of public and private organizations and institutions with an interest in the literacy of children, adults, and families in the United States;

(B) educators;

(C) religious leaders;

(D) providers of social services;

(E) representatives of organizations with children as members;

(F) elected and appointed public officials; and

(G) other individuals speaking on their own behalf.

(d) INTERIM AND FINAL REPORTS TO PRESIDENT AND CONGRESS; RECOMMENDATIONS.—

(1) INTERIM REPORTS.—The Commission may submit to the President, the Committee on Labor and Human Resources of the Senate, the Committee on Education and the Workplace of the House of Representatives, and to the public, interim reports regarding the duties of the Commission undertaken pursuant to subsection (c).

(2) FINAL REPORT.—The Commission shall submit to the President, the Committee on Labor and Human Resources of the Senate, and the Committee on Education and the Workplace of the House of Representatives a final report no later than September 30, 2000.

The final report shall set forth recommendations regarding the findings of the Commission.

(3) AVAILABILITY.—Copies of interim reports and the final report of the Commission shall be made available in sufficient quantity for public review.

(e) TIME OF APPOINTMENT OF MEMBERS; VACANCIES; SELECTION OF CHAIRMAN; QUORUM; CALLING OF MEETINGS; NUMBER OF MEETINGS; VOTING; COMPENSATION AND EXPENSES.—

(1) IN GENERAL.—The President, the Speaker of the House of Representatives, and the Majority Leader of the Senate shall make their respective appointments to the Commission not later than 60 days after the date of enactment of this Act, for terms ending 60 days after the Commission issues its final report.

(2) VACANCY.—Any vacancy that occurs during the life of the Commission shall not affect the powers of the Commission, and shall be filled in the same manner as the original appointment not later than 30 days after the vacancy occurs.

(3) CHAIRMAN.—The Majority Leader of the Senate, in consultation with the Speaker of the House of Representatives and with the President shall designate one member of the Commission as Chairman of the Commission no later than 60 days after the establishment of the Commission.

(4) QUORUM.—A majority of the members of the Commission shall constitute a quorum for the transaction of business, but the Commission may establish a lesser quorum for conducting hearings scheduled by the Commission.

(5) MEETINGS.—The Commission shall meet at the call of the Chairman of the Commission, or at the call of a majority of the members of the Commission. The initial meeting of the Commission shall be conducted no later than 30 days after the appointment of the last member of the Commission, or no later than 30 days after the date on which funds are made available for the Commission.

(6) VOTING.—Decisions of the Commission shall be according to the vote of a simple majority of the members of the Commission present and voting at a properly called meeting.

(7) RULES.—The Commission may establish by majority vote any other rules for the conduct of the Commission's business, if such rules are not inconsistent with this subtitle or other applicable law.

(8) COMPENSATION.—Each member of the Commission who is not an officer or employee of the Federal Government, or whose compensation as a member of the Commission is not precluded by a Federal, State, or local law, shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for Level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which such member is engaged in the performance of the duties of the Commission. All members of the Commission who are officers or employees of the United States shall serve without compensation in addition to the compensation received for their services as officers or employees of the United States.

(9) TRAVEL EXPENSES.—The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of service for the Commission.

(f) EXECUTIVE DIRECTOR AND ADDITIONAL PERSONNEL; APPOINTMENT AND COMPENSATION; CONSULTANTS.—

(1) EXECUTIVE DIRECTOR AND ADDITIONAL PERSONNEL.—The Commission may appoint an Executive Director of the Commission, and the Commission may appoint and fix the compensation of such personnel as the Commission deems advisable. The Executive Director shall be compensated at a rate not to exceed the rate payable for Level V of the Executive Schedule under section 5316 of title 5, United States Code. Compensation of other personnel may be set without regard to the provisions of such title 5 that govern appointments in the competitive services, and the provisions of chapter 51 and subchapter III of chapter 53 of such title 5 that relate to classifications and the General Schedule pay rates, except that the rate of pay for such personnel may not exceed the rate payable for Level V of the Executive Schedule under section 5316 of such title.

(2) DETAILEES.—Any Federal Government employee, with the approval of the head of the appropriate Federal agency, may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status, benefits, or privilege.

(3) TEMPORARY OR INTERMITTENT SERVICES.—The Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals not to exceed the daily equivalent of the annual rate of basic pay prescribed for Level V of the Executive Schedule under section 5316 of such title.

(4) CONSTRUCTION.—Nothing in this section shall be construed to limit the ability of the Commission to enter into contracts with public or private organizations, for research necessary to carry out the Commission's duties under subsection (c).

(g) TIME AND PLACE OF HEARINGS AND NATURE OF TESTIMONY AUTHORIZED.—

(1) IN GENERAL.—The Commission may hold such hearings, sit and act at such times and places, administer such oaths, take such testimony, and receive such evidence as the Commission considers advisable.

(2) WITNESSES.—Witnesses requested to appear before the Commission shall be paid the same fees as are paid to witnesses under section 1821 of title 28, United States Code. The per diem and mileage allowances for witnesses shall be paid from funds appropriated to the Commission.

(3) SUBPOENAS.—If a person fails to supply information requested by the Commission, the Commission may by majority vote require by subpoena the production of any written or recorded information, document, report, answer, record, account, paper, computer file, or other data or documentary evidence necessary to carry out its duties under subsection (c).

(4) INFORMATION.—The Commission may secure directly from any Federal department or agency such information as the Commission considers necessary to carry out its duties under subsection (c). Upon the request of the Commission, the head of such department or agency may furnish such information to the Commission.

(5) DISCLOSURE OF CONFIDENTIAL INFORMATION.—The Commission shall be considered an agency of the Federal Government for purposes of section 1905 of title 18, United States Code, and any individual employed by an entity or organization under contract to the Commission shall be subject to such section. Information obtained by the Commission, other than information available to the public, shall not be disclosed to any person in any manner, except—

(A) to Commission employees or employees of any individual, entity, or organization under contract to the Commission under subsection (f) for the purpose of receiving, reviewing, or processing such information;

(B) upon court order; or

(C) when publicly released by the Commission in an aggregate or summary form that does not directly or indirectly disclose—

(i) the identity of any person or business entity; or

(ii) any information which could not be released under section 1905 of title 18, United States Code.

(h) SUPPORT SERVICES.—The Comptroller General shall provide to the Commission, on a reimbursable basis, such administrative support services as the Commission may request.

(i) DEFINITIONS.—In this subtitle:

(1) ILLITERACY.—The term "illiteracy" means the lack of ability to read and write competently.

(2) STATE.—The term "State" means each of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

(3) SYSTEMATIC PHONICS.—The term "systematic phonics" means the direct teaching of a pre-planned sequence of relationships between speech sounds and all their letter equivalents.

(j) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for each of the fiscal years 1998, 1999, and 2000, such sums as may be necessary to carry out this section.

By Mr. ROTH (for himself and Mr. LOTT):

S. 2. A bill to amend the Internal Revenue Code of 1986 to provide tax relief for American families, and for other purposes; to the Committee on Finance.

THE AMERICAN FAMILY TAX RELIEF ACT

Mr. ROTH. Mr. President, the comedian Henny Youngman told a joke that highlights America's family friendly tax system.

"The people who make our taxes are very nice," he said. "They're letting me keep my mother."

Certainly, our tax laws were never quite this bad, but the humor hinted at the fact that the laws were not altogether family friendly. The family, in fact, has taken it right in the pocketbook. More and more, we are hearing that oft-quoted fact that today the average American family spends more on taxes than it spends on food, clothing and shelter combined. Today, many families need a second earner to make ends meet, because too much of their income is taken by Government.

At the end of World War II, the median income for a family of four was $3,468. At the time, the first $2,667 of income for such families were tax exempt, meaning that three-quarters of median family income was exempt from taxation.

Over the years, inflation ate away at the value of the standard deduction and personal exemptions. The result was that average families paid more and more of their income in taxes.

In 1983, the median family income for a family of four was $29,184, but only the first $8,783 of income was exempt from tax—less than one-third. As my good friend and distinguished colleague, DANIEL PATRICK MOYNIHAN, has