UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

URGENT

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TO: Leslie Thornton + Maureen McLaughlin ***FAX NUMBER:*** 401-2098

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REMARKS: The best we can do to find the "2,620" number is to look in the '96 Budget, since the '97 Budget does not specify the amount of the Still grants. Is this ok? -Heather

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Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

104th Congress, 1st Session .... H.Doc. 104-003

OPE (FYI)
Rm. 4082
ROB-3

BUDGET

BUDGET OF THE UNITED STATES GOVERNMENT

Fiscal Year 1996

Table 1–4. THE G.I. BILL FOR AMERICA'S WORKERS COMBINES 70 PROGRAMS INTO ONE WORKFORCE DEVELOPMENT SYSTEM, AND INCREASES FUNDING $1 BILLION OVER 1995

(Discretionary budget authority, in millions of dollars)

Sets of Categorical Programs	1995 Enacted	System Components	1996 Proposed
JTPA adult programs	997	Skill and Pell grants to individuals:	
Dislocated worker programs	1,296	Dislocated workers	582
Pell grants	6,247	Low-income persons	3,059
Employment service	912	Pell grants for AA degrees and above	4,480
State postsecondary renew program	20		
Research, evaluation and demonstrations	48	Subtotal, individual grants	8,121
One-Stop Career Centers	120		
JTPA and other youth programs	1,630	State-defined services system:	
School-to-Work (ED and DOL)	250	Adults (including One-Stop)	2,685
Vocational education programs	1,178	Adult and family literacy	490
Adult education and family literacy programs	488	Youth (including School-to-Work)	2,906
Total: Categorical programs	**13,186**	**Total: Better Jobs and Skills System**	**14,202**
Loans for education and training (in millions of dollars)	25,757	Loans for education and training (in millions of dollars)	28,356

The new jobs and skills initiative will allow each State to devise an integrated strategy that unifies all elements of the training and education system. The building blocks are described separately below (though the Federal Government would no longer require States to maintain separate programs).

Helping Adults: The President's proposal would create "Skill grants" for unemployed and low-income workers and job seekers. States would create systems to give individuals the information they need to make informed choices with these grants and ensure that workers are not defrauded by incompetent or unscrupulous providers. The proposal would make 1.6 million more grants and loans available in 1996 than in 1995. (See Chart 1–3.) It also would support State efforts to design new, more flexible, integrated systems that will provide information about jobs and training, counseling, placement assistance, and other services.

- Individuals would get Skill grants or Pell grants of up to $2,620 a year for training;
- The budget proposes $3.6 billion in 1996 for Skill grants for technical education and $4.5 billion for associates and bachelor's degree courses through Pell grants. The student loan programs will provide another $28 billion in loan capital to help finance training and higher education;
- Low-income persons would get Skill grants based on family income and cost of education, in the same way they do now under Pell grants; and
- Dislocated workers who need training would qualify for Skill grants without an income test. Adults who lose their jobs and need skill training to get a new one would receive income support.

The proposal would build upon progress underway through "One-Stop Career Centers" to encourage States and localities to design and implement new systems of placement and training-related services within five years.

- It would provide $2.7 billion, most of it to States to design and operate the new system; and some for Federal activities such as oversight, research, evaluation, and response to multi-State layoffs and natural disasters; and
- It would provide $490 million for adult and family literacy, which the States could use as they want for basic skills instruc-

EDUCATION **FUNDING:**

1. *General Education Funding:*

Figures on funding for major Administration education initiatives are provided in the attached material.

2. *Title 1:*

Answers to specific Title 1 questions are included in the accompanying information. Note that we should not claim that Title 1 reduces class size.

HIGHER **EDUCATION:**

1. *Reforming the Student Loan Program:*

The Student Loan Program helps millions of students to borrow for college. (The quote should be changed from "...making college more affordable for more than *5 million*." Also, "...millions of students *tomorrow*..." should be changed to "students to borrow...") (Fiscal Year 1997 Budget Supplement, pages 79–80.)

2. *Increased Pell Grant support:*

Students can receive up to a $2,470 Pell Grant in addition to $2,625 in ~~un~~subsidized loans for a total of almost $5,100 FY96. ~~The figure depends~~ on ~~the year~~. The Department of Education Student Loans Overview, page 2.

A Summary of the Pell Grant Program is also included. Fiscal Year 1997 Department of Education Budget, page 10.

3. *Direct Loans:*

The loan volume for 1997 is expected to be about $13 billion for both the FFEL and the Direct Loan Programs.

The new Direct Student Loan Program is a less bureaucratic way to borrow money. The Student Guide to Financial Aid from the U.S. Department of Education, pages 11–12.

New Direct Loans with a Pay–As–You–Go–Option will account for 50% of loans. Department of Education Student Loans Overview, Fiscal Year 1997 Budget Request, page 3.

The authorizing legislation for the New Student Loans Program is also included in the accompanying documents. Department of Education Student Loans Overview, Fiscal Year 1997 Budget Request, page 4.

4. *National Service/AmeriCorps:*

AmeriCorps has 25,000 members earning up to $4,725 for their service. Corporation for National Service Budget Estimate, Fiscal Year 1997.

Legislation concerning the amount of award for service is included. Public Law 103-82.

5. *Work-Study Expansion:*

The President proposed to expand the Work-Study Program to 1 million participants by Fiscal Year 2000. Fiscal Year 1997 Budget Supplement, pages 81 & 407.

6. *Honors Scholarships:*

The president proposed to provide a $1,000 scholarship for students in the top 5% of each high school class. Fiscal Year 1997 Budget Supplement, pages 81 & 410.

7. *IRAs for Education:*

Penalty-free withdrawals would be allowed for education. General Explanations of the Administration's Revenue Proposals, page 8.

8. *Skill Grants:*

Skill Grants would be provided for low-income adults in addition to dislocated workers. Fiscal Year 1997 Budget Supplement, pages 81-82 & 671.

A general description of the Skill Grant proposal is included also. Fiscal Year 1996 Budget of the United States Government, page 23.

AMERICORPS

Answers to specific AmeriCorps questions are included in the accompanying material.

SAFE AND DRUG FREE SCHOOLS

A funding chart for the Safe and Drug Free Schools Act is provided in the attached information.

Funding was reduced because initial costs of setting up were paid for with money from previous years. Maintaining existing programs is cheaper less costly than establishing them. Declining drug use among youth allowed resources to be shifted elsewhere. 1994 House Appropriations Committee Report. 1994 Senate Appropriations Committee Report.

A state-by-state funding chart is in the attached material.

A state-by-state description of how Safe and Drug Free Schools Program funds are used is included the accompanying information.

GOALS 2000

A chart listing Goals 2000 funding is attached.

Examples of State and Local Use of Goals 2000 funds are included.

HEAD START

Funding Chart

A chart listing state-by-state Head Start funding and participation is included in the accompanying material.

SCHOOL LUNCHES

Differences between previous and recent Congressional Welfare Reform Proposals and the Administration's Work First and Personal Responsibility Act of 1996 are outlined in the attached information.

Goals 2000 - Title III

23-Jul-96

State	FY 1994 Allocation	FY 1995 Allocation	FY 1996 Allocation
ALABAMA	$1,601,966	$0	$5,675,986
ALASKA	459,903	1,603,780	1,437,296
ARIZONA	1,362,358	5,649,307	5,038,557
ARKANSAS	991,579	3,783,542	3,434,819
CALIFORNIA	10,524,929	43,646,844	39,211,219
COLORADO*	1,085,028	4,444,927	3,922,624
CONNECTICUT	960,721	3,586,972	3,149,595
DELAWARE*	405,701	1,338,680	1,242,928
FLORIDA	4,026,309	16,439,307	14,713,635
GEORGIA	2,360,625	9,286,084	8,515,014
HAWAII	417,148	1,432,053	1,307,668
IDAHO	457,565	1,625,598	1,478,175
ILLINOIS	4,142,656	16,575,525	15,050,826
INDIANA	1,734,498	6,796,298	6,280,894
IOWA*	886,746	3,337,057	3,077,877
KANSAS*	864,615	3,310,395	3,099,621
KENTUCKY*	1,477,200	5,985,736	5,549,490
LOUISIANA	2,066,082	8,258,441	7,642,099
MAINE	505,866	1,707,617	1,535,403
MARYLAND*	1,448,309	5,576,162	5,016,113
MASSACHUSETTS*	1,881,814	7,245,727	6,242,461
MICHIGAN*	3,626,515	14,895,257	13,653,547
MINNESOTA*	1,387,624	5,573,220	5,062,092
MISSISSIPPI	1,359,516	5,280,585	4,864,881
MISSOURI	1,691,269	6,763,905	6,132,073
MONTANA+	449,712	1,617,050	1,459,914
NEBRASKA	567,422	2,058,543	1,834,350
NEVADA*	410,095	1,470,830	1,303,042
NEW.HAMPSHIRE+	0	1,337,386	1,232,612
NEW.JERSEY	2,447,997	9,113,159	7,904,169
NEW.MEXICO*	741,603	2,883,664	2,610,240
NEW.YORK	7,173,261	28,100,168	25,358,328
NORTH.CAROLINA	2,062,239	8,027,556	7,280,313
NORTH.DAKOTA*	406,274	1,389,495	1,259,984
OHIO*	3,715,308	15,374,440	14,226,873
OKLAHOMA+	1,153,998	4,556,912	4,176,732
OREGON*	1,046,640	4,158,672	3,799,963
PENNSYLVANIA	4,074,763	16,095,253	14,464,447
RHODE.ISLAND	442,261	1,533,991	1,359,668
SOUTH.CAROLINA	1,274,631	4,882,089	4,511,625
SOUTH.DAKOTA	426,975	1,464,085	1,309,917
TENNESSEE	1,677,460	6,620,697	5,999,453
TEXAS*	7,293,999	30,293,528	27,187,479
UTAH*	709,092	2,681,446	2,452,958
VERMONT*	406,722	1,319,304	1,225,743
VIRGINIA	0	0	6,200,305
WASHINGTON*	1,581,128	6,559,793	6,056,946
WEST.VIRGINIA*	778,396	2,901,252	2,788,423
WISCONSIN	1,682,771	6,822,104	6,320,177
WYOMING	370,124	1,309,003	1,224,150
DISTRICT.OF.COLUMBIA	476,600	1,578,973	1,353,218
PUERTO.RICO	2,383,988	9,958,890	9,064,078
OUTLYING AREAS, BIA, and ALASKA NATIVES	920,000	3,618,700	3,400,000
PEER REVIEW SET-ASIDE	0	0	300,000
TOTAL	$92,400,000	$361,870,000	$340,000,000

* - indicates State has received 1996 grant award
\+ - in FY1995, funds are available for award directly to LEAs in the State on a competitive basis

AMERICORPS

- **How many times has the Republican Congress tried to eliminate or cut AmeriCorps funding?**

  In the FY 1996 appropriations process, both the House and Senate bills did not provide funding for AmeriCorps and the other national service programs funded in the VA-HUD appropriations bill. Funding for these programs was restored on the floor during final debate on the conference bill. In the current FY 1997 process, an amendment on the House floor eliminated funding for AmeriCorps and other national service programs in the House VA-HUD bill. The Senate full committee bill provides funding for these programs at the FY 1996 level.

- **How does the Administration respond to attacks on AmeriCorps? Specifically, when the program is deemed ineffective, too expensive – "According to GAO each AmeriCorps participant cost is $26,654.**

  The GAO study found that "resources available", not costs, per participant averaged $26,654. Only $17,600 came from the Corporation for National and Community Service and the rest came from federal, state, nonprofit and private organizations. Senator Grassley, one of AmeriCorps' critics challenged the CNCS to come up with a reform plan to reduce the costs per participant. In late May of this year, Harris Wofford, the former U.S. Senator from Pennsylvania, and new CEO of the CNCS announced a plan to reduce CNCS overall costs and, in particular, per participant costs. Through a variety of measures the CNCS will reduce its cost share per participant to $17,000 in 1997, $16,000 in 1998 and $15,000 in 1999.

- **Statistically, how can we argue that the program is a success? How many students have participated to date and how many serve each year?**

  Since the beginning of AmeriCorps in FY 1994, over 50,000 young people have had the opportunity to serve their communities through AmeriCorps to address vital local needs such as health care, crime prevention, and education, while earning a monetary award to help pay for college or other post-secondary education or training. This year an additional 25,000 will serve their communities and the President's FY 1997 budget provides funding for another 30,000 to serve.

  A companion program to AmeriCorps, the Learn and Serve program, engages school age youth (K-college age) in service learning projects within their community. Thus far, over 800,000 young people have had the opportunity to serve their communities and over 700,000 will have opportunities this year. The President's FY 1997 budget request provides funding to support nearly 850,000 school age youth in 1997 alone.

Major Differences Between Child Nutrition Provisions in Congressional Welfare Reform Proposals and in the Administration's Work First and Personal Responsibility Act of 1996

- **HR 4 -- the Personal Responsibility Act of 1995**, as originally introduced by the Republican leaderhip, would have block granted Child Nutrition programs and cut them by about $6.6 billion over five years over the Administration baseline. Block grants would have reduced food benefits for children, eliminated national nutrition standards, and eliminated the program's responsiveness to periods of recession or economic hardship. In addition, the bill contained burdensome immigrant provisions.

- The **Conference-reported HR4** eliminated the national Child Nutrition block grants and replaced them with optional School Lunch block grant demonstration projects in seven USDA regions. While an improvement over the original HR4, the proposed block grants still threatened national nutrition standards and compromised the national nature of the program. As with the earlier version of HR 4, this bill imposed a citizen/legal resident eligibility test that would requires all children, including citizens, to fill out eligibility forms -- roughly doubling the number of school meal applications that would need to be filled. In addition, the bill made many other cuts in Child Nutrition programs.

- The **Administration's Work First and Personal Responsibility Act of 1996** saves $3.2 billion over six years and makes small adjustments to Child Nutrition programs by rounding down reimbursement rates, means-testing family day care homes, and making other minor changes. It contains no block grants and no administratively-burdensome immigrant provisions.

- Currently, there are two Republican leadership welfare reform bills under consideration by Congress: **HR 3507 -- the Personal Responsibility and Work Opportunity Act of 1996 -- and S 1795 -- the Agriculture Reconciliation Act of 1996.** Neither bill includes any child nutrition block grants. The Senate bill, in addition, has made significant improvements. It prohibits conditioning child nutrition and certain commodity program assistance on citizenship or immigrant status. The House, on the other hand, retains the immigrant provisions for Child Nutrition programs.

MIKE

CHILDREN

- How many children have benefited from the President's increase of Head Start?

  The figure 130,000 is commonly used and is cited in the 82 reasons to veto the GOP budget? Is this number correct? The cite and documentation are needed for this figure and also for any additional figure which may apply.

  Can we get a copy of the DHHS press release from 10/25/95 on Head Start? It documents the House/Gingrich cuts. Document that the FY96 Senate Budget Resolution froze Head Start funding and would have affected 150,000 children.

- How many students/schools would the GOP budget have cut from the Direct Student Loan program? (The figure in use ranges from 2.5 million to 2.2 million students and 1350 to 1200 schools) Cite and document these numbers.

not answered

- How many students would the FY96 Republican budget proposals have cut from Pell Grants?
  Is this number consistent with figures used in the past? Cite and document that number.

  [~~Center on Budget and Policy Priorities, 5/10/95~~; Education Dept., 5/96; ~~OMB, 5/96~~]

- Document:

  The House Labor, HHS Appropriations bill that would have denied Pell Grants to 380,000 students compared to the President's plan and 198,000 fewer students would receive Pell Grants compared to 1995. [Congressional Record, House Vote No. 626, 8/4/95, p. H-8420; Education Department, Budget Service]

- How many states are participating in Goals 2000? How much funding has each state received? Anecdotally, how have these states put this funding to work - e.g. Kentucky's homework hotline?

MAJOR EDUCATION FUNDING INITIATIVES

GOALS 2000

Fiscal Year	President's Request	House Action	Senate Action	Final Appropriation
1993				
1994	420,000,000	0	116,000,000	105,000,000
1995	708,000,000	388,400,000	428,400,000	371,870,000
1996	750,000,000	0	350,000,000	350,000,000
1997	491,000,000	0		

SCHOOL-TO-WORK OPPORTUNITIES

Fiscal Year	President's Request	House Action	Senate Action	Final Appropriation
1993				
1994	135,000,000	33,750,000	50,000,000	50,000,000
1995	150,000,000	140,000,000	100,000,000	122,500,000
1996	200,000,000	95,000,000	186,000,000	180,000,000
1997	200,000,000	175,000,000		

SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES

Fiscal Year	President's Request	House Action	Senate Action	Final Appropriation
1993	653,963,000	612,472,000	608,659,000	598,227,399
1994	673,227,000	467,162,000	500,000,000	487,162,000
1995	659,209,000	481,962,000	481,962,000	465,981,000
1996	500,000,000	200,000,000	400,000,000	465,971,000
1997	540,000,000	440,978,000		

TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Fiscal Year	President's Request	House Action	Senate Action	Final Appropriation
1993	6,235,000,000	6,172,650,000	6,178,000,000	6,125,922,400
1994	6,500,000,000	6,291,000,000	6,381,000,000	6,336,000,000
1995	7,000,000,000	6,698,356,000	6,698,356,000	6,698,356,000
1996	7,000,000,000	5,555,000,000	6,833,887,000	6,730,348,000
1997	7,165,000,000	6,751,348,000		

EISENHOWER PROFESSIONAL DEVELOPMENT STATE GRANTS

Fiscal Year	President's Request	House Action	Senate Action	Final Appropriation
1993	248,000,000	245,520,000	248,000,000	246,016,000
1994	252,658,000	246,016,000	252,658,000	250,998,000
1995	752,000,000	667,548,000	667,548,000	251,298,000
1996	735,000,000	275,000,000	275,000,000	275,000,000
1997	610,000,000	0		

CHARTER SCHOOLS

Fiscal Year	President's Request	House Action	Senate Action	Final Appropriation
1993				
1994				
1995	15,000,000	6,000,000	6,000,000	6,000,000
1996	20,000,000	8,000,000	16,000,000	18,000,000
1997	40,000,000	18,000,000		

EDUCATIONAL TECHNOLOGY

Fiscal Year	President's Request	House Action	Senate Action	Final Appropriation
1993				
1994				
1995	50,000,000	20,000,000	50,000,000	22,500,000
1996	83,000,000	25,000,000	35,000,000	48,000,000
1997	325,000,000	48,000,000		

Question: How has the Administration used Title I funding to reduce class size? (Is Title I even the program that affects class size -- if not which one does and what have we done?)

Answer: None of the Department's programs, including Title I, has the specific objective of reducing class size. The overall purpose of Title I is to improve the educational attainment of educationally disadvantaged children by helping them master challenging curricula and learn to the same high standards as other children. The program provides the extra academic support and learning opportunities that are often required to help low-achieving students catch up with their classmates or make significant academic progress. With Title I, these children have the benefit of, for example, extended-day kindergarten programs, learning laboratories in mathematics, science, and computers, and summer-school programs.

The Administration has supported the expansion of Title I schoolwide programs, a feature in the Title I statute that gives schools enrolling at least 50 percent poor children the flexibility to use Title I funds for improvements that benefit all children in the school, instead of singling children out for services. Schoolwide programs upgrade the entire instructional program in a school to help improve the achievement of all students. In many cases, as part of their schoolwide programs, schools choose to reduce class size. In addition, schools that do not establish schoolwide programs and, instead, pull out disadvantaged children for special services could be said to be reducing class size (because the regular class is smaller when some children are pulled out). However, to reiterate an earlier point, reduction of class size is not the statutory purpose of Title I or of any other Department of Education program.

Question: What statistics would support our efforts to reduce class size through this program? Is any of this information on class size available by State?

Answer: Because the Administration has not made an effort to reduce class size through Title I, there are no statistics that would "support" that effort.

The Department's National Center for Education Statistics reports data, by State, on pupil-teacher ratios, but not on average class size.

Question: If our Title I efforts were legislative, what action did the Administration take to ensure Congress fulfilled our request?

Answer: The Administration did not pursue a strategy to use Title I as a vehicle for reducing class size, and we did not propose legislation in that area.

The Senate's ESEA reauthorization bill included a provision requiring local educational agencies (LEAs), where appropriate, to use funds to reduce class size to 15. The Department recommended that this provision be dropped, partly because it sent a message that reducing class-size would be the "silver bullet" for improving achievement, even though research showed that reducing class size was very costly and unlikely, by itself, to result in tangible benefits for students.

Question: How can the Administration demonstrate that it has effectively used Title I money to improve poorer school districts?

Answer: In the past three years, the Administration has laid the groundwork for demonstrating effective use of Title I money to improve poorer school districts.

The reauthorized ESEA incorporates the Administration's proposal to transform Title I so that the redesigned program will have more significant impact on low-achieving students and on narrowing the achievement gap between high-poverty and low-poverty schools. The program was reauthorized with the entirely new objective of helping disadvantaged children, especially in high-poverty schools, learn to the same challenging standards and meet the same expectations that other children are expected to meet.

Also, the Department's budget requests support the Administration's commitment to invest additional funding in restructured Title I programs stressing high standards and providing new operating flexibility for schools in return for a commitment to improved student performance. As part of this commitment, the Administration advocates concentrating a significantly larger share of Title I funds on the poorest counties and districts. The President's FY 1997 budget would increase targeting by overriding the statutory distribution of funds and allocating $1 billion of Title I funds (14 percent of the total Title I request) through the Targeted Grants formula. This formula, authorized for the first time in 1996, provides higher per-child amounts to counties and districts with high poverty.

In 1995, States, school districts, and schools began implementing major reauthorization reforms to serve disadvantaged children more effectively through school restructuring, by merging Title I programs with the regular school curriculum and instituting new learning arrangements to educate the lowest achieving children to challenging standards. Reforms will, over time, transform Title I teaching, curriculum, and assessment to help students, especially in high-poverty communities and schools, make more progress and reach high standards. These reforms take time to implement, and significant overall gains in student performance may take several years to achieve.

2

America's HOPE Scholarship Tax Cut

AMERICA'S HOPE SCHOLARSHIPS
A TAX CUT TO MAKE 14 YEARS OF EDUCATION THE STANDARD FOR ALL
June 4, 1996

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

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

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

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

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

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

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

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

BACKGROUND ON HOPE SCHOLARSHIPS

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

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

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

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

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

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

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

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

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

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

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

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

Paying For America's HOPE Scholarship Tax Cut

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

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

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

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

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

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

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

- Most of those savings ($10.7 billion) come from families choosing the HOPE tax credit over the $10,000 education tax deduction.

- The remaining savings ($6.5 billion) come from lowering the phase out income limits for joint filers from $120,000 to $100,000 to conform to the Administration's expanded IRA proposal.

BACKGROUND ON NEW SAVINGS MEASURES

REDUCTION OF SALES SOURCE RULE BENEFITS — SAVINGS **$3.5 Billion**
(FY 1997 - 2002)

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

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

AUCTION RADIO DARS SPECTRUM — SAVINGS **$2.1 Billion**
(FY 1997 - 2002)

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

INTERNATIONAL DEPARTURE FEE — SAVINGS **$2.3 Billion**
(FY 1997 - 2002)

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

BACKGROUND ON PELL GRANT INCREASE

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

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

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

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

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

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

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

$10,000 EDUCATION DEDUCTION

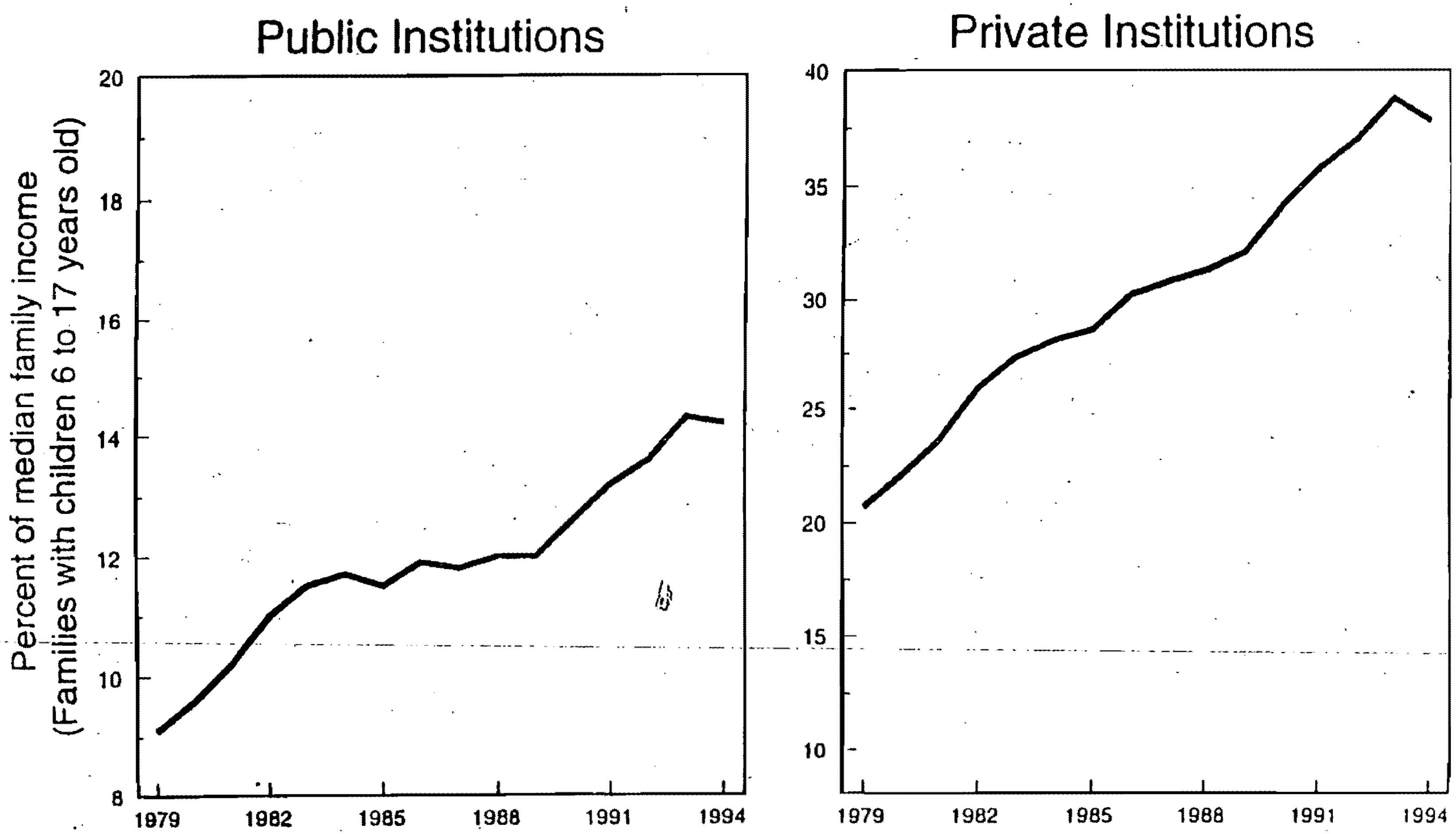
- **Breadth of Application**: The $10,000 Education Deduction would be for every taxpayer for the tuition at any education or training program that is at least half-time or related to a worker's career.

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

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

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

Cost of College As Percent of Typical Family Income



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

* Includes Calculation of Tuition, Room and Board

Tuition and Fees at Public Two-Year Institutions

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

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

America's HOPE Scholarship Tax Cut

Background Materials

GEORGIA HOPE SCHOLARSHIPS

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

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

A TRULY UNIQUE PROGRAM THAT PROVIDES HOPE FOR GEORGIA STUDENTS:

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

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

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

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

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

ELIGIBILITY REQUIREMENTS: Students must meet the following requirements:

2-Year and 4-Year Public Colleges/Universities

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

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

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

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

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

2-Year and 4-Year Private Colleges/Universities

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

Technical Schools and Adult Education Institutes

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

Universal Requirements

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

KEY FACTS:

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

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

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

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

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

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

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

ARKANSAS ACADEMIC CHALLENGE SCHOLARSHIPS

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

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

REQUIREMENTS:

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

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

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

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

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

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

KEY FACTS:

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

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

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

Bureau of the Census Statistical Brief

More Education Means Higher Career Earnings

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

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

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

We're more educated than ever.

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

SB/94-17
Issued August 1994

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

Professional degree holders have the highest earnings.

Adults aged 18 and over who worked sometime during 1992 earned an average of $23.227 that year. But this average masked the fact that the more education they received, the more money they made. (See graph below.) Earnings ranged from $12,809 for high school dropouts to $74,560 for those with professional degrees (such as M.D.'s and J.D's).

Earnings differences compound over one's lifetime.

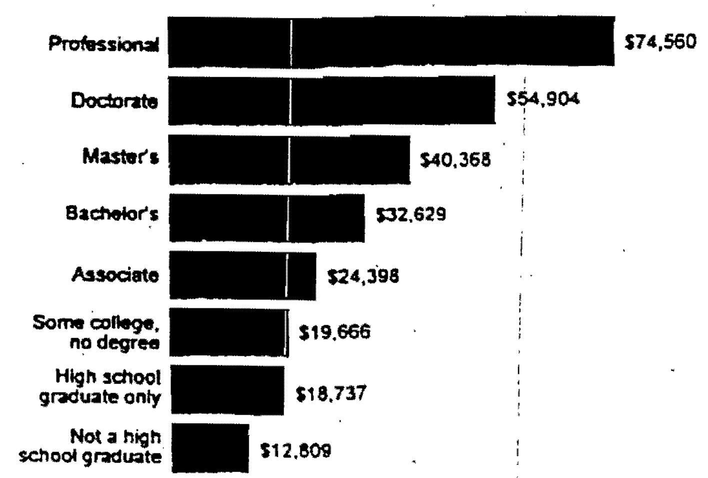
Using 1992 data, we estimated the earnings a person would accrue over a typical "worklife." Here's how we did it. First, we defined a worklife as lasting from ages 25 to 64 — a 40-year period. Then we began our calculations.

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

These estimates dramatically illustrate the large earnings differences

Education Continues to be the Ticket to Higher Earnings

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



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

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

Lifetime differences may become even more striking in the future.

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

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

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

More information:

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

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

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

Contacts:

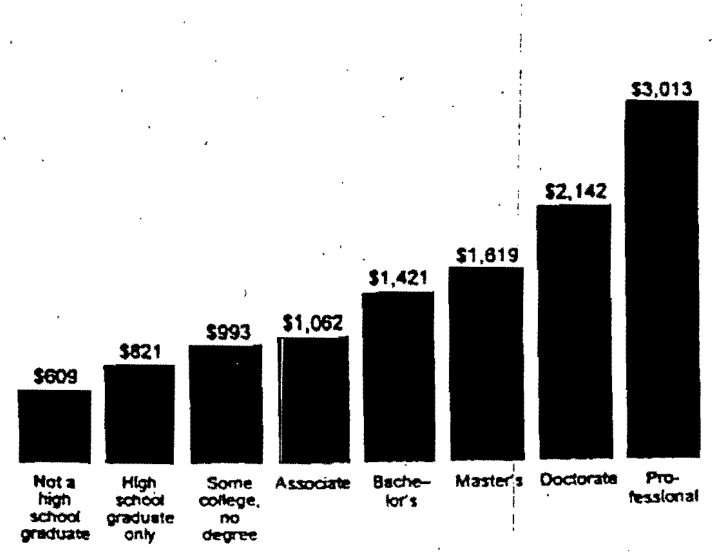
Earnings and education — Robert Kominski 301-763-1154

Statistical Briefs — Robert Bernstein 301-763-1584

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

Go to College, Make a $Million

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



ECONOMIC RETURNS TO INVESTMENTS IN EDUCATION AND TRAINING

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

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

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

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

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

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

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

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

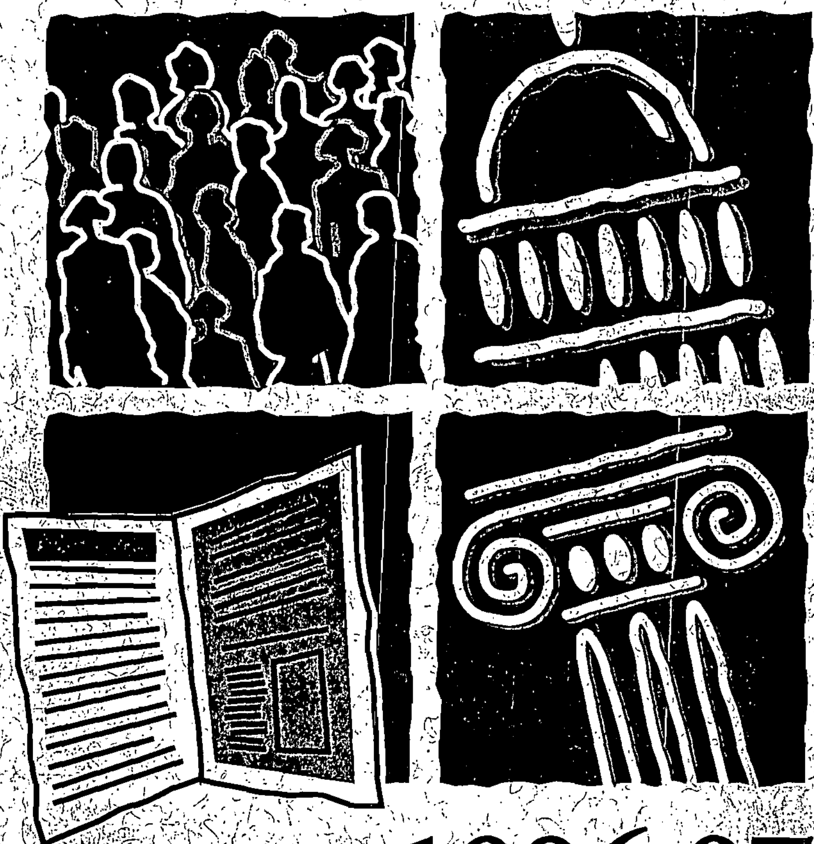
- Other studies conclude that firm-provided training seems most effective when combined with other innovative workplace practices. [U.S. Department of Labor, High Performance Work Practices and Firm Performance, 1993; David Levine, Reinventing the Workplace: How Business and Employees Can Both Win (Washington: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

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

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

Attachment 2

The Student Guide



1996-97

Financial Aid

from the U.S. Department of Education

For more information about discharge or repayment assistance, Direct Stafford Loan borrowers can contact the Direct Loan Servicing Center; FFEL Stafford Loan borrowers should contact the lender or agency that holds their loan.

Direct Stafford Loans

The processes of applying for a loan and paying funds to the borrower, as well as the methods of repayment, differ somewhat for Direct Stafford Loans and FFEL Stafford Loans.

How do I apply for a Direct Stafford Loan?

First, complete the 1996-97 *Free Application for Federal Student Aid (FAFSA)* or *Renewal FAFSA*. (See page 3.) After your *FAFSA* is processed, your school will review the results and will inform you of your loan eligibility.

Second, complete the promissory note* provided by your school or the Direct Loan Servicing Center. Remember, the promissory note* is a legal document requiring you to repay the loan. Read it carefully before you sign.

NOTE: Your school can refuse to certify your loan application, or can certify a loan for an amount less than you would otherwise be eligible for, if the school documents the reason for its action and explains the reason to you in writing. The school's decision is final and cannot be appealed to the U.S. Department of Education.

How will I receive my Direct Stafford Loan?

The U.S. Department of Education will pay you through your school. In most cases, your loan will be disbursed in at least two installments; no installment can be greater than half the amount of your loan.

Examples of Typical Beginning Payments for Direct Loan Repayment Plans

Monthly and Total Payments Under Different Repayment Plans

Total Debt When Borrower Enters Repayment	Standard		Graduated		Extended		Income Contingent[1] (Income=$25,000) Formula Amount[2]		Income Contingent[1] (Income=$25,000) Capped Amount[3]	
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
$2,500	$50	$3,074	$25	$4,029	$50	$3,074	$90	$2,779	$27	$3,946
5,000	61	7,359	32	8,655	55	7,893	100	6,072	55	7,893
7,500	92	11,039	53	12,982	82	11,839	110	9,837	82	11,839
10,000	123	14,718	70	19,085	97	17,463	121	14,038	110	15,785
15,000	184	22,077	105	28,628	146	26,194	142	23,607	142	24,530

Note: Payments are calculated using the maximum interest rate of 8.25%.
[1]Assumes a 5% annual income growth (Census Bureau).
[2]Under the "Formula Amount", the borrower always pays the formula amount; i.e. payback rate times income.
[3]Under the "Capped Amount", the borrower never pays more than the standard 12-year amortization amount.

*See "Important Terms," pages 30 to 32.

Your loan money must first be applied to your school account (if your school has an account for you) to pay for tuition and fees, room and board, and other school charges. If loan money remains, you'll receive the funds by check or in cash, unless you give the school written permission to hold the funds until later in the enrollment period.

If you're a first-year undergraduate student and a first-time borrower, your first payment may not be disbursed until 30 days after the first day of your enrollment period. This way, you won't have to repay the loan if you don't begin classes, or if you officially withdraw during the first 30 days of classes.

How do I pay back my Direct Stafford Loan?

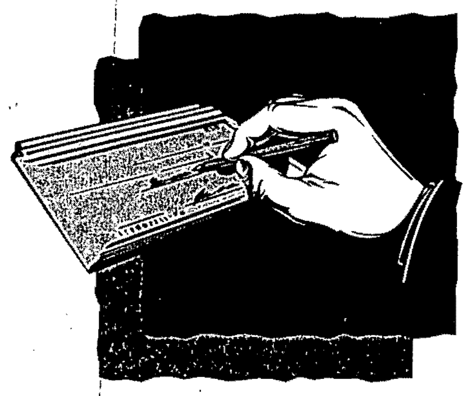
The Direct Loan Program offers four repayment plans that are available to borrowers of Direct Stafford Loans. The repayment plans will be explained in more detail during entrance and exit counseling sessions at your school. The chart on page 11 shows estimated monthly payments for various loan amounts under each of the plans.

You may choose one of the following repayment plans—

- The **Standard Repayment Plan** requires you to pay a fixed amount each month—at least $50—for up to 10 years. The length of your actual repayment period will depend on your loan amount.
- The **Extended Repayment Plan** allows you to extend loan repayment over a period that is generally 12 to 30 years, depending on your loan amount. Your monthly payment may be lower than it would be if you repaid the same total loan amount under the Standard Repayment Plan, but you'll repay a higher total amount of interest because the repayment period is longer. The minimum monthly payment is $50.
- Under the **Graduated Repayment Plan**, your payments will be lower at first and then increase every two years over a period of time generally ranging from 12 to 30 years. The actual length of your repayment period depends on your loan amount. Your monthly payment may range from 50 percent to 150 percent of what it would be if you were repaying the same total loan amount under the Standard Repayment Plan. However, you'll repay a higher total amount of interest because the repayment period is longer than it is under the Standard Repayment Plan.
- The **Income Contingent Repayment Plan** bases your monthly payment on your yearly income and your loan amount. As your income rises or falls, so do your payments. After 25 years, any remaining balance on the loan will be forgiven, but you may have to pay taxes on the amount forgiven.

Loan payments are made to the U.S. Department of Education. For more information on repayment options, write for a copy of the *Direct Loans Repayment Book* at the following address—

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044



Attachment 3 -

page 8

9

General Explanations
of the
Administration's Revenue Proposals

Department of the Treasury
February 1995

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TAX CREDIT FOR DEPENDENT CHILDREN

Current Law

A tax exemption, in the form of a deduction, is allowed for each taxpayer and for each dependent of a taxpayer. A dependent includes a child of the taxpayer who is supported by the taxpayer and is under age 19 at the close of the calendar year or is a student under age 24. The deduction amount is $2,500 for tax year 1995. This amount is indexed annually for inflation.

In addition to an exemption for each child, three other tax benefits may accrue to taxpayers with dependent or otherwise qualifying children:

- the credit for child and dependent care expenses,
- the exclusion for employer-provided child and dependent care benefits, and
- the earned income tax credit (EITC).

The EITC is a refundable tax credit based on the earnings of the taxpayer. The EITC is restricted to lower-income taxpayers and is phased out when earnings exceed specified levels. Although the EITC is available for taxpayers without dependents or otherwise qualifying children, the credit rate and income range of the credit are far greater when the taxpayer has one or more qualifying children. In addition, the rate and income range are higher for taxpayers with two or more qualifying children than for taxpayers with only one qualifying child.

Reasons for Change

Tax relief for middle-class families has been and continues to be an important goal of this Administration. In 1993, the Administration faced a projection of ever-increasing deficits. Bringing the deficit under control and providing tax relief for the working poor through an expansion of the EITC were the first priorities. Having achieved more favorable than projected results from the deficit reduction program introduced in 1993, the Administration can now turn to providing tax relief to middle-income families.

Tax relief to taxpayers with children is needed to adjust the relative tax burdens of smaller and larger families to reflect more accurately their relative abilities to pay taxes. Available resources should be targeted to those in greatest need and at greatest risk.

Proposal

A nonrefundable tax credit, which would be applied after the EITC, would be allowed for each dependent child under age 13. It would be phased in, at $300 per child for tax years 1996, 1997, and 1998, and $500 per child for 1999 and thereafter. The credit would not reduce any alternative minimum tax liability. The credit would be phased out for taxpayers with adjusted gross income between $60,000 and $75,000. Beginning in the year 2000, both the amount of the credit and the phase-out range would be indexed for the effects of inflation.

Taxpayers claiming the dependent child credit would be required to provide valid social security numbers for themselves, their spouses, and their children who qualify for the credit. The procedures that would apply for determining the validity of social security numbers under the EITC, discussed below, would apply for purposes of the dependent child credit.

Revenue Estimate (in billions of dollars)

	Fiscal Years						
	1995	1996	1997	1998	1999	2000	Total
Tax credit for dependent children	0	-3.5	-6.8	-6.6	-8.3	-10.1	-35.4

EDUCATION AND JOB TRAINING TAX DEDUCTION

Current Law

Taxpayers generally may not deduct the expenses of higher education and training. There are, however, special circumstances in which deductions for educational expenses are allowed, or in which the payment of educational expenses by others is excluded from income.

Educational expenses may be deductible, but only if the taxpayer itemizes, and only to the extent that the expenses, along with other miscellaneous itemized deductions, exceed two percent of adjusted gross income (AGI). A deduction for educational purposes is allowed only if the education maintains or improves a skill required in the individual's employment or other trade or business, or is required by the individual's employer, or by law or regulation for the individual to retain his or her current job.

The interest from qualified U.S. savings bonds is excluded from a taxpayer's gross income to the extent the interest is used to pay qualified educational expenses. To be qualified, the savings bonds must be purchased after December 31, 1989, by a person who has attained the age of 24. Qualified educational expenses consist of tuition and fees for enrollment of the taxpayer, the taxpayer's spouse, or the taxpayer's dependent at a public or non-profit institution of higher education, including two-year colleges and vocational schools.

Reasons for Change

Deductions for educational expenses combine needed tax relief with preparation for new economic imperatives. The expenses of higher education place a significant burden on many middle-class families. Grants and subsidized loans are available to students from low- and moderate-income families; high income families can afford the costs of higher education.

Well-educated workers are essential to an economy experiencing technological change and facing global competition. The Administration believes that reducing the after-tax cost of education for individuals and families encourages investment in education and training while lowering tax burdens for middle-income taxpayers.

Proposal

A taxpayer would be allowed to deduct qualified educational expenses paid during the taxable year for the education or training of the taxpayer, the taxpayer's spouse, or the taxpayer's dependent. The deduction would be allowed in determining AGI. Therefore, taxpayers could claim the deduction even if they do not itemize and even if they do not meet the two-percent AGI floor on itemized deductions.

Qualified educational expenses would be defined as tuition and fees charged by educational institutions that are directly related to an eligible student's course of study (*e.g.*, registration fees, laboratory fees, and extra charges for particular courses). Charges and expenses associated with meals, lodging, student activities, athletics, health care, transportation, books and similar personal, living or family expenses would not be included. The expenses of education involving sports, games, or hobbies would not be qualified educational expenses unless the education is required as part of a degree program or related to the student's current profession.

Qualified educational expenses would be deductible in the year the expenses are paid, subject to the requirement that the education commences or continues during that year or during the first three months of the next year. Qualified educational expenses paid with the proceeds of a loan generally will be deductible (rather than repayment of the loan itself). Normal tax benefit rules would apply to refunds (and reimbursements through insurance) of previously deducted tuition and fees.

In 1996, 1997, and 1998, the maximum deduction would be $5,000. In 1999 and thereafter, this maximum would increase to $10,000. The deduction would be phased out ratably for taxpayers with modified AGI between $70,000 and $90,000 ($100,000 and $120,000 for joint returns). Modified AGI would include taxable Social Security benefits and amounts otherwise excluded with respect to income earned abroad (or income from Puerto Rico or U.S. possessions). Beginning in 2000, the income phase-out range would be indexed for inflation.

Any amount taken into account as a qualified educational expense would be reduced by educational assistance that is not required to be included in the gross income of either the student or the taxpayer claiming the deduction. Thus, qualified educational expenses would be reduced by scholarship or fellowship grants excludable from gross income under section 117 of the Internal Revenue Code (even if the grants are used to pay expenses other than qualified educational expenses) and any educational assistance received as veterans' benefits. However, no reduction would be required for a gift, bequest, devise or inheritance within the meaning of section 102(a).

An eligible student would be one who is enrolled or accepted for enrollment in a degree, certificate, or other program (including a program of study abroad approved for credit by the institution at which such student is enrolled) leading to a recognized educational credential at an eligible institution. The student must pursue a course of study on at least a half-time basis, cannot be enrolled in an elementary or secondary school, and cannot be a nonresident alien. Educational institutions would determine what constitutes a half-time basis for individual programs.

"Eligible institution" is defined by reference to section 481 of the Higher Education Act. Such institutions must have entered into an agreement with the Department of Education to participate in the student loan program. This definition includes certain proprietary institutions.

This proposal would not affect deductions claimed under any other section of the Code, except that any amount deducted under another section of the Code could not also be deducted under this provision. An eligible student would not be eligible to claim a deduction under this provision if that student could be claimed as a dependent of another taxpayer.

Revenue Estimate (in billions of dollars)

	Fiscal Years						
	1995	1996	1997	1998	1999	2000	Total
Education and job training tax deduction	0	-0.7	-4.7	-4.9	-5.7	-7.5	-23.5

EXPANDED INDIVIDUAL RETIREMENT ACCOUNTS

Current Law

Under current law, an individual may make deductible contributions to an individual retirement account or individual retirement annuity (IRA) up to the lesser of $2,000 or compensation (wages and self-employment income). If the individual (or the individual's spouse) is an active participant in an employer-sponsored retirement plan, the $2,000 limit on deductible contributions is phased out for couples filing a joint return with adjusted gross income (AGI) between $40,000 and $50,000, and for single taxpayers with AGI between $25,000 and $35,000. To the extent that an individual is not eligible for deductible IRA contributions, he or she may make nondeductible IRA contributions (up to the contribution limit).

The earnings on IRA account balances are not included in income until they are withdrawn. Withdrawals from an IRA (other than withdrawals of nondeductible contributions) are includable in income, and must begin by age 70½. Amounts withdrawn before age 59½ are generally subject to an additional 10 percent penalty tax. The penalty tax does not apply to distributions upon the death or disability of the taxpayer or withdrawals in the form of substantially equal periodic payments over the life (or life expectancy) of the IRA owner or over the joint lives (or life expectancies) of the IRA owner and his or her beneficiary.

Reasons for Change

The nation's savings rate has declined dramatically since the 1970s. The Administration believes that increasing the savings rate is essential if the United States is to sustain a sufficient level of private investment into the next century. Without adequate investment, the continued healthy growth of the economy is at risk. The Administration is also concerned that many households are not saving enough to provide for long-term needs such as retirement and education.

The Administration believes that individuals should be encouraged to save, and that tax policies can provide a significant incentive. Under current law, however, savings incentives in the form of deductible IRAs are not available to all middle-income taxpayers. Furthermore, the present-law income thresholds for deductible IRAs and the maximum contribution amount are not indexed for inflation, so that fewer Americans are eligible to make a deductible IRA contribution each year, and the amount of the maximum contribution is declining in real terms over time. The Administration also believes that providing taxpayers with the option of making IRA contributions that are nondeductible but can be withdrawn tax free will provide an alternative savings vehicle that some middle-income taxpayers may find more suitable for their savings needs.

Individuals save for many purposes besides retirement. Broadening the tax incentives for non-retirement saving can be an important element in any proposal to increase the nation's savings rate. Expanding the flexibility of IRAs to meet a wider variety of savings needs, such as first-time home purchases, higher education expenditures, unemployment and catastrophic medical and nursing home expenses, should prove to be more attractive to many taxpayers than accounts limited to retirement savings.

Proposal

Expand Deductible IRAs. Under the proposal the income thresholds and phase-out ranges for deductible IRAs would be doubled; therefore, eligibility would be phased out for couples filing joint returns with AGI between $80,000 and $100,000 and for single individuals with AGI between $50,000 and $70,000. The income thresholds and the present-law annual contribution limit of $2,000 would be indexed for inflation. As under current law, any individual who is not an active participant in an employer-sponsored plan and whose spouse is also not an active participant would be eligible for deductible IRAs regardless of income.

Under the proposal, the IRA contribution limit would be coordinated with the current law limits on elective deferrals under qualified cash or deferred arrangements (sec. 401(k) plans), tax-sheltered annuities (sec. 403(b) annuities), and similar plans. The proposal also would provide that the present-law rule permitting penalty-free IRA withdrawals after an individual reaches age 59½ does not apply in the case of amounts attributable to contributions made during the previous five years. This provision does not apply to amounts rolled over from tax-qualified plans or tax-sheltered annuities.

These provisions would be effective January 1, 1996.

Special IRAs. Each individual eligible for a traditional deductible IRA would have the option of contributing an amount up to the contribution limit to either a deductible IRA or to a new "Special IRA." Contributions to a Special IRA would not be deductible, but if the contributions remained in the account for at least five years, distributions of the contributions and the earnings thereon would be tax-free. Withdrawals of earnings from Special IRAs during the five-year period after contribution would be subject to ordinary income tax. In addition, such withdrawals would be subject to the 10-percent penalty tax on early withdrawals unless used for one of the four purposes described below.

The proposal would permit individuals whose AGI for a taxable year did not exceed the upper end of the new income eligibility limits to convert balances in deductible IRAs into Special IRAs without being subject to the 10-percent tax on early withdrawals. The amount transferred from the deductible IRA to the Special IRA generally would be includable in the individual's income in the year of the transfer. However, if a transfer was made before January 1, 1997, the transferred amount included in the individual's income would be spread evenly over four taxable years.

The Special IRA provisions would be effective January 1, 1996.

Penalty-Free Distributions. Amounts could be withdrawn penalty-free from deductible IRAs and Special IRAs within the five-year period after contribution, if the taxpayer used the amounts to pay post-secondary education costs, to buy or build a first home, to cover living costs if unemployed, or to pay catastrophic medical expenses (including certain nursing home costs).

a. Education expenses

Penalty-free withdrawals would be allowed to the extent the amount withdrawn is used to pay qualified higher education expenses of the taxpayer, the taxpayer's spouse, the taxpayer's dependent, or the taxpayer's child or grandchild (even if not a dependent). In general, a withdrawal for qualified higher education expenses would be subject to the same requirements as the deduction for qualified educational expenses (*e.g.*, the expenses are tuition and fees that are charged by educational institutions and are directly related to an eligible student's course of study).

b. First-time home purchasers

Penalty-free withdrawals would be allowed to the extent the amount withdrawn is used to pay qualified acquisition, construction, or reconstruction costs with respect to a principal residence of a first-time home buyer who is the taxpayer, the taxpayer's spouse, or the taxpayer's child or grandchild. A first-time home buyer would be any individual (and if married, the individual's spouse) who (1) did not own an interest in a principal residence during the three years prior to the purchase of a home and (2) was not in an extended period for rolling over gain from the sale of a principal residence.

c. Unemployment

Penalty-free withdrawals could be made by an individual after the individual is separated from employment if (1) the individual has received unemployment compensation for 12 consecutive weeks and (2) the withdrawal is made in the taxable year in which the unemployment compensation is received or the succeeding taxable year.

d. Medical care expenses and nursing home costs

The proposal would extend to IRAs the present-law exception to the early withdrawal tax for distributions from tax-qualified plans and tax-sheltered annuities for certain medical care expenses (deductible medical expenses that are subject to a floor of 7.5 percent of AGI) and expand the exception for IRAs to allow withdrawal for medical care expenses of the taxpayer's child, grandchild, parent or grandparent, whether or not such person otherwise qualifies as the taxpayer's dependent.

In addition, for purposes of the exemption from the 10 percent tax on early withdrawals for distributions from IRAs, the definition of medical care would include expenses for qualified long-term care services for incapacitated individuals. Qualified long-term care services generally would be services that are required by an incapacitated individual, where the primary purpose of the services is to provide needed assistance with any activity of daily living or protection from threats to health and safety due to severe cognitive impairment. An incapacitated individual generally would be a person who is certified by a licensed professional within the preceding 12-month period as being unable to perform without substantial assistance at least two activities of daily living, or as having severe cognitive impairment.

These provisions would be effective January 1, 1996.

Revenue Estimate (in billions of dollars)

	Fiscal Years						
	1995	1996	1997	1998	1999	2000	Total
Expanded individual retirement accounts	0	0.4	-0.3	-0.8	-1.0	-2.0	-3.8

AMERICORPS

- **How many times has the Republican Congress tried to eliminate or cut AmeriCorps funding?**

In the FY 1996 appropriations process, both the House and Senate bills did not provide funding for AmeriCorps and the other national service programs funded in the VA-HUD appropriations bill. Funding for these programs was restored on the floor during final debate on the conference bill. In the current FY 1997 process, an amendment on the House floor eliminated funding for AmeriCorps and other national service programs in the House VA-HUD bill. The Senate full committee bill provides funding for these programs at the FY 1996 level.

- **How does the Administration respond to attacks on AmeriCorps? Specifically, when the program is deemed ineffective, too expensive -- "According to GAO each AmeriCorps participant cost is $26,654.**

The GAO study found that "resources available", not costs, per participant averaged $26,654. Only $17,600 came from the Corporation for National and Community Service. and the rest came from federal, state, nonprofit and private organizations. Senator Grassley, one of AmeriCorps' critics challenged the CNCS to come up with a reform plan to reduce the costs per participant. In late May of this year, Harris Wofford, the former U.S. Senator from Pennsylvania, and new CEO of the CNCS announced a plan to reduce CNCS overall costs and, in particular, per participant costs. Through a variety of measures the CNCS will reduce its cost share per participant to $17,000 in 1997, $16,000 in 1998 and $15,000 in 1999.

- **Statistically, how can we argue that the program is a success? How many students have participated to date and how many serve each year?**

Since the beginning of AmeriCorps in FY 1994, over 50,000 young people have had the opportunity to serve their communities through AmeriCorps to address vital local needs such as health care, crime prevention, and education, while earning a monetary award to help pay for college or other post-secondary education or training. This year an additional 25,000 will serve their communities and the President's FY 1997 budget provides funding for another 30,000 to serve.

A companion program to AmeriCorps, the Learn and Serve program, engages school age youth (K-college age) in service learning projects within their community. Thus far, over 800,000 young people have had the opportunity to serve their communities and over 700,000 will have opportunities this year. The President's FY 1997 budget request provides funding to support nearly 850,000 school age youth in 1997 alone.

SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES

	President's Request	House-Passed Appropriation	Senate-Passed Appropriation	Enacted
FY 1993	653,963,000	612,472,000	608,659,000	598,227,399
FY 1994	598,227,000	467,162,000	500,000,000 [1]	487,162,000 [2]
FY 1995	659,209,000	481,962,000	481,962,000	465,981,000
FY 1996	500,000,000	200,000,000	400,000,000	465.971,000
FY 1997	540,000,000	440,978,000	Not Available	Not Available

[1] Includes $32,838,000 for the Safe Schools Initiative
[2] Includes $20,000,000 for the Safe Schools Initiative

Note: In 1994, Congress cut funding for Drug-Free Schools and Communities in order to make more funds available for other Department of Education programs, including some of the Administration's priorities. [See attached House and Senate Appropriations Committee reports.] The White House wound up consenting to this cut in exchange for other concessions from Congress.

1994 House Appropriations Committee Report

supportive of the chapter 2 program but believes that a shift of a portion of these funds to other, higher priority activities is justified.

Inexpensive book distribution (Reading Is Fundamental)

For the chapter 2 inexpensive book distribution program, which is operated under contract by Reading Is Fundamental (RIF), the bill includes $10,029,000, the same as the budget request and the 1993 amount. The purpose of this program is to buy inexpensive books, offer them through local community programs to children from low-income families, and motivate children to read. Federal funds provide for up to 75 percent of the costs of the books. The purchase and distribution of books is carried out through about 4,500 local community groups in projects run by 150,000 volunteers. In 1993, the program provided an estimated 6.6 million books to 2.1 million children nationwide.

Arts in education

For the chapter 2 arts in education program, the bill includes $8,944,000, $2,000,000 above the budget request and the 1993 amount. The purpose of this program is to support arts programs in elementary and secondary education and to conduct demonstration programs for the involvement of persons with disabilities in the arts. Two awards are provided: one to the John F. Kennedy Center for the Performing Arts and the other to the Very Special Arts program. The Kennedy Center provides support for the Alliance for Arts Education, a network of State committees to integrate arts into basic education programs, as well as performances for young people, the American College Theater Festival, and the "Imagination Celebration," all of which allow youth to attend and participate in live performances. The Very Special Arts program supports the development of programs integrating the arts into the general education of disabled children and the lives of disabled adults, through performances, workshops, technical assistance, and training. The additional funding provided is to be split equally between the two arts in education activities. None of the funds are to be used for indirect costs of the Kennedy Center.

Law-related education

For the chapter 2 law-related education program, the bill includes $5,952,000, $2,952,000 above the budget request, and the same as the 1993 amount. The purpose of this program is to provide students with information and skills concerning the law, the legal process and system, and the fundamental values on which these are based. Funds are distributed to implement model programs in the classroom and to develop, test, demonstrate and disseminate model approaches or techniques relevant to law-related education. Program priorities are announced annually by the Secretary. Competitive grants are awarded to State agencies and local educational agencies or other public or private agencies, organizations, or institutions.

Drug-free schools and communities: State grants

The Committee bill includes $369,500,000 for the State grants program of the Drug-Free Schools and Communities Act of 1986.

This is $129,065,000 below the budget request and the amount provided for 1993. These funds are allotted to State and local educational agencies and Governors by a formula based primarily on school-aged population, with some adjustment for State shares of chapter 1 funds, and no State may receive less than 0.5 percent of the total allotment.

The Committee remains supportive of drug education programs but believes that funding can be reduced in 1994. Initial costs to train staff, design educational programs and purchase curriculum materials have been funded with prior year funds. The cost of maintaining these programs should be substantially less than the cost of establishing them. In addition, the Committee notes, gratefully, that drug use among young Americans has declined dramatically over the last decade. This justifies a shift of resources to other high priority initiatives. The Office of Management and Budget has indicated that the Administration supports this retrenchment.

Drug-free schools and communities: school personnel training

For the school personnel training program, an appropriation of $13,614,000 is provided, the same as the budget request and the 1993 amount. These funds are awarded competitively to educational institutions for training teachers, administrators, counselors, and other personnel about drug and alcohol abuse education and prevention. Activities include summer training institutes, programs for personnel working with high-risk youth, and programs that emphasize the involvement of the family, school, and community.

Drug-free schools and communities: national programs

For national programs for drug-free schools and communities, an appropriation of $59,496,000 is provided, $2,000,000 below the budget request and the 1993 amount. Under this program, the Secretary of Education administers a variety of activities designed to reduce drug abuse in schools and communities. Funds may be used to develop and implement programs of drug abuse education and prevention, including programs for students both in elementary and secondary schools and in institutions of higher education; implement research and demonstration projects; disseminate information and curricular materials; provide technical assistance to States and local educational agencies; support regional centers designed to train school teams to combat drug and alcohol abuse; provide services for Indian youth and Hawaiian natives; and assist in the establishment and operation of drug-free school zones.

Drug-free schools and communities: emergency grants

For the emergency grants program, $24,552,000 is provided, the same as the budget request and the 1993 amount. In this program, the Secretary makes discretionary awards to school districts that have demonstrated a significant need for additional assistance to combat drug and alcohol abuse. For example, schools must show extreme problems of drug abuse as indicated by high arrest rates or significant numbers of youth referrals to treatment programs. In 1993, approximately 25 new awards and 42 continuation awards will be made under this program.

1994 Senate Appropriations Committee Report

SCHOOL IMPROVEMENT PROGRAMS

Appropriations, 1993	$1,536,001,000
Budget estimate, 1994	1,497,890,000
House allowance	1,339,178,000
Committee recommendation	1,393,893,000

The Committee recommends an appropriation of $1,393,893,000 for school improvement programs, including $32,838,000 for the administration's currently unauthorized safe schools initiative. This amount is $103,997,000 less than the administration's request, $54,715,000 more than the House allowance, and $142,108,000 less than the 1993 appropriation.

This account includes the chapter 2 State block grant program, the drug-free schools and communities programs, the Eisenhower mathematics and science education State grant program, and a variety of other categorical programs that address national concerns or special educational needs.

Chapter 2 State and local block grants

The Committee recommends $369,500,000 for the State and local block grant program, $65,988,000 less than the 1993 appropriation, $45,988,000 less than the administration request, and the same as the House allowance.

The chapter 2 block grant program provides grants to State and local educational agencies for activities designed to improve elementary and secondary education for students in public and private schools. Funds may be used for programs targeting students at risk of failure or dropping out; acquisition of educational materials including computer hardware and software, schoolwide improvement, training, and professional development of educational personnel; programs targeting students at risk of illiteracy; programs to enhance the personnel and academic development of students; and other innovative projects. States receive funds according to their share of population aged 5 to 17 and must pass 80 percent of block grant funds through to local educational agencies, which have complete discretion in distributing funds among eligible activities. The Committee believes this program serves an important purpose in making available Federal resources that may be used to meet State and local needs, but agrees with the House that it is appropriate to shift a portion of block grant funds to higher priority activities.

National programs

Inexpensive book distribution.—For the Inexpensive Book Distribution Program, the Committee provides $10,300,000, $271,000 more than the 1993 appropriation, the administration request, and the House allowance. This program is operated by Reading Is Fundamental [RIF], a private nonprofit organization associated with the Smithsonian Institution. RIF works with more than 4,500 local volunteer groups to distribute books to children from low-income families to help motivate them to read. In 1993, an estimated 6,600,000 books will be distributed to 2,100,000 children. This program has been successful in motivating children to read, increasing the use of libraries, increasing parental involvement in schools, and contributing to improved reading achievement. The Committee rec-

ommendation represents an inflation increase that will allow RIF to serve the same number of students in 1994 as in 1993.

Arts in education.—The Committee bill includes $8,944,000 for the Arts in Education Program, $2,000,000 more than the 1993 appropriation and the administration request and the same as the House allowance. This amount would support a significant increase in each of the two awards made by the program: a grant to Very Special Arts [VSA], which supports the development of programs to integrate the arts into the lives of children and adults with disabilities; and a grant to the John F. Kennedy Center for the Performing Arts, which supports a variety of activities through its education department that promote the arts throughout the Nation. The increase would be divided equally between VSA and the Kennedy Center.

Law-related education.—The Committee recommends $5,952,000 for law-related education, $2,952,000 more than the administration request and the same as the 1993 level and the House allowance. This program provides grants to State and local educational agencies and other organizations to support the development and expansion of programs designed to teach elementary and secondary school students knowledge and skills pertaining to the law, the legal process, the legal system, and the fundamental principles and values on which they are based. The Committee encourages the Secretary to favorably consider applications providing law-related education to individuals with disabilities in making award for fiscal year 1994.

Drug-free schools and communities

The Committee bill provides $500,000,000 for drug-free schools and communities programs, $98,227,000 less than the 1993 appropriation and the administration request and $32,838,000 more than the House allowance. The Committee believes that the Federal Government must continue to provide significant levels of support for drug abuse prevention education, but agrees with the House that it is appropriate to shift some of these resources to other priority reform activities that, because they are aimed at achieving the national education goals, also contribute to the goal of drug-free, violence-free schools.

The Committee also notes that Congress has provided significant increases in funding for drug-free schools activities in recent years, without any comprehensive study of the effectiveness of this program. The Committee understands that an evaluation of school-based prevention programs is underway, and directs the General Accounting Office to conduct an additional study of the uses and effectiveness of drug-free schools programs at the State and local levels. The study should include an examination of how drug abuse education is delivered at the local level, and how well the national, State, and local activities funded by this program are coordinated with each other.

State grants.—The Committee recommends $402,338,000 for the drug-free schools and communities State grant program, $96,227,000 less than the 1993 appropriation and the administration request and $32,838,000 more than the House allowance. Within this amount, the Secretary may use up to $32,838,000 for

SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES STATE GRANTS **FY 1996 ALLOCATIONS**

State	Total Allotment (100%)	Allotment To SEA (80%)	Allotment to Governor (20%)
US TOTAL	$430,279,418	$344,223,534	$86,055,884
ALABAMA	7,207,189	5,765,751	1,441,438
ALASKA	2,151,397	1,721,118	430,279
ARIZONA	6,438,715	5,150,972	1,287,743
ARKANSAS	4,322,678	3,458,142	864,536
CALIFORNIA	47,492,968	37,994,374	9,498,594
COLORADO	5,024,553	4,019,642	1,004,911
CONNECTICUT	3,991,863	3,193,490	798,373
DELAWARE	2,151,397	1,721,118	430,279
FLORIDA	18,432,588	14,746,070	3,686,518
GEORGIA	10,932,300	8,745,840	2,186,460
HAWAII	2,151,397	1,721,118	430,279
IDAHO	2,151,397	1,721,118	430,279
ILLINOIS	19,234,652	15,387,722	3,846,930
INDIANA	7,918,338	6,334,670	1,583,668
IOWA	3,887,604	3,110,083	777,521
KANSAS	3,783,615	3,026,892	756,723
KENTUCKY	6,893,074	5,514,459	1,378,615
LOUISIANA	9,715,602	7,772,482	1,943,120
MAINE	2,151,397	1,721,118	430,279
MARYLAND	6,433,163	5,146,530	1,286,633
MASSACHUSETTS	8,009,780	6,407,824	1,601,956
MICHIGAN	17,236,918	13,789,534	3,447,384
MINNESOTA	6,439,975	5,151,980	1,287,995
MISSISSIPPI	6,207,600	4,966,080	1,241,520
MISSOURI	7,836,758	6,269,406	1,567,352
MONTANA	2,151,397	1,721,118	430,279
NEBRASKA	2,251,113	1,800,890	450,223
NEVADA	2,151,397	1,721,118	430,279
NEW HAMPSHIRE	2,151,397	1,721,118	430,279
NEW JERSEY	10,094,763	8,075,810	2,018,953
NEW MEXICO	3,362,004	2,689,603	672,401
NEW YORK	32,308,449	25,846,759	6,461,690
NORTH CAROLINA	9,346,225	7,476,980	1,869,245
NORTH DAKOTA	2,151,397	1,721,118	430,279
OHIO	18,167,821	14,534,257	3,633,564
OKLAHOMA	5,333,854	4,267,083	1,066,771
OREGON	4,501,858	3,601,486	900,372
PENNSYLVANIA	18,391,075	14,712,860	3,678,215
RHODE ISLAND	2,151,397	1,721,118	430,279
SOUTH CAROLINA	5,740,012	4,592,010	1,148,002
SOUTH DAKOTA	2,151,397	1,721,118	430,279
TENNESSEE	7,763,894	6,211,115	1,552,779
TEXAS	33,935,797	27,148,638	6,787,159
UTAH	3,096,741	2,477,393	619,348
VERMONT	2,151,397	1,721,118	430,279
VIRGINIA	7,932,077	6,345,662	1,586,415
WASHINGTON	7,380,967	5,904,774	1,476,193
WEST VIRGINIA	3,544,582	2,835,666	708,916
WISCONSIN	8,069,837	6,455,870	1,613,967
WYOMING	2,151,397	1,721,118	430,279
D.C.	2,151,397	1,721,118	430,279
PUERTO RICO	11,498,858	9,199,086	2,299,772
OUTLYING AREAS:			
TOTAL	4,409,810	3,527,848	881,962
AMERICAN SAMOA	757,048	605,638	151,410
GUAM	1,766,224	1,412,979	353,245
NORTHERN MARIANAS	431,377	345,102	86,275
REPUBLIC OF PALAU	0	0	0
VIRGIN ISLANDS	1,455,161	1,164,129	291,032
INDIAN YOUTH SET-ASIDE	4,409,810	N/A	N/A
NATIVE HAWAIIAN SET-ASIDE	881,962	N/A	N/A
EVALUATION SET-ASIDE	997,000	N/A	N/A
TOTAL FUNDING	440,978,000	347,751,382	86,937,846