DRAFT -- NOT FOR RELEASE

Date
(Senate)

S. 2764 - National and Community Service Amendments Act of 2000
(Sen. Kennedy (D) MA and 25 others)

The Administration supports Senate passage of S. 2764, which would reauthorize for five years the Corporation for National Service and its major service programs. S. 2764 would enable these programs to build upon the far-reaching benefits they have provided. Major programs that would be reauthorized include:

- AmeriCorps. With this year's class of new members, more than 200,000 Americans will have served communities in programs operated by public or private entities at the State and local levels. In exchange, AmeriCorps members receive an education award to pay the cost of education or student loans. The Administration is pleased that S. 2764 would improve this program in various ways, including creation of an "E-Corps" to close the digital divide between the technology "haves" and "have nots," an area of growing national concern.

- Senior Corps. This program has harnessed the wisdom and experience of over half a million senior citizens to help meet pressing community needs, such as providing meals to home-bound seniors or giving nurturing support to hundreds of thousands of special needs children.

- Learn and Serve America. Public schools now routinely offer community service opportunities for students, who also benefit from service-learning at all levels from kindergarten through college. The Administration supports the improvements that S. 2764 would make to this program, in part, by creating a per-State minimum for funding.

S. 2764 would reaffirm and strengthen our nation's commitment to national service by helping citizens serve together to solve problems facing our communities and allowing the successful Federal-State partnerships -- that have been the hallmark of national service -- to continue.

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The Honorable C. W. Bill Young
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter provides the Administration's view on the Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, FY 2001, H.R. 4577, as passed by the House and by the Senate. Your consideration of the Administration's views would be appreciated.

The President's FY 2001 Budget is based on a balanced approach that maintains fiscal discipline, eliminates the national debt, extends the solvency of Social Security and Medicare, provides for an appropriately sized tax cut, establishes a new voluntary Medicare prescription ~~drug~~ benefit in the context of broader reforms, expands health care coverage to more families, and funds critical investments for our future. An essential element of this approach is ensuring adequate funding for discretionary programs. To this end, the President has proposed new discretionary spending limits at levels that we believe are necessary to serve the American people.

Unfortunately, the FY 2001 congressional budget resolution provides inadequate resources for discretionary investments. We need realistic levels of funding for critical government functions that the American people expect their government to perform well, including education, national security, law enforcement, environmental protection, preservation of our global leadership, air safety, food safety, economic assistance for the less fortunate, research and technology, and the administration of Social Security and Medicare. Based on the inadequate budget resolution, this bill fails to address critical needs of the American people.

The House-passed bill provides $100 billion in program level funding, [$6 billion less than the request.] A number of priority programs, including class size reduction, urgent school renovation, key health and social services programs, and worker training programs are severely underfunded. While the Senate bill contains higher funding levels for a number of important programs compared to the House bill, the Senate-passed bill makes unacceptable funding cuts in critical programs such as the Social Services Block Grant, shifts funds from the State Children's Health Insurance Program, fails to provide funds to reduce class size and repair again schools, and includes an unacceptable "patient protection provision."

Further, the Administration has concerns with several objectionable language provisions included in both the House- and Senate-passed versions of the bill. In particular, the Administration strongly opposes the provision included in both bills that would bar the Department of Labor from finalizing its standard to protect the Nation's workers from ergonomic injuries. ~~For these~~ reasons, if the bill presented to the President does not address these issues, the President would veto the bill. **[THIS PARAGRAPH NEEDS CAREFUL ASSESSMENT TO BE SURE ~~IT~~ LIVES UP TO COMMITMENTS MADE WITH LABOR AND THE MINORITY. SHOULD ERGO BE A SINGLE ITEM VETO?]**

[Note - Barbara believes the text of the letter should mention the Patients Bill of Rights, the Medicare Lockbox, and Genetic Discrimination. This would require HD to make additional edits to the ones included here]

Detailed discussions of these issues are provided in the enclosure. We look forward to working with the conferees to address our mutual concerns.

Sincerely,

Jacob J. Lew
Director

Enclosure

Identical Letter Sent to The Honorable C. W. Bill Young,
The Honorable David R. Obey, The Honorable John E. Porter,
The Honorable Ted Stevens, The Honorable Robert C. Byrd,
The Honorable Arlen Specter, and The Honorable Tom Harkin

The Honorable C. W. Bill Young
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Honorable David R. Obey
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Obey:

The Honorable John E. Porter
Chairman
Subcommittee on Labor, HHS,
Education, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Honorable Ted Stevens
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Honorable Robert C. Byrd
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Byrd:

The Honorable Arlen Specter
Chairman
Subcommittee on Labor, HHS,
Education, and Related Agencies
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Honorable Tom Harkin
Subcommittee on Labor, HHS,
Education, and Related Agencies
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Harkin:

Enclosure
(Conference)

H.R. 4577 -- DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES,
EDUCATION, AND RELATED AGENCIES APPROPRIATIONS BILL, FY 2001
(As Passed by the House and by the Senate)

Department of Education

The House and Senate bills would undermine our Nation's commitment to improving our schools. The House cuts $2.9 billion from the President's overall FY 2001 request for the Department of Education. While the Senate bill is a significant improvement over the House, both bills fail to fund adequately key education priorities, including efforts to strengthen accountability and turn around failing schools, reduce class sizes, improve after-school and summer-school opportunities, increase school safety, renovate aging and neglected schools, improve teacher quality, and prepare students for college. The Administration urges the conferees to provide the requested level of funding for these vital programs. The most significant problems with the bill include the following:

- Class Size Reduction. Both the House- and Senate-passed bills fail to guarantee funding for the third installment of the President's initiative to hire 100,000 new teachers by FY 2005 to reduce class sizes to a nationwide average of 18 in the primary (K-3) grades. Both bills effectively repeal the bipartisan agreement on class size reduction, jeopardizing the Federal commitment to hire as many as 20,000 new teachers next year and to continue support for the estimated 29,000 teachers already hired. As many as 2.9 million children could be denied the benefits of smaller classes. Research demonstrates that lowering class sizes in the early grades has a lasting effect on raising student achievement, with the benefits lasting through high school. This program has been extremely popular -- every State applied for and received funding in FY 1999 and FY 2000, and preliminary State reports show that approximately 1.7 million children ~~will benefit from the funding~~ provided in the last two years. The Administration urges the conferees to provide the President's requested funding level and authorization language for this program.

- Urgent School Renovation. Neither the House nor the Senate provides ~~separate~~ emergency dedicated funding for the President's initiative to provide $1.3 billion in loan subsidies and grants to repair 5,000 of America's most aging and neglected public school buildings, including $50 million for public schools with high concentrations of Native American students. An estimated $127 billion is needed to bring America's schools into good overall condition, ~~according to a recent Department of Education study.~~ An estimated 3.5 million students attend schools that need major repairs or replacement. **[Add tax piece?]**

Accountability. Both the House- and the Senate-passed bills fail to provide funding for the Title I Accountability Fund that helps States and districts turn around low-performing schools and ensures that no student is trapped in a failing school. As a result, nearly 6,000 low-performing schools would not receive extra assistance to improve student achievement. Also, the House bill cuts $166 million from the President's request for Title I Grants to LEAs, reducing or eliminating services to more than 260,000 disadvantaged students. In addition, both bills fail to provide funds for the proposed Reward and Recognition program that would reward States that show significant gains in student achievement and that narrow the achievement gap between high- and low-performing students.

21st Century Community Learning Centers. Both the Senate and House bills cut the $1 billion request by $400 million, denying funding for over 3,000 centers that would provide after- and summer-school programs to over one million children. Extended learning time is an essential strategy to help all students master challenging academic material and reach high standards. The conferees should fully fund the request, which would support nearly 18,000 after-school and summer-school centers serving an estimated 2.5 million children. We oppose the Senate amendment that makes community-based organizations (CBOs) eligible for 21st Century grants ~~on the same basis as~~ a school, thus eroding the link between after-school programs and in-school instruction. We strongly prefer the Administration's proposed authorizing legislation that allows up to 10 percent of the appropriated funds to be awarded to CBO's.

Teacher Quality. The House and Senate bills fail to provide funding for the proposed $1 billion Teaching to High Standards teacher quality programs. The President's request includes $690 million for States and school districts to provide high quality professional development to teachers. The House bill does not guarantee funding for professional development, and the Senate bill would cut $255 million from the request. The overall request for Teaching to High Standards programs includes $310 million for teacher quality and recruitment initiatives of national significance such as Hometown Teachers and Transition to Teaching to help recruit teachers to high-need communities, Early Childhood Educator Professional Development, the School Leadership Initiative, and other teacher quality incentive programs. Neither the House nor the Senate has provided any funding for these programs. Finally, the budget requests $45 million for Special Education State Improvement, a $10 million increase, to support professional development related to the needs of children with disabilities. While the House bill provides the President's request, the Senate bill fails to provide any increase.

GEAR UP. The FY 2001 Budget provides $325 million for GEAR UP, a $125 million increase over FY 2000, to support early intervention and college preparation services for approximately 1.4 million disadvantaged youth. The House bill provides no increase in funding for GEAR UP, denying services to as many as 644,000 students. While the Senate bill provides a $25 million increase, this level, $100 million below the request, would deny services to more than 400,000 students.

Safer Schools. The House bill provides inadequate funding for Safe and Drug Free Schools and Communities National Programs and neither the House nor Senate provides funding for Project SERV, which would provide emergency assistance to schools affected by serious violence and other crises. The Administration urges the conferees to adopt the requested level for National Programs and Project SERV.

Small, Safe and Successful High Schools. Both the House and Senate provide inadequate funding for Small, Safe, and Successful High Schools, denying as many as 400 high schools support to establish or expand smaller learning communities of no more than 600 students. Research shows that when students are a part of a small and more intimate learning community, they are more successful both academically and socially.

Community Technology Centers. The FY 2001 Budget provides funding for 1,000 new Community Technology Centers. The House bill would not fund over 700 of these centers, denying access to computers and technology, particularly educational technology, to thousands of adults and children residing in economically distressed, high-poverty areas. The Senate bill fails to fund over 300 of these centers.

English Literacy Civics. The budget requests $75 million for the Adult Education English Literacy/Civics initiative. The House provides nearly $50 million less than the request, and the Senate bill does not provide any of the requested funds. The Senate level would deny 250,000 immigrants and limited English proficient adults the literacy and civics skills necessary to become successful participants in American society.

Hispanic Education Action Plan. The President's budget requests an increase of over $800 million to support programs that serve large numbers of Hispanic Americans. The House provides over $650 million less than the request and the Senate provides over $200 million less than the request. Also, the House bill does not include the $48 million requested increase for Bilingual Education, and the Senate bill provides $17 million less than the President's request. These cuts would deny indispensable services to this underserved population, seriously hampering the progress of Hispanic Americans in reaching the high academic standards expected of all students.

Transition to Teaching. Neither the House nor the Senate provides the requested $25 million to continue and to expand the very successful Troops to Teachers program. The new Transition to Teaching program will continue to offer former military personnel training in education and placement in high-need districts and subject areas, just as Troops to Teachers does. In addition, Transition to Teaching will offer other mid-career professionals the same opportunity, thus helping districts to find highly-qualified teachers for all classrooms.

Reading Excellence. The House bill cuts the President's $286 million request for Reading Excellence by $26 million, denying 100,000 students the help they need to become successful readers, the cornerstone of all learning.

Comprehensive School Reform Demonstrations. The Senate bill fails to provide the $240 million requested to help schools implement comprehensive school reform programs that are based on reliable research and effective practices. This includes $190 million in Title I and $50 million under the Fund for the Improvement of Education. As a result, support for 1,000 schools currently receiving funds would be discontinued, and 2,200 new schools would not receive support for research-based school reforms.

Technology and the Digital Divide. The FY 2001 Budget requests $903 million for efforts to bridge the digital divide by providing technology training to teachers, and by supporting the community technology centers noted above. The House bill would eliminate training for over 100,000 teachers through Preparing Tomorrow's Teachers to Use Technology. The Senate bill would eliminate training for about 40,000 teachers. The House and Senate bills also fail to provide funding to expand cutting edge technologies to improve education through the Next Generation Technology Innovation program. Neither the House nor the Senate bill includes the $10 million requested by the President for technology training for teachers in the Mississippi Delta Region. This funding is critically needed to bolster the long-term economic strength of that region.

Technology for Individuals with Disabilities. The FY 2001 Budget requests $100 million for the National Institute on Disability and Rehabilitation Research (NIDRR), a $14 million increase. The entire increase is devoted to a variety of technology initiatives, including $5 million to provide technical assistance to elementary, secondary and postsecondary schools on accessible information technology for students with disabilities. The budget also requests $41 million for Assistive Technology, a $7 million increase, including $15 million for alternative loan financing programs that help individuals with disabilities purchase assistive technology. The House bill fails to provide either of these requested increases. The Senate bill provides $5 million less than the President's request for NIDRR and, while the Senate provides the budget's funding request for Assistive Technology, it targets $8 million less toward alternative loan financing.

Opportunities to Improve our Nation's Schools (OPTIONS). The conferees are urged to fully fund this $20 million initiative to support innovative public school choice programs such as worksite schools and inter-district choice programs. Not funding this initiative would deny 40 States and districts support to develop and implement new models for enhancing public school choice.

Dual Degree Program. Both the House and Senate bills fail to provide funding for Dual Degree Programs for Minority-Serving Institutions, the President's initiative to increase academic opportunities for students at minority-serving institutions. Failure to fund Dual Degree Programs would deny up to 3,000 students the chance to earn two degrees in five years and enter professions in which minorities are underrepresented.

American Indian Administrator Corps. The President's budget requests $5 million to recruit, train, and provide inservice professional development for approximately 200 Native American teachers and professionals. The House bill fails to provide any funding for this purpose.

Research and Statistics. Both the House and Senate bills fail to support the budget's requested $30 million increase for education research and the $16 million increase for statistics. The House bill fails to provide the $10 million requested increase for Special Education Research and Innovation. Now, more than ever, teachers, parents, and policymakers are demanding research-based information about which education reforms work and why. The requests for the Department of Education's research investments, such as the Interagency Education Research Initiative, are vital to generating such a knowledge base for improving student performance. The conferees are urged to provide the requested levels for these programs, $199 million for research, $84 million for statistics, and $74 million for Special Education Research and Innovation.

Departmental Management. Neither the House nor the Senate provides critical increases in administrative funding requested for the Department of Education. These funds are necessary to ensure proper oversight and management of Federal education programs. The inadequate funding provided by the House and Senate for the Office for Civil Rights (OCR) would hamper the efficient resolution of complaints, threaten a return to onerous backlogs, and curtail new technical assistance activities that allow OCR to work proactively with customers to prevent discrimination before it occurs.

the continued development

America's Tests. The House bill provides no funds for America's Tests, which would help principals, teachers, and parents assess how well students are doing compared to challenging academic standards in reading and math. In addition, the Administration objects to the House's language limitation that would halt the President's efforts to help States and parents raise academic standards through any federally sponsored national test, including the Administration's proposed voluntary national test. The bill's language would prohibit development, pilot testing, field testing, implementation, administration, and distribution of the tests unless explicitly authorized. The language prohibition undermines Federal efforts to promote high standards for all students.

Department of Education One-Percent Transfer Authority. The House bill would eliminate the Department of Education's authority to transfer funds between appropriations. The Department has used its transfer authority only once, to finance the agency's financial audit. The Administration urges the Congress to maintain this authority, which the Department will continue to use prudently -- and only if necessary -- to respond to unforeseen needs.

Department of Health and Human Services

Both the Senate and House bills shortchange critical health and social services programs by cutting requested funding for the Social Services Block Grant, domestic and global HIV/AIDS prevention and treatment, mental health and substance abuse services, family planning, health care access for the uninsured, training for health professionals in children's hospitals, nursing home quality, and oversight of Medicare contractors. The bills also include numerous extraneous provisions that would have a detrimental effect on health policy. The Administration is concerned about the following cuts to key health and social services programs and urges the conferees to provide the requested level of funding:

- Social Services Block Grant (SSBG). The President's budget proposes to fund SSBG at $1.8 billion to maintain funding at the FY 2000 level. Neither the House nor the Senate bill meets this request. The House bill provides $1.7 billion, the level authorized for FY 2001 and a reduction of $75 million from the FY 2000 level. The Senate bill would cut SSBG by $1.2 billion from the FY 2000 level. At the current level, State and local programs serving vulnerable populations already make do with $1.0 billion less in SSBG funding than they received in FY 1995. The House bill would further undermine these programs, while the magnitude of the cut in the Senate bill would guarantee reductions in social services for needy children, the elderly, and the disabled across the country. The Administration strongly urges the conferees to fund SSBG at the requested level.

- State Children's Health Insurance Program (SCHIP). The Administration is concerned about the proposed funding shift in SCHIP in the Senate bill. SCHIP was enacted on a bipartisan basis in 1997 to cover millions of uninsured children. The shift included in the Senate bill has the potential to disrupt State funding and efforts to reach eligible, low-income uninsured children. The Administration opposes using unspent SCHIP funds for any other purpose.

- Tobacco Litigation. Neither the House nor the Senate includes requested Department of Health and Human Services (HHS) funding to support the Department of Justice's tobacco litigation efforts. The costs of preventing and treating tobacco-related disease exceed $50 billion per year, and HHS pays a substantial portion of these costs. The tobacco litigation is in full accord with the HHS mission and is vital to efforts to improve the health of all Americans. We strongly urge the conferees to provide funding for the Federal Government's efforts to recover health care costs incurred as a result of tobacco-related illnesses.

- Family Caregivers. The budget requests $125 million to support caregiver activities for 250,000 families who care for elderly relatives with chronic illness or disabilities. These funds would provide older persons with quality respite care and other support services necessary for them to remain independent in their homes and communities. Neither the House nor Senate funds this activity, which can be funded under existing legislative authority

Ryan White HIV/AIDS Treatment. The Senate bill would reduce requested funding by $70 million. This funding would enhance medical services, including pharmaceuticals, for people living with HIV/AIDS currently served by Ryan White funds, and provide access to services for people living with HIV/AIDS who are not receiving care. Ryan White currently serves approximately 500,000 people living with HIV/AIDS, nearly two-thirds of the individuals living with HIV/AIDS in the United States. We urge the conferees to fund Ryan White at the requested level, as in the House bill.

Health Care Access. Both the House and Senate underfund the Community Access Program that would improve health care access for many Americans. The $125 million request for the Community Access Program Initiative would enable the development of integrated systems of care and better coordinate health services for the uninsured and underinsured.

Mental Health Services. The House bill reduces funding for mental health services by $40 million and the Senate bill by $69 million from the requested level. The Senate cut includes a $50 million reduction to the Mental Health Block Grant that could hamper the ability of States to support comprehensive community systems of care for adults with severe mental illness and children with serious emotional disturbances. Both the House and Senate bills ignore the $30 million request for new Targeted Capacity Expansion grants, which fund early intervention and prevention, as well as local service capacity expansion.

Substance Abuse Prevention and Treatment. Total funding for substance abuse services is reduced from the requested level by $54 million in the House bill and by $23 million in the Senate bill. Funding for Targeted Capacity Expansion grants is reduced by $30 million from this request in the House bill, and by $44 million in the Senate bill. These cuts would reduce the ability to provide a rapid, strategic response to emerging substance abuse trends and would result in a reduction in prevention and treatment services for those struggling with substance abuse. The House bill's reductions to knowledge, development, and application grants would decrease the capacity to gain and implement new knowledge on the most effective treatments available. The House bill also eliminates funding for High Risk Youth Grants, which would end current efforts to provide science-based prevention and intervention services to prevent youth drug, tobacco, and alcohol use. In addition, the House bill does not provide $12 million in Public Health Service evaluation funds for National Data Collection efforts as requested in the President's budget.

Family Planning. Both the House and Senate do not include the full $35 million increase requested for Family Planning services. This increase would provide family planning services to an additional 500,000 clients who neither are Medicaid eligible nor have health insurance.

Children's Hospitals Graduate Medical Education/Health Professions Training. The Senate bill combines and reduces funding for health professions training by $67 million from the request. At this level, it may not be possible to fund Children's Hospital Graduate Medical Education (GME) at the requested level of $80 million. These funds are necessary to support medical education programs at the Nation's free-standing children's hospitals, which receive a very small share of Medicare GME dollars.

Ricky Ray Hemophilia Relief Fund. The Senate bill does not provide requested funding for the Ricky Ray Trust Fund. The Administration urges the conferees to fully fund the FY 2001 request of $100 million. Combined with the President's Mid-Session Review proposal, these funds will fully finance the Ricky Ray Trust Fund and ensure that each eligible hemophiliac who contracted HIV/AIDS or their families receive a $100,000 relief payment.

Centers for Disease Control and Prevention (CDC). The Administration strongly urges the conferees to fully fund the President's request for the Centers for Disease Control and Prevention. The House bill does not fund the requested increases for some of CDC's important activities, including: $26 million requested for infectious diseases and food safety, $5 million increase for vaccine safety, and the $5 million increase for National Institute for Occupational Safety and Health.

The Senate bill reduces CDC's funding by $67 million below the request for many critical public health programs, including domestic and global HIV prevention, infectious diseases, food safety, syphilis elimination, and tuberculosis. These reductions could impair CDC's ability to reduce the number of new HIV infections and hamper efforts to improve surveillance for infectious diseases. It also funds race and health demonstrations at $5 million below the request, slowing CDC's ability to understand better and address racial disparities in health. The Senate bill requires CDC to earmark funds for specific activities within CDC's existing totals for infectious diseases and environmental disease prevention. These earmarks could hinder CDC's ability to carry out its other public health activities.

Bioterrorism. The Administration urges the conferees to provide the President's request of $265 million for HHS to respond to chemical and biological terrorist incidents. Adversaries are expected to rely increasingly on these unconventional strategies to offset U.S. military superiority. The funds requested would improve our ability to defend against and manage the consequences of an attack.

Agency for Healthcare Research and Quality (AHRQ). The House bill funds AHRQ at a program level of $224 million, $26 million below the request of $250 million. While it includes the requested $20 million for research on medical errors, it reduces all other research areas. Such a reduction would impair AHRQ's ability to fund important new research on worker health, health care costs and quality, and to apply advances in information technology to health care. The Administration urges the conferees to provide full funding for AHRQ through one-percent evaluation funding, as requested in the President's budget.

- Health Care Financing Administration (HCFA) Program Management. The House bill funds HCFA at a program level of $1.9 billion, $207 million below the FY 2000 enacted level and $359 million below the request. The Senate bill funds HCFA at a program level of $2.1 billion, which is $55 million below the FY 2000 enacted level and $207 million below the FY 2001 request of $2.3 billion. These reductions would threaten the Administration's efforts to ensure the quality and safety of nursing homes by forcing States to scale back or eliminate facility inspections and complaint investigations, and would threaten the Administration's efforts to tighten oversight of Medicare's contractors as directed by recent General Accounting Office and Office of the Inspector General reports. Additionally, the Senate has provided only $15 million to $19 million of the President's request of $150 million in Medicare+Choice user fees, which would be used to educate beneficiaries, enabling them to make informed health decisions.

- Rural Health Outreach. The House bill underfunds this important activity that would support the creation of innovative solutions to health care delivery system problems in rural America. A specific focus in FY 2001 that would be lost is the improvement of a wide range of services, including primary care, dental care, mental health care, and emergency services, to the residents of 180 rural counties in the Mississippi Delta region. The Administration urges the conferees to fully fund these activities.

- Head Start. The House provides $600 million less than the request of $6.3 billion for Head Start. This cut from the requested level would result in 50,000 fewer children receiving services and would severely restrict the funding of critical legislatively mandated quality assurance activities. The Administration strongly urges the conferees to fund Head Start at the requested level, as in the Senate bill.

- Child Care Development Block Grant (CCDBG). At the House level, which is $417 million below the President's request, 80,000 fewer children would receive child care services. The Administration strongly urges the conferees to fund CCDBG at the requested level of $2 billion, as in the Senate bill, and to include the Administration's proposed set-asides for activities to improve infants and toddler care and child care research, and for a child care services toll-free hotline.

- Patients' Bill of Rights. The Senate bill includes a modified version of the Senate's Patients' Bill of Rights. These provisions are unacceptable, primarily because they apply only to a subset of Americans with health insurance and provide inadequate protection for those they cover. Furthermore, these measures would eliminate some of the limited accountability provisions now in State law. In addition, the bill includes expensive,

- Corporation for National and Community Service. The House fails to provide the requested $18 million increase for the Corporation for National and Community Service. The Senate provides $302 million, $11 million below the President's request. The request of $313 million would enable hundreds of thousands of older Americans the opportunity to meet a wide range of community needs and expand AmeriCorps VISTA projects in low-income communities that focus on bridging the digital divide, welfare to work, and literacy.

- Corporation for Public Broadcasting. The Administration appreciates that the House and the Senate bills fully fund the Corporation for Public Broadcasting's (CPB) FY 2003 request for general programming and system support. However, the Administration is concerned that, while the Senate bill fully funds CPB's digital transition initiative in FY 2001, the House bill provides no funding. We urge the conferees to provide the requested $20 million in FY 2001, to help ensure that the public broadcasting system can meet the federally-mandated May 2003 deadline for digital broadcasting.

Internet Access in Schools and Libraries

The Administration objects to the amendments to the House and Senate bills that would mandate the use of a particular type of technology to protect minors in schools and libraries from access to illegal and inappropriate materials. Currently, schools and libraries use a wide range of technology tools and monitoring techniques to ensure that children do not encounter inappropriate material and dangerous situations while online. Recent studies confirm that virtually all schools that have Internet access have acceptable use policies in place.

While the Administration strongly supports efforts to ensure that schools and libraries protect minors from inappropriate materials, the Federal Government should not mandate a particular type of technology, such as filtering or blocking software, in a dynamically changing technology environment. The Administration continues to support language that, before mandating a technical solution, would allow schools and libraries to develop acceptable use plans at the local level, and certify implementation of these plans.

DRAFT -- NOT FOR RELEASE

June 9, 2000
(House)

H.R 4504 - Higher Education Technical Amendments of 2000
(Rep. McKeon (R) CA and 3 others)

The Administration is generally pleased with H.R. 4504, and has no objection to House passage of the bill, but will work with the Senate to address remaining concerns by seeking amendments to:

-- Make the proposed special rule for the Student Support Services (SSS) program more consistent with the Administration's College Completion Challenge Grant proposal by: (1) eliminating the requirement that institutions of higher education participating under the special rule be current SSS participants; and (2) ensuring that institutions providing grants under the special rule also offer intensive summer programs to first-year students at risk of dropping out, at no cost to the students.

-- Make the proposed modifications to the requirement that students repay certain grant funds when withdrawing from college more similar to the Administration's proposal. In particular, the Administration urges the addition of forgiveness for the first grant overpayment owed by a student upon withdrawal from school, to significantly alleviate a burden that currently falls disproportionately on the lowest income students.

-- Eliminate a requirement for a minimum 45-day comment period on any notice of proposed rulemaking for student aid programs that would be stricter than requirements that apply to all other government agencies under the Administrative Procedure Act. The Department of Education generally provides comment periods on student aid regulations that are longer than 45 days, but needs the flexibility to provide comment periods that reflect the complexity of the regulations to be issued and statutory and other time constraints affecting their production.

-- Include additional technical changes to the provision that currently prohibits students from receiving aid if they are convicted of drug offenses, in order to make the law more workable and more understandable for students, while maintaining its policy objectives.

-- Delete the provision that attempts to eliminate the Federal Family Education Loan (FFEL) requirement that a forbearance be in writing, which would increase disputes over FFEL terms.

-- Eliminate provisions that would establish different procedures for rehabilitating Federal Perkins Loans than those that apply to FFEL and Direct Loans, thereby adding administrative complexity and inequity to student loan programs.

* * * * * * * * * *

(Do Not Distribute Outside Executive Office of the President)

This Statement of Administration Policy was developed by the Legislative Reference Division (Connie Bowers) in consultation with the Department of Education (Templeman) and EIML (Rasetti/Kron). It was also reviewed by the following, who do not object to the position: the Departments of Justice (Taylor), the Treasury (Dorsey), and the Interior (Fink), the Office of National Drug Control Policy (McNally), BASD (Stigile), BRD (Brown), Office of White House Counsel (Bushmiller), and OIRA (Steinfeld).

OMB/LA Clearance: ______________________________

The Department of Education transmitted to Congress, on April 11, 2000 and May 15, 2000, respectively, two packages of Higher Education Technical Amendments. These were designed to amend the Higher Education Amendments (HEA) of 1998 to remedy drafting errors, make conforming changes, and address issues that have arisen in the course of negotiated rulemaking regarding the changes to the 1998 Act.

H.R. 4504 was ordered reported on May 25, 2000. It contains a number of the Administration's proposed amendments, as well as other policy changes to the HEA.

Summary of H.R. 4504

Student Aid

-- Historically-Black Colleges and Universities (HBCUs). The bill would extend the date for eliminating HBCUs from the loan programs due to high default rates from July 1, 2002 to July 1, 2004. The 1998 Amendments provided that HBCUs with high default rates could still be eligible for student loan programs if they provided default management plans and took other steps to eliminate such high default rates by July 1, 2002. The proposed two year extension would provide additional time to implement the management plans.

-- Drug Convictions. The bill would clarify that a student convicted of a drug offense while enrolled and receiving financial aid is ineligible for financial aid during the time periods set forth in the statute. The proposed statutory change would limit the prohibition to drug convictions occurring during any period of enrollment during which the student received Federal student aid.

-- Student Aid Repayments for Students Withdrawing from School. The bill would modify HEA requirements for students to repay certain grant costs in the event of withdrawal from school. It would reduce a student's grant overpayment amount by 50 percent of the total grant assistance received and forgive every grant overpayment owed by the student that is less than $50. The Administration proposed that such students be provided a one-time forgiveness of the first grant overpayment owed by a student because of withdrawal from school.

-- Perkins Loan Rehabilitation. The bill would modify HEA requirements that enable a borrower that has defaulted on a Perkins loan to "rehabilitate" the loan by paying it off in full, rather than making 12 consecutive payments, as current law requires with respect to Perkins and other defaulted student loans.

Rulemaking. The bill would require the Secretary of Education to provide at least 45 days for public comment after publication of any notice of proposed rulemaking affecting Title IV (student financial assistance) programs. This would mandate a longer comment period than that for other proposed regulations by ED or other government agencies, under the Administrative Procedures Act.

Campus Security

-- It would require colleges to disclose their policy regarding the availability of information about registered sexually violent offenders received by the State under "Meagan's Law," including a statement that colleges will disclose such information if the State provides it.

-- Higher education institutions would be required to include a policy statement in the materials provided to students, faculty, and the public that describes (1) policies related to handling of reports on missing students, including notifying parents, guardians, and local police, and (2) policies for investigating such reports and cooperating with local police in such investigations.

College Completion Challenge Grants. The bill would amend the Student Support Services (SSS) program, which authorizes support services to help low-income and first-generation college students remain in and graduate from college. It would allow current SSS grantees to provide additional grant aid to first- and second-year students who receive Pell Grants and SSS services, based on the Administration's College Completion Challenge Grant proposal. The Administration proposal would extend the new grant authority to schools and students not currently receiving Federal SSS services and would ensure that all students receiving grant aid and support services through SSS are also offered intensive summer programs.

Perkins Loan Forgiveness. The bill would add to the list of Perkins Loan borrowers who are eligible for loan forgiveness because they entered certain fields of public service. The bill adds prosecutors and public defenders with an adjusted gross income of $30,000 to the current list of eligible borrowers.

Pay-As-You-Go Scoring

According to BAS (Stigile) and EIML (Rasetti/Kron), H.R. 4504 would not affect direct spending or receipts and, therefore, is not subject to the pay-as-you-go provisions of the Omnibus Budget Reconciliation Act of 1990. CBO scoring of this bill is not yet available.

June XX, 2000
(House Rules)

H.R. 4577 -- DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS BILL, FY 2001

(Sponsors: Young (R), Florida; Porter (R), Illinois)

This Statement of Administration Policy provides the Administration's views on the Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, FY 2001, as reported by the House Appropriations Committee. Your consideration of the Administration's views would be appreciated.

The President's FY 2001 Budget is based on a balanced approach that maintains fiscal discipline, eliminates the national debt, extends the solvency of Social Security and Medicare, provides for an appropriately sized tax cut, establishes a new voluntary Medicare prescription drug benefit in the context of broader reforms, expands health care coverage to more families, and funds critical investments for our future. An essential element of this approach is ensuring adequate funding for discretionary programs. To this end, the President has proposed discretionary spending limits at levels that we believe are necessary to serve the American people.

Unfortunately, the FY 2001 congressional budget resolution provides inadequate resources for discretionary investments. We need realistic levels of funding for critical government functions that the American people expect their government to perform well, including education, national security, law enforcement, environmental protection, preservation of our global leadership, air safety, food safety, economic assistance for the less fortunate, research and technology, and the administration of Social Security and Medicare. Based on the inadequate budget resolution, the Committee bill fails to address critical needs of the American people. In addition, the Committee bill includes an unacceptable language rider that would prohibit the Occupational Safety and Health Administration from finalizing its standard to protect the Nation's workers from ergonomic injuries. For the reasons discussed below, if the bill were presented to the President in its current form, the President would veto the bill.

The Administration strongly opposes the provision in the bill that would prohibit the Occupational Safety and Health Administration from finalizing its standard to protect the Nation's workers from ergonomic injuries. After more than 10 years of experience with ergonomic guidelines, exhaustive scientific study, five months of public comment and public hearings on the proposed regulations, and millions of unnecessary injuries, the Administration believes that it is time to move forward to finalize this regulation.

Department of Education

The House Committee bill would undermine our Nation's commitment to improving our schools by cutting $2.9 billion from the President's overall FY 2001 request for the Department of Education. The bill fails to provide adequate funding to help strengthen accountability and turn around failing schools, reduce class size, improve after-school and summer-school opportunities, increase school safety, renovate aging and neglected schools, improve teacher quality, and prepare students for college. The most significant problems with the bill include the following:

- Class Size. The House Committee bill does not guarantee funding for the President's initiative to hire 100,000 new teachers by FY 2005 to reduce class sizes to a nationwide average of 18 in the primary grades. The House bill would effectively repeal the bipartisan agreement on class size reduction, jeopardizing the Federal commitment to hire as many as 20,000 new teachers next year and to continue support for the 29,000 teachers already hired. As many as 2.9 million children could be denied the benefits of smaller classes.

- Urgent School Renovation. The House Committee bill provides no funding for the President's initiative to provide $1.3 billion in loan subsidies and grants to repair 5,000 aging and neglected public school buildings, including $50 million for public schools with high concentrations of Native American students.

- Accountability and Title I, Education for the Disadvantaged. The House Committee bill provides no funding for the Title I Accountability Fund that helps States and districts turn around low-performing schools and ensure that no student is trapped in a failing school. As a result, nearly 6,000 low-performing schools would not receive extra assistance to improve student achievement. In addition, the bill would reduce or eliminate services to more than 260,000 disadvantaged students aimed at helping them reach challenging academic standards. The bill also does not provide funds for the proposed Reward and Recognition program that supports rewards to States that show significant gains in student achievement and narrow the achievement gap between high- and low- performing students.

- 21st Century Community Learning Centers. The House Committee bill cuts the President's $1 billion request for 21st Century Community Learning Centers by $400 million, denying funding for over 3,000 centers, which would provide after- and summer-school programs to over one million children. Extended learning time is an essential strategy to help all students master challenging academic material and reach high standards. The President's request would support 10,000 after- school and summer-school centers serving 2.5 million children.

- Teacher Quality. The House bill fails to provide funding for the proposed $1 billion Teaching to High Standards teacher quality programs. The President's request includes $690 million for States and school districts to provide high quality professional development to teachers. The House bill does not guarantee funding for professional development. Also included in the Teaching to High Standards programs is $310 million for teacher quality and recruitment initiatives of national significance such as Hometown Teachers and Transition to Teaching to help recruit teachers to high-need communities, Early Childhood Educator Professional Development, the School Leadership Initiative, and other teacher quality incentive programs. The House bill does not provide any funding for these programs.

- Helping Schools Create Smaller and Safer Learning Environments. The House Committee bill provides inadequate funding for programs that create better and safer school learning environments. For Safe and Drug-Free Schools, the House bill freezes spending at the FY 2000 level, $50 million below the request, and provides no funding for Project SERV, which would provide emergency assistance to schools affected by serious violence and other crises. For Small, Safe, and Successful High Schools, the bill provides $45 million, the same as the FY 2000 level. Although we appreciate the Committee's continued support for this program, the bill's failure to provide the $75 million requested increase would deny as many as 400 high schools support to establish or expand smaller learning communities of no more than 600 students. Research shows that when students are a part of a small and more intimate learning community, they are more successful both academically and socially.

- Technology and the Digital Divide. The House Committee bill would hamper efforts to bridge the digital divide by providing technology training to teachers and increasing access of information and assistive technology to individuals with disabilities. The House bill would eliminate training for over 100,000 teachers through Preparing Tomorrow's Teachers to Use Technology and would not fund 700 of the proposed 1,000 community technology centers, denying access to computers and technology -- particularly educational technology -- for thousands of adults and children residing in economically distressed, high-poverty areas. Finally, the House bill would not support either the $14 million requested increase for the National Institute on Disability and Rehabilitation Research, for a variety of technology initiatives, or the $7 million requested increase for Assistive Technology to expand alternative loan financing programs that help individuals with disabilities purchase assistive technology.

- Reading Excellence. The House Committee bill cuts the President's $286 million request for Reading Excellence by $26 million, denying 100,000 students the help they need to become successful readers, the cornerstone of all learning.

- Opportunities to Improve our Nation's Schools (OPTIONS). The House Committee bill provides no funding for this $20 million initiative to support innovative public school choice programs such as worksite schools and inter-district choice programs. The bill would deny 40 States and districts support to develop and implement new models for enhancing public school choice.

- GEAR UP. The House Committee bill provides no increase in funding for GEAR UP, a program that helps low-income students prepare for college. The President's FY 2001 Budget would provide $325 million for GEAR UP, a $125 million increase over FY 2000, to support early intervention and college preparation services for approximately 1.4 million disadvantaged youth. The House bill would deny these services to as many as 644,000 students.

- Dual Degree Program. The House Committee provides no funding for Dual Degree Programs for Minority-Serving Institutions, the President's initiative to increase academic opportunities for students at minority-serving institutions. The House bill would deny up to 3,000 students the chance to earn two degrees in five years and enter professions in which minorities are underrepresented.

- Hispanic Education Action Plan. The House Committee bill fails to increase the Federal investment in essential components of the President's Hispanic Education Action Plan. For instance, the House provides nearly $50 million less than the President's request for Adult Education English as a Second Language civics. The Committee level would deny over 165,000 immigrants and limited English proficient (LEP) adults the literacy and civics skills necessary to become successful participants in American society. The House bill also does not include the $48 million requested increase for Bilingual Education. This reduction would deny grants to over 100 school districts -- primarily districts with little prior experience serving limited English proficient students -- and prevent over 2,300 additional new or certified teachers from receiving training and skills they need to teach LEP students.

- Research and Statistics. The House Committee bill fails to support increases for education research, including the budget's requested $30 million increase for Education Research, the $16 million increase for Statistics, and the $10 million increase for Special Education Research and Innovation. Now, more than ever, teachers, parents, and policymakers are demanding education reforms that are based on proven educational research. The Department of Education's research investments and data collection activities are vital to producing an up-to-date knowledge base for improving student performance.

- Departmental Management. The House Committee does not provide for the requested increases in administrative funding for the Department of Education, including the Office for Civil Rights. These funds are necessary to ensure proper oversight and management of Federal education programs.

- America's Tests. The House provides no funds for America's Tests, which would help principals, teachers, and parents assess how well students are doing compared to challenging academic standards in reading and math. The Administration also objects to the language limitation that would bring a halt to the President's efforts to help States and parents raise academic standards through a voluntary national test. The Committee bill's language would prohibit the pilot testing, field testing, implementation, administration, and distribution of the tests unless explicitly authorized. The language prohibition should be deleted. Congress should be promoting high standards for all students, not undermining them.

- Department of Education One-Percent Transfer Authority. The Committee bill would eliminate the Department of Education's authority to transfer funds between appropriations. The Department has used its transfer authority only once, in response to a congressional request to find funding for the agency's financial audit. The Administration urges the House to restore this authority, which the Department will continue to use prudently -- and only if necessary -- to respond to unforeseen needs.

Department of Health and Human Services

The House Committee underfunds public health priorities, including mental health and substance abuse services, family planning, health care access for the uninsured, nursing home safety, and infectious diseases. The Administration is concerned about the following cuts to key health and social service programs:

- Head Start. The Committee bill provides $600 million less than the President's request for Head Start, which would result in 50,000 fewer children receiving services than under the President's budget. It would also severely restrict the funding of critical legislatively mandated quality activities.

- Child Care Development Block Grant. The Committee bill is $417 million below the President's requested level of $2 billion. At this level, approximately 80,000 fewer children would receive child care services.

- Family Caregivers. The House Committee fails to provide the President's request of $125 million to support caregiver activities for 250,000 families who care for elderly relatives with chronic illness or disabilities. These funds would provide older persons with quality respite care and other support services necessary for them to remain independent in their homes and communities. Support for caregiver activities is a critical component of the President's long-term care initiative.

- Individual Development Accounts. The House bill fails to fully fund the President's budget request of $25 million to promote savings among low-income individuals for a first home, post-secondary education, a new business or, under the Administration's proposal, a car that will allow them to get or keep a job.

- Health Care Access. The House Committee fails to provide funding for the Community Access Program (CAP), which would improve health care access for many uninsured and underinsured Americans. The President's request of $125 million for the CAP Initiative would enable the development of integrated systems of care and better coordinated health services.

- Family Planning. The House Committee bill does not include the $35 million increase requested for family planning services. This increase would provide family planning services to an additional 500,000 clients who are neither Medicaid eligible nor have health insurance.

- Mental Health Services. The House bill would reduce funding for mental health services by $40 million from the President's request. The Committee has ignored the request of $30 million for new Targeted Capacity Expansion grants, which fund early intervention and prevention, as well as local service capacity expansion.

- Substance Abuse Prevention and Treatment. The House Committee bill reduces total funding for substance abuse by $54 million from the requested level. The bill's level would reduce our capacity to gain and implement new knowledge on the most effective treatments available and our ability to provide a rapid, strategic response to emerging substance abuse trends. The bill also eliminates funding for High Risk Youth Grants, which would end current efforts to provide science-based prevention and intervention services to prevent youth drug, tobacco, and alcohol use. In addition, the bill does not provide $12 million in Public Health Service evaluation funds for National Data Collection efforts as requested in the President's budget.

- Centers for Disease Control and Prevention (CDC). The House Committee does not fund the requested increases for some of CDC's critical public health activities, including the full $26 million requested increase for infectious diseases, the $5 million increase for vaccine safety, and the $5 million increase for National Institute for Occupational Safety and Health.

- Health Care Financing Administration Program Management (HCFA). The House Committee bill funds HCFA at $1.931 billion, $203 million below the FY 2000 enacted level and $355 million below the President's FY 2001 request of $2.286 billion. This reduction would threaten the Administration's efforts to ensure the quality and safety of nursing homes by forcing States to scale back or eliminate facility inspections and complaint investigations, and eliminate the Administration's efforts to tighten oversight of Medicare's contractors as directed by recent General Accounting Office and Office of the Inspector General reports. Additionally, the House has provided an estimated $15 to $19 million of the President's request of $150 million in Medicare+Choice user fees, which would be used to educate beneficiaries, enabling them to make informed health decisions.

- Office of the Secretary. The House Committee bill fails to fully fund the Secretary's management and policy oversight activities as well as key programmatic activities, including civil rights enforcement and bioterrorism.

- Agency for Healthcare Research and Quality (AHRQ). The House Committee bill funds AHRQ at a program level of $224 million, $26 million below the request of $250 million. Such a reduction would impair AHRQ's ability to fund important new research on worker health and to apply advances in information technology to health care. The Administration urges the House to provide full funding for AHRQ through one-percent evaluation funding, as requested in the President's budget.

- HHS One-Percent Transfer Authority. The Administration objects to the reduction in the transfer authority of the Department of Health and Human Services. The bill would exclude the Centers for Disease Control and Prevention from this authority. The Administration strongly urges that the Congress maintain the Department's flexibility to address emerging issues.

- Needle Exchange. The Administration objects to the Committee's unconditional ban on the use of funds appropriated in the bill for needle exchange programs. The Administration urges the House to make the use of funds for such programs contingent upon certification by the Secretary of Health and Human Services that these programs are effective in reducing the transmission of HIV and do not increase drug abuse, as proposed in the budget and included in the Senate bill.

- Abortion. The Administration urges the House to strike sections 508 and 509 of the Committee bill, which would prohibit the use of funds for abortion. The President believes that abortion should be safe, legal, and rare. These provisions would continue to limit the range of conditions under which a woman's health would permit access to abortion services. Furthermore, section 509 requires a physician to make a legal determination that these conditions have been met. The Administration proposes to work with the Congress to address the issue of abortion funding.

Department of Labor

The House Committee bill would cut the Labor Department by $1.7 billion, or 14 percent, from the request and $0.5 billion from the FY 2000 level. This level would threaten the viability of the new workforce development system as envisioned in the bipartisan Workforce Investment Act enacted in 1998. The bill would make deep cuts in worker training programs aimed at closing the skills gap, preparing workers for the 21st century, and helping employers reach out to an untapped pool of workers. These workers include high school dropouts, people leaving welfare, displaced workers, individuals with disabilities, and ex-offenders. In addition, the bill would cut programs that ensure safe and healthy workplaces, enforce domestic child labor laws, promote equal pay, and improve working conditions and reduce child labor in developing countries around the world.

In particular, the Administration is concerned about the following items in the Committee reported bill:

- One-Stop Career Center/America's Labor Market Information System. The bill would eliminate the existing $110 million investment in the One-Stop Career Center system, undermining the foundation of the new workforce investment system intended to ensure access to the information and services of One-Stop Career Centers for all Americans. The Committee bill also fails to fund the President's request for a $44 million enhancement that would improve access to these services for millions of Americans.

- Dislocated Worker Assistance. The House Committee cuts the Administration's request for Dislocated Worker assistance by over $389 million, or 22 percent, and provides $207 million less than the FY 2000 level. This level would deny training, job search, and re-employment services to over 216,000 dislocated workers.

- Re-employment Services. The Committee eliminates the requested $50 million needed to provide over 222,000 unemployment insurance claimants with customized re-employment services needed to speed their re-entry into the work force.

- Adult Job Training Program. The bill would cut funding for adult training by $93 million, or 10 percent, below the FY 2001 request and FY 2000 enacted levels, and would eliminate training services for over 37,000 of the 380,000 adults who would otherwise be served in FY 2001.

- Youth Opportunity Grants/Youth Activities. Funding for the Youth Opportunity Grants program falls $200 million short of the President's request and $75 million short of the FY 2000 level, and would deny 45,000 youth in high-poverty communities access to vital education, training, and employment assistance and jeopardize the continuation of five-year Federal grants that were awarded to 36 communities in February. In addition, funding for the Youth Activities program, which includes Summer Jobs, is cut by $21 million, which would eliminate almost 13,000 low income youth from the program.

- Fathers Work/Families Win. The House Committee bill does not support the President's new Fathers Work/Families Win initiative, for which the Administration has requested $255 million. Building on the partnerships developed under Welfare-to-Work, this important initiative would help approximately 80,000 low-income fathers and working families get the support and skills necessary to support their families and avoid welfare.

- Youth Violence. The House bill does not provide the requested funding for two initiatives aimed at reducing youth violence. It rejects the $40 million requested to add the Department of Labor to the interagency Safe Schools/Healthy Students initiative. Furthermore, it provides only $14 million of the $75 million requested to bring young offenders into the workplace through job training and related services.

- International Labor Activities. The Committee bill fails to fund the President's proposed $97 million increase to enhance several critical international labor activities aimed at improving working conditions in developing countries, eliminating and improving educational alternatives to abusive child labor, and addressing HIV/AIDS in the workplace. As a result, the President's requested $70 million enhancement of a comprehensive initiative to reduce international child labor and improve access to basic education in developing countries, which builds off the momentum created by the recent U.S. adoption of the International Labor Organization convention banning the worst forms of abusive child labor, would be severely undermined.

- Homeless Veterans. The Committee's $5 million reduction to the President's request for job assistance to homeless veterans would result in over 3,000 fewer homeless veterans obtaining meaningful employment and economic security.

- Disability Initiative. The Committee bill ignores the President's proposal to enhance the Department's leadership in helping people with disabilities enter, re-enter, and remain in the workforce through the establishment of a new Office of Disability Policy.

- Unemployment Insurance (UI) Administration. The House has adopted the President's proposal to restructure UI administrative funding to bring it in line with the modern service delivery system, but has provided $93 million less than necessary to administer the UI benefit entitlement program, even under continued favorable economic conditions.

- Worker Protection. The bill provides $92 million less than requested for critical programs that protect the safety, pensions, and wages of workers, essentially freezing these programs at their FY 2000 level. The bill provides $44 million less than the President has requested for the Occupational Safety and Health Administration, eliminating planned increases in efforts to help employers ensure safe and healthful workplaces. The Administration urges the House to restore the President's request for worker protection programs.

- Information Technology. The bill denies the $54 million requested for the Department's information technology initiative to address information security, infrastructure and web development, and office automation in a more efficient and comprehensive manner, thereby enhancing the Department's ability to implement its responsibilities and expand its Internet capacity to serve employers and the public better.

- National Economic Indicators. The House Committee bill reduces the request by $13 million, which would deny improvements to some of the most sensitive and important economic data collected by the Bureau of Labor Statistics, including expanding price, output, and productivity measures for the service sector, improving State and local employment and unemployment data, and surveying how Americans spend their time in work and non-work activities, including child and elder care.

National Labor Relations Board

The House bill would fund the National Labor Relations Board (NLRB) at the FY 2000 enacted level, $10 million, or five percent, below the President's request. As a result, NLRB would be forced to curtail backlog reduction efforts, essential training, and information technology investments.

Social Security Administration

At the House Committee funding level, the Social Security Administration would not be able to hire thousands of direct service employees, resulting in longer wait times for individuals filing retirement and disability claims, and diminished service for individuals who call the agency's 1-800 phone service.

Corporation for Public Broadcasting

The Administration appreciates the Committee's full funding for Corporation for Public Broadcasting's (CPB) FY 2003 request for general programming and system support, and urges the Committee to provide full funding in 2001 for CPB's digital transition initiative, which will help ensure that the public broadcasting system can meet the federally-mandated May 2003 deadline for digital broadcasting.

Internet Access in Schools and Libraries

The bill contains objectionable language that would deny Federal funds for computers and Internet access to schools and libraries that have not installed software on their computers to block Internet access to illegal and inappropriate materials to minors. Currently, schools and libraries use a wide range of technology tools and monitoring techniques to ensure that children do not encounter inappropriate material and dangerous situations while online. Recent studies confirm that virtually all schools that have Internet access have acceptable use policies in place. While the Administration strongly supports efforts to ensure that schools and libraries protect minors from inappropriate materials, the Federal Government should not mandate a particular type of technology, such as filtering or blocking software, in a dynamically changing technology environment. Rather, the Administration would support less burdensome and restrictive language that would require that schools and libraries develop their own acceptable use plans at the local level and certify their implementation.

DRAFT -- NOT FOR RELEASE

May 22, 2000
(House)

H.R. 4268 - Veterans and Dependents Millennium Education Act
(Stump (R) AZ and 31 cosponsors)

The Administration supports House passage of H.R. 4268, which would make improvements to the Montgomery GI Bill (MGIB) veterans' education assistance program, but will work with the Congress to incorporate the different priorities included in the Administration's proposal. H.R. 4268 would increase the basic monthly benefit for eligible veterans and active-duty personnel in the MGIB-Active Duty program from $536 today to $600 in FY 2001 (12 percent) and then to $720 in FY 2003 (14 percent). The bill also would increase benefits for survivors and dependents by 24 percent in FY 2001 and automatically increase these benefits each year for the cost-of-living.

The Administration has offered an alternative to H.R. 4268 that provides for a larger increase in the basic monthly benefit in the first year. This proposal would increase the monthly benefit for eligible veterans and active-duty personnel in the MGIB-Active Duty program from $536 today to $670 in
FY 2001 (25 percent) -- the largest single increase in veterans' education benefits in the program's 16-year history. The Administration's proposal would also (1) provide this same 25 percent benefit increase for survivors and dependents and provide automatic cost-of-living adjustments and (2) make the benefit more flexible by allowing veterans to use their benefits for licensing and certification and during longer breaks between school terms. While we support House passage of H.R. 4268, we will work with the Congress to enact our alternative proposal.

Improvements like these are essential to ensuring that veterans and their survivors and dependents can afford higher education or professional training. Recent surveys indicate that education assistance is an important reason why young men and women join the service, and these benefits contribute to service members' completing their first tour of active duty. However, the MGIB does not reflect the Nation's growing reliance on non-traditional methods of learning and increased focus on high-tech training. The Administration looks forward to working with the Congress to enact these improvements.

Pay-As-You-Go Scoring

H.R. 4268 would affect direct spending and receipts; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990. OMB's preliminary scoring estimate of this bill is that it would result in a total net increase in direct spending of approximately $78 million in fiscal years 2001-2005.

Senate ESEA
Q&A
May 2, 2000

Q: The Senate is taking up the Elementary and Secondary Education Act today, what is the President's view of this bill?

A: The President has communicated to the Senate that the bill that the Senate Health, Education, Labor, and Pensions committee passed on a party line vote is unacceptable and that he would veto it were it presented to him. The bill fails to support standards-based reform, increase accountability, improve teacher quality, or expand important supports for students, such as high quality after-school programs, smaller classes, and school modernization. The President hopes that the Senate will adopt Democratic amendments to include accountability provisions, teacher quality provisions, school modernization, and class size reduction, and to remove the irresponsible block grant provision in this legislation.

Q: Some moderate Senate Democrats have introduced a bill that is intended to be a bipartisan compromise, what is the President's view of that bill?

A: There are provisions in that bill that the President supports, such as increased accountability, greater targeting on the students most in need, and expanded public school choice. However, there are also provisions in that bill that the President does not support such as the consolidation of technology and after-school programs. We want to work with all Democrats to develop a bill that meets the President's priorities.

DRAFT
APRIL 18, 2000

STATEMENT OF ADMINISTRATION POLICY

S. 2 – Educational Opportunities Act
(Sen. Jeffords (R) VT and ___ others)

The Administration opposes Senate passage of S. 2, as reported by the Committee on Health, Education, Labor, and Pensions. If this bill is presented to the President in its current form, he will veto
S. 2, which would reauthorize the Elementary and Secondary Education Act of 1965 (ESEA), fails to continue the Federal obligation and commitment to support change in our schools and real improvements in student performance. The Administration's most serious objections to S. 2 are that it would:

- **Undermine the Federal effort to help communities reduce class size in the early grades** by failing to provide a separate, dedicated funding stream, targeted to high-poverty communities, consistent with the bipartisan agreement enacted in the Department of Education's appropriations acts for each of the past two years.

- **Undermine standards-based reform and the Title I program for disadvantaged children by allowing 10 States and 20 school districts to convert their Title I funds into portable student vouchers.** This approach would fragment services, undermine the promising schoolwide reforms currently underway in the Nation's highest-poverty schools, and weaken Title I programs in schools that don't adopt the schoolwide approach. It provides no assurance that students in high-poverty schools will receive greater support than students in low-poverty schools, and it demands no accountability for results from the educational services that students may buy with federally funded vouchers. The 1994 reauthorization of the ESEA reflected a firm consensus that standards-based reform is moving our schools in the right direction, and since that time, States, school districts, and schools have worked hard to restructure their Title I programs to improve entire schools that enroll large numbers of poor students.

- **Convert programs that address national priorities into unfocused block grants.** The "Straight A's" proposals would allow States to consolidate funds designated for Title I activities, class-size reduction, professional development, technology programs, and other initiatives into a massive block grant with no meaningful accountability for up to five years. Governors could use the money for any "educational purposes," including providing students with vouchers for private schools. Moreover, there is no assurance that funds will go to improve instruction, strengthen curriculum, reduce class size, provide after-school learning opportunities, or support other proven strategies for helping all students learn to high standards. The bill would also retain the ineffective Title VI, Part A program that provides States with block grants without accountability.

- **Fail to recognize the importance of high-quality teaching.** The bill does little to improve teacher quality, either through increased accountability or by ensuring that teachers meet high standards and have access to ongoing, high-quality professional development, mentoring, and coaching. In addition, schools should be held accountable for supporting high-quality instruction by publicly reporting on teacher quality indicators.

- **Suffer from weak provisions on accountability**. The bill does nothing to encourage States to use a single, rigorous accountability system that applies to both Title I and non-Title I schools, despite research demonstrating that when States have two accountability systems, the system for Title I children reflects lower standards and gets less attention.

  In addition, the bill does not include the basic components of the President's Education Accountability Act; it would not require school report cards or an end to social promotion, nor would it require that 95 percent of all teachers be certified, or be in the process of becoming certified. The bill fails to include provisions from the President's proposal that would require sound, equitable discipline policies in every school and extend the current ban on the possession or use of tobacco on school grounds to include alcohol and drugs.

- **Fail to provide any assistance to communities facing the enormous burden of renovating aging schools.** The President's Budget for FY 2001 proposes a $1.3 billion initiative to provide grants and loans for high-need districts to support the renovation of up to 5,000 schools. The bill should authorize this assistance.

The Administration also has numerous other significant concerns with provisions in the bill, including those that are related to:

<u>Title I : Helping Disadvantaged Students Meet High Standards</u> -- lack of certification of new Title I teachers; failure to increase minimum education levels of paraprofessionals; insufficient allocations for professional development; insufficient targeting of funds; and failure to ensure that Puerto Rico receive its fair share of Title I funds

<u>Title II: Teacher Quality</u> -- failure to award half of professional development funds competitively; insufficient emphasis on inservice professional development; abandonment of current emphasis on math and science; failure to provide for programs of national interest ,such as the President's proposed program of Early Childhood Professional Development; and an insufficent duration of support for the National Board for Professional Teaching Standards

<u>Title IV: Safe and Drug-Free Schools and Communities</u> -- insufficient emphasis on promoting targeting to high-need districts and in ensuring accountability and effectiveness; a very cumbersome mechanism for the administration of national programs; failure to provide a separate authorization for Project SERV; and failure to include requirements for the referral of expelled students for evaluation and mental health services if needed, or for LEAs to place expelled students in alternative education settings.

<u>Title V-A (current Title III): Technology</u> -- failure to target adequately the Technology Literacy Challenge Fund (TLCF) on high-need districts; failure to authorize separately, and at adequate levels, the current Community Technology Centers and Preparing Tomorrow's Teachers to Use Technology programs; and failure to encourage the development or use of innovative new and emerging technologies.

<u>Title VI, Part B: Rural Education Initiative</u> -- substantially weakens accountability for small, rural school districts eligible to consolidate funds

<u>Title VIII: Impact Aid</u> -- failure to direct funds appropriately to school districts burdened by the presence of federally connected children and federally owned land

<u>Title IX, Part A: Indian Education</u> -- creation of an unnecessary and burdensome "Indian-Flex" authority to allow grantees to consolidate resources from across federal programs

<u>Title X, Part E: Comprehensive Regional Assistance Centers</u> -- continuation of a fragment of the current, outdated technical assistance system

<u>Pay-As-You-Go Scoring</u>

S. 2 would increase direct spending and receipts; therefore, it is subject to the pay-as-you-go requirements of the Omnibus Budget Reconciliation Act of 1990. OMB estimates that the net pay-as-you-go effect would be [zero].

DRAFT
APRIL 3, 2000
11:15 PM

Honorable William F. Goodling
Chairman, Committee on Education and the Workforce
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I am writing to express my strong objections to H.R. 4141, the "Education Opportunities To Protect and Invest In Our Nation's Students (Education OPTIONS) Act," which I understand your committee will soon mark up. This bill would reauthorize and amend the various remaining titles of the Elementary and Secondary Education Act of 1965 (ESEA) for which your committee has not approved reauthorizing legislation during the 106th Congress. Unfortunately, as with much of the ESEA legislation that has already been approved in the House, H.R. 4141 would take us in a very different direction than the President laid out in his ESEA proposal, the Educational Excellence for All Children Act of 1999. As the President has stated, he would support an ESEA reauthorization that helps all students achieve to high standards through effective programs of national significance, such as class size reduction and after-school programs, in modernized and safe schools. In addition, he places a high priority on holding the entire education system accountable for results. This bill, and the House ESEA package as a whole, fails to meet these principles on all counts.
~~I am particularly concerned that the bill fails to preserve a dedicated funding stream for before- and after-school services by block-granting 21st Century Community Learning Centers with the program for safe and drug-free schools, eliminates the bipartisan initiative to reduce class size in the early grades, includes highly objectionable block-grant authority under the guise of transferability of program funds, and fails to include authority to help States and communities renovate or replace their deteriorating schools.~~
Accordingly, if this bill were presented to the President in its current form, I would recommend that he veto it. My detailed views on the bill are set out below.

If the following provisions remain in H.R. 4141, I would recommend that the President veto the bill:

Elimination of after-school programs and services

I strongly object to H.R. 4141's elimination of the current after-school program by block-granting the 21st Century Community Learning Centers Program (ESEA, Title X, Part I) with the Safe and Drug-Free Schools State Grant Program. The ESEA should, like current law, continue to provide a dedicated funding stream for before- and after-school programs that focus on providing extended learning opportunities for children in a safe environemnt, as well as providing additional services that address the needs of the community at large. The President has proposed to more than double the budget for this vital program in order to provide for additional high-quality extended learning opportunities for children and to help ensure that those schools which lack the resources to establish effective after-school programs have the ability to do so. The Congress should expand this effective program, not eliminate it.

"Transferability" of Program Funds (proposed §14206)

I strongly object to the bill's inclusion of proposed section 14206 of the ESEA, which embodies the block-grant approach to Federal education programs that the President and I have repeatedly opposed. Under this provision, States could move any or all of the funds retained at the State level among most ESEA programs (the main exception being the Title I program for disadvantaged children), while local school districts could transfer up to 30 percent of these funds on their own and up to 100 percent of these funds with the State's approval.

I find the lack of accountability for results and the disregard for national priorities under the transferability provisions particularly disturbing. States and districts would have free reign to shift funds between programs that serve important national goals, without any attention to whether such reprogramming would be in the best interest of the students or schools affected. It is unconscionable to allow a school district to gut programs that strengthen teacher quality, reduce class size, increase access to technology, and ensure that schools are safe and drug-free, in favor of unfocused block grants such as the Title VI program that lack any meaningful spending safeguards or accountability for turning around failing schools or otherwise improving achievement outcomes. While the President and I are strong supporters of increased flexibility in return for greater accountability ~~and increased student achievement~~, this proposal goes well beyond what is ~~needed or~~ appropriate or acceptable, by providing unchecked flexibility in return for no accountability. ~~allowing States and school districts to ignore significant national priorities, such as strengthening teacher quality, reducing class size in the early grades, supporting technology initiatives, and ensuring that our children attend schools that are safe and free of drugs. This approach is particularly objectionable in light of the bill's reauthorization of the unfocused Title VI program. In addition, the bill contains no safeguards to ensure that moving funds from one program to another makes educational sense.~~

In addition, at the end of the process, any complete ESEA proposal must include the following programs:

Class Size Reduction

A major defect of H.R. 4141, as of the ESEA bills that have preceded it in the House during the 106th Congress, is that it would undermine the Federal effort to help local communities reduce class size in the early grades to an average of 18, because it fails to provide a separate, dedicated funding stream, targeted to high-poverty communities, consistent with the bipartisan agreement enacted in the appropriations acts for each of the past two years. This is not the time to abandon that effort.

School ~~Construction and~~ Renovation

Similarly, H.R. 4141 fails to provide any assistance to ~~States and~~ communities facing the enormous burden of renovating ~~or replacing~~ aging schools. ~~, such as the~~ The President's Budget proposes a $1.3 billion initiative to provide ~~outlined in the President's budget proposal for the coming fiscal year to provide~~ grants and loans for high-~~poverty~~ need ~~communities and other areas that are least financially able to undertake construction and renovation on their own~~ districts to support the renovation of up to 5,000 schools. The Federal Government should help address the critical needs in these areas.

Accountability

I am very disappointed that H.R. 4141 fails to include the President's proposed "Education Accountability Act of 1999." This important component of the President's ESEA reauthorization package would make States accountable for the performance of students in their school districts and schools; help ensure that students progress through school on a timely basis while mastering challenging material; end social promotion; prompt States to make sure that there are qualified teachers in every classroom; require school districts to adopt and carry out sound discipline policies; and make sure that parents and the public receive annual report cards on their States, school districts, and schools. These proposals should be added to H.R. 4141.

Other concerns with the bill include the following:

ESEA, Title III—the "Tech for Success Act of 2000"

I have major concerns regarding the targeting of the State and Local Technology for Success Grants and the inadequacies of the funding for, and authorities under, the National Technology Initiatives provisions in H.R. 4141.

H.R. 4141 represents a missed opportunity to narrow the digital divide and support the academic achievement of all students~~. Though access to computers and the Internet has exploded over the last decade, the digital divide--the gap between those individuals and communities that have access to these Information Age tools and those who~~

~~don't--is in many instances, continuing to widen. For example, a July 1999 report from the Department of Commerce, based on December 1998 Census Department data, revealed that the gap between those at the highest and lowest income levels with this access to technology grew 29 percent. Likewise, whites are more likely to have access to the Internet from home than African-Americans or Hispanics have from any location.~~ By targeting funds on high-poverty, low-performing schools and LEAs, and fostering innovations in technology, we can narrow the digital divide and reach those students in danger of being left permanently behind in an increasingly technological world.

There are several major problems with the funding arrangements for the State and Local Tech for Success Grants in H.R.4141, ~~all of~~ which contribute to the bill's lack of targeting program funds on high-poverty, low-performing schools and LEAs. First, in order to ensure that program funds are directed to those States serving children with the greatest need, the State allotment should be based entirely on the State's relative share of Title I, Part A funds~~, as in current law and the Administration's proposal~~. Also ~~Next~~, all of the amounts awarded at the local level should be awarded competitively, ~~and the definition of a high-need LEA needs to include those LEAs serving low-performing schools. The continued success of this program, the successor to the current Technology Literacy Challenge Fund, is largely dependent on the quality of comprehensive state and local planning; five years of program implementation has proven that a competitive review process at the local level is far more effective than a fixed formula allocation in ensuring high-quality planning, particularly in improving the use of technology in supporting teaching and learning. Finally, rather than have a State option to provide a minimum award, the bill should require States to ensure that Local Tech for Success grants are of a sufficient size, scope, and quality to meet the purposes of the program.~~

I am also disappointed that H.R. 4141 fails to provide adequate support for the development of advanced technology applications, and lacks sufficient focus on critical national activities supporting innovation. The bill fails to provide separate authorizations for three programs that are included in the Administration's proposal and currently receive funding~~—the programs for~~ Preparing Tomorrow's Teacher to Use Technology, Community Technology Centers, and Regional Technology in Education Consortia. ~~Instead, the bill would compress the numerous national activities currently funded, including these three programs as well as the current national challenge grants for technology in education, into an abbreviated list of possible activities to be funded from a very limited amount of funds, diminishing the ability of the Federal Government to act as a catalyst in spurring truly innovative applications of technology to education~~. I believe that these three programs should be separately authorized and funded~~—at a minimum, they need to be explicitly included as initiatives to be carried out under proposed section 3121(a).~~

<u>ESEA, Title IV – Safe and Drug-Free Schools and Communities</u>

In order to ~~promote real improvements in school~~ ensure safe, disciplined, and drug-free learning environments for students and teachers nationwide, it is necessary to concentrate funds where they will do the most good. ~~H.R. 4141, however, would not improve targeting of funds to LEAs and would continue to dilute efforts to improve the quality and effectiveness of the Safe and Drug-Free Schools Program. As under current law, State educational agencies (SEAs) would continue to allocate 70 percent of funds to LEAs based on enrollment and 30 percent based on "greatest need" factors, and all LEAs would continue to be eligible to receive funding on a formula basis. In fact, the bill would make targeting worse than under current law by failing to ensure that sufficient resources are provided to the communities with the greatest need by limiting the number of LEAs in a State that may receive a "greatest need" allocation.~~ Unfortunately, H.R. 4141 largely retains current formula allocation mechanisms that spread scarce prevention funds too thinly across too many LEAs and fail to provide adequate accountability controls. The Administration's proposal ~~would require SEAs to subgrant funds to LEAs competitively, based on each LEA's need for funding and on the quality of its proposed programming, with no more than 50 percent of LEAs receiving subgrants. This~~ to compete funds from the State level to a limited number of LEAs would all help ensure that ~~the~~ grants are of a sufficient size and scope to ~~help improve safety and order in the school and reduce student drug use.~~ support effective, research-based drug and violence prevention activities.

H.R. 4141 is also deficient with respect to national-level drug and violence prevention activities. The proposed annual authorization level of $20 million for National Programs is over $140 million less than currently enacted levels. This would seriously undermine several popular and promising programs, including the interagency Safe Schools/Healthy Students initiative and the middle school Coordinator Initiative. At the same time, H.R. 4141 contemplates funding over $400 million in outstanding continuation awards under the current 21st Century Community Learning Centers program out of this same underfunded authority. H.R. 4141 also fails ~~to include an authorization for~~ to authorize Project SERV (School Emergency Response to Violence), ~~a program designed to improve the Department's ability to provide education-related services to school districts in which the learning environment has been disrupted due to~~ which would provide emergency assistance to school districts that experience a violent or traumatic crisis, and to extend or expand -- to include alcohol and illegal drugs -- the current Federal ban on the possession or use of tobacco on school grounds. ~~, such as a shooting or major accident. Moreover, H.R. 4141 fails to provide an explicit authorization for the Secretary to fund projects or activities to prevent hate crimes.~~

~~It is important for our children to attend schools that are drug-free, tobacco-free, and alcohol-free. However, the absence of any Federal requirement to this effect in H.R. 4141 makes this virtually impossible to ensure. The Pro-Children Act (currently authorized in Title X, Part C of the Goals 2000: Educate America Act) requires LEAs to~~

~~adopt policies that prohibit smoking in enclosed facilities where educational services are routinely provided to children. It is imperative that any bill on safe and drug-free schools contains language regarding SEA and LEA policies concerning the possession or use of drugs, alcohol, and tobacco on school grounds or at school-sponsored events. At a minimum, the existing Pro-Children Act requirements concerning environmental tobacco smoke in schools should be reinstated.~~

School prayer (amendment to current ESEA §14510)

I strongly object to the bill's proposal to revise section 14510 of the ESEA so that the Department of Education, rather than a Federal court, determines whether a school district receiving funds from the Department has a policy or practice that prohibits individuals from engaging in constitutionally protected voluntary prayer at school. ~~The Department is ill-suited to carry out this task in such a highly sensitive and evolving area of the law, which does not relate to any of the programs the Department administers.~~ . It would inappropriately force the Department into the middle of numerous local disputes involving prayer during classes, at graduation exercises, and at sporting and other public events, and permit no remedies for violations other than the draconian sanction of the termination of all funds. Such issues are better left to the courts. Current law, which properly leaves difficult questions of constitutional law (and of appropriate remedies) to the courts, should be retained.

Other Issues

I object to the H.R. 4141 prohibition on federally sponsored testing that would likely bring a halt to the President's efforts to help States and parents raise academic standards through a voluntary national test. H.R. 4141 would prohibit the development, pilot testing, field testing, implementation, administration, and distribution of voluntary national tests under the Fund for the Improvement of Education unless explicitly authorized. While the Administration has proposed to fund continued national test development activities as a new program under its reauthorization proposal for education research and statistics programs, I am concerned that the latter reauthorization may not occur in time to ensure continuity of current efforts into FY 2001. The prohibition should be deleted. Congress should be promoting high standards for all students, not undermining them.

In both the technology program and in the program for safe and drug-free schools, the bill would require the Secretary to approve a State's plan or application, respectively, so long as it includes the information required by the bill. There is no requirement that the plan or application be of high quality or demonstrate substantial promise of actually carrying out projects that achieve the programs' purposes, nor is the Secretary given authority to review on that basis. Given the magnitude of the Federal investment and the importance of these programs, the bill should give the Secretary authority to review State plans and applications to ensure their quality before committing taxpayer funds to implementing them.

The bill should also extend the authority, currently in Part G of Title XIV of the ESEA, for evaluations of ESEA programs. This is an important source for information for the Congress, the Administration, and the public on how these programs are working.

Representative Kildee's substitute for H.R. 4141

I strongly urge the Committee to approve the amendment to H.R. 4141 in the nature of a substitute for the entire bill, which I understand Representative Kildee will offer. The Kildee substitute would be a major step in the right direction because it reflects important national priorities. Among other improvements over the bill as introduced, the substitute would retain the separate funding streams for the after-school program and the program for safe and drug-free schools; preserve the program to help reduce class size; address deficiencies in H.R. 4141 relating to technology education; adopt the ESEA portion of the President's school-construction initiative; and better target Federal assistance to those communities and children with the greatest needs.

The Office of Management and Budget advises that there is no objection to the submission of this report, and that enactment of H.R. 4141, as introduced, would not be in accord with the President's program.

Yours sincerely,

Richard W. Riley

Dear Mr. Speaker:

I am pleased to submit for your consideration a legislative proposal entitled the "College Completion Challenge Grant Act of 2000." This legislative proposal would create a new component within the Student Support Services program (one of the Federal TRIO Programs authorized in subpart 2 of part A of the Higher Education Act of 1965) that would assist institutions of higher education to expand their efforts to increase the rate at which low-income and other at-risk students complete baccalaureate degree programs.

The Administration supports all efforts to help move disadvantaged youth into full participation in our society. This proposal is a modification of our 1999 proposal on this topic and builds on the efforts of Representative Chaka Fattah and twenty-four cosponsors who in 1999 introduced HR 3223, a bill to assist institutions of higher education to help at-risk students stay in school. Because of the interest generated by that bill, other Members have supported incorporating the fundamentals of H.R. 3223 into a strengthened Student Support Services program in TRIO. This proposal incorporates these changes.

Students from low-income families are significantly more likely to leave a four-year institution of higher education without a baccalaureate degree than are students from families with higher incomes. Only 44 percent of students from low-income families who were enrolled full-time during their first year of college completed a baccalaureate degree within five years. This completion rate is 24 percentage points lower than the 68 percent completion rate among students from upper-income families.

In addition to economic disadvantage, a recent report by the National Center for Education Statistics, Stopouts or Stayouts? Undergraduates Who Leave College in Their First Year, concludes that there are a number of factors significantly associated with students' dropping out of a four-year college or university. These factors include: having a low to failing cumulative grade point average (under 2.0); delaying entry into postsecondary education after graduating from high school; being less engaged with their academic program; working full time while enrolled; and being a first-generation college student. This legislative proposal would allow institutions of higher education to help mitigate those factors most significantly associated with the failure to complete baccalaureate degree programs.

The new proposal would establish the College Completion Challenge Grant (CCCG) as a new component of the Student Support Services program. The new CCCGs would complement the current Student Support Services program in two significant ways. Under the proposed CCCGs, an institution may use grant funds to implement an intensive summer program and provide direct grant aid to students, or use the funds only for grant aid if the institution currently has an intensive summer program. Thus, grantees would be required to provide both grant aid and intensive summer activities, either using Federal funding or other funding. If an institution chooses to provide grants to students under the proposed new CCCGs, it would be required to use the funds for students who are in their first two years of postsecondary education and who are Federal Pell Grant recipients.

While the proposed CCCGs and Student Support Services have similar target audiences and outcomes, the proposed CCCGs offer additional activities that are shown to increase student retention and degree attainment. Intensive summer services are too expensive for current Student Support Services projects to provide because of their low per-student expenditures. Moreover, current law prevents Student Support Services projects from offering direct financial assistance to students. The CCCGs would provide, at the most critical time, the kinds of services and assistance that are likely to promote retention for those students who are most likely to leave before completing their programs of study.

While each institution would determine which combination of services and assistance to offer for its at-risk students, the particular services and assistance that would be available under this proposal are designed to address the factors most significantly associated with the failure to complete baccalaureate degree programs. Support services and intensive summer programs would help primarily students who are likely to drop out because of low grade point average, insufficient engagement with the academic program, or first-generation college student status. In addition, a substantial increase in grant aid would reduce some students' need to work full time while enrolled, and address some of the concerns of a first-generation college student regarding student loan debt burden and the availability of adequate financial aid.

Since low-income and at-risk students are most likely to leave a program of postsecondary education during the first two years, an institution would generally be required to focus services and assistance on students in their first two years of postsecondary education. Although this program would require institutions to target students in their first two years of postsecondary education, an institution could also serve students who have completed their first two years if it could demonstrate in its application, to the satisfaction of the Secretary, that these students are at high risk of dropping out, and that it will first meet the needs of all its eligible first- and second-year students for services under the proposed new CCCGs.

The proposed CCCGs would help to eliminate the discrepancy that currently exists in baccalaureate degree attainment rates for students of low- and high-income families by supporting the specific activities that research has shown to improve student retention for students at-risk of leaving a four-year institution without a baccalaureate degree. It would build on the successes of Student Support Services and student financial assistance programs by combining selected elements of each and narrowly focusing that combination of services and assistance on at-risk students in the early years of postsecondary education. It would also build on the successes of the participating institutions, requiring institutions to demonstrate a prior successful commitment to helping low-income and other at-risk students stay in school until they complete their baccalaureate degrees.

I urge the speedy enactment of the "College Completion Challenge Grant Act of 2000" by Congress. It would help to ensure that all Americans not only have access to postsecondary education, but also the support necessary to ensure that they complete that education and receive their degrees.

The Office of Management and Budget advises that there is no objection to the submission of this proposal to the Congress and that its adoption would be in accord with the program of the President.

Yours sincerely,

Richard W. Riley

DRAFT – NOT FOR RELEASE

March 28, 2000
(House Rules)

H.R. 7 – Education Savings and School Excellence Act of 2000
(Hulshof (R) Missouri and 46 cosponsors)

If H.R. 7 were presented to the President, the Secretaries of the Treasury and Education would recommend that he veto the bill. In 1998, the President vetoed legislation -- H.R. 2646, the "Education Savings and School Excellence Act of 1998" -- that included provisions similar to those contained in H.R. 7. At that time, the President described the bill's modifications to Education IRAs as bad education policy and bad tax policy. H.R. 7 is equally flawed.

Every American child deserves a high-quality elementary and secondary education. The President's FY 2001 Budget contains a series of education tax initiatives, including a College Opportunity tax cut to defray the cost of higher education for families, and tax-credit bonds to assist State and local governments in meeting the cost of financing construction, rehabilitation, or repair of public schools.

H.R. 7 fails to advance education reform and distracts from the need to invest in public schools, where the vast majority of the Nation's students learn. It does nothing to reduce class size, improve teacher quality, or help students meet high academic standards. In addition, the provisions to repair or modernize schools are woefully inadequate. Targeting limited Federal resources toward building stronger public schools will help ensure that all our Nation's children receive the education they need to become productive citizens. H.R. 7 would divert needed resources away from public schools.

H.R. 7 would disproportionately benefit the most affluent families and provide little benefit to lower- and middle-income families. Moreover, given the expansion of tax-preferred savings vehicles in the Taxpayer Relief Act of 1997, which the Administration supported, further increasing the contribution limits for Education IRAs is unlikely to provide significant additional incentives for families to increase their savings for educational purposes. Instead, H.R. 7 would reward many families, particularly those with substantial incomes, for what they may already do.

H.R. 7 would also create significant compliance problems. The bill permits tax-free withdrawals from Education IRAs for, among other things, tuition, fees, academic tutoring, special needs services, books, room and board, and supplies and equipment expenses incurred in connection with enrollment or attendance in public or private elementary or secondary schools. Distinguishing between withdrawals that should not be subject to tax and those that should will add significant record-keeping requirements for families and schools and will lead to frequent disputes about the use of the withdrawals for discretionary purchases.

H.R. 7 also would liberalize the tax-exempt bond arbitrage rebate exceptions for public school construction bonds. Increasing the current-law two-year expenditure exception to the arbitrage rebate requirement to four years would not address the needs for the construction, rehabilitation, or repair of public schools. This proposal would only encourage delayed construction and riskier investment strategies for a minimal gain in construction. The Administration strongly supports the school modernization tax credit proposal that was included in the alternative offered by Representatives Rangel and Johnson which would provide for the issuance of $25 billion in tax credit bonds for school construction. The Administration would ask that the House Rules Committee make in order the Rangel-Johnson amendment for floor consideration.

H.R. 7 would affect receipts; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990. H.R. 7 would reduce Federal revenues because it contains no provisions to offsets the costs of the proposed changes. Similarly, the recently-passed Senate education tax cut bill included no offsets. Both the Senate and the House have already passed other costly tax cut legislation this year. The Administration is concerned that piecemeal enactment of unpaid-for tax cut bills, such as H.R. 7, outside of an overall fiscal framework will threaten to undermine debt reduction and impair the Federal Government's ability to address other important national priorities. In addition, without any further action to provide offsets, H.R. 7 could contribute to a sequester of mandatory spending.

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(Do Not Distribute Outside the Executive Office of the President)

This Statement of Administration Policy (SAP) was developed by the Legislative Reference Division (Jones) in consultation with the Departments of the Treasury (Dorsey), Education (Riddle), and Justice (Taylor); the Council of Economic Advisers (Brien); the National Economic Council (Rotherham), and within OMB by EIMLD (Rowe) and BASD (Barth).

The Domestic Policy Council and OMB EP and GC did not respond to our request for comments on the draft SAP.

OMB/LA Clearance:

H.R. 7 was reported by the House Ways and Means Committee by a vote of 21-16 on March 22, 2000.

Administration Position to Date

During the markup of H.R. 7 by the House Ways and Means Committee on March 22, 2000, Jonathan Talisman, the acting Treasury Assistant Secretary for Tax Policy, told the Committee that Secretary Summers and Secretary Riley would recommend that President Clinton veto the bill if it reaches his desk in its current form.

In addition, on May 18, 1999, Treasury Secretary Summers and Education Secretary Riley, in a letter to the Senate Finance Committee, expressed the Administration's strong opposition to a similar bill (S. 1134) and stated that they would recommend that the President veto that bill. On February 24, 2000, OMB issued a SAP reiterating that veto threat. S. 1134 passed the Senate on March 2, 2000 by a vote of 61-37.

Summary of H.R. 7

Education IRAs. Education IRAs, which were created by the "Taxpayer Relief Act of 1997," are trusts or custodial accounts created exclusively to pay higher education expenses of a named beneficiary. Contributions to Education IRAs are not tax deductible but earnings on the account generally are not taxed until they are distributed to the beneficiary. Contributions into those accounts can be made by any person or corporation, but the contribution amount is phased out for higher income taxpayers.

H.R. 7 would modify Education IRAs by:

-- increasing the current limit on the annual contributions to an Education IRA from $500 to $2,000;

-- permitting withdrawals from Education IRAs to be used for qualified expenses at a public, private, or religious elementary or secondary school (with "school" being defined by State law);

-- allowing Education IRAs to be used for home schooling expenses if State and local home schooling requirements are met;

-- permitting contributions to an Education IRA to continue beyond the age of 18 in the case of a "special needs beneficiary" (as defined by Treasury Department regulations);

-- clarifying that any corporation, tax exempt organization, and other entity is permitted to make contributions to Education IRAs, regardless of its income;

-- allowing taxpayers to claim a HOPE or Lifetime Learning credit and to exclude from gross income amounts distributed from an education IRA; and

-- repealing the excise tax on contributions made during any taxable year in which contributions are also made to a qualified State tuition program on behalf of the same beneficiary.

These changes would be effective for tax years beginning after December 31, 2000.

The Joint Committee on Taxation (JCT) estimates that these changes, plus other miscellaneous changes to Education IRAs would cost approximately $1.3 billion over FYs 2001-2005.

In addition, H.R. 7 would change the name of Education IRAs to "Education Savings Accounts."

Qualified Prepaid Tuition/Savings Programs. The bill would modify prepaid qualified tuition and savings programs to:

-- expand the definition of a "qualified tuition program" to allow private institutions to provide prepaid tuition plans;

-- exclude from gross income distributions made after December 31, 2000, from qualified State tuition programs and from qualified tuition programs established and maintained by an entity other than a State;

-- allow distributions from qualified tuition programs to be made on behalf of a student if a HOPE or Lifetime Learning Credit is claimed for that student; and

-- provide that one transfer annually of credits (or other amounts) from one qualified tuition program for the benefit of a designated beneficiary to another qualified tuition program for the benefit of the same beneficiary would not be considered a distribution.

The Joint Committee on Taxation (JCT) estimates that these changes, plus other miscellaneous changes to such plans, would cost approximately $275 million over FYs 2001-2005.

Other Education-Related Tax Provisions. The bill also contains other education-related tax provisions that would:

-- extend, for bonds issued after December 31, 2000, the time that local governments would have to use the proceeds related to school construction bonds from two to four years (JCT estimate: -$1.03 B for FYs 2001-2005);

-- eliminate the 60-month limit on the deductibility of interest paid on qualified education loans, effective December 31, 2000, and increase the phase-out range of the deduction to $45,000- $60,000 for single taxpayers and to $90,000-$105,000 for joint filers (JCT estimate: -$981 M for FYs 2001-2005);

-- extend the current augmented deduction for qualified charitable donations of computer equipment for educational purposes in grades K-12 for one year, so that it expires for contributions made in taxable years beginning after December 31, 2001 (JCT estimate: -$82 M for FYs 2001-2005);

-- exempt expenses (up to $1,000) incurred by an elementary or secondary school teacher (including instructors, aides, counselors and principals) for courses taken as part of a program of professional development from the two-percent floor on miscellaneous itemized deductions (JCT estimate: -$47 M for FYs 2001-2005).

-- increase the arbitrage rebate exemption for small government units from $10 million to $15 million on bonds used to finance qualified school construction, effective for bonds issued after December 31, 2000 (JCT estimate: -$24 M for FYs 2001-2005); and

-- eliminate the tax on awards under the National Health Corps Scholarship Program, the F. Edward Herbert Armed Forces Health Professions Scholarship and Financial Assistance Program; the National Institutes of Health Undergraduate Scholarship Program, and any State-sponsored health scholarship program determined by the Secretary of the Treasury to have substantially similar objectives to these programs (JCT estimate: -$20 M for FYs 2001-2005).

Major Differences between H.R. 7 and S. 1134. H.R. 7 would have a substantially smaller budget cost than would S. 1134. The JCT estimates that the reported version of H.R. 7 would have a net budget cost of $3.8 billion over five years (FYs 2001-2005) and $11.6 billion over 10 years (FYs 2001-2010) compared to $7.7 billion and $21.3 billion, respectively, for S. 1134.

The difference in the net budget cost of the two bills is largely attributable to three provisions that were included in S. 1134 but not in H.R. 7. Those provisions would:

- extend the exclusion from gross income of employer-provided assistance for undergraduate courses (JCT estimate: -$2.9 B for FYs 2001-2005 and -$7.4 B for FYs 2001 to 2010);

- allow a credit to secondary and elementary school teachers who provide classroom materials (JCT estimate: -$1.7 B for FYs 2001-2005 and -$3.8 B for FYs 2001 to 2010); and

- authorize issuance of tax-exempt private activity bonds for public school facilities (JCT estimate: -$.2 B for FYs 2001-2005 and -$1.1 B for FYs 2001 to 2010).

H.R. 7 does, however, contain a major provision not included in S. 1134 -- the provision that would extend the time that local governments have to use the proceeds related to school construction bonds (JCT estimate: -$1 B for FYs 2001-2005 and -$2.6 B for FYs 2001 to 2010). H.R. 7 would also increase the phase-out range for the deductibility of interest paid on qualified education loans, which S. 1134 would not change, and would make less costly changes to the provision extending the augmented deduction for donations of computer equipment for educational purposes.

Pay-As-You-Go Scoring

According to BASD (Barth), H.R. 7 would affect receipts and, therefore, is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act. OMB and Treasury scoring is under development. H.R. 7 contains no provisions to offset the cost of the proposed tax cuts. According to JCT estimates, H.R. 7 would have a net budget cost of $185 million in FY 2001, $3.8 billion over FYs 2001-2005, and $11.6 billion over FYs 2001-2010.

LEGISLATIVE REFERENCE DIVISION
March 28, 2000 -- 2:45 PM