



Tanya E. Martin
02/04/99 02:37:19 PM

Edue -
School
Construction

Record Type: Record

To: Bruce N. Reed/OPD/EOP

cc:

Subject: Conv w/ Rangel's staff

I spoke with John Buckely in Rangel's office who confirmed that they are planning to treat Archer's proposal as a Republican acknowledgement of the need for federal help for school construction and otherwise raise any concerns "gingerly". The following are points they would encourage us/others to make:

- The schools who need help the most end up with nothing at all. Only schools that have enough resources - or time -- to have bond funds sitting in investments would benefit under the Republican proposal. Places with high enrollment growth or severely delapidated schools cannot afford to delay building and renovating schools.
- While the Republican proposal is distributed on the basis of need --their proposal targets the *least* needy districts: those that can afford to delay construction and renovation. The administration's proposal provides immediate assistance to the schools that need help the most.
- The Republican proposal is a tax incentive to keep children in trailers and run-down schools for an additional two years. The only way to benefit from the Republican proposal is to delay construction and invest the bond proceeds.
- Under the Republican proposal, the extra profits would not have to be used for school construction activities.

School Construction Q & A
January 21, 1999

Q: How is your proposal different from last year's?

A: Our school modernization proposal is similar in structure to last year's proposal and is a centerpiece of a tax cut package. The two significant changes are:

- 1) **Larger** -- our new proposal provides \$24.8 billion in overall bond authority to modernize schools, compared to last year's \$21.8 billion.
- 2) **New Native American Component** -- our proposal includes a new component to modernize Native American schools. A total of \$400 million in bond authority (\$200 million in 2000 and in 2001) will be allocated by the Secretary of the Interior to BIA funded schools. (Note: In addition, on the discretionary side of the budget, we will propose an additional \$30 million in funding for BIA schools to help the tribes pay the principal on the bonds. The tax credits will leverage this discretionary funding).

Q: What is the cost of your proposal?

A: Over five years, the proposal costs \$3.7 billion in revenue?

Q: Isn't that lower than last year and isn't your proposal larger?

A: Yes, the technical revenue estimate has been updated by Treasury. You will recall that we estimated last year's proposal would have cost \$5 billion over five years. Joint tax estimated the cost to be \$3.3 billion. There are two general reasons for the scoring change: first, Treasury is assuming that it will take longer for school districts to issue the bonds. Issuers have until 2004 to issue the bonds. Second, our underlying interest rate assumptions have changed somewhat.

Q: How does the proposal work?

A: The Administration's school modernization proposal provides \$25 billion (\$24.8 billion to be exact) in bond authority to build, renovate, and

rehabilitate schools. In effect, federal tax credits pay the interest on the bonds and school districts or states would pay the principal. The tax credits would pay for about half of the overall cost of a given school modernization bond issue. There would be two types of bonds:

- School Modernization Bonds -- The main component of our proposal would subsidize the issuance of \$22 billion of bonds combined in 2000 and 2001 (\$11 billion in each year) of similar bonds available solely for the purpose of school construction and repairs. Like the QZABs program, bond holders would receive a tax credit in lieu of interest. States and school districts would, on average, need to pay only the principal on the loan because the bond holders would factor in the substantial tax credit they would receive from the Federal Government when purchasing the bond. Half of the bond authority would be allocated among the 100 school districts with the largest number of low-income children. The other half will be allocated to states.

In addition, we have added a new Native American component -- \$400 million (\$200 million in 2000 and in 2001) of bond authority will be allocated to BIA funded schools by the Secretary of Interior.

- "Qualified Zone Academy Bonds" (QZABs) -- Over the past two years, through an authority created by the Taxpayer Relief Act of 1997, the Federal Government will allocate \$800 million bond authority (\$400 million in each of 1998 and 1999) to states to issue QZABs. Our proposal includes \$2.4 billion (\$1. billion in 2000 and \$1.4 billion in 2001) in bond authority allocated to states for qualified zone academies, which are public school designed in cooperation with business. The zone academies will use proceeds for school repairs, equipment, curriculum development, and professional development, and new construction (Note: under current law there is no authority for new construction -- we are proposing to add it).

Davis-Bacon and School Construction
January 20, 1999

Q: Would Davis-Bacon apply to the Administration's new school construction proposal?

A: First of all, I want to reiterate the Administration is a strong supporter of the application of Davis-Bacon when Federal Government outlays are involved.

- Whether Davis-Bacon should apply to this tax cut proposal is an issue that has come up in the past and we have been asked to take another look at it and we are doing that.

Background:

The Administration position has been Davis-Bacon would not apply to our school construction proposal because it is on the tax side of the budget (where Davis-Bacon historically has not been applied) and not on the spending side (where Davis-Bacon does apply). Other similar tax subsidies, such as tax exempt bonds and the Low Income Housing Tax Credit, have not historically been subject to Davis-Bacon

The AFL, especially the Building Trades, have been aggressively advocating adding Davis-Bacon to our proposal. The President has told them that we will take another look and an inter-agency group is doing that. We are also consulting with our allies on the Hill as well. A Davis-Bacon provision was not included in the Daschle or Lautenberg bills which were introduced on SOTU day.

School Construction
February 4, 1999

*Edw -
School
Construction*

Q: What do you think of Chairman Archer's proposal to boost school construction?

A: Last year, the President fought very hard for a tax cut that would help local school districts modernize their classrooms and build new schools. Unfortunately, Republicans categorically refused to do anything last year to help schools modernize.

This year the President included in his budget a new tax cut, and it is important that Chairman Archer recognizes that the federal government does have a role to play in helping local school districts meet this pressing need. Unfortunately, his proposal, while expensive, is not structured effectively and might actually work to delay some building. We are ready and willing to work with Congress to devise a proposal like the President's that will actually help local communities meet this need.

President Clinton and Vice President Gore Propose Tax Credits to Modernize Schools for the 21st Century

January 21, 1999

Last year, the Congress funded the first year of the President's initiative to hire 100,000 new teachers to reduce class size in the early grades. This year, it is imperative that the Congress act on the Administration proposal to help schools provide well-equipped classrooms to accommodate smaller class sizes. The President's FY2000 budget will propose Federal tax credits to pay interest on nearly \$25 billion in bonds to build and renovate public schools. Two types of bonds are being proposed: School Modernization Bonds (\$22.4 billion) and Qualified Zone Academy Bonds (\$2.4 billion). The tax credits on these bonds will cost the Treasury a total of \$3.7 billion over 5 years. School modernization is an urgent national need:

*smaller classes,
more classrooms*

- A record 52.7 million children are enrolled in elementary and secondary schools, and this number is expected to climb further to 54.3 million by 2008.
- The average public school in America is 42 years old, according to new National Center for Education Statistics (NCES) data released last week. Nearly three-quarters of today's schools were built before 1970, primarily to accommodate the baby boom generation. A school's original equipment, including the roof and electrical equipment, should be replaced when schools are between 30 and 40 years old, and school buildings begin rapid deterioration after 40 years.
- The NCES report shows that 30 percent of all public schools are in the "oldest condition" -- built before 1970 and never renovated or renovated before 1980.
- The oldest schools are also lagging behind other schools in the push to connect to the Internet. While almost 60 percent of schools built in since 1985 were connected to the Internet in 1995, only 42 percent of schools in the oldest condition were connected to the Internet.

*12M-C
school
bldgs*

School Modernization Bonds

\$22 billion in School Modernization Bonds will be available over two years (\$11 billion in 2000 and \$11 billion in 2001) for construction and renovation of public school facilities. Federal tax credits will pay the interest on these bonds.

- Half of the bonds (\$11 billion) would be allocated to the 100-125 school districts with the largest number of low-income children, in proportion to their share of funds under the Federal "Title I" Basic Grant formula, to provide assistance in accordance with each school district's plan.
- The other half of the bonds (\$11 billion) would be allocated to States according to the proportion of low-income children (Title I Basic Grant funds), not counting the children in the school districts described above.

To qualify for these bonds, States, territories, and the eligible 100-125 school districts would submit to the Secretary of Education the following information: (1) a comprehensive study of the construction and renovation needs in the jurisdiction, (2) a description of how the jurisdiction will ensure that the bond funds are used for the purposes intended by this proposal; and, for States only (3) a description of how highest priority will be given to localities with greatest needs and how special consideration will be given to rural and high-growth areas.

Qualified Zone Academy Bonds

This program, created by the Taxpayer Relief Act of 1997, provides a tax credit to pay interest on bonds for a variety of expenses (including building renovation) related to certain public school-business partnerships. The FY2000 Budget would expand these bonds to cover new school construction. In total, \$2.4 billion in bonds (\$1 billion in 2000 and \$1.4 billion in 2001) would be allocated to States on the basis of their respective populations of individuals with incomes below the poverty line.

New Native American School Component

In addition to the \$22 billion of School Modernization Bonds described above, the proposal includes a new component for Native American schools. The Secretary of Interior would allocate \$400 million in School Modernization Bonds (\$200 million in 2000 and \$200 million in 2001) to tribes or tribal organizations for the construction and renovation of BIA funded schools.



Michael Cohen
02/03/99 05:54:29 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

cc:

Subject: School construction talking points



arbitrag.wp

Attached are the talking points from last year, in response to the same proposal from last year. Below are talking points I just did independent of that.

Jake Siewert already had one conversation with USA Today, before we got the details.

Chairman Archer's proposal does not go nearly far enough to meet the \$112 billion in school construction and modernization needs nationwide. His proposal would only benefit those school districts already able to pass school construction bonds and to delay construction, in order to invest the bond funds and a higher interest rate. While we are pleased that Chairman Archer recognizes that the federal government has an important responsibility to assist communities around the country modernize their schools, this proposal doesn't go nearly far enough.



Jake Siewert
02/03/99 05:52:11 PM

Record Type: Record

To: Amy Weiss/WHO/EOP
cc: See the distribution list at the bottom of this message
Subject: Re: school construction

I already spoke with USA Today. (Bill Welch)

In general, we should say "the President fought very hard for school construction last year, but Republicans in Congress resisted him every step of the way. We have an ambitious proposal to modernize America's schools in this year's budget, and we hope Republicans are more willing to consider it this year."

On background, Archer's proposal, while expensive, would not do nearly as much to spur modernization and construction as the President's.

ARBITRAGE DOES NOTHING FOR SCHOOL CONSTRUCTION

Background: House Republicans have proposed extending the period that local governments could retain arbitrage profits on tax-exempt school construction bonds from 2 to 4 years. Some school associations (e.g. school administrators) are supporting the proposal as a step in the right direction. It is good that Republicans are starting to see the importance of the Federal government helping to address record school enrollment and critical backlogs of renovation needs. However:

- The arbitrage proposal promises nothing for school construction, and may even delay construction. While it allows local governments to keep more profits from investing their bond proceeds, that simply means that the money is not being used on much-needed construction and renovation projects.
- The extra profits would not need to be used for school construction.
- Schools that need the most help may get nothing at all. Only schools that have bond fund sitting in investments would benefit.
- Urban schools agree: Arbitrage is not enough. The Nation's largest school districts found that "these limited arbitrage benefits do not compare favorably to the Administration's school modernization proposal. (Council of Great City Schools, September 22, 1998).

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A school construction
 The problem with the Reps school
 construction proposal is that it doesn't
 go to the Reps.

~~A school prop~~

Any plan that goes to
 schools that don't need it
 and

It goes to the ~~many~~ schools
 that don't need it.
 It ~~doesn't~~ doesn't have

It doesn't have to go for school construction and
 it doesn't go to ~~constr~~ schools that need the most help.

~~It~~ doesn't have
 to go for
 school
 construction.

We're glad to see Reps finally acknowledge
 that ~~that~~ nat. gov't ~~should~~ has a total respons
 to help comm. modernize these school bldgs, but
 the Archer proposal ~~that~~ is

The Republican
 A school construction proposal
 that ~~doesn't~~ goes
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GOP bill tags \$1.4B for school buildings

By William M. Welch
USA TODAY

WASHINGTON — Demonstrating that both parties are determined to show voters action on education in the current Congress, House Ways and Means Chairman Bill Archer plans to announce today that he will include a \$1.4 billion provision to assist school construction in the tax bill he writes this year.

Archer's plan is smaller than the nearly \$4 billion school-construction program included in Clinton's fiscal 2000 federal budget proposal sent to Congress this week. But GOP tax-bill writers say Archer's proposal would make the tax break permanent, while Clinton's program would have to be renewed after two years.

"This is the first concrete step in moving forward on our education agenda," Ways and Means spokesman Ari Fleischer said.

Congressional Republicans blocked a Clinton school-construction



1996 AP file photo by Greg Gibson

Archer: Plan is smaller than President Clinton's but would be permanent.

proposal at the end of the last Congress, and the president renewed his proposal in his State of the Union speech last month and in his budget

plan. Mindful of polls showing high public concern about education, GOP congressional leaders have said they will act on a variety of education bills this year.

The proposal by Archer, R-Texas, is intended to help local school districts that issue tax-exempt bonds to finance construction or renovation of school buildings.

Archer would change the law as it governs the bond proceeds and increase the amount of money that the bonds actually produce for school construction. Many state and local governments now issue tax-exempt bonds to finance school construction. Because interest on the bonds is exempt from federal income tax, the school districts or other local governments can pay lower rates of interest.

One of the proposed changes would give governments more time to spend the bond proceeds: four years instead of two. Another would ease requirements that they repay

the federal government for money earned investing the bond proceeds while waiting for construction to begin.

Republicans say that Archer's proposal would apply to all public school districts around the country, but Clinton's would target urban schools primarily.

Democrats say the proposal, which Archer offered in similar form last year, doesn't provide enough help for schools and tends to help wealthier school districts. "The president very much wanted to see school construction come out of Congress last year, but they resisted, and he's willing to work with them this year," White House spokesman Jake Siewert said.

The proposal is the first specific tax break that Archer has committed to include in the tax-cut bill he plans to propose this spring. He will present that bill to his committee, which will use it as a starting point in writing its broader tax cut bill.

GOP senators show more hesitation over witnesses

Today's debate: Whether to release tapes

By Kathy Kiely, Tom Squitieri and Judy Keen
USA TODAY

WASHINGTON — The Senate resumes President Clinton's impeachment trial today and faces crucial decisions that could determine how much longer the trial lasts and whether a condemnation accompanies Clinton's expected acquittal.

For the first time, there are signs that the Senate's Republican majority may be preparing to rein in House GOP prosecutors in the interests of bringing the nearly month-long trial to a close next week.

Members of the prosecution team are openly discouraged about prospects for winning Senate approval to call former intern Monica Lewinsky, Clinton friend Vernon Jordan and presidential aide Sidney Blumenthal to testify in person.

But, at a two-hour strategy meeting Wednesday afternoon, the prosecutors decided to press the request even though three days of closed-door interviews with the three witnesses produced "no bombshells," according to the chief prosecutor, Rep. Henry Hyde, R-Ill.

Aides to Republican Senate leaders predicted privately that the House prosecutors would lose a vote to call witnesses. "We face enormous hurdles," Rep. Asa Hutchinson, R-Ark., acknowledged.

Before voting on witnesses, however, the senators are to decide whether to make public this week's interviews with Lewinsky, Jordan and Blumenthal. That debate could take up most of today's session, scheduled to begin at 1 p.m. ET after a one-week recess.

Among the issues the senators must consider: Whether to release parts or all of the interviews and whether to release the videotapes or only printed transcripts.

Hyde said he will ask that the tapes be played on the Senate floor if he is not permitted to call witnesses. But some Senate leadership aides expressed doubt that senators, many of whom have viewed the videotapes privately, would be willing to sit through another screening.

In response to a request by the House prosecutors, Senate GOP lead-

ers did send a letter Wednesday to Clinton urging him to grant the prosecutors a sworn interview before the trial is over. "Personal answers from you should prove beneficial in our efforts to reconcile conflicting testimony," said the letter, which was signed by 28 Republican senators.

The president will not accept the invitation, White House press secretary Joe Lockhart reiterated. "I think we've made it very clear the president has testified," he said. "The time is now to find a way to bring this to an end, not to extend it."

Republicans are still wrestling with a proposed "finding of fact" resolution that some of them would like to offer next week, before the Senate begins deliberating on a verdict in the impeachment trial.

The motion would allow the senators, by a simple majority vote, to declare that Clinton lied under oath and obstructed justice in an effort to conceal his affair with Lewinsky. Democrats warned Wednesday they would put up a major floor fight to defeat the finding of fact motion. In an apparent effort to persuade Republicans to call off their efforts to condemn the president formally, Lockhart pledged not to take political advantage of an acquittal vote.

"I now declare, in a post-impeachment era, this a goat-free zone," Lockhart said.

A vote on the findings of fact motion, if Republicans decide to offer one, likely could come next week after closing arguments from House prosecutors and the White House. John Czwartacki, spokesman for Senate Majority Leader Trent Lott, told reporters those closing arguments could begin Saturday.

Lott believes the impeachment trial can be concluded by the end of next week, Czwartacki said.

House prosecutors now are beginning to acknowledge the inevitable.

"It does not appear we have 67 senators to vote for (the articles)," Rep. Steve Chabot, R-Ohio, said.

"We've gone this far," he said, "we're going to see it to the end."

House prosecutors questioned Blumenthal for about 2½ hours Wednesday. They were trying to substantiate a theory that White House aides operated a political attack machine that aimed to protect the president against allegations of marital infidelity by attacking the credibility of his accusers.

Rep. Lindsey Graham, R-S.C., one of Blumenthal's questioners, has for months publicly accused the White House of leaking information to the press designed to portray Lewinsky as a stalker.

According to a person familiar with Blumenthal's deposition, the White House aide acknowledged discussing how to handle the Lewinsky allegations with Clinton. But Blumenthal denied leaking any damaging information about Lewinsky or Kathleen Willey, a former White House aide who accused Clinton of making a pass at her.

As in the Lewinsky and Jordan de-

positions, White House lawyers chose not to question Blumenthal.

Throughout the day Wednesday, senators and their designated aides trickled into the five screening rooms set up for viewing the videotaped testimony given Monday by Lewinsky and Tuesday by Jordan.

"I watched it all," Sen. Tim Hutchinson, R-Ark., said. "That's important evidence. It's pointless if I don't watch it."

But Sen. Joe Lieberman, D-Conn., said he's developed a system that allows him to see only the good parts. An aide "goes over each morning, sees the whole thing and marks out the parts I should see," he said. "That allows me to fast-forward."

Contributing: Jessica Lee and Wendy Koch

Edue - School Construction

March 11, 1997

SCHOOL CONSTRUCTION AND THE DAVIS-BACON ACT

Question: Most analysts agree that the Davis-Bacon Act raises the costs of federally-assisted school construction projects. In a time of tight budgets when private construction costs are less than Federal construction, whatever its other merits may be, won't this proposal drive up school construction costs by imposing costly government mandates such as the Davis-Bacon? Doesn't it make sense to lower government costs by waiving the application of Davis-Bacon for school construction?

Answer: There is a long-standing disagreement on the cost implications of the application of the Davis-Bacon Act to federally-assisted construction projects. The Act merely requires contractors on Federally-assisted construction projects to pay their workers no less than the wage rates that prevail in the local area on the same type of construction. This Administration recognizes that for more than 60 years the Davis-Bacon Act has provided essential protections to workers. As the Department of Labor has noted in testimony, while payment of prevailing wages does not guarantee quality work, it certainly makes it more likely that the skilled workers necessary to produce such work can be attracted to Federally-financed construction.

Background: While the Administration has supported reform, arbitrary waivers (such as for school construction) of the Davis-Bacon Act amount to piecemeal repeal that would undermine the wages of working Americans. The law was established to ensure that the Federal government's purchasing power does not have the unintended consequence of depressing wages in the construction industry.

The Administration strongly supports Davis-Bacon reform and in 1994 introduced a reform bill that proposed raising the threshold of the Davis-Bacon Act from \$2,000 to \$100,000 for new construction and to \$50,000 for repairs as part of a larger effort to bring Federal procurement laws up to date. [NOTE: The Administration has not resubmitted its reform package and so far does not plan to.]

The goal of the Administration's effort to reform the Federal procurement process is not to substantially change the prevailing wage laws such as the Davis-Bacon Act but to update those laws to reduce the overhead costs associated with small contracts.