

108TH CONGRESS
1ST SESSION

S. 8

To encourage lifelong learning by investing in public schools and improving access to and affordability of higher education and job training.

IN THE SENATE OF THE UNITED STATES

JANUARY 7, 2003

Mr. DASCHLE (for himself, Mr. KENNEDY, Mrs. MURRAY, Ms. MIKULSKI, Mr. DODD, Mr. BREAUX, Mr. JOHNSON, Mr. LEAHY, Mr. ROCKEFELLER, Mr. LEVIN, Mr. DURBIN, Mr. SARBANES, Mrs. CLINTON, Mr. AKAKA, Mr. SCHUMER, Mr. BIDEN, Ms. STABENOW, Mr. CORZINE, Mr. DAYTON, Mr. LAUTENBERG, Mr. REID, and Mr. BAUCUS) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To encourage lifelong learning by investing in public schools and improving access to and affordability of higher education and job training.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Educational Excellence
5 for All Learners Act of 2003”.

6 **SEC. 2. TABLE OF CONTENTS.**

7 The table of contents for this Act is as follows:

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1 **TITLE I—FUNDING EDUCATION** 2 **REFORM**

3 **SEC. 101. SENSE OF THE SENATE.**

4 (a) FINDINGS.—The Senate finds the following:

5 (1) Congress enacted, with bipartisan support,
6 and the President signed into law the No Child Left
7 Behind Act of 2001, that reauthorized the Elemen-

1 tary and Secondary Education Act of 1965 (20
2 U.S.C. 6301 et seq.). The new law required States
3 to set high standards for learning and required
4 schools to implement reforms to help improve stu-
5 dent achievement. In return, Congress and the
6 President pledged to make sure schools would have
7 resources to carry out the reforms as called for in
8 the new law.

9 (2) \$9,000,000,000 in additional resources are
10 needed to fully fund the Elementary and Secondary
11 Education Act of 1965 (20 U.S.C. 6301 et seq.) in
12 fiscal year 2003.

13 (3) The Administration's budget request for fis-
14 cal year 2003 cut funding for programs in the Ele-
15 mentary and Secondary Education Act of 1965 (20
16 U.S.C. 6301 et seq.) by \$90,000,000, meaning
17 schools would have fewer resources to implement the
18 new law.

19 (4) The Administration's budget request for fis-
20 cal year 2003 provides insufficient resources to help
21 communities modernize schools and address over-
22 crowding.

23 (5) Because of declining revenues due to the
24 economic recession and stock market declines, many

1 States are being forced to cut back support for pub-
 2 lic schools.

3 (b) SENSE OF THE SENATE.—It is the sense of the
 4 Senate that—

5 (1) it is in the best interest of the Nation that
 6 all students have access to a high quality elementary
 7 and secondary education; and

8 (2) the No Child Left Behind Act of 2001
 9 should be fully funded.

10 **Subtitle A—Elementary and** 11 **Secondary Education Act of 1965**

12 **SEC. 111. INCREASE IN AUTHORIZATION.**

13 The Elementary and Secondary Education Act of
 14 1965 (20 U.S.C. 6301 et seq.) is amended—

15 (1) in section 1002—

16 (A) in subsection (a), by striking para-
 17 graphs (3) through (6) and inserting the fol-
 18 lowing:

19 “(3) \$18,500,000,000 for fiscal year 2004;

20 “(4) \$21,612,000,000 for fiscal year 2005;

21 “(5) \$24,724,000,000 for fiscal year 2006;

22 “(6) \$27,837,000,000 for fiscal year 2007;

23 “(7) \$30,949,000,000 for fiscal year 2008;

24 “(8) \$34,061,000,000 for fiscal year 2009;

25 “(9) \$37,173,000,000 for fiscal year 2010;

1 “(10) \$40,286,000,000 for fiscal year 2011;

2 “(11) \$43,398,000,000 for fiscal year 2012;

3 and

4 “(12) \$46,510,000,000 for fiscal year 2013.”;

5 and

6 (B) in subsection (c), by striking “2002
7 and such sums as may be necessary for each of
8 the 5 succeeding fiscal years” and inserting
9 “2002, such sums as may be necessary for fis-
10 cal year 2003, \$500,000,000 for fiscal year
11 2004, and such sums as may be necessary for
12 each succeeding fiscal year”;

13 (2) in section 1705, by adding at the end the
14 following:

15 “(g) AUTHORIZATION OF APPROPRIATIONS.—There
16 are authorized to be appropriated to carry out this section
17 \$44,000,000 for fiscal year 2004, and such sums as may
18 be necessary for each succeeding fiscal year.”;

19 (3) in section 1803, by striking “2002 and such
20 sums as may be necessary for each of the 5 suc-
21 ceeding fiscal years,” and inserting “2002, such
22 sums as may be necessary for fiscal year 2003,
23 \$125,000,000 for fiscal year 2004, and such sums
24 as may be necessary for each succeeding fiscal
25 year,”;

1 (4) by striking section 2103(a) and inserting
2 the following:

3 “(a) GRANTS TO STATES, LOCAL EDUCATION AGEN-
4 CIES, AND ELIGIBLE PARTNERSHIPS.—There are author-
5 ized to be appropriated to carry out this part (other than
6 subpart 5) \$3,175,000,000 for fiscal year 2002, such
7 sums as may be necessary for fiscal year 2003,
8 \$3,500,000,000 for fiscal year 2004, and such sums as
9 may be necessary for each succeeding fiscal year.”;

10 (5) by striking section 3001(a)(1) and inserting
11 the following:

12 “(1) IN GENERAL.—Subject to subsection (b),
13 there are authorized to be appropriated to carry out
14 this title, except for subpart 4 of part B,
15 \$750,000,000 for fiscal year 2002, such sums as
16 may be necessary for fiscal year 2003,
17 \$1,200,000,000 for fiscal year 2004, and such sums
18 as may be necessary for each succeeding fiscal
19 year.”;

20 (6) by striking section 4003 and inserting the
21 following:

22 **“SEC. 4003. AUTHORIZATION OF APPROPRIATIONS.**

23 “There are authorized to be appropriated—

24 “(1) \$650,000,000 for fiscal year 2002, such
25 sums as may be necessary for fiscal year 2003,

1 \$700,000,000 for fiscal year 2004, and such sums
 2 as may be necessary for each succeeding fiscal year,
 3 for State grants under subpart 1; and

4 “(2) such sums as may be necessary for fiscal
 5 years 2002 and 2003, \$225,000,000 for fiscal year
 6 2004, and such sums as may be necessary for each
 7 succeeding fiscal year, for national programs under
 8 subpart 2.”;

9 (7) by striking section 4206 and inserting the
 10 following:

11 **“SEC. 4206. AUTHORIZATION OF APPROPRIATIONS.**

12 “There are authorized to be appropriated
 13 \$1,250,000,000 for fiscal year 2002, \$1,500,000,000 for
 14 fiscal year 2003, \$2,000,000,000 for fiscal year 2004, and
 15 such sums as may be necessary for each succeeding fiscal
 16 year.”; and

17 (8) in section 6234, by striking “2002 and such
 18 sums as may be necessary for each of the 5 suc-
 19 ceeding fiscal years,” and inserting “2002, such
 20 sums as may be necessary for fiscal year 2003,
 21 \$300,000,000 for fiscal year 2004, and such sums
 22 as may be necessary for each succeeding fiscal
 23 year,”.

Subtitle B—Individuals With Disabilities Education Act

SEC. 121. HELPING CHILDREN SUCCEED BY FULLY FUND- ING PART B OF THE INDIVIDUALS WITH DIS- ABILITIES EDUCATION ACT.

(a) FINDINGS.—Congress makes the following find-
ings:

(1) All children deserve a quality education.

(2) In *Pennsylvania Association for Retarded
Children v. Commonwealth of Pennsylvania* (334 F.
Supp. 1247) (E. Dist. Pa. 1971), and *Mills v. Board
of Education of the District of Columbia* (348 F.
Supp. 866) (Dist. D.C. 1972), the courts found that
children with disabilities are entitled to an equal op-
portunity to an education under the 14th amend-
ment to the Constitution.

(3) In 1975, Congress passed what is now
known as the Individuals with Disabilities Education
Act (referred to in this section as “IDEA”) (20
U.S.C. 1400 et seq.) to help States provide all chil-
dren with disabilities a free, appropriate public edu-
cation in the least restrictive environment. At full
funding, Congress contributes 40 percent of the ex-
cess cost of educating children with disabilities.

1 (4) Before 1975, only $\frac{1}{5}$ of the children with
2 disabilities received a formal education. At that time,
3 many States had laws that specifically excluded
4 many children with disabilities, including children
5 who were blind, deaf, or emotionally disturbed, from
6 receiving such an education.

7 (5) IDEA currently serves an estimated
8 200,000 infants and toddlers, 600,000 preschoolers,
9 and 5,400,000 children 6 to 21 years of age, and
10 their families.

11 (6) IDEA enables children with disabilities to
12 be educated in their communities, and thus, has as-
13 sisted in dramatically reducing the number of chil-
14 dren with disabilities who must live in State institu-
15 tions away from their families.

16 (7) The number of children with disabilities
17 who complete high school has grown significantly
18 since the enactment of IDEA.

19 (8) The number of children with disabilities
20 who enroll in college as freshmen has more than tri-
21 pled since the enactment of IDEA.

22 (9) The overall effectiveness of IDEA depends
23 upon well-trained special education and general edu-
24 cation teachers, related services personnel, and other
25 school personnel. Congress recognizes concerns

1 about the nationwide shortage of personnel serving
2 students with disabilities and the need for improve-
3 ment in the qualifications of such personnel.

4 (10) IDEA has raised the Nation's awareness
5 about the abilities and capabilities of children with
6 disabilities.

7 (11) Improvements to IDEA in the 1997
8 amendments increased the academic achievement of
9 children with disabilities and helped them to lead
10 productive, independent lives.

11 (12) Changes made in 1997 also addressed the
12 needs of those children whose behavior impedes
13 learning by implementing behavioral assessments
14 and intervention strategies to ensure that they re-
15 ceive appropriate supports in order to receive a qual-
16 ity education.

17 (13) IDEA requires a full partnership between
18 parents of children with disabilities and education
19 professionals in the design and implementation of
20 the educational services provided to children with
21 disabilities.

22 (14) While the Federal Government has more
23 than doubled funding for part B of IDEA since
24 1995, the Federal Government has never provided

1 more than 16 percent of the maximum State grant
2 allocation for educating children with disabilities.

3 (15) By fully funding part B of IDEA, Con-
4 gress will strengthen the ability of States and local-
5 ities to implement the requirements of IDEA.

6 (b) FUNDING.—Section 611(j) of the Individuals with
7 Disabilities Education Act (20 U.S.C. 1411(j)) is amended
8 to read as follows:

9 “(j) FUNDING.—For the purpose of carrying out this
10 part, other than section 619, there are authorized to be
11 appropriated—

12 “(1) \$11,029,000,000 for fiscal year 2004, and,
13 there are hereby appropriated \$2,500,000,000 for
14 fiscal year 2004, which shall become available for
15 obligation on July 1, 2004, and shall remain avail-
16 able through September 30, 2005;

17 “(2) \$13,529,000,000 for fiscal year 2005, and,
18 there are hereby appropriated \$5,000,000,000 for
19 fiscal year 2005, which shall become available for
20 obligation on July 1, 2005, and shall remain avail-
21 able through September 30, 2006;

22 “(3) \$16,029,000,000 for fiscal year 2006, and,
23 there are hereby appropriated \$7,500,000,000 for
24 fiscal year 2006, which shall become available for

1 obligation on July 1, 2006, and shall remain avail-
2 able through September 30, 2007;

3 “(4) \$18,529,000,000 for fiscal year 2007, and,
4 there are hereby appropriated \$10,000,000,000 for
5 fiscal year 2007, which shall become available for
6 obligation on July 1, 2007, and shall remain avail-
7 able through September 30, 2008;

8 “(5) \$21,029,000,000 for fiscal year 2008, and,
9 there are hereby appropriated \$12,500,000,000 for
10 fiscal year 2008, which shall become available for
11 obligation on July 1, 2008, and shall remain avail-
12 able through September 30, 2009;

13 “(6) \$23,192,000,000, or the sum of the max-
14 imum amounts of grants that all States may receive
15 under subsection (a)(2), whichever is lower, for fiscal
16 year 2009, and there are hereby appropriated
17 \$14,663,000,000 for fiscal year 2009, which shall
18 become available for obligation on July 1, 2009, and
19 shall remain available through September 30, 2010,
20 except that if such sum is less than
21 \$23,192,000,000, then the amount appropriated
22 under this paragraph shall be reduced by the dif-
23 ference between \$23,192,000,000 and such sum;

24 “(7) \$23,845,000,000, or the sum of the max-
25 imum amount of grants that all States may receive

1 under subsection (a)(2), whichever is lower, for fiscal
2 year 2010, and there are hereby appropriated
3 \$15,317,000,000 for fiscal year 2010, which shall
4 become available for obligation on July 1, 2010, and
5 shall remain available through September 30, 2011,
6 except that if such sum is less than
7 \$23,845,000,000, then the amount appropriated
8 under this paragraph shall be reduced by the dif-
9 ference between \$23,845,000,000 and such sum;

10 “(8) \$24,483,000,000, or the sum of the max-
11 imum amount of grants that all States may receive
12 under subsection (a)(2), whichever is lower, for fiscal
13 year 2011, and there are hereby appropriated
14 \$15,955,000,000 for fiscal year 2011, which shall
15 become available for obligation on July 1, 2011, and
16 shall remain available through September 30, 2012,
17 except that if such sum is less than
18 \$24,483,000,000, then the amount appropriated
19 under this paragraph shall be reduced by the dif-
20 ference between \$24,483,000,000 and such sum;

21 “(9) \$25,125,000,000, or the sum of the max-
22 imum amount of grants that all States may receive
23 under subsection (a)(2), whichever is lower, for fiscal
24 year 2012, and there are hereby appropriated
25 \$16,596,000,000 for fiscal year 2012, which shall

1 become available for obligation on July 1, 2012, and
 2 shall remain available through September 30, 2013,
 3 except that if such sum is less than
 4 \$25,125,000,000, then the amount appropriated
 5 under this paragraph shall be reduced by the dif-
 6 ference between \$25,125,000,000 and such sum;

7 “(10) \$25,758,000,000, or the sum of the max-
 8 imum amount of grants that all States may receive
 9 under subsection (a)(2), whichever is lower, for fiscal
 10 year 2013, and there are hereby appropriated
 11 \$17,229,000,000 for fiscal year 2013, which shall
 12 become available for obligation on July 1, 2013, and
 13 shall remain available through September 30, 2014,
 14 except that if such sum is less than
 15 \$25,758,000,000, then the amount appropriated
 16 under this paragraph shall be reduced by the dif-
 17 ference between \$25,758,000,000 and such sum; and

18 “(11) such sums as may be necessary for fiscal
 19 year 2014 and each subsequent fiscal year.”.

20 **Subtitle C—Educational Equity**

21 **SEC. 131. FINDINGS AND PURPOSES.**

22 (a) FINDINGS.—Congress finds the following:

23 (1) A high-quality, highly competitive education
 24 for all students is imperative for the economic
 25 growth and productivity of the United States, for its

1 effective national defense, and to achieve the histor-
 2 ical aspiration to be one Nation of equal citizens.
 3 It is therefore necessary and proper to overcome the
 4 nationwide phenomenon of State public school sys-
 5 tems that do not meet the requirements of section
 6 135(a), in which high-quality public schools typically
 7 serve high-income communities and poor-quality
 8 schools typically serve low-income, urban, rural, and
 9 minority communities.

10 (2) There exists in the States a significant edu-
 11 cational opportunity gap for low-income, urban,
 12 rural, and minority students characterized by the
 13 following:

14 (A) Continuing disparities within States in
 15 students' access to the fundamentals of edu-
 16 cational opportunity described in section 136.

17 (B) Highly differential educational expend-
 18 itures (adjusted for cost and need) among
 19 school districts within States.

20 (C) Radically differential educational
 21 achievement among students in school districts
 22 within States as measured by the following:

23 (i) Achievement in mathematics, read-
 24 ing or language arts, and science on State
 25 academic assessments required under sec-

tion 1111(b)(3) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311(b)(3)) and on the National Assessment of Educational Progress.

(ii) Advanced placement courses taken.

(iii) SAT and ACT test scores.

(iv) Dropout rates and graduation rates.

(v) College-going and college-completion rates.

(vi) Job placement and retention rates and indices of job quality.

(3) As a consequence of this educational opportunity gap, the quality of a child's education depends largely upon where the child's family can afford to live, and the detriments of lower quality education are imposed particularly on—

(A) children from low-income families;

(B) children living in urban and rural areas; and

(C) minority children.

(4) Since 1785, Congress, exercising the power to admit new States under section 3 of article IV of the Constitution (and previously, the Congress of the

1 Confederation of States under the Articles of Con-
2 federation), has imposed upon every State, as a fun-
3 damental condition of the State's admission, that
4 the State provide for the establishment and mainte-
5 nance of systems of public schools open to all chil-
6 dren in such State.

7 (5) Over the years since the landmark ruling in
8 *Brown v. Board of Education*, 347 U.S. 483, 493
9 (1954), when a unanimous Supreme Court held that
10 "the opportunity of an education..., where the
11 State has undertaken to provide it, is a right which
12 must be made available to all on equal terms",
13 courts in 44 States have heard challenges to the es-
14 tablishment, maintenance, and operation of State
15 public school systems that are separate and not edu-
16 cationally adequate.

17 (6) In 1970, the Presidential Commission on
18 School Finance found that significant disparities in
19 the distribution of educational resources existed
20 among school districts within States because the
21 States relied too significantly on local district financ-
22 ing for educational revenues, and that reforms in
23 systems of school financing would increase the Na-
24 tion's ability to serve the educational needs of all
25 children.

1 (7) In 1999, the National Research Council of
 2 the National Academy of Sciences published a report
 3 entitled “Making Money Matter, Financing Amer-
 4 ica’s Schools”, which found that the concept of fund-
 5 ing adequacy, which moves beyond the more tradi-
 6 tional concepts of finance equity to focus attention
 7 on the sufficiency of funding for desired educational
 8 outcomes, is an important step in developing a fair
 9 and productive educational system.

10 (8) In 2001, the Executive Order establishing
 11 the President’s Commission on Educational Re-
 12 source Equity declared, “A quality education is es-
 13 sential to the success of every child in the 21st cen-
 14 tury and to the continued strength and prosperity of
 15 our Nation. . . . [L]ong-standing gaps in access to
 16 educational resources exist, including disparities
 17 based on race and ethnicity.” (Exec. Order No.
 18 13190, 66 Fed. Reg. 5424 (2001)).

19 (9) According to the Secretary of Education, as
 20 stated in a letter (with enclosures) from the Sec-
 21 retary to States dated January 19, 2001—

22 (A) racial and ethnic minorities continue to
 23 suffer from lack of access to educational re-
 24 sources, including “experienced and qualified
 25 teachers, adequate facilities, and instructional

1 programs and support, including technology, as
 2 well as . . . the funding necessary to secure these
 3 resources”; and

4 (B) these inadequacies are “particularly
 5 acute in high-poverty schools, including urban
 6 schools, where many students of color are iso-
 7 lated and where the effect of the resource gaps
 8 may be cumulative. In other words, students
 9 who need the most may often receive the least,
 10 and these students often are students of color.”.

11 (10) In the amendments made by the No Child
 12 Left Behind Act of 2001, Congress—

13 (A)(i) required each State to establish
 14 standards and assessments in mathematics,
 15 reading or language arts, and science; and

16 (ii) required schools to ensure that all stu-
 17 dents are proficient in mathematics, reading or
 18 language arts, and science not later than 12
 19 years after the end of the 2001–2002 school
 20 year, and held schools accountable for the stu-
 21 dents’ progress; and

22 (B) required each State to describe how
 23 the State will help local educational agencies
 24 and schools to develop the capacity to improve
 25 student academic achievement.

1 (11) The standards and accountability move-
 2 ment will succeed only if, in addition to standards
 3 and accountability, all schools have access to the
 4 educational resources necessary to enable students to
 5 achieve.

6 (12) Raising standards without ensuring access
 7 to educational resources may in fact exacerbate
 8 achievement gaps and set children up for failure.

9 (13) According to the World Economic Forum's
 10 Global Competitiveness Report 2001–2002, the
 11 United States ranks last among developed countries
 12 in the difference in the quality of schools available
 13 to rich and poor children.

14 (14) The persistence of pervasive inadequacies
 15 in the quality of education provided by State public
 16 school systems effectively deprives millions of chil-
 17 dren throughout the United States of the oppor-
 18 tunity for an education adequate to enable the chil-
 19 dren to—

20 (A) acquire the knowledge and skills nec-
 21 essary for responsible citizenship in a diverse
 22 democracy, including the ability to participate
 23 fully in the political process through informed
 24 electoral choice;

1 (B) meet challenging student academic
2 achievement standards; and

3 (C) be able to compete and succeed in a
4 global economy.

5 (15) Each State government has ultimate au-
6 thority to determine every important aspect and pri-
7 ority of the public school system that provides ele-
8 mentary and secondary education to children in the
9 State, including whether students throughout the
10 State have access to the fundamentals of educational
11 opportunity described in section 136.

12 (16) Because a well-educated populace is crit-
13 ical to the Nation's political and economic well-being
14 and national security, the Federal Government has
15 a substantial interest in ensuring that States provide
16 a high-quality education by ensuring that all stu-
17 dents have access to the fundamentals of educational
18 opportunity described in section 136 to enable the
19 students to succeed academically and in life.

20 (b) PURPOSES.—The purposes of this subtitle are the
21 following:

22 (1) To further the goals of the Elementary and
23 Secondary Education Act of 1965 (20 U.S.C. 6301
24 et seq.) (as amended by the No Child Left Behind
25 Act of 2001), by holding States accountable for pro-

viding all students with access to the fundamentals of educational opportunity described in section 136.

(2) To ensure that all students in public elementary schools and secondary schools receive educational opportunities that enable such students to—

(A) acquire the knowledge and skills necessary for responsible citizenship in a diverse democracy, including the ability to participate fully in the political process through informed electoral choice;

(B) meet challenging student academic achievement standards; and

(C) be able to compete and succeed in a global economy.

(3) To end the pervasive pattern of States maintaining public school systems that do not meet the requirements of section 135(a).

CHAPTER 1—EDUCATIONAL OPPORTUNITY IN STATE PUBLIC SCHOOL SYSTEMS

Subchapter A—Access to Educational Opportunity

SEC. 135. STATE PUBLIC SCHOOL SYSTEMS.

(a) REQUIREMENTS.—Each State receiving Federal financial assistance for elementary or secondary education

1 shall ensure that the State's public school system provides
2 all students within the State with an education that en-
3 ables the students to acquire the knowledge and skills nec-
4 essary for responsible citizenship in a diverse democracy,
5 including the ability to participate fully in the political
6 process through informed electoral choice, to meet chal-
7 lenging student academic achievement standards, and to
8 be able to compete and succeed in a global economy,
9 through—

10 (1) the provision of fundamentals of educational
11 opportunity described in section 136, at adequate or
12 ideal levels as defined by the State under section
13 141(a)(1)(A) to students at each public elementary
14 school and secondary school in the State;

15 (2) the provision of educational services in
16 school districts that receive funds under part A of
17 title I of the Elementary and Secondary Education
18 Act of 1965 (20 U.S.C. 6311 et seq.) that are, taken
19 as a whole, at least comparable to educational serv-
20 ices provided in school districts not receiving such
21 funds; and

22 (3) compliance with any final Federal or State
23 court order in any matter concerning the adequacy
24 or equitableness of the State's public school system.

1 (b) DETERMINATIONS CONCERNING STATE PUBLIC
 2 SCHOOL SYSTEMS.—Not later than October 1 of each
 3 year, the Secretary shall determine whether each State
 4 maintains a public school system that meets the require-
 5 ments of subsection (a). The Secretary may make a deter-
 6 mination that a State public school system does not meet
 7 such requirements only after providing notice and an op-
 8 portunity for a hearing.

9 (c) PUBLICATION.—The Secretary shall publish and
 10 make available to the general public (including by means
 11 of the Internet) the determinations made under subsection
 12 (b).

13 **SEC. 136. FUNDAMENTALS OF EDUCATIONAL OPPOR-**
 14 **TUNITY.**

15 The fundamentals of educational opportunity are the
 16 following:

17 (1) HIGHLY QUALIFIED TEACHERS, PRIN-
 18 CIPALS, AND ACADEMIC SUPPORT PERSONNEL.—

19 (A) HIGHLY QUALIFIED TEACHERS.—In-
 20 struction from highly qualified teachers in core
 21 academic subjects.

22 (B) HIGHLY QUALIFIED PRINCIPALS.—
 23 Leadership, management, and guidance from
 24 principals who meet State certification stand-
 25 ards.

1 (C) HIGHLY QUALIFIED ACADEMIC SUP-
 2 PORT PERSONNEL.—Necessary additional aca-
 3 demic support in reading or language arts,
 4 mathematics, and other core academic subjects
 5 from personnel who meet applicable State
 6 standards.

7 (2) RIGOROUS ACADEMIC STANDARDS, CUR-
 8 RICULA, AND METHODS OF INSTRUCTION.—Rigorous
 9 academic standards, curricula, and methods of in-
 10 struction, as measured by the extent to which each
 11 school district succeeds in providing high-quality
 12 academic standards, curricula, and methods of in-
 13 struction to students in each public elementary
 14 school and secondary school within the district.

15 (3) SMALL CLASS SIZES.—Small class sizes, as
 16 measured by—

17 (A) the average class size and the range of
 18 class sizes; and

19 (B) the percentage of classes with 17 or
 20 fewer students.

21 (4) TEXTBOOKS, INSTRUCTIONAL MATERIALS,
 22 AND SUPPLIES.—Textbooks, instructional materials,
 23 and supplies, as measured by—

1 (A) the average age and quality of text-
 2 books, instructional materials, and supplies
 3 used in core academic subjects; and

4 (B) the percentage of students who begin
 5 the school year with school-issued textbooks, in-
 6 structional materials, and supplies.

7 (5) LIBRARY RESOURCES.—Library resources,
 8 as measured by—

9 (A) the size and qualifications of the li-
 10 brary's staff, including whether the library is
 11 staffed by a full-time librarian certified under
 12 applicable State standards;

13 (B) the size (relative to the number of stu-
 14 dents) and quality (including age) of the li-
 15 brary's collection of books and periodicals; and

16 (C) the library's hours of operation.

17 (6) SCHOOL FACILITIES AND COMPUTER TECH-
 18 NOLOGY.—

19 (A) QUALITY SCHOOL FACILITIES.—Qual-
 20 ity school facilities, as measured by—

21 (i) the physical condition of school
 22 buildings and major school building fea-
 23 tures;

24 (ii) environmental conditions in school
 25 buildings; and

1 (iii) the quality of instructional space.

2 (B) COMPUTER TECHNOLOGY.—Computer
3 technology, as measured by—

4 (i) the ratio of computers to students;

5 (ii) the quality of computers and soft-
6 ware available to students;

7 (iii) Internet access;

8 (iv) the quality of system maintenance
9 and technical assistance for the computers;
10 and

11 (v) the number of computer labora-
12 tory courses taught by qualified computer
13 instructors.

14 (7) QUALITY GUIDANCE COUNSELING.—Quali-
15 fied guidance counselors, as measured by the ratio
16 of students to qualified guidance counselors who
17 have been certified under an applicable State or na-
18 tional program.

19 **Subchapter B—State Accountability**

20 **SEC. 141. STATE ACCOUNTABILITY PLAN.**

21 (a) GENERAL PLAN.—

22 (1) CONTENTS.—Each State receiving Federal
23 financial assistance for elementary and secondary
24 education shall annually submit to the Secretary a
25 plan, developed by the State educational agency, in

1 consultation with local educational agencies, teach-
2 ers, principals, pupil services personnel, administra-
3 tors, other staff, and parents, that contains the fol-
4 lowing:

5 (A) A description of 2 levels of high access
6 (adequate and ideal) to each of the fundamen-
7 tals of educational opportunity described in sec-
8 tion 136 that measure how well the State,
9 through school districts, public elementary
10 schools, and public secondary schools, is achiev-
11 ing the purposes of this subtitle by providing
12 children with the resources they need to succeed
13 academically and in life.

14 (B) A description of a third level of access
15 (basic) to each of the fundamentals of edu-
16 cational opportunity described in section 136
17 that measures how well the State, through
18 school districts, public elementary schools, and
19 public secondary schools, is achieving the pur-
20 poses of this subtitle by providing children with
21 the resources they need to succeed academically
22 and in life.

23 (C) A description of the level of access of
24 each school district, public elementary school,
25 and public secondary school in the State to each

1 of the fundamentals of educational opportunity
2 described in section 136, including identifica-
3 tion of any such schools that lack high access
4 (as described in subparagraph (A)) to any of
5 the fundamentals.

6 (D) An estimate of the additional cost, if
7 any, of ensuring that the system meets the re-
8 quirements of section 135(a).

9 (E) Information stating the percentage of
10 students in each school district, public elemen-
11 tary school, and public secondary school in the
12 State that are proficient in mathematics, read-
13 ing or language arts, and science, as measured
14 through assessments administered as described
15 in section 1111(b)(3)(C)(v) of the Elementary
16 and Secondary Education Act of 1965 (20
17 U.S.C. 6311(b)(3)(C)(v)).

18 (F) Information stating whether each
19 school district, public elementary school, and
20 public secondary school in the State is making
21 adequate yearly progress, as defined under sec-
22 tion 1111(b)(2) of the Elementary and Sec-
23 ondary Education Act of 1965 (20 U.S.C.
24 6311(b)(2)).

(G)(i) For each school district, public elementary school, and public secondary school in the State, information stating—

(I) the number and percentage of children counted under section 1124(c) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6333(c)); and

(II) the number and percentage of students described in section 1111(b)(3)(C)(xiii) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311(b)(3)(C)(xiii)).

(ii) For each such school district, information stating whether the district is an urban, mixed, or rural district (as defined by the National Center for Education Statistics).

(2) LEVELS OF ACCESS.—For purposes of the plan submitted under paragraph (1)—

(A) in defining basic, adequate, and ideal levels of access to each of the fundamentals of educational opportunity, each State shall consider, in addition to the factors described in section 136, the access available to students in the highest achieving decile of public elementary schools and secondary schools, the unique needs

of low-income, urban and rural, and minority students, and other educationally appropriate factors; and

(B) the levels of access described in subparagraphs (A) and (B) of paragraph (1) shall be aligned with the challenging academic content standards, challenging student academic achievement standards, and high-quality academic assessments required under the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.).

(3) INFORMATION.—The State shall annually disseminate to parents, in an understandable and uniform format, the descriptions, estimate, and information described in paragraph (1).

(b) ACCOUNTABILITY AND REMEDIATION.—

(1) ACCOUNTABILITY.—If the Secretary determines under section 135(b) that a State maintains a public school system that fails to meet the requirements of section 135(a)(1), the plan submitted under subsection (a)(1) shall—

(A) demonstrate that the State has developed and is implementing a single, statewide State accountability system that will be effective in ensuring that the State makes adequate

yearly progress under this subtitle (as defined by the State in a manner that annually reduces the number of public elementary schools and secondary schools in the State without high access (as described in subsection (a)(1)(A)) to each of the fundamentals of educational opportunity described in section 136);

(B) demonstrate, based on the levels of access described in paragraph (1) what constitutes adequate yearly progress of the State under this subtitle toward providing all students with high access to the fundamentals of educational opportunity described in section 136; and

(C) ensure—

(i) the establishment of a timeline for that adequate yearly progress that includes interim yearly goals for the reduction of the number of public elementary schools and secondary schools in the State without high access to each of the fundamentals of educational opportunity described in section 136; and

(ii) that not later than 12 years after the end of the 2001–2002 school year,

1 each public elementary or secondary school
 2 in the State shall have high access to each
 3 of the fundamentals of educational oppor-
 4 tunity described in section 136.

5 (2) REMEDIATION.—If the Secretary deter-
 6 mines under section 135(b) that a State maintains
 7 a public school system that fails to meet the require-
 8 ments of section 135(a)(2), not later than 1 year
 9 after the Secretary makes the determination, the
 10 State shall include in the plan submitted under sub-
 11 section (a)(1) a strategy to remediate the conditions
 12 that caused the Secretary to make such determina-
 13 tion, not later than the end of the second school year
 14 beginning after submission of the plan.

15 (c) AMENDMENTS.—A State may amend the plan
 16 submitted under subsection (a)(1) to improve the plan or
 17 to take into account significantly changed circumstances.

18 (d) DISAPPROVAL.—The Secretary may disapprove
 19 the plan submitted under subsection (a)(1) (or an amend-
 20 ment to such a plan) if the Secretary determines, after
 21 notice and opportunity for hearing, that the plan (or
 22 amendment) is inadequate to meet the requirements de-
 23 scribed in subsections (a) and (b).

24 (e) WAIVER.—

1 (1) IN GENERAL.—A State may request, and
 2 the Secretary may grant, a waiver of the require-
 3 ments of subsections (a) and (b) for 1 year for ex-
 4 ceptional circumstances, such as a precipitous de-
 5 crease in State revenues, or another circumstance
 6 that the Secretary determines to be exceptional, that
 7 prevents a State from complying with the require-
 8 ments of subsections (a) and (b).

9 (2) CONTENTS OF WAIVER REQUEST.—A State
 10 that requests a waiver under paragraph (1) shall in-
 11 clude in the request—

12 (A) a description of the exceptional cir-
 13 cumstance that prevents the State from com-
 14 plying with the requirements of subsections (a)
 15 and (b); and

16 (B) a plan that details the manner in
 17 which the State will comply with such require-
 18 ments by the end of the waiver period.

19 **SEC. 142. CONSEQUENCES OF FAILURE TO MEET REQUIRE-**
 20 **MENTS.**

21 (a) INTERIM YEARLY GOALS.—

22 (1) IN GENERAL.—For a fiscal year and a
 23 State described in section 141(b)(1), the Secretary
 24 shall withhold from the State 2.75 percent of funds
 25 otherwise available to the State for the administra-

1 tion of Federal elementary and secondary education
2 programs, for each covered goal that the Secretary
3 determines the State is not meeting during that
4 year.

5 (2) DEFINITION.—In this subsection, the term
6 “covered goal”, used with respect to a fiscal year,
7 means an interim yearly goal described in section
8 141(b)(1)(C)(i) that is applicable to that year or a
9 prior fiscal year.

10 (b) CONSEQUENCES OF NONREMEDATION.—Not-
11 withstanding any other provision of law, if the Secretary
12 determines that a State required to include a strategy
13 under section 141(b)(2) continues to maintain a public
14 school system that does not meet the requirements of sec-
15 tion 135(a)(2) at the end of the second school year de-
16 scribed in section 141(b)(2), the Secretary shall withhold
17 from the State not more than 33 $\frac{1}{3}$ percent of funds other-
18 wise available to the State for the administration of Fed-
19 eral elementary and secondary education programs until
20 the Secretary determines that the State maintains a public
21 school system that meets the requirements of section
22 135(a)(2).

23 (c) CONSEQUENCES OF NONCOMPLIANCE WITH
24 COURT ORDERS.—If the Secretary determines under sec-
25 tion 135(b) that a State maintains a public school system

1 that fails to meet the requirements of section 135(a)(3),
 2 the Secretary shall withhold from the State not more than
 3 33 $\frac{1}{3}$ percent of funds otherwise available to the State for
 4 the administration of Federal elementary and secondary
 5 education programs.

6 (d) DISPOSITION OF FUNDS WITHHELD.—

7 (1) DETERMINATION.—Not later than 1 year
 8 after the Secretary withholds funds from a State
 9 under this section, the Secretary shall determine
 10 whether the State has corrected the condition that
 11 led to the withholding.

12 (2) DISPOSITION.—

13 (A) CORRECTION.—If the Secretary deter-
 14 mines under paragraph (1), that the State has
 15 corrected the condition that led to the with-
 16 holding, the Secretary shall make the withheld
 17 funds available to the State to use for the origi-
 18 nal purpose of the funds during 1 or more fiscal
 19 years specified by the Secretary.

20 (B) NONCORRECTION.—If the Secretary
 21 determines under paragraph (1), that the State
 22 has not corrected the condition that led to the
 23 withholding, the Secretary shall allocate the
 24 withheld funds to public school districts, public
 25 elementary schools, or public secondary schools

in the State that are most adversely affected by the condition that led to the withholding, to enable the districts or schools to correct the condition during 1 or more fiscal years specified by the Secretary.

(3) AVAILABILITY.—Amounts made available or allocated under subparagraph (A) or (B) of paragraph (2) shall remain available during the fiscal years specified by the Secretary under that subparagraph.

Subchapter C—Report to Congress and the Public

SEC. 151. ANNUAL REPORT ON STATE PUBLIC SCHOOL SYSTEMS.

(a) ANNUAL REPORT TO CONGRESS.—Not later than October 1 of each year, beginning the year after completion of the first full school year after the date of enactment of this subtitle, the Secretary shall submit to Congress a report that includes a full and complete analysis of the public school system of each State.

(b) CONTENTS OF REPORT.—The analysis conducted under subsection (a) shall include the following:

(1) PUBLIC SCHOOL SYSTEM INFORMATION.—

The following information related to the public school system of each State:

1 (A) The number of school districts, public
 2 elementary schools, public secondary schools,
 3 and students in the system.

4 (B)(i) For each such school district and
 5 school—

6 (I) information stating the number
 7 and percentage of children counted under
 8 section 1124(c) of the Elementary and
 9 Secondary Education Act of 1965 (20
 10 U.S.C. 6333(c)); and

11 (II) the number and percentage of
 12 students, disaggregated by groups de-
 13 scribed in section 1111(b)(3)(C)(xiii) of
 14 the Elementary and Secondary Education
 15 Act of 1965 (20 U.S.C.
 16 6311(b)(3)(C)(xiii)).

17 (ii) For each such district, information
 18 stating whether the district is an urban, mixed,
 19 or rural district (as defined by the National
 20 Center for Education Statistics).

21 (C) The average per-pupil expenditure
 22 (both in actual dollars and adjusted for cost
 23 and need) for the State and for each school dis-
 24 trict in the State.

(D) Each school district's decile ranking as measured by achievement in mathematics, reading or language arts, and science on State academic assessments required under section 1111(b)(3) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311(b)(3)) and on the National Assessment of Educational Progress.

(E) For each school district, public elementary school, and public secondary school—

(i) the level of access (as described in section 141(a)(1)) to each of the fundamentals of educational opportunity described in section 136;

(ii) the percentage of students that are proficient in mathematics, reading or language arts, and science, as measured through assessments administered as described in section 1111(b)(3)(C)(v) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311(b)(3)(C)(v)); and

(iii) whether the school district or school is making adequate yearly progress—

1 (I) as defined under section
 2 1111(b)(2) of the Elementary and
 3 Secondary Education Act of 1965 (20
 4 U.S.C. 6311(b)(2)); and

5 (II) as defined by the State
 6 under section 141(b)(1)(A).

7 (F) For each State, the number of public
 8 elementary schools and secondary schools that
 9 lack, and names of each such school that lacks,
 10 high access (as described in section
 11 141(a)(1)(A)) to any of the fundamentals of
 12 educational opportunity described in section
 13 136.

14 (G) For the year covered by the report, a
 15 summary of any changes in the data required
 16 in subparagraphs (A) through (F) for each of
 17 the preceding 3 years (which may be based on
 18 such data as are available, for the first 3 re-
 19 ports submitted under subsection (a)).

20 (H) Such other information as the Sec-
 21 retary considers useful and appropriate.

22 (2) STATE ACTIONS.—For each State that the
 23 Secretary determines under section 135(b) maintains
 24 a public school system that fails to meet the require-
 25 ments of section 135(a), a detailed description and

1 evaluation of the success of any actions taken by the
 2 State, and measures proposed to be taken by the
 3 State, to meet the requirements.

4 (3) STATE PLANS.—A copy of each State's
 5 most recent plan submitted under section 141(a)(1).

6 (4) RELATIONSHIP BETWEEN COMPLIANCE AND
 7 ACHIEVEMENT.—An analysis of the relationship be-
 8 tween meeting the requirements of section 135(a)
 9 and improving student academic achievement, as
 10 measured on State academic assessments required
 11 under section 1111(b)(3) of the Elementary and
 12 Secondary Education Act of 1965 (20 U.S.C.
 13 6311(b)(3)).

14 (c) SCOPE OF REPORT.—The report required under
 15 subsection (a) shall cover the school year ending in the
 16 calendar year in which the report is required to be sub-
 17 mitted.

18 (d) SUBMISSION OF DATA TO SECRETARY.—Each
 19 State receiving Federal financial assistance for elementary
 20 and secondary education shall submit to the Secretary, at
 21 such time and in such manner as the Secretary may rea-
 22 sonably require, such data as the Secretary determines to
 23 be necessary to make a determination under section
 24 135(b) and to submit the report under this section. Such
 25 data shall include the information used to measure the

1 State's success in providing the fundamentals of edu-
 2 cational opportunity described in section 136.

3 (e) FAILURE TO SUBMIT DATA.—If a State fails to
 4 submit the data that the Secretary determines to be nec-
 5 essary to make a determination under section 135(b) re-
 6 garding whether the State maintains a public school sys-
 7 tem that meets the requirements of section 135(a)—

8 (1) such State's public school system shall be
 9 deemed not to have met the applicable requirements
 10 until the State submits such data and the Secretary
 11 is able to make such determination under section
 12 135(b); and

13 (2) the Secretary shall provide, to the extent
 14 practicable, the analysis required in subsection (a)
 15 for the State based on the best data available to the
 16 Secretary.

17 (f) PUBLICATION.—The Secretary shall publish and
 18 make available to the general public (including by means
 19 of the Internet) the report required under subsection (a).

20 **Subchapter D—Remedy**

21 **SEC. 161. CIVIL ACTION FOR ENFORCEMENT.**

22 A student or parent of a student aggrieved by a viola-
 23 tion of this subtitle may bring a civil action against the
 24 appropriate official in an appropriate Federal district
 25 court seeking declaratory or injunctive relief to enforce the

1 requirements of this subtitle, together with reasonable at-
2 torney's fees and the costs of the action.

3 **CHAPTER 2—EFFECTS OF EDUCATIONAL**
4 **DISPARITIES ON ECONOMIC GROWTH**
5 **AND NATIONAL DEFENSE**

6 **SEC. 171. EFFECTS ON ECONOMIC GROWTH AND PRODUC-**
7 **TIVITY.**

8 (a) STUDY.—The Commissioner for Education Sta-
9 tistics, in consultation with the Secretary of Commerce,
10 Secretary of Labor, Secretary of the Treasury, and the
11 National Research Council of the National Academy of
12 Sciences, shall conduct a comprehensive study concerning
13 the effects on economic growth and productivity of ensur-
14 ing that each State public school system meets the require-
15 ments of section 135(a). Such study shall include assess-
16 ments of—

17 (1) the economic costs to the Nation resulting
18 from the maintenance by States of public school sys-
19 tems that do not meet the requirements of section
20 135(a);

21 (2) the economic gains to be expected from
22 States' compliance with the requirements of section
23 135(a); and

1 (3) the costs, if any, of ensuring that each
 2 State maintains a public school system that meets
 3 the requirements of section 135(a).

4 (b) REPORT TO CONGRESS.—Not later than 1 year
 5 after the date of enactment of this subtitle, the Commis-
 6 sioner for Education Statistics shall submit to Congress
 7 a final report detailing the results of the study required
 8 under subsection (a).

9 **SEC. 172. EFFECTS ON NATIONAL DEFENSE.**

10 (a) STUDY.—The Commissioner for Education Sta-
 11 tistics, in consultation with the Secretary of Defense, shall
 12 conduct a comprehensive study concerning the effects on
 13 national defense of ensuring that each State public school
 14 system meets the requirements of section 135(a). Such
 15 study shall include assessments of—

16 (1) the detriments to national defense resulting
 17 from the maintenance by States of public school sys-
 18 tems that do not meet the requirements of section
 19 135(a), including the effects on—

20 (A) knowledge and skills necessary for the
 21 effective functioning of the Armed Forces;

22 (B) the costs to the Armed Forces of
 23 training; and

1 (C) efficiency resulting from the use of so-
 2 phisticated equipment and information tech-
 3 nology; and

4 (2) the gains to national defense to be expected
 5 from ensuring that each State public school system
 6 meets the requirements of section 135(a).

7 (b) REPORT TO CONGRESS.—Not later than 1 year
 8 after the date of enactment of this subtitle, the Commis-
 9 sioner for Education Statistics shall submit to Congress
 10 a final report detailing the results of the study required
 11 under subsection (a).

12 **CHAPTER 3—GENERAL PROVISIONS**

13 **SEC. 181. DEFINITIONS.**

14 In this subtitle:

15 (1) REFERENCED TERMS.—The terms “elemen-
 16 tary school”, “secondary school”, “local educational
 17 agency”, “highly qualified”, “core academic sub-
 18 jects”, “parent”, and “average per-pupil expendi-
 19 ture” have the meanings given those terms in sec-
 20 tion 9101 of the Elementary and Secondary Edu-
 21 cation Act of 1965 (20 U.S.C. 7801).

22 (2) FEDERAL ELEMENTARY AND SECONDARY
 23 EDUCATION PROGRAMS.—The term “Federal ele-
 24 mentary and secondary education programs” means
 25 programs providing Federal financial assistance for

1 elementary or secondary education, other than pro-
2 grams under the following provisions of law:

3 (A) The Individuals with Disabilities Edu-
4 cation Act (20 U.S.C. 1400 et seq.).

5 (B) Title III of the Elementary and Sec-
6 ondary Education Act of 1965 (20 U.S.C. 6801
7 et seq.).

8 (C) The Richard B. Russell National
9 School Lunch Act (42 U.S.C. 1751 et seq.).

10 (D) The Child Nutrition Act of 1966 (42
11 U.S.C. 1771 et seq.).

12 (3) PUBLIC SCHOOL SYSTEM.—The term “pub-
13 lic school system” means a State’s system of public
14 elementary and secondary education.

15 (4) STATE.—The term “State” means each of
16 the several States, the District of Columbia, and the
17 Commonwealth of Puerto Rico.

18 **SEC. 182. RULEMAKING.**

19 The Secretary may prescribe regulations to carry out
20 this subtitle.

21 **SEC. 183. CONSTRUCTION.**

22 Nothing in this subtitle shall be construed to require
23 a jurisdiction to increase its property tax or other tax
24 rates or to redistribute revenues from such taxes.

TITLE II—MODERNIZING SCHOOL FACILITIES

SEC. 201. SHORT TITLE.

This title may be cited as the “America’s Better Classrooms Act of 2003”.

SEC. 202. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.

(a) IN GENERAL.—Chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subchapter:

“Subchapter Z—Public School Modernization Provisions

“Sec. 1400M. Credit to holders of qualified public school modernization bonds.

“Sec. 1400N. Qualified school construction bonds.

“Sec. 1400O. Qualified zone academy bonds.

“SEC. 1400M. CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.

“(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified public school modernization bond on a credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the sum of the credits determined under subsection (b) with respect to credit allowance dates during such year on which the taxpayer holds such bond.

“(b) AMOUNT OF CREDIT.—

1 “(1) IN GENERAL.—The amount of the credit
 2 determined under this subsection with respect to any
 3 credit allowance date for a qualified public school
 4 modernization bond is 25 percent of the annual
 5 credit determined with respect to such bond.

6 “(2) ANNUAL CREDIT.—The annual credit de-
 7 termined with respect to any qualified public school
 8 modernization bond is the product of—

9 “(A) the applicable credit rate, multiplied
 10 by

11 “(B) the outstanding face amount of the
 12 bond.

13 “(3) APPLICABLE CREDIT RATE.—For purposes
 14 of paragraph (2), the applicable credit rate with re-
 15 spect to an issue is the rate equal to an average
 16 market yield (as of the day before the date of
 17 issuance of the issue) on outstanding long-term cor-
 18 porate debt obligations (determined under regula-
 19 tions prescribed by the Secretary).

20 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
 21 DEMPTION.—In the case of a bond which is issued
 22 during the 3-month period ending on a credit allow-
 23 ance date, the amount of the credit determined
 24 under this subsection with respect to such credit al-
 25 lowance date shall be a ratable portion of the credit

1 otherwise determined based on the portion of the 3-
 2 month period during which the bond is outstanding.
 3 A similar rule shall apply when the bond is re-
 4 deemed.

5 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

6 “(1) IN GENERAL.—The credit allowed under
 7 subsection (a) for any taxable year shall not exceed
 8 the excess of—

9 “(A) the sum of the regular tax liability
 10 (as defined in section 26(b)) plus the tax im-
 11 posed by section 55, over

12 “(B) the sum of the credits allowable
 13 under part IV of subchapter A (other than sub-
 14 part C thereof, relating to refundable credits).

15 “(2) CARRYOVER OF UNUSED CREDIT.—If the
 16 credit allowable under subsection (a) exceeds the
 17 limitation imposed by paragraph (1) for such taxable
 18 year, such excess shall be carried to the succeeding
 19 taxable year and added to the credit allowable under
 20 subsection (a) for such taxable year.

21 “(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION
 22 BOND; CREDIT ALLOWANCE DATE.—For purposes of this
 23 section—

1 “(1) QUALIFIED PUBLIC SCHOOL MODERNIZA-
 2 TION BOND.—The term ‘qualified public school mod-
 3 ernization bond’ means—

4 “(A) a qualified zone academy bond, or

5 “(B) a qualified school construction bond.

6 “(2) CREDIT ALLOWANCE DATE.—The term
 7 ‘credit allowance date’ means—

8 “(A) March 15,

9 “(B) June 15,

10 “(C) September 15, and

11 “(D) December 15.

12 Such term includes the last day on which the bond
 13 is outstanding.

14 “(e) OTHER DEFINITIONS.—For purposes of this
 15 subchapter—

16 “(1) LOCAL EDUCATIONAL AGENCY.—The term
 17 ‘local educational agency’ has the meaning given to
 18 such term by section 14101 of the Elementary and
 19 Secondary Education Act of 1965. Such term in-
 20 cludes the local educational agency that serves the
 21 District of Columbia but does not include any other
 22 State agency.

23 “(2) BOND.—The term ‘bond’ includes any ob-
 24 ligation.

1 “(3) STATE.—The term ‘State’ includes the
2 District of Columbia and any possession of the
3 United States.

4 “(4) PUBLIC SCHOOL FACILITY.—The term
5 ‘public school facility’ shall not include—

6 “(A) any stadium or other facility pri-
7 marily used for athletic contests or exhibitions
8 or other events for which admission is charged
9 to the general public, or

10 “(B) any facility which is not owned by a
11 State or local government or any agency or in-
12 strumentality of a State or local government.

13 “(f) CREDIT INCLUDED IN GROSS INCOME.—Gross
14 income includes the amount of the credit allowed to the
15 taxpayer under this section (determined without regard to
16 subsection (c)) and the amount so included shall be treat-
17 ed as interest income.

18 “(g) BONDS HELD BY REGULATED INVESTMENT
19 COMPANIES.—If any qualified public school modernization
20 bond is held by a regulated investment company, the credit
21 determined under subsection (a) shall be allowed to share-
22 holders of such company under procedures prescribed by
23 the Secretary.

24 “(h) CREDITS MAY BE STRIPPED.—Under regula-
25 tions prescribed by the Secretary—

1 “(1) IN GENERAL.—There may be a separation
2 (including at issuance) of the ownership of a quali-
3 fied public school modernization bond and the enti-
4 tlement to the credit under this section with respect
5 to such bond. In case of any such separation, the
6 credit under this section shall be allowed to the per-
7 son who on the credit allowance date holds the in-
8 strument evidencing the entitlement to the credit
9 and not to the holder of the bond.

10 “(2) CERTAIN RULES TO APPLY.—In the case
11 of a separation described in paragraph (1), the rules
12 of section 1286 shall apply to the qualified public
13 school modernization bond as if it were a stripped
14 bond and to the credit under this section as if it
15 were a stripped coupon.

16 “(i) TREATMENT FOR ESTIMATED TAX PURPOSES.—
17 Solely for purposes of sections 6654 and 6655, the credit
18 allowed by this section to a taxpayer by reason of holding
19 a qualified public school modernization bond on a credit
20 allowance date shall be treated as if it were a payment
21 of estimated tax made by the taxpayer on such date.

22 “(j) CREDIT MAY BE TRANSFERRED.—Nothing in
23 any law or rule of law shall be construed to limit the trans-
24 ferability of the credit allowed by this section through sale
25 and repurchase agreements.

1 “(k) REPORTING.—Issuers of qualified public school
2 modernization bonds shall submit reports similar to the
3 reports required under section 149(e).

4 “(l) TERMINATION.—This section shall not apply to
5 any bond issued after September 30, 2008.

6 **“SEC. 1400N. QUALIFIED SCHOOL CONSTRUCTION BONDS.**

7 “(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—
8 For purposes of this subchapter, the term ‘qualified school
9 construction bond’ means any bond issued as part of an
10 issue if—

11 “(1) 95 percent or more of the proceeds of such
12 issue are to be used for the construction, rehabilita-
13 tion, or repair of a public school facility or for the
14 acquisition of land on which such a facility is to be
15 constructed with part of the proceeds of such issue,

16 “(2) the bond is issued by a State or local gov-
17 ernment within the jurisdiction of which such school
18 is located,

19 “(3) the issuer designates such bond for pur-
20 poses of this section, and

21 “(4) the term of each bond which is part of
22 such issue does not exceed 15 years.

23 “(b) LIMITATION ON AMOUNT OF BONDS DES-
24 IGNATED.—The maximum aggregate face amount of
25 bonds issued during any calendar year which may be des-

1 ignated under subsection (a) by any issuer shall not exceed
2 the sum of—

3 “(1) the limitation amount allocated under sub-
4 section (d) for such calendar year to such issuer,
5 and

6 “(2) if such issuer is a large local educational
7 agency (as defined in subsection (e)(4)) or is issuing
8 on behalf of such an agency, the limitation amount
9 allocated under subsection (e) for such calendar year
10 to such agency.

11 “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS
12 DESIGNATED.—There is a national qualified school con-
13 struction bond limitation for each calendar year. Such lim-
14 itation is—

15 “(1) \$11,000,000,000 for 2004,

16 “(2) \$11,000,000,000 for 2005, and

17 “(3) except as provided in subsection (f), zero
18 after 2005.

19 “(d) 60 PERCENT OF LIMITATION ALLOCATED
20 AMONG STATES.—

21 “(1) IN GENERAL.—60 percent of the limitation
22 applicable under subsection (c) for any calendar year
23 shall be allocated by the Secretary among the States
24 in proportion to the respective numbers of children
25 in each State who have attained age 5 but not age

1 18 for the most recent fiscal year ending before such
 2 calendar year. The limitation amount allocated to a
 3 State under the preceding sentence shall be allocated
 4 by the State to issuers within such State.

5 “(2) MINIMUM ALLOCATIONS TO STATES.—

6 “(A) IN GENERAL.—The Secretary shall
 7 adjust the allocations under this subsection for
 8 any calendar year for each State to the extent
 9 necessary to ensure that the sum of—

10 “(i) the amount allocated to such
 11 State under this subsection for such year,
 12 and

13 “(ii) the aggregate amounts allocated
 14 under subsection (e) to large local edu-
 15 cational agencies in such State for such
 16 year,

17 is not less than an amount equal to such
 18 State’s minimum percentage of the amount to
 19 be allocated under paragraph (1) for the cal-
 20 endar year.

21 “(B) MINIMUM PERCENTAGE.—A State’s
 22 minimum percentage for any calendar year is
 23 the minimum percentage described in section
 24 1124(d) of the Elementary and Secondary Edu-
 25 cation Act of 1965 (20 U.S.C. 6334(d)) for

1 such State for the most recent fiscal year end-
2 ing before such calendar year.

3 “(3) ALLOCATIONS TO CERTAIN POSSES-
4 SIONS.—The amount to be allocated under para-
5 graph (1) to any possession of the United States
6 other than Puerto Rico shall be the amount which
7 would have been allocated if all allocations under
8 paragraph (1) were made on the basis of respective
9 populations of individuals below the poverty line (as
10 defined by the Office of Management and Budget).
11 In making other allocations, the amount to be allo-
12 cated under paragraph (1) shall be reduced by the
13 aggregate amount allocated under this paragraph to
14 possessions of the United States.

15 “(4) ALLOCATIONS FOR INDIAN SCHOOLS.—The
16 provisions of section 1400P shall apply with respect
17 to the construction, rehabilitation, and repair of
18 schools funded by the Bureau of Indian Affairs. No
19 funds may be allocated under this section for such
20 schools.

21 “(e) 40 PERCENT OF LIMITATION ALLOCATED
22 AMONG LARGEST SCHOOL DISTRICTS.—

23 “(1) IN GENERAL.—40 percent of the limitation
24 applicable under subsection (c) for any calendar year
25 shall be allocated under paragraph (2) by the Sec-

1 retary among local educational agencies which are
2 large local educational agencies for such year.

3 “(2) ALLOCATION FORMULA.—The amount to
4 be allocated under paragraph (1) for any calendar
5 year shall be allocated among large local educational
6 agencies in proportion to the respective amounts
7 each such agency received for Basic Grants under
8 subpart 2 of part A of title I of the Elementary and
9 Secondary Education Act of 1965 (20 U.S.C. 6331
10 et seq.) for the most recent fiscal year ending before
11 such calendar year.

12 “(3) ALLOCATION OF UNUSED LIMITATION TO
13 STATE.—The amount allocated under this subsection
14 to a large local educational agency for any calendar
15 year may be reallocated by such agency to the State
16 in which such agency is located for such calendar
17 year. Any amount reallocated to a State under the
18 preceding sentence may be allocated as provided in
19 subsection (d)(1).

20 “(4) LARGE LOCAL EDUCATIONAL AGENCY.—
21 For purposes of this section, the term ‘large local
22 educational agency’ means, with respect to a cal-
23 endar year, any local educational agency if such
24 agency is—

1 “(A) among the 100 local educational
 2 agencies with the largest numbers of children
 3 aged 5 through 17 from families living below
 4 the poverty level, as determined by the Sec-
 5 retary using the most recent data available
 6 from the Department of Commerce that are
 7 satisfactory to the Secretary, or

8 “(B) 1 of not more than 25 local edu-
 9 cational agencies (other than those described in
 10 subparagraph (A)) that the Secretary of Edu-
 11 cation determines (based on the most recent
 12 data available satisfactory to the Secretary) are
 13 in particular need of assistance, based on a low
 14 level of resources for school construction, a high
 15 level of enrollment growth, or such other factors
 16 as the Secretary deems appropriate.

17 “(f) CARRYOVER OF UNUSED LIMITATION.—If for
 18 any calendar year—

19 “(1) the amount allocated under subsection (d)
 20 to any State, exceeds

21 “(2) the amount of bonds issued during such
 22 year which are designated under subsection (a) pur-
 23 suant to such allocation,

24 the limitation amount under such subsection for such
 25 State for the following calendar year shall be increased

1 by the amount of such excess. A similar rule shall apply
 2 to the amounts allocated under subsection (e).

3 “(g) SPECIAL RULES RELATING TO ARBITRAGE.—

4 “(1) IN GENERAL.—A bond shall not be treated
 5 as failing to meet the requirement of subsection
 6 (a)(1) solely by reason of the fact that the proceeds
 7 of the issue of which such bond is a part are in-
 8 vested for a temporary period (but not more than 36
 9 months) until such proceeds are needed for the pur-
 10 pose for which such issue was issued.

11 “(2) BINDING COMMITMENT REQUIREMENT.—
 12 Paragraph (1) shall apply to an issue only if, as of
 13 the date of issuance, there is a reasonable expecta-
 14 tion that—

15 “(A) at least 10 percent of the proceeds of
 16 the issue will be spent within the 6-month pe-
 17 riod beginning on such date for the purpose for
 18 which such issue was issued, and

19 “(B) the remaining proceeds of the issue
 20 will be spent with due diligence for such pur-
 21 pose.

22 “(3) EARNINGS ON PROCEEDS.—Any earnings
 23 on proceeds during the temporary period shall be
 24 treated as proceeds of the issue for purposes of ap-

1 plying subsection (a)(1) and paragraph (1) of this
2 subsection.

3 **“SEC. 14000. QUALIFIED ZONE ACADEMY BONDS.**

4 “(a) QUALIFIED ZONE ACADEMY BOND.—For pur-
5 poses of this subchapter—

6 “(1) IN GENERAL.—The term ‘qualified zone
7 academy bond’ means any bond issued as part of an
8 issue if—

9 “(A) 95 percent or more of the proceeds of
10 such issue are to be used for a qualified pur-
11 pose with respect to a qualified zone academy
12 established by a local educational agency,

13 “(B) the bond is issued by a State or local
14 government within the jurisdiction of which
15 such academy is located,

16 “(C) the issuer—

17 “(i) designates such bond for purposes
18 of this section,

19 “(ii) certifies that it has written as-
20 surances that the private business con-
21 tribution requirement of paragraph (2) will
22 be met with respect to such academy, and

23 “(iii) certifies that it has the written
24 approval of the local educational agency
25 for such bond issuance, and

1 “(D) the term of each bond which is part
2 of such issue does not exceed 15 years.

3 Rules similar to the rules of section 1400N(g) shall
4 apply for purposes of paragraph (1).

5 “(2) PRIVATE BUSINESS CONTRIBUTION RE-
6 QUIREMENT.—

7 “(A) IN GENERAL.—For purposes of para-
8 graph (1), the private business contribution re-
9 quirement of this paragraph is met with respect
10 to any issue if the local educational agency that
11 established the qualified zone academy has writ-
12 ten commitments from private entities to make
13 qualified contributions having a present value
14 (as of the date of issuance of the issue) of not
15 less than 10 percent of the proceeds of the
16 issue.

17 “(B) QUALIFIED CONTRIBUTIONS.—For
18 purposes of subparagraph (A), the term ‘quali-
19 fied contribution’ means any contribution (of a
20 type and quality acceptable to the local edu-
21 cational agency) of—

22 “(i) equipment for use in the qualified
23 zone academy (including state-of-the-art
24 technology and vocational equipment),

1 “(ii) technical assistance in developing
 2 curriculum or in training teachers in order
 3 to promote appropriate market driven tech-
 4 nology in the classroom,

5 “(iii) services of employees as volun-
 6 teer mentors,

7 “(iv) internships, field trips, or other
 8 educational opportunities outside the acad-
 9 emy for students, or

10 “(v) any other property or service
 11 specified by the local educational agency.

12 “(3) QUALIFIED ZONE ACADEMY.—The term
 13 ‘qualified zone academy’ means any public school (or
 14 academic program within a public school) which is
 15 established by and operated under the supervision of
 16 a local educational agency to provide education or
 17 training below the postsecondary level if—

18 “(A) such public school or program (as the
 19 case may be) is designed in cooperation with
 20 business to enhance the academic curriculum,
 21 increase graduation and employment rates, and
 22 better prepare students for the rigors of college
 23 and the increasingly complex workforce,

24 “(B) students in such public school or pro-
 25 gram (as the case may be) will be subject to the

1 same academic standards and assessments as
 2 other students educated by the local educational
 3 agency,

4 “(C) the comprehensive education plan of
 5 such public school or program is approved by
 6 the local educational agency, and

7 “(D)(i) such public school is located in an
 8 empowerment zone or enterprise community
 9 (including any such zone or community des-
 10 ignated after the date of the enactment of this
 11 section), or

12 “(ii) there is a reasonable expectation (as
 13 of the date of issuance of the bonds) that at
 14 least 35 percent of the students attending such
 15 school or participating in such program (as the
 16 case may be) will be eligible for free or reduced-
 17 cost lunches under the school lunch program es-
 18 tablished under the Richard B. Russell National
 19 School Lunch Act.

20 “(4) QUALIFIED PURPOSE.—The term ‘quali-
 21 fied purpose’ means, with respect to any qualified
 22 zone academy—

23 “(A) constructing, rehabilitating, or repair-
 24 ing the public school facility in which the acad-
 25 emy is established,

1 “(B) acquiring the land on which such fa-
 2 cility is to be constructed with part of the pro-
 3 ceeds of such issue,

4 “(C) providing equipment for use at such
 5 academy,

6 “(D) developing course materials for edu-
 7 cation to be provided at such academy, and

8 “(E) training teachers and other school
 9 personnel in such academy.

10 “(b) LIMITATIONS ON AMOUNT OF BONDS DES-
 11 IGNATED.—

12 “(1) IN GENERAL.—There is a national zone
 13 academy bond limitation for each calendar year.
 14 Such limitation is—

15 “(A) \$400,000,000 for 2003,

16 “(B) \$400,000,000 for 2004,

17 “(C) \$400,000,000 for 2005,

18 “(D) \$400,000,000 for 2006,

19 “(E) \$1,400,000,000 for 2007,

20 “(F) \$1,400,000,000 for 2008, and

21 “(G) except as provided in paragraph (3),
 22 zero after 2008.

23 “(2) ALLOCATION OF LIMITATION.—

24 “(A) ALLOCATION AMONG STATES.—

1 “(i) 2003, 2004, 2005, AND 2006 LIM-
2 TATIONS.—The national zone academy
3 bond limitations for calendar years 2003,
4 2004, 2005, and 2006 shall be allocated by
5 the Secretary among the States on the
6 basis of their respective populations of in-
7 dividuals below the poverty line (as defined
8 by the Office of Management and Budget).

9 “(ii) LIMITATION AFTER 2006.—The
10 national zone academy bond limitation for
11 any calendar year after 2006 shall be allo-
12 cated by the Secretary among the States in
13 proportion to the respective amounts each
14 such State received for Basic Grants under
15 subpart 2 of part A of title I of the Ele-
16 mentary and Secondary Education Act of
17 1965 (20 U.S.C. 6331 et seq.) for the
18 most recent fiscal year ending before such
19 calendar year.

20 “(B) ALLOCATION TO LOCAL EDU-
21 CATIONAL AGENCIES.—The limitation amount
22 allocated to a State under subparagraph (A)
23 shall be allocated by the State to qualified zone
24 academies within such State.

1 “(C) DESIGNATION SUBJECT TO LIMITA-
 2 TION AMOUNT.—The maximum aggregate face
 3 amount of bonds issued during any calendar
 4 year which may be designated under subsection
 5 (a) with respect to any qualified zone academy
 6 shall not exceed the limitation amount allocated
 7 to such academy under subparagraph (B) for
 8 such calendar year.

9 “(3) CARRYOVER OF UNUSED LIMITATION.—If
 10 for any calendar year—

11 “(A) the limitation amount under this sub-
 12 section for any State, exceeds

13 “(B) the amount of bonds issued during
 14 such year which are designated under sub-
 15 section (a) (or the corresponding provisions of
 16 prior law) with respect to qualified zone acad-
 17 emies within such State,

18 the limitation amount under this subsection for such
 19 State for the following calendar year shall be in-
 20 creased by the amount of such excess.”.

21 (b) REPORTING.—Subsection (d) of section 6049 of
 22 the Internal Revenue Code of 1986 (relating to returns
 23 regarding payments of interest) is amended by adding at
 24 the end the following new paragraph:

1 “(8) REPORTING OF CREDIT ON QUALIFIED
2 PUBLIC SCHOOL MODERNIZATION BONDS.—

3 “(A) IN GENERAL.—For purposes of sub-
4 section (a), the term ‘interest’ includes amounts
5 includible in gross income under section
6 1400M(f) and such amounts shall be treated as
7 paid on the credit allowance date (as defined in
8 section 1400M(d)(2)).

9 “(B) REPORTING TO CORPORATIONS,
10 ETC.—Except as otherwise provided in regula-
11 tions, in the case of any interest described in
12 subparagraph (A) of this paragraph, subsection
13 (b)(4) of this section shall be applied without
14 regard to subparagraphs (A), (H), (I), (J), (K),
15 and (L)(i).

16 “(C) REGULATORY AUTHORITY.—The Sec-
17 retary may prescribe such regulations as are
18 necessary or appropriate to carry out the pur-
19 poses of this paragraph, including regulations
20 which require more frequent or more detailed
21 reporting.”.

22 (c) CONFORMING AMENDMENTS.—

23 (1) Subchapter U of chapter 1 of the Internal
24 Revenue Code of 1986 is amended by striking part

1 IV, by redesignating part V as part IV, and by re-
 2 designating section 1397F as section 1397E.

3 (2) The table of subchapters for chapter 1 of
 4 the Internal Revenue Code of 1986 is amended by
 5 adding at the end the following new item:

“Subchapter Z. Public school modernization provisions.”

6 (3) The table of parts of subchapter U of chap-
 7 ter 1 of the Internal Revenue Code of 1986 is
 8 amended by striking the last 2 items and inserting
 9 the following item:

“Part IV. Regulations.”

10 (d) EFFECTIVE DATES.—

11 (1) IN GENERAL.—Except as otherwise pro-
 12 vided in this subsection, the amendments made by
 13 this section shall apply to obligations issued after
 14 December 31, 2002.

15 (2) REPEAL OF RESTRICTION ON ZONE ACAD-
 16 EMY BOND HOLDERS.—In the case of bonds to
 17 which section 1397E of the Internal Revenue Code
 18 of 1986 (as in effect before the date of the enact-
 19 ment of this Act) applies, the limitation of such sec-
 20 tion to eligible taxpayers (as defined in subsection
 21 (d)(6) of such section) shall not apply after the date
 22 of the enactment of this Act.

1 **SEC. 203. APPLICATION OF CERTAIN LABOR STANDARDS**
2 **ON CONSTRUCTION PROJECTS FINANCED**
3 **UNDER PUBLIC SCHOOL MODERNIZATION**
4 **PROGRAM.**

5 Section 439 of the General Education Provisions Act
6 (relating to labor standards) (20 U.S.C. 1232b) is amend-
7 ed—

8 (1) by inserting “(a)” before “All laborers and
9 mechanics”; and

10 (2) by adding at the end the following:

11 “(b)(1) For purposes of this section, the term ‘appli-
12 cable program’ also includes the qualified zone academy
13 bond provisions enacted by section 226 of the Taxpayer
14 Relief Act of 1997 and the program established by section
15 202 of the America’s Better Classrooms Act of 2003.

16 “(2) A State or local government participating in a
17 program described in paragraph (1) shall—

18 “(A) in the awarding of contracts, give priority
19 to contractors with substantial numbers of employ-
20 ees residing in the local education area to be served
21 by the school being constructed; and

22 “(B) include in the construction contract for
23 such school a requirement that the contractor give
24 priority in hiring new workers to individuals residing
25 in such local education area.

1 “(3) In the case of a program described in paragraph
 2 (1), nothing in this subsection or subsection (a) shall be
 3 construed to deny any tax credit allowed under such pro-
 4 gram. If amounts are required to be withheld from con-
 5 tractors to pay wages to which workers are entitled, such
 6 amounts shall be treated as expended for construction pur-
 7 poses in determining whether the requirements of such
 8 program are met.”.

9 **SEC. 204. EMPLOYMENT AND TRAINING ACTIVITIES RELAT-**
 10 **ING TO CONSTRUCTION OR RECONSTRUC-**
 11 **TION OF PUBLIC SCHOOL FACILITIES.**

12 (a) IN GENERAL.—Section 134 of the Workforce In-
 13 vestment Act of 1998 (29 U.S.C. 2864) is amended by
 14 adding at the end the following:

15 “(f) LOCAL EMPLOYMENT AND TRAINING ACTIVI-
 16 TIES RELATING TO CONSTRUCTION OR RECONSTRUCTION
 17 OF PUBLIC SCHOOL FACILITIES.—

18 “(1) IN GENERAL.—In order to provide training
 19 services related to construction or reconstruction of
 20 public school facilities receiving funding assistance
 21 under an applicable program, each State shall estab-
 22 lish a specialized program of training meeting the
 23 following requirements:

24 “(A) The specialized program provides
 25 training for jobs in the construction industry.

1 “(B) The program provides trained work-
2 ers for projects for the construction or recon-
3 struction of public school facilities receiving
4 funding assistance under an applicable pro-
5 gram.

6 “(C) The program ensures that skilled
7 workers (residing in the area to be served by
8 the school facilities) will be available for the
9 construction or reconstruction work.

10 “(2) COORDINATION.—The specialized program
11 established under paragraph (1) shall be integrated
12 with other activities under this Act, with the activi-
13 ties carried out under the National Apprenticeship
14 Act of 1937 by the State Apprenticeship Council or
15 through the Bureau of Apprenticeship and Training
16 in the Department of Labor, as appropriate, and
17 with activities carried out under the Carl D. Perkins
18 Vocational and Technical Education Act of 1998.
19 Nothing in this subsection shall be construed to re-
20 quire services duplicative of those referred to in the
21 preceding sentence.

22 “(3) APPLICABLE PROGRAM.—In this sub-
23 section, the term ‘applicable program’ has the mean-
24 ing given the term in section 439(b) of the General

1 Education Provisions Act (relating to labor stand-
2 ards).”.

3 (b) STATE PLAN.—Section 112(b)(17)(A) of the
4 Workforce Investment Act of 1998 (29 U.S.C.
5 2822(b)(17)(A)) is amended—

6 (1) in clause (iii), by striking “and” at the end;

7 (2) by redesignating clause (iv) as clause (v);

8 and

9 (3) by inserting after clause (iii) the following:

10 “(iv) how the State will establish and
11 carry out a specialized program of training
12 under section 134(f); and”.

13 **SEC. 205. INDIAN SCHOOL CONSTRUCTION.**

14 (a) DEFINITIONS.—In this section:

15 (1) BUREAU.—The term “Bureau” means the
16 Bureau of Indian Affairs of the Department of the
17 Interior.

18 (2) INDIAN.—The term “Indian” means any in-
19 dividual who is a member of a tribe.

20 (3) SECRETARY.—The term “Secretary” means
21 the Secretary of the Interior.

22 (4) TRIBAL SCHOOL.—The term “tribal school”
23 means an elementary school, secondary school, or
24 dormitory that is operated by a tribal organization
25 or the Bureau for the education of Indian children

1 and that receives financial assistance for its oper-
2 ation under an appropriation for the Bureau under
3 section 102, 103(a), or 208 of the Indian Self-Deter-
4 mination and Education Assistance Act (25 U.S.C.
5 450f, 450h(a), and 458d) or under the Tribally Con-
6 trolled Schools Act of 1988 (25 U.S.C. 2501 et seq.)
7 under a contract, a grant, or an agreement, or for
8 a Bureau-operated school.

9 (5) TRIBE.—The term “tribe” has the meaning
10 given the term “Indian tribal government” by sec-
11 tion 7701(a)(40) of the Internal Revenue Code of
12 1986, including the application of section 7871(d) of
13 such Code. Such term includes any consortium of
14 tribes approved by the Secretary.

15 (b) ISSUANCE OF BONDS.—

16 (1) IN GENERAL.—The Secretary shall establish
17 a pilot program under which eligible tribes have the
18 authority to issue qualified tribal school moderniza-
19 tion bonds to provide funding for the construction,
20 rehabilitation, or repair of tribal schools, including
21 the advance planning and design thereof.

22 (2) ELIGIBILITY.—

23 (A) IN GENERAL.—To be eligible to issue
24 any qualified tribal school modernization bond

1 under the program under paragraph (1), a tribe
2 shall—

3 (i) prepare and submit to the Sec-
4 retary a plan of construction that meets
5 the requirements of subparagraph (B);

6 (ii) provide for quarterly and final in-
7 spection of the project by the Bureau; and

8 (iii) pledge that the facilities financed
9 by such bond will be used primarily for ele-
10 mentary and secondary educational pur-
11 poses for not less than the period such
12 bond remains outstanding.

13 (B) PLAN OF CONSTRUCTION.—A plan of
14 construction meets the requirements of this
15 subparagraph if such plan—

16 (i) contains a description of the con-
17 struction to be undertaken with funding
18 provided under a qualified tribal school
19 modernization bond;

20 (ii) demonstrates that a comprehen-
21 sive survey has been undertaken con-
22 cerning the construction needs of the tribal
23 school involved;

1 (iii) contains assurances that funding
 2 under the bond will be used only for the
 3 activities described in the plan;

4 (iv) contains response to the evalua-
 5 tion criteria contained in Instructions and
 6 Application for Replacement School Con-
 7 struction, Revision 6, dated February 6,
 8 1999; and

9 (v) contains any other reasonable and
 10 related information determined appropriate
 11 by the Secretary.

12 (C) PRIORITY.—In determining whether a
 13 tribe is eligible to participate in the program
 14 under this subsection, the Secretary shall give
 15 priority to tribes that, as demonstrated by the
 16 relevant plans of construction, will fund
 17 projects—

18 (i) described in the Education Facili-
 19 ties Replacement Construction Priorities
 20 List as of FY 2000 of the Bureau of In-
 21 dian Affairs (65 Fed. Reg. 4623–4624);

22 (ii) described in any subsequent prior-
 23 ities list published in the Federal Register;
 24 or

1 (iii) which meet the criteria for rank-
2 ing schools as described in Instructions
3 and Application for Replacement School
4 Construction, Revision 6, dated February
5 6, 1999.

6 (D) ADVANCE PLANNING AND DESIGN
7 FUNDING.—A tribe may propose in its plan of
8 construction to receive advance planning and
9 design funding from the tribal school mod-
10 ernization escrow account established under
11 paragraph (6)(B). Before advance planning and
12 design funds are allocated from the escrow ac-
13 count, the tribe shall agree to issue qualified
14 tribal school modernization bonds after the re-
15 ceipt of such funds and agree as a condition of
16 each bond issuance that the tribe will deposit
17 into such account or a fund managed by the
18 trustee as described in paragraph (4)(C) an
19 amount equal to the amount of such funds re-
20 ceived from the escrow account.

21 (3) PERMISSIBLE ACTIVITIES.—In addition to
22 the use of funds permitted under paragraph (1), a
23 tribe may use amounts received through the issuance
24 of a qualified tribal school modernization bond to—

1 (A) enter into and make payments under
 2 contracts with licensed and bonded architects,
 3 engineers, and construction firms in order to
 4 determine the needs of the tribal school and for
 5 the design and engineering of the school;

6 (B) enter into and make payments under
 7 contracts with financial advisors, underwriters,
 8 attorneys, trustees, and other professionals who
 9 would be able to provide assistance to the tribe
 10 in issuing bonds; and

11 (C) carry out other activities determined
 12 appropriate by the Secretary.

13 (4) BOND TRUSTEE.—

14 (A) IN GENERAL.—Notwithstanding any
 15 other provision of law, any qualified tribal
 16 school modernization bond issued by a tribe
 17 under this subsection shall be subject to a trust
 18 agreement between the tribe and a trustee.

19 (B) TRUSTEE.—Any bank or trust com-
 20 pany that meets requirements established by
 21 the Secretary may be designated as a trustee
 22 under subparagraph (A).

23 (C) CONTENT OF TRUST AGREEMENT.—A
 24 trust agreement entered into by a tribe under
 25 this paragraph shall specify that the trustee,

1 with respect to any bond issued under this sub-
2 section shall—

3 (i) act as a repository for the proceeds
4 of the bond;

5 (ii) make payments to bondholders;

6 (iii) receive, as a condition to the
7 issuance of such bond, a transfer of funds
8 from the tribal school modernization es-
9 crow account established under paragraph
10 (6)(B) or from other funds furnished by or
11 on behalf of the tribe in an amount, which
12 together with interest earnings from the
13 investment of such funds in obligations of
14 or fully guaranteed by the United States or
15 from other investments authorized by para-
16 graph (10), will produce moneys sufficient
17 to timely pay in full the entire principal
18 amount of such bond on the stated matu-
19 rity date therefore;

20 (iv) invest the funds received pursuant
21 to clause (iii) as provided by such clause;
22 and

23 (v) hold and invest the funds in a seg-
24 regated fund or account under the agree-
25 ment, which fund or account shall be ap-

plied solely to the payment of the costs of
items described in paragraph (3).

(D) REQUIREMENTS FOR MAKING DIRECT
PAYMENTS.—

(i) IN GENERAL.—Notwithstanding
any other provision of law, the trustee
shall make any payment referred to in sub-
paragraph (C)(v) in accordance with re-
quirements that the tribe shall prescribe in
the trust agreement entered into under
subparagraph (C). Before making a pay-
ment to a contractor under subparagraph
(C)(v), the trustee shall require an inspec-
tion of the project by a local financial in-
stitution or an independent inspecting ar-
chitect or engineer, to ensure the comple-
tion of the project.

(ii) CONTRACTS.—Each contract re-
ferred to in paragraph (3) shall specify, or
be renegotiated to specify, that payments
under the contract shall be made in ac-
cordance with this paragraph.

(5) PAYMENTS OF PRINCIPAL AND INTEREST.—

(A) PRINCIPAL.—No principal payments
on any qualified tribal school modernization

1 bond shall be required until the final, stated
 2 maturity of such bond, which stated maturity
 3 shall be within 15 years from the date of
 4 issuance. Upon the expiration of such period,
 5 the entire outstanding principal under the bond
 6 shall become due and payable.

7 (B) INTEREST.—In lieu of interest on a
 8 qualified tribal school modernization bond there
 9 shall be awarded a tax credit under section
 10 1400P of the Internal Revenue Code of 1986.

11 (6) BOND GUARANTEES.—

12 (A) IN GENERAL.—Payment of the prin-
 13 cipal portion of a qualified tribal school mod-
 14 ernization bond issued under this subsection
 15 shall be guaranteed solely by amounts deposited
 16 with each respective bond trustee as described
 17 in paragraph (4)(C)(iii).

18 (B) ESTABLISHMENT OF ACCOUNT.—

19 (i) IN GENERAL.—Notwithstanding
 20 any other provision of law, beginning in
 21 fiscal year 2003, from amounts made
 22 available for school replacement under the
 23 construction account of the Bureau, the
 24 Secretary is authorized to deposit not more

1 than \$30,000,000 each fiscal year into a
2 tribal school modernization escrow account.

3 (ii) PAYMENTS.—The Secretary shall
4 use any amounts deposited in the escrow
5 account under clauses (i) and (iii) to make
6 payments to trustees appointed and acting
7 pursuant to paragraph (4) or to make pay-
8 ments described in paragraph (2)(D).

9 (iii) TRANSFERS OF EXCESS PRO-
10 CEEDS.—Excess proceeds held under any
11 trust agreement that are not needed for
12 any of the purposes described in clauses
13 (iii) and (v) of paragraph (4)(C) shall be
14 transferred, from time to time, by the
15 trustee for deposit into the tribal school
16 modernization escrow account.

17 (7) LIMITATIONS.—

18 (A) OBLIGATION TO REPAY.—Notwith-
19 standing any other provision of law, the prin-
20 cipal amount on any qualified tribal school
21 modernization bond issued under this sub-
22 section shall be repaid only to the extent of any
23 escrowed funds furnished under paragraph
24 (4)(C)(iii). No qualified tribal school moderniza-
25 tion bond issued by a tribe shall be an obliga-

1 tion of, nor shall payment of the principal
2 thereof be guaranteed by, the United States.

3 (B) LAND AND FACILITIES.—Any land or
4 facilities purchased or improved with amounts
5 derived from qualified tribal school moderniza-
6 tion bonds issued under this subsection shall
7 not be mortgaged or used as collateral for such
8 bonds.

9 (8) SALE OF BONDS.—Qualified tribal school
10 modernization bonds may be sold at a purchase price
11 equal to, in excess of, or at a discount from the par
12 amount thereof.

13 (9) TREATMENT OF TRUST AGREEMENT EARN-
14 INGS.—Any amounts earned through the investment
15 of funds under the control of a trustee under any
16 trust agreement described in paragraph (4) shall not
17 be subject to Federal income tax.

18 (10) INVESTMENT OF SINKING FUNDS.—Any
19 sinking fund established for the purpose of the pay-
20 ment of principal on a qualified tribal school mod-
21 ernization bond shall be invested in obligations
22 issued by or guaranteed by the United States or in
23 such other assets as the Secretary of the Treasury
24 may by regulation allow.

1 (c) EXPANSION OF INCENTIVES FOR TRIBAL
 2 SCHOOLS.—Chapter 1 of the Internal Revenue Code of
 3 1986 (as amended by section 2) is further amended by
 4 adding at the end the following new subchapter:

5 **“Subchapter AA—Tribal School**
 6 **Modernization Provisions**

“Sec. 1400P. Credit to holders of qualified tribal school modernization bonds.

7 **“SEC. 1400P. CREDIT TO HOLDERS OF QUALIFIED TRIBAL**
 8 **SCHOOL MODERNIZATION BONDS.**

9 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
 10 payer who holds a qualified tribal school modernization
 11 bond on a credit allowance date of such bond which occurs
 12 during the taxable year, there shall be allowed as a credit
 13 against the tax imposed by this chapter for such taxable
 14 year an amount equal to the sum of the credits determined
 15 under subsection (b) with respect to credit allowance dates
 16 during such year on which the taxpayer holds such bond.

17 “(b) AMOUNT OF CREDIT.—

18 “(1) IN GENERAL.—The amount of the credit
 19 determined under this subsection with respect to any
 20 credit allowance date for a qualified tribal school
 21 modernization bond is 25 percent of the annual
 22 credit determined with respect to such bond.

1 “(2) ANNUAL CREDIT.—The annual credit de-
 2 termined with respect to any qualified tribal school
 3 modernization bond is the product of—

4 “(A) the applicable credit rate, multiplied
 5 by

6 “(B) the outstanding face amount of the
 7 bond.

8 “(3) APPLICABLE CREDIT RATE.—For purposes
 9 of paragraph (2), the applicable credit rate with re-
 10 spect to an issue is the rate equal to an average
 11 market yield (as of the date of sale of the issue) on
 12 outstanding long-term corporate obligations (as de-
 13 termined by the Secretary).

14 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
 15 DEMPTION.—In the case of a bond which is issued
 16 during the 3-month period ending on a credit allow-
 17 ance date, the amount of the credit determined
 18 under this subsection with respect to such credit al-
 19 lowance date shall be a ratable portion of the credit
 20 otherwise determined based on the portion of the 3-
 21 month period during which the bond is outstanding.
 22 A similar rule shall apply when the bond is re-
 23 deemed.

24 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

1 “(1) IN GENERAL.—The credit allowed under
2 subsection (a) for any taxable year shall not exceed
3 the excess of—

4 “(A) the sum of the regular tax liability
5 (as defined in section 26(b)) plus the tax im-
6 posed by section 55, over

7 “(B) the sum of the credits allowable
8 under part IV of subchapter A (other than sub-
9 part C thereof, relating to refundable credits).

10 “(2) CARRYOVER OF UNUSED CREDIT.—If the
11 credit allowable under subsection (a) exceeds the
12 limitation imposed by paragraph (1) for such taxable
13 year, such excess shall be carried to the succeeding
14 taxable year and added to the credit allowable under
15 subsection (a) for such taxable year.

16 “(d) QUALIFIED TRIBAL SCHOOL MODERNIZATION
17 BOND; OTHER DEFINITIONS.—For purposes of this sec-
18 tion—

19 “(1) QUALIFIED TRIBAL SCHOOL MODERNIZA-
20 TION BOND.—

21 “(A) IN GENERAL.—The term ‘qualified
22 tribal school modernization bond’ means, sub-
23 ject to subparagraph (B), any bond issued as
24 part of an issue under section 2(c) of the In-

dian School Construction Act, as in effect on the date of the enactment of this section, if—

“(i) 95 percent or more of the proceeds of such issue are to be used for the construction, rehabilitation, or repair of a school facility funded by the Bureau of Indian Affairs of the Department of the Interior or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue,

“(ii) the bond is issued by a tribe,

“(iii) the issuer designates such bond for purposes of this section, and

“(iv) the term of each bond which is part of such issue does not exceed 15 years.

“(B) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

“(i) NATIONAL LIMITATION.—There is a national qualified tribal school modernization bond limitation for each calendar year. Such limitation is—

“(I) \$200,000,000 for 2004,

“(II) \$200,000,000 for 2005,

and

1 “(III) zero after 2005.

2 “(ii) ALLOCATION OF LIMITATION.—

3 The national qualified tribal school mod-
 4 ernization bond limitation shall be allo-
 5 cated to tribes by the Secretary of the In-
 6 terior subject to the provisions of section 2
 7 of the Indian School Construction Act, as
 8 in effect on the date of the enactment of
 9 this section.

10 “(iii) DESIGNATION SUBJECT TO LIMITATION

11 TATION AMOUNT.—The maximum aggregate
 12 face amount of bonds issued during
 13 any calendar year which may be designated
 14 under subsection (d)(1) with respect to any
 15 tribe shall not exceed the limitation
 16 amount allocated to such government
 17 under clause (ii) for such calendar year.

18 “(iv) CARRYOVER OF UNUSED LIMITATION.—

19 If for any calendar year—

20 “(I) the limitation amount under
 21 this subparagraph, exceeds

22 “(II) the amount of qualified
 23 tribal school modernization bonds
 24 issued during such year,

1 the limitation amount under this subpara-
 2 graph for the following calendar year shall
 3 be increased by the amount of such excess.
 4 The preceding sentence shall not apply if
 5 such following calendar year is after 2012.

6 “(2) CREDIT ALLOWANCE DATE.—The term
 7 ‘credit allowance date’ means—

8 “(A) March 15,

9 “(B) June 15,

10 “(C) September 15, and

11 “(D) December 15.

12 Such term includes the last day on which the bond
 13 is outstanding.

14 “(3) BOND.—The term ‘bond’ includes any ob-
 15 ligation.

16 “(4) TRIBE.—The term ‘tribe’ has the meaning
 17 given the term ‘Indian tribal government’ by section
 18 7701(a)(40), including the application of section
 19 7871(d). Such term includes any consortium of
 20 tribes approved by the Secretary of the Interior.

21 “(e) CREDIT INCLUDED IN GROSS INCOME.—Gross
 22 income includes the amount of the credit allowed to the
 23 taxpayer under this section (determined without regard to
 24 subsection (c)) and the amount so included shall be treat-
 25 ed as interest income.

1 “(f) BONDS HELD BY REGULATED INVESTMENT
 2 COMPANIES.—If any qualified tribal school modernization
 3 bond is held by a regulated investment company, the credit
 4 determined under subsection (a) shall be allowed to share-
 5 holders of such company under procedures prescribed by
 6 the Secretary.

7 “(g) CREDITS MAY BE STRIPPED.—Under regula-
 8 tions prescribed by the Secretary—

9 “(1) IN GENERAL.—There may be a separation
 10 (including at issuance) of the ownership of a quali-
 11 fied tribal school modernization bond and the entitle-
 12 ment to the credit under this section with respect to
 13 such bond. In case of any such separation, the credit
 14 under this section shall be allowed to the person who
 15 on the credit allowance date holds the instrument ev-
 16 idencing the entitlement to the credit and not to the
 17 holder of the bond.

18 “(2) CERTAIN RULES TO APPLY.—In the case
 19 of a separation described in paragraph (1), the rules
 20 of section 1286 shall apply to the qualified tribal
 21 school modernization bond as if it were a stripped
 22 bond and to the credit under this section as if it
 23 were a stripped coupon.

24 “(h) TREATMENT FOR ESTIMATED TAX PUR-
 25 POSES.—Solely for purposes of sections 6654 and 6655,

1 the credit allowed by this section to a taxpayer by reason
 2 of holding a qualified tribal school modernization bond on
 3 a credit allowance date shall be treated as if it were a
 4 payment of estimated tax made by the taxpayer on such
 5 date.

6 “(i) CREDIT MAY BE TRANSFERRED.—Nothing in
 7 any law or rule of law shall be construed to limit the trans-
 8 ferability of the credit allowed by this section through sale
 9 and repurchase agreements.

10 “(j) CREDIT TREATED AS ALLOWED UNDER PART
 11 IV OF SUBCHAPTER A.—For purposes of subtitle F, the
 12 credit allowed by this section shall be treated as a credit
 13 allowable under part IV of subchapter A of this chapter.

14 “(k) REPORTING.—Issuers of qualified tribal school
 15 modernization bonds shall submit reports similar to the
 16 reports required under section 149(e).”.

17 (d) ADDITIONAL PROVISIONS.—

18 (1) SOVEREIGN IMMUNITY.—This section and
 19 the amendments made by this section shall not be
 20 construed to impact, limit, or affect the sovereign
 21 immunity of the Federal Government or any State
 22 or tribal government.

23 (2) APPLICATION.—This section and the
 24 amendments made by this section shall take effect
 25 on the date of the enactment of this Act with respect

1 to bonds issued after December 31, 2002, regardless
 2 of the status of regulations promulgated thereunder.

3 **TITLE III—MAKING HIGHER**
 4 **EDUCATION MORE ACCESSIBLE**
 5 **Subtitle A—College Access**

6 **SEC. 301. EXPANSION OF GEARUP AND TRIO.**

7 The Higher Education Act of 1965 (20 U.S.C. 1001
 8 et seq.) is amended—

9 (1) in section 402A(f), by striking
 10 “\$700,000,000 for fiscal year 1999, and such sums
 11 as may be necessary for each of the 4 succeeding fis-
 12 cal years” and inserting “\$700,000,000 for fiscal
 13 year 1999, such sums as may be necessary for each
 14 of fiscal years 2000 through 2003, \$1,000,000,000
 15 for fiscal year 2004, and such sums as may be nec-
 16 essary for each of the succeeding fiscal years”; and

17 (2) by striking section 404H and inserting the
 18 following:

19 **“SEC. 404H. AUTHORIZATION OF APPROPRIATIONS.**

20 “There are authorized to be appropriated to carry out
 21 this chapter \$200,000,000 for fiscal year 1999, such sums
 22 as may be necessary for each of fiscal years 2000 through
 23 2003, \$570,000,000 for fiscal year 2004, and such sums
 24 as may be necessary for each of the succeeding fiscal
 25 years.”.

1 **SEC. 302. PROGRAMS FOR STUDENTS WHOSE FAMILIES ARE**
 2 **ENGAGED IN MIGRANT AND SEASONAL FARM-**
 3 **WORK.**

4 Section 418A(h) of the Higher Education Act of
 5 1965 (20 U.S.C. 1070d–2(h)) is amended—

6 (1) in paragraph (1), by striking “\$15,000,000
 7 for fiscal year 1999 and such sums as may be nec-
 8 essary for each of the 4 succeeding fiscal years” and
 9 inserting “\$15,000,000 for fiscal year 1999, such
 10 sums as may be necessary for each of fiscal years
 11 2000 through 2003, \$29,000,000 for fiscal year
 12 2004, and such sums as may be necessary for each
 13 of the succeeding fiscal years”; and

14 (2) in paragraph (2), by striking “\$5,000,000
 15 for fiscal year 1999 and such sums as may be nec-
 16 essary for each of the 4 succeeding fiscal years” and
 17 inserting “\$5,000,000 for fiscal year 1999, such
 18 sums as may be necessary for each of fiscal years
 19 2000 through 2003, \$21,000,000 for fiscal year
 20 2004, and such sums as may be necessary for each
 21 of the succeeding fiscal years”.

22 **Subtitle B—Enhancing Programs**
 23 **for Minority Serving Institutions**

24 **SEC. 311. INCREASING DIVERSITY.**

25 The Higher Education Act of 1965 (20 U.S.C. 1001
 26 et seq.) is amended—

1 (1) in section 399(a)—

2 (A) by striking paragraph (1)(B) and in-
3 serting the following:

4 “(B) There are authorized to be appro-
5 priated to carry out section 316, \$10,000,000
6 for fiscal year 1999, such sums as may be nec-
7 essary for each of fiscal years 2000 through
8 2003, \$35,000,000 for fiscal year 2004, and
9 such sums as may be necessary for each of the
10 succeeding fiscal years.”;

11 (B) by striking paragraph (1)(C) and in-
12 serting the following:

13 “(C) There are authorized to be appro-
14 priated to carry out section 317, \$5,000,000 for
15 fiscal year 1999, such sums as may be nec-
16 essary for each of fiscal years 2000 through
17 2003, \$13,000,000 for fiscal year 2004, and
18 such sums as may be necessary for each of the
19 succeeding fiscal years.”;

20 (C) in paragraph (2)—

21 (i) in subparagraph (A), by striking
22 “and such sums as may be necessary for
23 each of the 4 succeeding fiscal years” and
24 inserting “such sums as may be necessary
25 for each of fiscal years 2000 through

2003, \$412,000,000 for fiscal year 2004,
and such sums as may be necessary for
each of the succeeding fiscal years”; and

(ii) in subparagraph (B), by striking
“and such sums as may be necessary for
each of the 4 succeeding fiscal years” and
inserting “such sums as may be necessary
for each of fiscal years 2000 through
2003, \$98,000,000 for fiscal year 2004,
and such sums as may be necessary for
each of the succeeding fiscal years”;

(D) in paragraph (3), by striking “and
such sums as may be necessary for each of the
4 succeeding fiscal years” and inserting “such
sums as may be necessary for each of fiscal
years 2000 through 2003, \$50,000,000 for fis-
cal year 2004, and such sums as may be nec-
essary for each of the succeeding fiscal years”;
and

(E) in paragraph (5), by striking “and
such sums as may be necessary for each of the
4 succeeding fiscal years” and inserting “such
sums as may be necessary for each of fiscal
years 2000 through 2003, \$17,000,000 for fis-
cal year 2004, and such sums as may be nec-

1 essary for each of the succeeding fiscal years”;
 2 and

3 (2) by striking section 518(a) and inserting the
 4 following:

5 “(a) AUTHORIZATIONS.—There are authorized to be
 6 appropriated to carry out this title \$62,500,000 for fiscal
 7 year 1999, such sums as may be necessary for each of
 8 fiscal years 2000 through 2003, \$172,000,000 for fiscal
 9 year 2004, and such sums as may be necessary for each
 10 of the succeeding fiscal years.”.

11 **Subtitle C—NTIA Digital Network** 12 **Technology Program**

13 **SEC. 331. ESTABLISHMENT OF PROGRAM.**

14 Title I of the National Telecommunications and In-
 15 formation Administration Organization Act (47 U.S.C.
 16 901 et seq.) is amended by adding at the end the fol-
 17 lowing:

18 “PART D—DIGITAL NETWORK TECHNOLOGY 19 PROGRAM

20 **“SEC. 171. PROGRAM AUTHORIZED.**

21 “The Secretary shall establish, within the NTIA’s
 22 Technology Opportunities Program a digital network tech-
 23 nologies program to strengthen the ability of eligible insti-
 24 tutions to provide capacity for instruction in digital net-
 25 work technologies by providing grants to, or executing con-

1 tracts or cooperative agreements with, those institutions
 2 to provide such instruction.

3 **“SEC. 172. ACTIVITIES SUPPORTED.**

4 “An eligible institution shall use a grant, contract,
 5 or cooperative agreement awarded under this part—

6 “(1) to acquire the equipment, instrumentation,
 7 networking capability, hardware and software, dig-
 8 ital network technology, and infrastructure;

9 “(2) to develop and provide educational serv-
 10 ices, including faculty development, to prepare stu-
 11 dents or faculty seeking a degree or certificate that
 12 is approved by the State, or a regional accrediting
 13 body recognized by the Secretary of Education;

14 “(3) to provide teacher education, library and
 15 media specialist training, and preschool and teacher
 16 aid certification to individuals who seek to acquire or
 17 enhance technology skills in order to use technology
 18 in the classroom or instructional process;

19 “(4) to implement a joint project to provide
 20 education regarding technology in the classroom
 21 with a State or State educational agency, local edu-
 22 cational agency, community-based organization, na-
 23 tional nonprofit organization, or business, including
 24 minority business or a business located in HUB

1 zones, as defined by the Small Business Administra-
2 tion; or

3 “(5) to provide professional development to ad-
4 ministrators and faculty of eligible institutions with
5 institutional responsibility for technology education.

6 **“SEC. 173. APPLICATION AND REVIEW PROCEDURE.**

7 “(a) IN GENERAL.—To be eligible to receive a grant,
8 contract, or cooperative agreement under this part, an eli-
9 gible institution shall submit an application to the Sec-
10 retary at such time, in such manner, and accompanied by
11 such information as the Secretary may reasonably require.
12 The Secretary, in consultation with the panel described
13 in subsection (b), shall establish a procedure by which to
14 accept such applications and publish an announcement of
15 such procedure, including a statement regarding the avail-
16 ability of funds, in the Federal Register.

17 “(b) PEER REVIEW PANEL.—The Secretary shall es-
18 tablish a peer review panel to aid the Secretary in estab-
19 lishing the application procedure described in subsection
20 (a) and selecting applicants to receive grants, contracts,
21 and cooperative agreements under section 171. In select-
22 ing the members for such panel, the Secretary may consult
23 with appropriate cabinet-level officials, representatives of
24 non-Federal organizations, and representatives of eligible
25 institutions to ensure that the membership of such panel

1 reflects membership of the minority higher education com-
2 munity, including Federal agency personnel and other in-
3 dividuals who are knowledgeable about issues regarding
4 minority education institutions.

5 **“SEC. 174. MATCHING REQUIREMENT.**

6 “The Secretary may not award a grant, contract, or
7 cooperative agreement to an eligible institution under this
8 part unless such institution agrees that, with respect to
9 the costs to be incurred by the institution in carrying out
10 the program for which the grant, contract, or cooperative
11 agreement was awarded, such institution will make avail-
12 able (directly or through donations from public or private
13 entities) non-Federal contributions in an amount equal to
14 $\frac{1}{4}$ of the amount of the grant, contract, or cooperative
15 agreement awarded by the Secretary, or \$500,000, which-
16 ever is the lesser amount. The Secretary shall waive the
17 matching requirement for any institution or consortium
18 with no endowment, or an endowment that has a current
19 dollar value lower than \$50,000,000.

20 **“SEC. 175. LIMITATION.**

21 “An eligible institution that receives a grant, con-
22 tract, or cooperative agreement under this part that ex-
23 ceeds \$2,500,000, shall not be eligible to receive another
24 grant, contract, or cooperative agreement under this part

1 until every other eligible institution has received a grant,
2 contract, or cooperative agreement under this part.

3 **“SEC. 176. ANNUAL REPORT AND EVALUATION.**

4 “(a) ANNUAL REPORT REQUIRED FROM RECIPI-
5 ENTS.—Each institution that receives a grant, contract,
6 or cooperative agreement under this part shall provide an
7 annual report to the Secretary on its use of the grant,
8 contract, or cooperative agreement.

9 “(b) EVALUATION BY SECRETARY.—The Secretary,
10 in consultation with the Secretary of Education, shall—

11 “(1) review the reports provided under sub-
12 section (a) each year;

13 “(2) evaluate the program authorized by section
14 171 on the basis of those reports; and

15 “(3) conduct an evaluation at the end of the
16 third year.

17 “(c) CONTENTS OF EVALUATION.—The Secretary, in
18 the evaluation, shall describe the activities undertaken by
19 those institutions and shall assess the short-range and
20 long-range impact of activities carried out under the
21 grant, contract, or cooperative agreement on the students,
22 faculty, and staff of the institutions.

23 “(d) REPORT TO CONGRESS.—The Secretary shall
24 submit a report to Congress based on the evaluation not
25 later than 1 year after conducting the evaluation. In the

1 report, the Secretary shall include such recommendations,
2 including recommendations concerning the continuing
3 need for Federal support of the program, as may be ap-
4 propriate.”.

5 **SEC. 332. DEFINITIONS.**

6 Section 102(a) of the National Telecommunications
7 and Information Administration Organization Act (47
8 U.S.C. 901(a)) is amended by adding at the end the fol-
9 lowing:

10 “(6) The term ‘eligible institution’ means an in-
11 stitution that is—

12 “(A) a part B institution, as defined in
13 section 322(2) of the Higher Education Act of
14 1965 (20 U.S.C. 1061(2)), an institution iden-
15 tified in subparagraph (A), (B), or (C) of sec-
16 tion 326(e)(1) of such Act (20 U.S.C.
17 1063b(e)(1) (A), (B), or (C)), or a consortium
18 of institutions described in this subparagraph;

19 “(B) a Hispanic-serving institution, as de-
20 fined in section 502(a)(5) of the Higher Edu-
21 cation Act of 1965 (20 U.S.C. 1101a(a)(5));

22 “(C) a tribal college or university, as de-
23 fined in section 316(b)(3) of the Higher Edu-
24 cation Act of 1965 (20 U.S.C. 1059c(b)(3));

1 “(D) an Alaska Native-serving institution
 2 under section 317(b) of the Higher Education
 3 Act of 1965 (20 U.S.C. 1059d(b));

4 “(E) a Native Hawaiian-serving institution
 5 under section 317(b) of the Higher Education
 6 Act of 1965 (20 U.S.C. 1059d(b)); or

7 “(F) an institution determined by the Sec-
 8 retary, in consultation with the Secretary of
 9 Education, to have enrolled a substantial num-
 10 ber of minority, low-income students during the
 11 previous academic year who received assistance
 12 under subpart 1 of part A of title IV of the
 13 Higher Education Act of 1965 (20 U.S.C.
 14 1070a et seq.) for that year.”.

15 **SEC. 333. AUTHORIZATION OF APPROPRIATIONS.**

16 There are authorized to be appropriated to the Sec-
 17 retary of Commerce to carry out part D of title I of the
 18 National Telecommunications and Information Adminis-
 19 tration Organization Act not more than \$250,000,000 for
 20 the period of fiscal years 2003 through 2007.

1 **Subtitle D—Higher Education and**
2 **Immigration**

3 **SEC. 341. RESTORATION OF STATE OPTION TO DETERMINE**
4 **RESIDENCY FOR PURPOSES OF HIGHER EDU-**
5 **CATION BENEFITS.**

6 Section 505 of the Illegal Immigration Reform and
7 Immigrant Responsibility Act of 1996 (Division C of Pub-
8 lic Law 104–208; 110 Stat. 3009–672; 8 U.S.C. 1623)
9 is repealed.

10 **SEC. 342. CANCELLATION OF REMOVAL AND ADJUSTMENT**
11 **OF STATUS OF CERTAIN ALIEN HIGH SCHOOL**
12 **GRADUATES WHO ARE LONG-TERM RESI-**
13 **DENTS OF THE UNITED STATES.**

14 (a) SPECIAL RULE FOR CERTAIN ALIEN HIGH
15 SCHOOL GRADUATES.—

16 (1) IN GENERAL.—Except as otherwise pro-
17 vided in paragraph (2), notwithstanding any other
18 provision of law, the Attorney General may cancel
19 the removal of, and adjust to the status of an alien
20 lawfully admitted for permanent residence, an alien
21 who is inadmissible or deportable from the United
22 States, if the alien applies for such cancellation and
23 adjustment of status and demonstrates that—

24 (A) the alien has attained 12 years of age
25 prior to the date of enactment of this Act;

1 (B) the alien has not, prior to the date of
 2 filing the application for cancellation of removal
 3 and adjustment of status under this subsection,
 4 attained the age of 21 years;

5 (C) the alien, prior to the date of filing an
 6 application for cancellation of removal and ad-
 7 justment of status under this subsection, has
 8 received a certificate of graduation from a
 9 school providing secondary education or the rec-
 10 ognized equivalent of such certificate;

11 (D) has maintained a continuous physical
 12 presence in the United States for a period of
 13 not less than 5 years immediately preceding the
 14 date of enactment of this Act;

15 (E) the alien is a person of good moral
 16 character; and

17 (F) is not inadmissible under section
 18 212(a)(2) (8 U.S.C. 1182(a)(2)) or 212(a)(3)
 19 (8 U.S.C. 1182(a)(3)) or deportable under sec-
 20 tion 237(a)(2) (8 U.S.C. 1227(a)(2)) or
 21 237(a)(4) (8 U.S.C. 1227(a)(4)) of the Immi-
 22 gration and Nationality Act.

23 (2) EXCEPTIONS.—

24 (A) REHABILITATION AND HARDSHIP TO
 25 CERTAIN ALIENS.—Notwithstanding subpara-

graph (F) of paragraph (1), the Attorney General may cancel the removal of, and adjust to the status of an alien lawfully admitted for permanent residence, an alien (other than an alien convicted of an aggravated felony, as defined in section 101(a)(43) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(43)) or an alien who is inadmissible under section 212(a)(3) (8 U.S.C. 1182(a)(3)) or deportable under section 237(a)(4) (8 U.S.C. 1227(a)(4)) of such Act) who but for that subparagraph would qualify for cancellation of removal and adjustment of status under this section if the alien demonstrates rehabilitation and that the alien's removal will result in exceptional and extremely unusual hardship to the alien or a United States citizen or lawful permanent resident spouse, parent, or child.

(B) ALIENS QUALIFYING BEFORE THE DATE OF ENACTMENT.—Notwithstanding paragraph (1), the Attorney General may cancel the removal of, and adjust to the status of an alien lawfully admitted for permanent residence, an alien if—

1 (i) the alien would have met the re-
2 quirements of paragraph (1) at any time
3 during the 4-year period immediately pre-
4 ceding the date of enactment of this Act;
5 and

6 (ii) the alien has graduated from, or
7 is, on the date of filing an application for
8 cancellation of removal under this sub-
9 section, enrolled in the United States in an
10 institution of higher education, as defined
11 by section 101 of the Higher Education
12 Act of 1965 (20 U.S.C. 1001).

13 (3) PROCEDURES.—

14 (A) IN GENERAL.—The Attorney General
15 shall by regulation establish a procedure that
16 permits aliens to apply for cancellation of re-
17 moval and adjustment of status available under
18 this subsection without being placed in removal
19 proceedings, except that, in addition, such can-
20 cellation of removal and adjustment of status
21 shall be available in removal proceedings. In the
22 case of an alien in an exclusion or deportation
23 hearing, suspension of deportation on the same
24 grounds as are provided under this subsection

1 for cancellation of removal, together with ad-
2 justment of status, shall be available.

3 (B) TREATMENT PRIOR TO GRADUA-
4 TION.—

5 (i) IN GENERAL.—Notwithstanding
6 any other provision of law, an alien de-
7 scribed in clause (ii) may not be removed
8 so long as the alien continues to meet the
9 criteria of that clause.

10 (ii) COVERED ALIENS.—An alien de-
11 scribed in this clause is an alien who does
12 not meet the requirements of paragraph
13 (1)(C) but is otherwise able to demonstrate
14 prima facie eligibility for cancellation of re-
15 moval and adjustment of status under this
16 section and has a reasonable opportunity
17 of meeting all the requirements of cancella-
18 tion of removal and adjustment of status
19 under this section in the future.

20 (iii) WORK AUTHORIZATION.—The At-
21 torney General shall grant an alien de-
22 scribed in clause (ii) authorization to en-
23 gage in employment in the United States.

24 (C) EXPEDITED PROCESSING OF APPLICA-
25 TIONS; PROHIBITION ON FEES.—Regulations

1 promulgated under this paragraph shall provide
2 that applications for cancellation of removal
3 and adjustment of status under this subsection
4 will be considered on an expedited basis and
5 without a requirement for the payment by the
6 applicant of any additional fee for such expedited processing.

8 (4) CONFIDENTIALITY OF INFORMATION.—

9 (A) PROHIBITION.—Neither the Attorney
10 General nor any other official or employee of
11 the Department of Justice may—

12 (i) use the information furnished by
13 the applicant pursuant to an application
14 filed under this subsection for any purpose
15 other than to make a determination on the
16 application;

17 (ii) make any publication whereby the
18 information furnished by any particular individual
19 can be identified; or

20 (iii) permit anyone other than a sworn
21 officer or employee of the Department of
22 Justice or, with respect to an application
23 filed under this subsection with a designated
24 entity, that designated entity, to

1 examine applications filed under this sub-
2 section.

3 (B) PENALTY.—Whosoever knowingly
4 uses, publishes, or permits information to be ex-
5 amined in violation of this subsection shall be
6 fined not more than \$10,000.

7 (b) TERMINATION OF PERIOD OF CONTINUOUS PE-
8 RIOD.—For purposes of this section, any period of contin-
9 uous physical presence in the United States of an alien
10 who applies for cancellation of removal and adjustment of
11 status under subsection (a) shall not terminate when the
12 alien is served a notice to appear under section 239(a)
13 of the Immigration and Nationality Act (8 U.S.C. 1229)
14 or any other document notifying the alien of the initiation
15 of immigration proceedings under that Act.

16 (c) TREATMENT OF CERTAIN BREAKS IN PRES-
17 ENCE.—An alien shall be considered to have failed to
18 maintain continuous physical presence in the United
19 States under subsection (a)(1)(D) if the alien has de-
20 parted from the United States for any period in excess
21 of 90 days or for any periods in the aggregate exceeding
22 180 days, except that an alien may remain eligible for can-
23 cellation of removal and adjustment of status under this
24 section notwithstanding a failure to maintain continuous
25 physical presence in the United States if the alien dem-

1 onstrates that failure is due to exceptional circumstances,
2 as defined by section 240(e)(1) of the Immigration and
3 Nationality Act (8 U.S.C. 1229a(e)(1)), or circumstances
4 described in subparagraphs (A), (B), or (C) of section
5 244(b)(1) of the Immigration and Nationality Act (8
6 U.S.C. 1254a(b)(1)).

7 (d) STATUTORY CONSTRUCTION.—Nothing in this
8 section may be construed to apply a numerical limitation
9 on the number of aliens who may be eligible for cancella-
10 tion of removal under section 240A of the Immigration
11 and Nationality Act (8 U.S.C. 1229b).

12 (e) REGULATIONS.—Not later than 180 days after
13 the date of enactment of this Act, the Attorney General
14 shall publish regulations implementing this section. Such
15 regulations shall be effective immediately on an interim,
16 final basis, but are subject to change and revision after
17 public notice and opportunity for a period for public com-
18 ment.

19 **SEC. 343. ANNUAL REPORT.**

20 Not later than one year after the date of enactment
21 of this Act, and annually thereafter, the Attorney General
22 shall submit a report to the Committees on the Judiciary
23 of the Senate and the House of Representatives and to
24 the Secretary of Education setting forth—

1 (1) the number of aliens who applied for can-
 2 cellation of removal and adjustment of status under
 3 section 3;

4 (2) the number of aliens who were granted can-
 5 cellation of removal and adjustment of status under
 6 section 3;

7 (3) the number of aliens who applied for can-
 8 cellation of removal and adjustment of status under
 9 section 3 but whose applications were denied and the
 10 basis for the denial of each application; and

11 (4) the number of pending applications for can-
 12 cellation of removal and adjustment of status under
 13 section 3.

14 **TITLE IV—MAKING HIGHER**
 15 **EDUCATION AFFORDABLE**

16 **Subtitle A—Pell Grants**

17 **SEC. 411. SENSE OF THE SENATE.**

18 (a) FINDINGS.—Congress makes the following find-
 19 ings:

20 (1) Increasing the percentage of individuals who
 21 obtain a postsecondary education has become in-
 22 creasingly important, not just to the individual bene-
 23 ficiary, but to the Nation as a whole. The growth
 24 and continued expansion of the Nation's economy is

1 heavily dependent on an educated and highly skilled
2 workforce.

3 (2) The opportunity to gain a postsecondary
4 education also is important to the Nation as a
5 means to help advance the American ideals of
6 progress and equality.

7 (3) Not all qualified students have the oppor-
8 tunity to earn a college degree because of significant
9 financial barriers. According to Empty Promises, a
10 report of the Advisory Committee on Student Finan-
11 cial Assistance, in 2003, nearly $\frac{1}{2}$ of all low- and
12 moderate-income secondary school graduates (more
13 than 400,000 students) will be unable to attend a 4-
14 year college and 170,000 of these students will at-
15 tend no college at all.

16 (4) The Federal Government plays an inval-
17 uable role in making student financial aid available to
18 ensure that qualified students are able to attend col-
19 lege, regardless of their financial means. Since the
20 inception of the Pell Grant program in 1973, nearly
21 80,000,000 grants have helped low- and middle-in-
22 come students go to college, enrich their lives, and
23 become productive members of society.

24 (5) Nationwide, almost 63 percent of secondary
25 school graduates continue on to higher education im-

1 mediately after completing secondary school. This
2 degree of college participation would not exist with-
3 out the Federal investment in student aid, especially
4 the Pell Grant program. More than 4,000,000 low-
5 and middle-income students receive Pell Grants; 95
6 percent of whom have a family income of not more
7 than \$40,000.

8 (6) In the next 10 years, the number of under-
9 graduate students enrolled in the Nation's colleges
10 and universities will increase by 15 percent to more
11 than 15,000,000 students. Many of these students
12 will be the first in their families to attend college.
13 The continued investment in the Pell Grant program
14 is essential if college is to remain an achievable part
15 of the American dream.

16 (7) Increasing the maximum Pell Grant to
17 \$4,500 would allow approximately 430,000 addi-
18 tional students to benefit from the program.

19 (8) Increasing the maximum Pell Grant to
20 \$4,500 would result in 200,000 new Pell grant re-
21 cipients.

22 (9) Pell Grant recipients are more likely to
23 graduate with student loan debt and to amass more
24 debt than other student borrowers. Increasing the

1 maximum Pell Grant to \$4,500 will help remedy this
2 disparity.

3 (b) SENSE OF THE SENATE.—It is the sense of the
4 Senate that—

5 (1) the maximum Pell Grant should be in-
6 creased to \$4,500 during award year 2003–2004;
7 and

8 (2) the maximum Pell Grant amount set by
9 Congress should be the amount eligible students re-
10 ceive.

11 **SEC. 412. COVERING PELL GRANT SHORTFALL.**

12 The following sums are appropriated, out of any
13 money in the Treasury not otherwise appropriated for the
14 fiscal year ending September 30, 2003, for an additional
15 amount for “Student Financial Assistance” for carrying
16 out subpart 1 of part A of title IV of the Higher Education
17 Act of 1965, as amended, not more than \$3,500,000,000,
18 to remain available through September 30, 2004: *Pro-*
19 *vided*, That the Congress designates the entire amount as
20 an emergency requirement pursuant to section 252(e) of
21 the Balanced Budget and Emergency Deficit Control Act
22 of 1985.

**Subtitle B—Student Loan
Origination Fees**

**SEC. 421. PHASEOUT OF STUDENT LOAN ORIGINATION
FEES.**

The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) is amended—

(1) in section 438(c)(2), by striking “is authorized to charge the borrower an origination fee in an amount not to exceed 3.0 percent” and inserting “is authorized to charge the borrower an origination fee during fiscal year 2003 in an amount not to exceed 3.0 percent, during fiscal year 2004 in an amount not to exceed 2.0 percent, and during fiscal year 2005 in amount not to exceed 1.0 percent”; and

(2) by striking section 455(c) and inserting the following:

“(c) LOAN FEE.—The Secretary shall charge the borrower of a loan made under this part—

“(1) during fiscal year 2003 an origination fee of 3.0 percent of the principal amount of loan;

“(2) during fiscal year 2004 an origination fee of 2.0 percent of the principal amount of loan; and

“(3) during fiscal year 2005 an origination fee of 1.0 percent of the principal amount of loan.”.

1 **Subtitle C—Hope Scholarship**

2 **SEC. 431. HOPE AND LIFETIME LEARNING CREDITS TO BE** 3 **REFUNDABLE.**

4 (a) CREDIT TO BE REFUNDABLE.—Section 25A of
 5 the Internal Revenue Code of 1986 (relating to Hope and
 6 Lifetime Learning credits) is hereby moved to subpart C
 7 of part IV of subchapter A of chapter 1 of such Code (re-
 8 lating to refundable credits) and inserted after section 35.

9 (b) TECHNICAL AMENDMENTS.—

10 (1) Section 36 of such Code is redesignated as
 11 section 37.

12 (2) Section 25A of such Code (as moved by
 13 subsection (a)) is redesignated as section 36.

14 (3) Paragraph (1) of section 36(a) of such Code
 15 (as redesignated by paragraph (2)) is amended by
 16 striking “this chapter” and inserting “this subtitle”.

17 (4) Subparagraph (B) of section 72(t)(7) of
 18 such Code is amended by striking “section
 19 25A(g)(2)” and inserting “section 36(g)(2)”.

20 (5) Subparagraph (A) of section 135(d)(2) of
 21 such Code is amended by striking “section 25A” and
 22 inserting “section 36”.

23 (6) Section 221(d) of such Code is amended—

1 (A) by striking “section 25A(g)(2)” in
 2 paragraph (2)(B) and inserting “section
 3 36(g)(2)”,

4 (B) by striking “section 25A(f)(2)” in
 5 paragraph (2)(B) and inserting “section
 6 36(f)(2)”, and

7 (C) by striking “section 25A(b)(3)” in
 8 paragraph (3) and inserting “section 36(b)(3)”.
 9 (7) Section 222 of such Code is amended—

10 (A) by striking “section 25A” in subpara-
 11 graph (A) of subsection (c)(2) and inserting
 12 “section 36”,

13 (B) by striking “section 25A(f)” in sub-
 14 section (d)(1) and inserting “section 36(f)”,
 15 and

16 (C) by striking “section 25A(g)(2)” in sub-
 17 section (d)(1) and inserting “section 36(g)(2)”.

18 (8) Section 529 of such Code is amended—

19 (A) by striking “section 25A(g)(2)” in sub-
 20 clause (I) of subsection (c)(3)(B)(v) and insert-
 21 ing “section 36(g)(2)”,

22 (B) by striking “section 25A” in subclause
 23 (II) of subsection (c)(3)(B)(v) and inserting
 24 “section 36”, and

1 (C) by striking “section 25A(b)(3)” in
 2 clause (i) of subsection (e)(3)(B) and inserting
 3 “section 36(b)(3)”.

4 (9) Section 530 of such Code is amended—

5 (A) by striking “section 25A(g)(2)” in sub-
 6 clause (I) of subsection (d)(2)(C)(i) and insert-
 7 ing “section 36(g)(2)”,

8 (B) by striking “section 25A” in subclause
 9 (II) of subsection (d)(2)(C)(i) and inserting
 10 “section 36”, and

11 (C) by striking “section 25A(g)(2)” in
 12 clause (iii) of subsection (d)(4)(B) and inserting
 13 “section 36(g)(2)”.

14 (10) Subsection (e) of section 6050S of such
 15 Code is amended by striking “section 25A” and in-
 16 serting “section 36”.

17 (11) Subparagraph (J) of section 6213(g)(2) of
 18 such Code is amended by striking “section
 19 25A(g)(1)” and inserting “section 36(g)(1)”.

20 (12) Paragraph (2) of section 1324(b) of title
 21 31, United States Code, is amended by inserting be-
 22 fore the period “or from section 36 of such Code”.

23 (13) The table of sections for subpart C of part
 24 IV of subchapter A of chapter 1 of the Internal Rev-

1 enue Code of 1986 is amended by striking the item
2 relating to section 36 and inserting the following:

 “Sec. 36. Hope and Lifetime Learning credits.
 “Sec. 37. Overpayments of tax.”.

3 (14) The table of sections for subpart A of such
4 part IV is amended by striking the item relating to
5 section 25A.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years beginning after
8 December 31, 2002.

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