

106TH CONGRESS  
1ST SESSION

# H. R. 2

To send more dollars to the classroom and for certain other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 11, 1999

Mr. GOODLING (for himself, Mr. PITTS, Mr. SMITH of Washington, Mr. GOODE, Mr. CASTLE, Mr. MCKEON, and Ms. PRYCE of Ohio) introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To send more dollars to the classroom and for certain other purposes.

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 “Dollars to the Class-  
5 room Act”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:



1           (1) Strengthening America’s public schools is  
2           critically important to the future of our children and  
3           our Nation.

4           (2) Education is a local responsibility, a State  
5           priority, and a national concern.

6           (3) Strengthening our Nation’s public schools  
7           while respecting State and local control is a top pri-  
8           ority of the 106th Congress.

9           (4) Working with the Nation’s Governors, par-  
10          ents, teachers, and principals must take place in  
11          order to strengthen public schools and foster edu-  
12          cational excellence.

13          (5) More flexibility must be given to our Na-  
14          tion’s Governors and educators at the State and  
15          local level in implementing Federal education pro-  
16          grams.

17          (6) The consolidation of various Federal edu-  
18          cation programs will benefit our Nation’s children,  
19          parents, and teachers by sending more dollars di-  
20          rectly to the classroom.

21          (7) Sending more dollars to the classroom also  
22          entails providing new tax incentives and options for  
23          financing our public schools.

1           (8) Federal school renovation options should be  
2           available to school districts in rural, urban, and sub-  
3           urban areas.

4           (9) We will work with Governors and State and  
5           local educators to send more Federal education dol-  
6           lars to the classroom, provide more flexibility, and  
7           repair, renovate, and rebuild schools.

8                           **TITLE I—FUNDS TO THE**  
9                           **CLASSROOM**

10 **SEC. 101. FINDINGS AND SENSE OF CONGRESS.**

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

12                   (1) We know that effective teaching takes place  
13                   when we begin:

14                           (A) helping children master basic academ-  
15                           ics;

16                           (B) engaging and involving parents;

17                           (C) creating safe and orderly classrooms;

18                   and

19                           (D) getting dollars to the classroom.

20                   (2) Our Nation's children deserve an edu-  
21                   cational system which will provide opportunities to  
22                   excel.

23                   (3) States and localities must spend a signifi-  
24                   cant amount of Federal education tax dollars apply-  
25                   ing for and administering Federal education dollars.

1           (4) Several States have reported that although  
2 they receive less than 10 percent of their education  
3 funding from the Federal Government, more than  
4 50 percent of their paperwork is associated with  
5 those Federal dollars.

6           (5) While it is unknown exactly what percent-  
7 age of Federal education dollars reaches the class-  
8 room, a recent audit of New York City public  
9 schools found that only 43 percent of their local edu-  
10 cation budget reaches the classroom. Further, it is  
11 thought that only 85 percent of funds administered  
12 by the United States Department of Education for  
13 elementary and secondary education reach the school  
14 district level. Even if 65 percent of Federal edu-  
15 cation funds presently reach the classroom, it still  
16 means that billions of dollars are not directly spent  
17 on children in the classroom.

18           (6) American students are not performing up to  
19 their full academic potential, despite significant Fed-  
20 eral education initiatives, which span multiple Fed-  
21 eral agencies.

22           (7) According to the Digest of Education Sta-  
23 tistics, in 1994 only \$150,521,920,000 out of  
24 \$278,965,657,000 spent on elementary and second-  
25 ary education was spent on “instruction”.

1           (8) According to the National Center for Edu-  
2           cation Statistics, in 1995 only 52 percent of staff  
3           employed in public elementary and secondary school  
4           systems were teachers.

5           (9) Too much of our Federal education funding  
6           is spent on bureaucracy and too little is spent on our  
7           Nation's youth.

8           (10) Getting 95 percent of Department of Edu-  
9           cation elementary and secondary education funds to  
10          the classroom could provide substantial additional  
11          funding per classroom across the United States.

12          (11) More education funding should be put in  
13          the hands of someone in a child's classroom who  
14          knows the child's name.

15          (12) Burdensome regulations and mandates  
16          should be removed so that school districts can devote  
17          more resources to children in classrooms.

18          (13) President Clinton has stated: "We cannot  
19          ask the American people to spend more on education  
20          until we do a better job with the money we've got  
21          now."

22          (14) President Clinton and Vice President Gore  
23          agree that the reinventing of public education will  
24          not begin in Washington but in communities across  
25          America and that we must ask fundamental ques-

1 tions about how our public school systems' dollars  
2 are spent.

3 (15) President Clinton and Vice President Gore  
4 agree that in an age of tight budgets, we should be  
5 spending public funds on teachers and children, not  
6 on unnecessary overhead and bloated bureaucracy.

7 (b) SENSE OF CONGRESS.—Congress urges the De-  
8 partment of Education, States, and local educational  
9 agencies to work together to ensure that not less than 95  
10 percent of all funds appropriated for the purpose of carry-  
11 ing out elementary and secondary education programs ad-  
12 ministered by the Department of Education is spent for  
13 our children in their classrooms.

14 **TITLE II—EDUCATION FLEXIBIL-**  
15 **ITY PARTNERSHIP ACT OF**  
16 **1999**

17 **SEC. 201. SHORT TITLE.**

18 This title may be cited as the “Education Flexibility  
19 Partnership Act of 1999”.

20 **SEC. 202. FINDINGS.**

21 Congress makes the following findings:

22 (1) States differ substantially in demographics,  
23 in school governance, and in school finance and  
24 funding. The administrative and funding mecha-

1 nisms that help schools in 1 State improve may not  
2 prove successful in other States.

3 (2) Although the Elementary and Secondary  
4 Education Act of 1965 and other Federal education  
5 statutes afford flexibility to State and local edu-  
6 cational agencies in implementing Federal programs,  
7 certain requirements of Federal education statutes  
8 or regulations may impede local efforts to reform  
9 and improve education.

10 (3) By granting waivers of certain statutory  
11 and regulatory requirements, the Federal Govern-  
12 ment can remove impediments for local educational  
13 agencies in implementing educational reforms and  
14 raising the achievement levels of all children.

15 (4) State educational agencies are closer to  
16 local school systems, implement statewide edu-  
17 cational reforms with both Federal and State funds,  
18 and are responsible for maintaining accountability  
19 for local activities consistent with State standards  
20 and assessment systems. Therefore, State edu-  
21 cational agencies are often in the best position to  
22 align waivers of Federal and State requirements  
23 with State and local initiatives.

24 (5) The Education Flexibility Partnership Dem-  
25 onstration Act allows State educational agencies the

1 flexibility to waive certain Federal requirements,  
2 along with related State requirements, but allows  
3 only 12 States to qualify for such waivers.

4 (6) Expansion of waiver authority will allow for  
5 the waiver of statutory and regulatory requirements  
6 that impede implementation of State and local edu-  
7 cational improvement plans, or that unnecessarily  
8 burden program administration, while maintaining  
9 the intent and purposes of affected programs, and  
10 maintaining such fundamental requirements as those  
11 relating to civil rights, educational equity, and ac-  
12 countability.

13 (7) To achieve the State goals for the education  
14 of children in the State, the focus must be on results  
15 in raising the achievement of all students, not proc-  
16 ess.

17 **SEC. 203. DEFINITIONS.**

18 In this title:

19 (1) LOCAL EDUCATIONAL AGENCY; STATE EDU-  
20 CATIONAL AGENCY.—The terms “local educational  
21 agency” and “State educational agency” have the  
22 meanings given such terms in section 14101 of the  
23 Elementary and Secondary Education Act of 1965.

24 (2) SECRETARY.—The term “Secretary” means  
25 the Secretary of Education.

1           (3) STATE.—The term “State” means each of  
2           the 50 States, the District of Columbia, the Com-  
3           monwealth of Puerto Rico, and each of the outlying  
4           areas.

5 **SEC. 204. EDUCATION FLEXIBILITY PARTNERSHIP.**

6           (a) EDUCATION FLEXIBILITY PROGRAM.—

7           (1) PROGRAM AUTHORIZED.—

8           (A) IN GENERAL.—The Secretary may  
9           carry out an education flexibility program under  
10          which the Secretary authorizes a State edu-  
11          cational agency that serves an eligible State to  
12          waive statutory or regulatory requirements ap-  
13          plicable to 1 or more programs or Acts de-  
14          scribed in subsection (b), other than require-  
15          ments described in subsection (c), for the State  
16          educational agency or any local educational  
17          agency or school within the State.

18          (B) DESIGNATION.—Each eligible State  
19          participating in the program described in sub-  
20          paragraph (A) shall be known as an “Ed-Flex  
21          Partnership State”.

22          (2) ELIGIBLE STATE.—For the purpose of this  
23          subsection the term “eligible State” means a State  
24          that—

25                 (A)(i) has—

1 (I) developed and implemented the  
2 challenging State content standards, chal-  
3 lenging State student performance stand-  
4 ards, and aligned assessments described in  
5 section 1111(b) of the Elementary and  
6 Secondary Education Act of 1965, and for  
7 which local educational agencies in the  
8 State are producing the individual school  
9 performance profiles required by section  
10 1116(a) of such Act; or

11 (II) made substantial progress, as de-  
12 termined by the Secretary, toward develop-  
13 ing and implementing the standards and  
14 assessments, and toward having local edu-  
15 cational agencies in the State produce the  
16 profiles, described in subclause (I); and

17 (ii) holds local educational agencies and  
18 schools accountable for meeting the educational  
19 goals described in the local applications submit-  
20 ted under paragraph (4), and for taking correc-  
21 tive actions, consistent with section 1116 of the  
22 Elementary and Secondary Education Act of  
23 1965, for the local educational agencies that do  
24 not meet the goals; and

1           (B) waives State statutory or regulatory  
2 requirements relating to education while holding  
3 local educational agencies or schools within the  
4 State that are affected by such waivers account-  
5 able for the performance of the students who  
6 are affected by such waivers.

7           (3) STATE APPLICATION.—

8           (A) IN GENERAL.—Each State educational  
9 agency desiring to participate in the education  
10 flexibility program under this section shall sub-  
11 mit an application to the Secretary at such  
12 time, in such manner, and containing such in-  
13 formation as the Secretary may reasonably re-  
14 quire. Each such application shall demonstrate  
15 that the eligible State has adopted an edu-  
16 cational flexibility plan for the State that  
17 includes—

18                   (i) a description of the process the  
19 State educational agency will use to evalu-  
20 ate applications from local educational  
21 agencies or schools requesting waivers of—

22                           (I) Federal statutory or regu-  
23 latory requirements as described in  
24 paragraph (1)(A); and

1 (II) State statutory or regulatory  
2 requirements relating to education;  
3 and

4 (ii) a detailed description of the State  
5 statutory and regulatory requirements re-  
6 lating to education that the State edu-  
7 cational agency will waive.

8 (B) APPROVAL AND CONSIDERATIONS.—

9 The Secretary may approve an application de-  
10 scribed in subparagraph (A) only if the Sec-  
11 retary determines that such application dem-  
12 onstrates substantial promise of assisting the  
13 State educational agency and affected local edu-  
14 cational agencies and schools within such State  
15 in carrying out comprehensive educational re-  
16 form, after considering—

17 (i) the comprehensiveness and quality  
18 of the educational flexibility plan described  
19 in subparagraph (A);

20 (ii) the ability of such plan to ensure  
21 accountability for the activities and goals  
22 described in such plan;

23 (iii) the significance of the State stat-  
24 utory or regulatory requirements relating  
25 to education that will be waived; and

1 (iv) the quality of the State edu-  
2 cational agency's process for approving ap-  
3 plications for waivers of Federal statutory  
4 or regulatory requirements as described in  
5 paragraph (1)(A) and for monitoring and  
6 evaluating the results of such waivers.

7 (4) LOCAL APPLICATION.—

8 (A) IN GENERAL.—Each local educational  
9 agency or school requesting a waiver of a Fed-  
10 eral statutory or regulatory requirement as de-  
11 scribed in paragraph (1)(A) and any relevant  
12 State statutory or regulatory requirement from  
13 a State educational agency shall submit an ap-  
14 plication to the State educational agency at  
15 such time, in such manner, and containing such  
16 information as the State educational agency  
17 may reasonably require. Each such application  
18 shall—

19 (i) indicate each Federal program af-  
20 fected and the statutory or regulatory re-  
21 quirement that will be waived;

22 (ii) describe the purposes and overall  
23 expected results of waiving each such re-  
24 quirement;

1 (iii) describe for each school year spe-  
2 cific, measurable, educational goals for  
3 each local educational agency or school af-  
4 fected by the proposed waiver; and

5 (iv) explain why the waiver will assist  
6 the local educational agency or school in  
7 reaching such goals.

8 (B) EVALUATION OF APPLICATIONS.—A  
9 State educational agency shall evaluate an ap-  
10 plication submitted under subparagraph (A) in  
11 accordance with the State’s educational flexibil-  
12 ity plan described in paragraph (3)(A).

13 (C) APPROVAL.—A State educational  
14 agency shall not approve an application for a  
15 waiver under this paragraph unless—

16 (i) the local educational agency or  
17 school requesting such waiver has devel-  
18 oped a local reform plan that is applicable  
19 to such agency or school, respectively; and

20 (ii) the waiver of Federal statutory or  
21 regulatory requirements as described in  
22 paragraph (1)(A) will assist the local edu-  
23 cational agency or school in reaching its  
24 educational goals.

1           (5) MONITORING.—Each State educational  
2 agency participating in the program under this sec-  
3 tion shall annually monitor the activities of local  
4 educational agencies and schools receiving waivers  
5 under this section and shall submit an annual report  
6 regarding such monitoring to the Secretary.

7           (6) DURATION OF FEDERAL WAIVERS.—

8           (A) IN GENERAL.—The Secretary shall not  
9 approve the application of a State educational  
10 agency under paragraph (3) for a period ex-  
11 ceeding 5 years, except that the Secretary may  
12 extend such period if the Secretary determines  
13 that such agency’s authority to grant waivers  
14 has been effective in enabling such State or af-  
15 fected local educational agencies or schools to  
16 carry out their local reform plans.

17           (B) PERFORMANCE REVIEW.—The Sec-  
18 retary shall periodically review the performance  
19 of any State educational agency granting waiv-  
20 ers of Federal statutory or regulatory require-  
21 ments as described in paragraph (1)(A) and  
22 shall terminate such agency’s authority to grant  
23 such waivers if the Secretary determines, after  
24 notice and opportunity for hearing, that such

1           agency's performance has been inadequate to  
2           justify continuation of such authority.

3           (7) AUTHORITY TO ISSUE WAIVERS.—Notwith-  
4           standing any other provision of law, the Secretary is  
5           authorized to carry out the education flexibility pro-  
6           gram under this subsection for each of the fiscal  
7           years 2000 through 2004.

8           (b) INCLUDED PROGRAMS.—The statutory or regu-  
9           latory requirements referred to in subsection (a)(1)(A) are  
10          any such requirements under the following programs or  
11          Acts:

12           (1) Title I of the Elementary and Secondary  
13          Education Act of 1965.

14           (2) Part B of title II of the Elementary and  
15          Secondary Education Act of 1965.

16           (3) Subpart 2 of part A of title III of the Ele-  
17          mentary and Secondary Education Act of 1965  
18          (other than section 3136 of such Act).

19           (4) Title IV of the Elementary and Secondary  
20          Education Act of 1965.

21           (5) Title VI of the Elementary and Secondary  
22          Education Act of 1965.

23           (6) Part C of title VII of the Elementary and  
24          Secondary Education Act of 1965.

1           (7) The Carl D. Perkins Vocational and Tech-  
2           nical Education Act of 1998.

3           (c) WAIVERS NOT AUTHORIZED.—The Secretary  
4           may not waive any statutory or regulatory requirement of  
5           the programs or Acts authorized to be waived under sub-  
6           section (a)(1)(A)—

7           (1) relating to—

8                   (A) maintenance of effort;

9                   (B) comparability of services;

10                  (C) the equitable participation of students  
11                  and professional staff in private schools;

12                  (D) parental participation and involve-  
13                  ment;

14                  (E) the distribution of funds to States or  
15                  to local educational agencies;

16                  (F) use of Federal funds to supplement,  
17                  not supplant, non-Federal funds; and

18                  (G) applicable civil rights requirements;

19                  and

20           (2) unless the underlying purposes of the statu-  
21           tory requirements of each program or Act for which  
22           a waiver is granted continue to be met to the satis-  
23           faction of the Secretary.

24           (d) CONSTRUCTION.—Nothing in this title shall be  
25           construed to affect the authority of a State educational

1 agency that has been granted waiver authority under the  
2 following provisions of law:

3 (1) Section 311(e) of the Goals 2000: Educate  
4 America Act.

5 (2) The proviso referring to such section 311(e)  
6 under the heading “**EDUCATION REFORM**” in the  
7 Department of Education Appropriations Act, 1996  
8 (Public Law 104–134; 110 Stat. 1321–229).

9 (e) ACCOUNTABILITY.—In deciding whether to ex-  
10 tend a request for a State educational agency’s authority  
11 to issue waivers under this section, the Secretary shall re-  
12 view the progress of the State educational agency, local  
13 educational agency, or school affected by such waiver or  
14 authority to determine if such agency or school has made  
15 progress toward achieving the desired results described in  
16 the application submitted pursuant to subsection  
17 (e)(4)(A)(ii).

18 (f) PUBLICATION.—A notice of the Secretary’s deci-  
19 sion to authorize State educational agencies to issue waiv-  
20 ers under this section shall be published in the Federal  
21 Register and the Secretary shall provide for the dissemina-  
22 tion of such notice to State educational agencies, inter-  
23 ested parties, including educators, parents, students, advo-  
24 cacy and civil rights organizations, other interested par-  
25 ties, and the public.

1 **TITLE III—MODIFICATION OF**  
2 **ARBITRAGE REBATE RULES**  
3 **APPLICABLE TO BONDS USED**  
4 **TO FINANCE PUBLIC**  
5 **SCHOOLS**

6 **SEC. 301. ADDITIONAL INCREASE IN ARBITRAGE REBATE**  
7 **EXCEPTION FOR GOVERNMENTAL BONDS**  
8 **USED TO FINANCE PUBLIC SCHOOL FACILI-**  
9 **TIES.**

10 (a) **IN GENERAL.**—Section 148(f)(4)(D)(vii) of the  
11 Internal Revenue Code of 1986 (relating to increase in  
12 exception for bonds financing public school capital expend-  
13 itures) is amended by striking “\$5,000,000” the second  
14 place it appears and inserting “\$10,000,000”.

15 (b) **EFFECTIVE DATE.**—The amendment made by  
16 subsection (a) shall apply to obligations issued after De-  
17 cember 31, 1999.

18 **SEC. 302. MODIFICATION OF ARBITRAGE REBATE RULES**  
19 **APPLICABLE TO PUBLIC SCHOOL CONSTRUC-**  
20 **TION BONDS.**

21 (a) **IN GENERAL.**—Subparagraph (C) of section  
22 148(f)(4) of the Internal Revenue Code of 1986 is amend-  
23 ed by adding at the end the following new clause:

1                   “(xviii) 4-YEAR SPENDING REQUIRE-  
2                   MENT FOR PUBLIC SCHOOL CONSTRUCTION  
3                   ISSUE.—

4                   “(I) IN GENERAL.—In the case  
5                   of a public school construction issue,  
6                   the spending requirements of clause  
7                   (ii) shall be treated as met if at least  
8                   10 percent of the available construc-  
9                   tion proceeds of the construction issue  
10                  are spent for the governmental pur-  
11                  poses of the issue within the 1-year  
12                  period beginning on the date the  
13                  bonds are issued, 30 percent of such  
14                  proceeds are spent for such purposes  
15                  within the 2-year period beginning on  
16                  such date, 50 percent of such pro-  
17                  ceeds are spent for such purposes  
18                  within the 3-year period beginning on  
19                  such date, and 100 percent of such  
20                  proceeds are spent for such purposes  
21                  within the 4-year period beginning on  
22                  such date.

23                  “(II) PUBLIC SCHOOL CON-  
24                  STRUCTION ISSUE.—For purposes of  
25                  this clause, the term ‘public school

1 construction issue' means any con-  
2 struction issue if no bond which is  
3 part of such issue is a private activity  
4 bond and all of the available construc-  
5 tion proceeds of such issue are to be  
6 used for the construction (as defined  
7 in clause (iv)) of public school facili-  
8 ties to provide education or training  
9 below the postsecondary level or for  
10 the acquisition of land that is func-  
11 tionally related and subordinate to  
12 such facilities.

13 “(III) OTHER RULES TO  
14 APPLY.—Rules similar to the rules of  
15 the preceding provisions of this sub-  
16 paragraph which apply to clause (ii)  
17 also apply to this clause.”.

18 (b) EFFECTIVE DATE.—The amendment made by  
19 this section shall apply to obligations issued after the date  
20 of the enactment of this Act.

○