Smithsonian Institution; to the Committee on Rules and Administration.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. SPECTER (for himself, Mr. HARKIN, Ms. MIKULSKI, Mr. FRIST, Mr. SCHUMER, Mr. SARBANES, Ms. COLLINS, Mr. DEWINE, Mr. HUTCHINSON, Ms. SNOWE, Mr. COCHRAN, Mr. SANTORUM, and Mrs. MURRAY):

S. Res. 19. A resolution to express the Sense of the Senate that the Federal investment in biomedical research should be increased by $3,400,000,000 in fiscal year 2002; to the Committee on Appropriations.

By Mr. HARKIN (for himself, Mr. FEINGOLD, Mr. REED, Mr. LEAHY, Mr. KENNEDY, Mr. WELLSTONE, and Mr. KOHL):

S. Con. Res. 9. A concurrent resolution condemning the violence in East Timor and urging the establishment of an international war crimes tribunal for prosecuting crimes against humanity that occurred during that conflict; to the Committee on Foreign Relations.

By Mr. CRAIG (for himself, Mr. LOTT, Mr. CRAPO, and Mr. BENNETT):

S. Con. Res. 10. A concurrent resolution expressing the sense of the Senate regarding the Republic of Korea's unlawful bailout of Hyundai Electronics; to the Committee on Finance.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. SHELBY:

S. 302. A bill to amend the Internal Revenue Code of 1986 to reduce the maximum capital gain tax rate for gains from property held for more than 5 or 10 years; to the Committee on Finance.

Mr. SHELBY. Mr. President, I rise today to introduce legislation that would reduce the capital gains tax for properties held for more than five or ten years. Such legislation is needed to help increase investment and to decrease inefficient economic behavior.

Under current law, people holding capital property are often discouraged from selling their property because of the large anticipated tax liability. Such a ''lock-in'' of assets is economically undesirable. Economists have estimated that perhaps as much as 7.5 trillion dollars are ''locked-in'' the portfolios of American taxpayers. By reducing the tax on certain long term capital gains, we would decrease the ''lock-in'' effect and allow investors to liquidate or hold capital assets based on market factors rather than the tax code.

Opponents to lower taxation of capital gains argue that reducing capital gains tax rates would result in a revenue shortfall. Such an argument fails to recognize the effect that reduced taxes will have on investment behavior. By lowering taxes on capital gains, we will encourage, rather than discourage, capital investment. I believe the resulting situation would be a rise in the number of investment transactions and in the amount of gain realized in each taxable year which will in turn lead to an increase in tax revenue. This trend has been well-documented as evidenced by the fact that every capital gains tax reduction in the last forty years has resulted in increased federal revenue. In addition to increasing federal revenue, a cut in the capital gain tax rates would benefit individual states, as a vast majority of them also tax capital gains.

The current capital gains tax dissuades investment and economic growth. By lowering the capital gains tax rates, my bill would help lower the cost of capital and spur economic growth. I urge my colleagues to join me in support of the bill. I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 302

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. REDUCTION IN MAXIMUM CAPITAL GAIN RATES FOR 5-YEAR AND 10-YEAR GAINS.

(a) IN GENERAL.—Paragraph (2) of section 1(h) of the Internal Revenue Code of 1986 (relating to maximum capital gains rate) is amended to read as follows:

''(2) REDUCED CAPITAL GAIN RATES FOR QUALIFIED 5-YEAR AND 10-YEAR GAIN.—

''(A) REDUCTION IN 10-PERCENT RATE.—In the case of any taxable year beginning after December 31, 2001, the rate under paragraph (1)(B) shall be—

''(i) 8 percent with respect to so much of the amount to which the 10-percent rate would otherwise apply as does not exceed qualified 5-year gain,

''(ii) 5 percent with respect to so much of the amount to which the 10-percent rate would otherwise apply as does not exceed qualified 10-year gain, and

''(iii) 10 percent with respect to the remainder of such amount.

''(B) REDUCTION IN 20-PERCENT RATE.—The rate under paragraph (1)(C) shall be—

''(i) 10 percent with respect to so much of the amount to which the 20-percent rate would otherwise apply as does not exceed the lesser of—

''(I) the excess of qualified 5-year gain over the amount of such gain taken into account under subparagraph (A) of this paragraph, or

''(II) the amount of qualified 5-year gain (determined by taking into account only property the holding period for which begins after December 31, 2001),

''(ii) 5 percent with respect to so much of the amount to which the 20-percent rate would otherwise apply as does not exceed the lesser of—

''(I) the excess of qualified 10-year gain over the amount of such gain taken into account under subparagraph (A) of this paragraph, or

''(II) the amount of qualified 10-year gain (determined by taking into account only property the holding period for which begins after December 31, 2001), and

''(iii) 20 percent with respect to the remainder of such amount.

For purposes of determining under the preceding sentence whether the holding period of property begins after December 31, 2001, the holding period of property acquired pursuant to the exercise of an option (or other right or obligation to acquire property) shall include the period such option (or other right or obligation) was held.''.

(b) QUALIFIED 5-YEAR AND 10-YEAR GAIN.—Paragraph (9) of section 1(h) of the Internal Revenue Code of 1986 is amended to read as follows:

''(9) QUALIFIED 5-YEAR AND 10-YEAR GAIN.—For purposes of this subsection—

''(A) QUALIFIED 5-YEAR GAIN.—The term 'qualified 5-year gain' means the aggregate long-term capital gain from property held for more than 5 years but not more than 10 years.

''(B) QUALIFIED 10-YEAR GAIN.—The term 'qualified 10-year gain' means the aggregate long-term capital gain from property held for more than 10 years.

''(C) DETERMINATION OF GAIN.—The determination under subparagraph (A) or (B) shall be made without regard to collectibles gain, gain described in paragraph (7)(A)(i), and section 1202 gain.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

By Mr. LIEBERMAN (for himself, Mr. BAYH, Ms. LANDRIEU, Mrs. LINCOLN, Mr. KOHL, Mr. GRAHAM, Mr. BREAUX, Mr. KERRY, Mrs. FEINSTEIN, Mr. CARPER, and Mr. NELSON of Florida):

S. 303. A bill to amend the Elementary and Secondary Education Act of 1965, to reauthorize and make improvements to that Act, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

Mr. LIEBERMAN. Mr. President, I rise today to join with several of my colleagues in offering a comprehensive education reform proposal that I believe can serve as the foundation for building a bipartisan legislative consensus and ultimately a better future for our children. It is a common-sense strategy that we believe can be the basis for a common ground solution—reinvest in our public schools, reinvent the way we administer them, and restore a sense of responsibility to the children we are supposed to be serving. Hence the title of our bill: the Public Education Reinvention, Reinvestment, and Responsibility Act, or the Three R's for short.

Our Senate New Democrat Coalition originally proposed this plan, which seeks to bring together the best ideas of both parties into a whole new approach to federal education policy, during the debate last year on the reauthorization of the Elementary and Secondary Education Act. We drew significant interest from Members on both sides of the aisle, as well as from a number of voices in the education reform community, but not enough to overcome the partisan tensions of an election year.

We return to this cause now, at the start of this new session, with the same sense of urgency and a new sense of optimism. Our urgency is driven by the growing public concern about the state of public schools and the consequences of continued inactions. Our optimism is driven by the growing policy consensus about how we in Washington can help our public schools meet the

new challenges of this new age and help every student learn at a high level.

We feel strongly that we cannot afford to wait any longer to craft a serious national response to what is a serious national problem, not when millions of our children are being denied the education they deserve and the New Economy demands. International math and science tests indicate that our students, even the best of the best, are struggling to keep pace with children in other nations. In fact, the most advanced American 12th-graders ranked 15 out of 16 on the advanced math test and 16th out of 16th on the physics test.

Far more troubling, millions of poor children, particularly children of color, are failing to learn even the most basic of skills, which is to say we are failing them. Thirty five years after we passed the Elementary and Secondary Education Act (ESEA) specifically to aid disadvantaged students, black and Hispanic 12th graders are reading and doing math on average at the same level of white 8th-graders.

This pernicious achievement gap cannot be allowed to persist in this land of opportunity. It is not only a matter of equity, but of economics as well. We simply cannot compete in a knowledge-based global marketplace if so much of our future labor force doesn't know how to read, write, and reason. As one report states, ''Students are being unconsciously eliminated from the candidate pool of Information Technology, IT, workers by the knowledge and attitudes they acquire in their K–12 years. Many students do not learn the basic skills of reasoning, mathematics, and communication that provide the foundation for higher education or entry-level jobs in IT work.''

We also have to acknowledge that we have not done a very good job in recent years in providing every child with a well-qualified teacher, which goes a long way toward explaining why this achievement gap persists. Specifically, we are failing to deliver teachers to the classroom who truly know their subject matter. One national survey found that one-fourth of all secondary school teachers did not major in their core area of instruction. What is particularly troubling is that we are failing those children who need our help the most—in the school districts with the highest concentration of minorities, students have less than a 50 percent chance of getting a math or science teacher who has a license or a degree in their field.

We are far from alone in feeling strongly about this problem, Mr. President, and we are encouraged by the bold and innovative reforms that many states and local districts are pursuing to raise standards and expectations and improve the quality of education our children are receiving. They are helping to show us what works and how we in Washington can help.

This is not something we talk enough about, in large part because we do have some serious problems with our schools, but there are in fact plenty of positive developments to highlight in public education today. Over the past year, I have visited a broad range of schools and programs in Connecticut and around the country, and I can tell you that there is much happening in our public schools that we can be heartened by, proud of, and learn from.

There is the exemplary Kennelly School in Hartford, Connecticut, which has to contend with a high-poverty, high-mobility student population, but through intervention programs has had real success improving the reading, writing and math skills of many of its students. In addition, there is the Side by Side Charter School in Norwalk, one of 17 charter schools in Connecticut, which has created an exemplary multi-racial program in response to the challenge of Sheff v. O'Neill to diminish racial isolation. Side by Side is experimenting with a different approach to classroom assignments, having students stay with teachers for two consecutive years to take advantage of the relationships that develop, and by all indications it is working quite well for those kids.

And there is the nationally-recognized BEST program, which, building on previous efforts in Connecticut to raise teacher skills and salaries, is now targeting additional state aid, training, and mentoring support to help local districts nurture new teachers and prepare them to excel. The result is that Connecticut's blueprint is touted by some, including the National Commission on Teaching and America's Future, as a national model for others to follow.

A number of other states, led by Texas and North Carolina, are moving in this same direction—refocusing their education systems not on process but on performance, not on prescriptive rules and regulations but on results. More and more of them are in fact adopting a simple formula—investing in reform, and insisting on results. They are setting high standards, dedicating more resources to help schools meet those new demands, providing more flexibility to experiment with innovative practices, and holding schools responsible for improving their performance.

We as New Democrats believe the best thing we can do to encourage and accelerate this movement, and spur every state to pursue these bold reforms, is to adapt this new approach to the federal level—which is to say, to lead by following. And that is just what our Three R's proposal aims to do. We want to redefine the federal role in education and refocus it on helping states and local districts raise academic achievement, putting the priority for federal programs on performance instead of process, and on delivering results instead of developing rules.

In particular, our plan calls on states and local districts to enter into a new compact with the federal government to work together to strengthen standards and improve educational opportunities, particularly for America's poorest children. It would provide states and local educators with significantly more federal funding and significantly more flexibility in targeting those dollars to meet their specific needs. In exchange, it would demand real accountability, and for the first time impose consequences on schools that continually fail to show progress.

Part of changing our focus means narrowing our focus. We agree with many critics of the status quo that the current maze of federal education programs is too unwieldy, too bureaucratic, and ultimately too diffuse. That is why we eliminate dozens of federally microtargeted, micromanaged programs that are redundant or incidental to our core mission of raising academic achievement. But we also believe that we have a great national interest in promoting broad national educational goals, chief among them delivering on the promise of equal opportunity. It is not only foolish but irresponsible to hand out federal dollars with no questions asked and no thought of national priorities. That is why we carve out separate titles in those areas that we think are critical to helping every child learn at a high level.

The first of our restructured titles would strengthen our longstanding commitment to providing additional aid to disadvantaged children through the Title I program. It would increase funding by 50 percent, up to $13 billion annually, and, perhaps more importantly, target those new funds to schools with the highest concentrations of poverty. The second would combine various teacher training and professional development programs into a single teacher quality grant, increase funding to #2 billion annually, and challenge each state to pursue the kind of bold, performance-based reforms that my own state of Connecticut has undertaken with great success.

The third title would reform the Federal bilingual education program and hopefully defuse the ongoing controversy surrounding it by making absolutely clear that our national mission is to help immigrant children learn and master English and ultimately to meet the same high academic standards as other students. First, recognizing that may limited English proficient students are not being served at all today, we call for dramatically increasing our investment in English acquisition programs, doubling funding to $1 billion a year, which would for the first time be distributed to states and local districts through a reliable formula, based on their LEP student population. As a result, school districts serving large LEP and high poverty student populations would be guaranteed federal funding, and would not be penalized because of their inability to hire savvy proposal writers for competitive grants.

The fourth title would respond to the public demands for greater choice within the public school framework, by providing additional resources for charter school start-ups and new incentives for expanding local, intradistrict choice programs. And the fifth would radically restructure the remaining ESEA programs and provide local districts broad flexibility to address their specific needs. We consolidate more than 20 different programs into a single High Performance Initiatives title, with a focus on supporting and encouraging bold new ideas, expanding access to summer school and after school programs, improving school safety, and building technological literacy. We increase overall funding by more than $200 million to $3.5 billion, and distribute this aid through a formula that targets more resources to the highest poverty areas.

The boldest change we are proposing is to create a new accountability title. As of today, we have plenty of rules and requirements on inputs, on how funding is to be allocated and who must be served, but little if any attention to outcomes, on how schools ultimately perform in educating children. This bill would reverse that imbalance by linking Federal funding to the progress states and local districts make in raising academic achievement. It would call on state and local leaders to set specific performance standards and adopt rigorous assessments for measuring how each district is faring in meeting those goals. In turn, states that exceed those goals would be rewarded with additional funds, and those that fail repeatedly to show progress would be sanctioned. In other words, for the first time, there would be consequences for poor performance.

In considering how exactly to impose those consequences, we have run into understandable concerns about whether you can penalize failing schools without also penalizing children. The truth is that we are punishing many children right now, especially the most vulnerable of them, by forcing them to attend chronically troubled schools that are accountable to no one, a situation that is just not acceptable anymore. We believe there must be consequences for failure, but we make a concerted effort through this bill to minimize the potential negative impact on students. It requires states to set annual performance-based goals and put in place a monitoring system for gauging how local districts are progressing, and also provides additional resources for states to help school districts identify and improve low-performing schools. If after three years a state fails to meet its goals, the state would be penalized by cutting its administrative funding by 50 percent. Only after four years of under performance would dollars targeted for the classroom be put in jeopardy. At that point, protecting kids by continuing to subsidize bad schools becomes more like punishing them.

Although money alone won't improve the quality of our public education, we must invest significantly more resources if we expect to close the achievement gap and truly ''leave no child behind.'' That is why we would boost ESEA funding by $35 billion over the next five years. But we also believe that the impact of this funding will be severely diluted if it is not better targeted to the worst-performing schools and if it is not coupled with a rigorous and vigorous demand for accountability. That is why we narrow the federal focus to a few select national priorities, all of them tied to raising student achievement, and match our investment in reform with an insistence on results.

Judging by what President Bush has said to date, along with Congressional leaders, we believe that there is a lot of room for collaboration and a lot of reason to be hopeful that we can reach bipartisan agreement on a bold, progressive, comprehensive education reform bill this year. We still have some serious differences with the President—not just on vouchers, but on the targeting of federal dollars to the nation's poorest communities, which is critical to our hopes of closing the achievement gap. But we do share a commitment to closing that gap as a national goal, just as we share a commitment to strengthening accountability, broadening flexibility for local schools, spurring innovation, and promoting public school choice. And as some of our colleagues have noted, the framework of our plan shares much in common with the reform blueprint President Bush recently unveiled.

Our bottom line is principles, not programs. We believe we have some good new ideas to realize some great old ideals, chief among them the promise of equal opportunity. But we don't pretend to have a monopoly on them and we are eager to work with both our fellow Democrats and Republicans to find the right balance. There is no one roadmap to reform. But we believe the third way we have charted with our Three R's plan is a good place to start—and hopefully end.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 303

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Public Education Reinvestment, Reinvention, and Responsibility Act'' or the ''Three R's Act''.

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

SEC. 2. REFERENCES.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.).

SEC. 3. DECLARATION OF PRIORITIES.

Congress declares that the national educational priorities are to—

(1) introduce real accountability by making public elementary school and secondary school education funding performance-based rather than a guaranteed source of revenue for States and local educational agencies;

(2) require State educational agencies and local educational agencies to establish high student performance objectives, and provide the State educational agencies and local educational agencies with flexibility in using Federal resources to ensure that the performance objectives are met;

(3) concentrate Federal funding on a small number of central education goals, including providing compensatory education for disadvantaged children and youth, improving teacher quality and providing professional development, providing programs for limited English proficient students, public school choice programs, and innovative educational programs, and promoting student safety and the incorporation of educational technology into education;

(4) concentrate Federal education funding on impoverished areas where elementary schools and secondary schools are most likely to be in distress;

(5) sanction State educational agencies and local educational agencies that consistently fail to meet established benchmarks; and

(6) reward State educational agencies, local educational agencies, and elementary schools and secondary schools that demonstrate high performance.

TITLE I—STUDENT PERFORMANCE

SEC. 101. HEADING.

The heading for title I (20 U.S.C. 6301 et seq.) is amended to read as follows:

"TITLE I—STUDENT PERFORMANCE".

SEC. 102. FINDINGS, POLICY, AND PURPOSE.

Section 1001 (20 U.S.C. 6301) is amended to read as follows:

"SEC. 1001. FINDINGS, POLICY AND PURPOSE.

''(a) FINDINGS.—Congress makes the following findings:

''(1) Despite more than 3 decades of Federal assistance, a sizable achievement gap remains between economically disadvantaged and affluent students.

''(2) The 1994 reauthorization of the Elementary and Secondary Education Act of 1965 was an important step in focusing the Nation's priorities on closing the achievement gap between economically disadvantaged and affluent students in the United States. The Federal Government must continue to build on the improvements made in 1994 by holding States and local educational agencies accountable for student achievement.

''(3) States can help close the achievement gap by developing challenging curriculum content and student performance standards so that all elementary school and secondary school students perform at an advanced level. States should implement rigorous and comprehensive student performance assessments, such as the National Assessment of Educational Progress, so as to measure fully the progress of the Nation's students.

''(4) In order to ensure that no child is left behind in the new economy, the Federal Government must better target Federal resources on those children who are most at risk for falling behind academically.

''(5) Funds made available under this title (referred to in this section as 'title I funds') have been targeted on high-poverty areas, but not to the degree the funds should be targeted on those areas, as demonstrated by the following:

''(A) Although 95 percent of schools with poverty levels of 75 percent to 100 percent receive title I funds, 20 percent of schools with poverty levels of 50 to 74 percent do not receive any title I funds.

''(B) Only 64 percent of schools with poverty levels of 35 percent to 49 percent receive title I funds.

''(6) Title I funding should be significantly increased and more effectively targeted to ensure that all economically disadvantaged students have an opportunity to excel academically.

''(7) The Federal Government should provide greater decisionmaking authority and flexibility to schools and teachers in exchange for requiring the schools and teachers to assume greater responsibility for student performance. Federal, State, and local efforts should be focused on raising the academic achievement of all students. The Nation's children deserve nothing less than a policy that holds accountable those responsible for shaping the children's future and the Nation's future.

''(b) POLICY.—It is the policy of the United States to ensure that all students receive a high-quality education by holding States, local educational agencies, and elementary schools and secondary schools accountable for increased student academic performance results, and by facilitating improved classroom instruction.

''(c) PURPOSES.—The purposes of this title are as follows:

''(1) To eliminate the existing 2-tiered educational system, which sets lower academic expectations for economically disadvantaged students than for affluent students.

''(2) To require all States to have challenging content and student performance standards and assessment measures in place.

''(3) To require all States to ensure adequate yearly progress for all students by establishing annual, numerical performance objectives.

''(4) To ensure that all students receiving services under this title receive educational instruction from a fully qualified teacher.

''(5) To support State educational agencies and local educational agencies in identifying, assisting, and correcting low-performing schools.

''(6) To increase Federal funding for programs carried out under part A for economically disadvantaged students in return for increased academic performance of all students.

''(7) To target Federal funding to local educational agencies serving the highest percentages of economically disadvantaged students.''.

SEC. 103. AUTHORIZATION OF APPROPRIATIONS.

Section 1002 (20 U.S.C. 6302) is amended to read as follows:

"SEC. 1002. AUTHORIZATION OF APPROPRIATIONS.

''(a) LOCAL EDUCATIONAL AGENCY GRANTS.—For the purpose of carrying out part A, other than section 1120(e), there are authorized to be appropriated $13,000,000,000 for fiscal year 2002 and such sums as may be necessary for each of the 4 succeeding fiscal years.

''(b) EVEN START.—For the purpose of carrying out part B, there are authorized to be appropriated such sums as may be necessary for fiscal year 2002 and each of the 4 succeeding fiscal years.

''(c) EDUCATION OF MIGRATORY CHILDREN.—For the purpose of carrying out part C, there are authorized to be appropriated such sums as may be necessary for fiscal year 2002 and each of the 4 succeeding fiscal years.

''(d) PREVENTION AND INTERVENTION PROGRAMS FOR YOUTH WHO ARE NEGLECTED, DELINQUENT, OR AT RISK OF DROPPING OUT.—For the purpose of carrying out part D, there are authorized to be appropriated such sums as may be necessary for fiscal year 2002 and each of the 4 succeeding fiscal years.

''(e) CAPITAL EXPENSES.—For the purpose of carrying out section 1120(e), there is authorized to be appropriated $5,000,000 for fiscal year 2002.

''(f) FEDERAL ACTIVITIES.—For the purpose of carrying out sections 1501 and 1502, there are authorized to be appropriated such sums as may be necessary for fiscal year 2002 and each of the 4 succeeding fiscal years.''.

SEC. 104. RESERVATION FOR SCHOOL IMPROVEMENT.

Section 1003 (20 U.S.C. 6303) is amended to read as follows:

"SEC. 1003. RESERVATION FOR SCHOOL IMPROVEMENT.

''(a) STATE RESERVATIONS.—Each State educational agency shall reserve 2.5 percent of the amount the State educational agency receives under part A for fiscal years 2002 and 2003, and 3.5 percent of that amount for fiscal years 2004 through 2006, to carry out subsection (b) and to carry out the State educational agency's responsibilities under sections 1116 and 1117, including carrying out the State educational agency's statewide system of technical assistance and support for local educational agencies.

''(b) USES.—Of the amount reserved under subsection (a) for any fiscal year, the State educational agency shall make available at least 80 percent of such amount directly to local educational agencies for school improvement and corrective action.''.

Subtitle A—Improving Basic Programs Operated by Local Educational Agencies

SEC. 111. STATE PLANS.

Section 1111 (20 U.S.C. 6311) is amended to read as follows:

"SEC. 1111. STATE PLANS.

''(a) PLANS REQUIRED.—

''(1) IN GENERAL.—Any State educational agency desiring a grant under this part shall submit to the Secretary a plan that—

''(A) is developed in consultation with local educational agencies, teachers, pupil services personnel, administrators (including administrators of programs described in other parts of this title), local school boards, other staff, parents, and other entities in the community involved such as institutions of higher education;

''(B) satisfies the requirements of this section; and

''(C) coordinates activities with other programs carried out under this Act, the Individuals with Disabilities Education Act, the Carl D. Perkins Vocational and Technical Education Act of 1998, and the Head Start Act.

''(2) CONSOLIDATED PLAN.—A State plan submitted under paragraph (1) may be submitted as part of a consolidated plan under section 8302.

''(b) STANDARDS, ASSESSMENTS, AND ACCOUNTABILITY.—

''(1) CHALLENGING STANDARDS.—

''(A) IN GENERAL.—Each State plan shall demonstrate that the State has adopted challenging content standards and challenging student performance standards that will be used by the State, and the local educational agencies, and elementary schools and secondary schools, within the State to carry out this part.

''(B) UNIFORMITY.—The standards required by subparagraph (A) shall be the same as the standards that the State applies to all elementary schools and secondary schools within the State and all students attending such schools.

''(C) SUBJECTS.—The State shall have such standards for elementary school and secondary school students served under this part in academic subjects determined by the State, but including at least mathematics, science, and English language arts. The standards shall include the same specifications concerning knowledge, skills, and levels of performance for all students.

''(D) STANDARDS.—Standards adopted under this paragraph shall include—

''(i) challenging content standards in academic subjects that—

''(I) specify what students are expected to know and be able to do;

''(II) contain coherent and rigorous content; and

''(III) encourage the teaching of advanced skills; and

''(ii) challenging student performance standards that—

''(I) are aligned with the State's content standards;

''(II) describe 2 levels of high performance, proficient and advanced levels of performance, that determine how well students are mastering the material in the State content standards; and

''(III) describe a third level of performance, a basic level of performance, to provide complete information about the progress of the lower performing students toward meeting the proficient and advanced levels of performance.

''(E) ADDITIONAL SUBJECTS.—For the academic subjects for which students will receive services under this part, but for which a State is not required under subparagraphs (A), (B), and (C) to develop, and has not otherwise developed, challenging content and student performance standards, the State plan shall describe a strategy for ensuring that economically disadvantaged students acquire the same knowledge, are taught the same skills, and are held to the same expectations as are all students.

''(F) SPECIAL RULE.—In the case of a State that allows local educational agencies to adopt more rigorous standards than the standards set by the State, local educational agencies shall be allowed to implement such rigorous standards.

''(2) ADEQUATE YEARLY PROGRESS.—

''(A) IN GENERAL.—Each State plan shall demonstrate what constitutes adequate yearly progress (based on assessments described in paragraph (4)) of—

''(i) any school that receives assistance under this part toward enabling all students to meet the State's challenging student performance standards;

''(ii) any local educational agency that receives assistance under this part toward enabling all students in schools served by the local educational agency and receiving assistance under this part to meet the State's challenging student performance standards; and

''(iii) the State toward enabling all students in schools in the State and receiving assistance under this part to meet the State's challenging student performance standards.

''(B) DEFINITION.—The adequate yearly progress shall be defined by the State in a manner that—

''(i) applies the same high standards of academic performance to all students in the State;

''(ii) takes into account the progress of all students in the State and served by each local educational agency and school served under section 1114 or 1115;

''(iii) uses the State challenging content and challenging student performance standards and assessments described in paragraphs (1) and (4);

''(iv) compares separately, for each State, local educational agency, and school, the performance and progress of students, disaggregated by each major ethnic and racial group, by gender, by English proficiency status, and by classification as economically disadvantaged students as compared to students who are not economically disadvantaged (except that such disaggregation shall not be required in a case in which the number of students in a category is insufficient to yield statistically reliable information or the results would reveal individually identifiable information about an individual student);

''(v) compares the proportions of students at the basic, proficient, and advanced levels of performance in a grade in a school year with the proportions of students at each of the 3 performance levels in the same grade in the previous school year;

''(vi) endeavors to include other academic measures such as promotion, attendance, drop-out rates, completion of college preparatory courses, college admission tests taken, and secondary school completion, except that failure to meet another academic measure, other than student performance on State assessments aligned with State standards, shall not provide the sole basis for designating a local educational agency or school for improvement;

''(vii) includes annual numerical objectives for improving the performance of all groups described in clause (iv) and narrowing gaps in achievement between those groups in, at least, the areas of mathematics and English language arts; and

''(viii) includes a timeline for ensuring that each group of students described in clause (iv) meets or exceeds the State's proficient level of performance on each State assessment described in paragraph (4) not later than 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(C) ACCOUNTABILITY.—Each State plan shall demonstrate that the State has developed and is implementing a statewide State accountability system that has been or will be effective in ensuring that all local educational agencies, elementary schools, and secondary schools are making adequate yearly progress as defined under section 1111(b)(2). Each State accountability system shall—

''(i) be based on the standards and assessments adopted under paragraphs (1) and (4) and take into account the performance of all students required by law to be included in such assessments;

''(ii) be the same as the accountability system the State uses for all schools or all local educational agencies in the State, if the State has an accountability system for all the schools or all the local educational agencies;

''(iii) provide for the identification of schools or local educational agencies receiving funds under this part that for 3 consecutive years have exceeded such schools' or agencies' adequate yearly progress goals so that information about the practices and strategies of such schools or agencies can be disseminated to other schools served by the local educational agency and other schools in the State and the schools and agencies that have exceeded the goals can be considered for rewards provided under title VII;

''(iv) provide for the identification of schools and local educational agencies for improvement, as required by section 1116, and for the provision of technical assistance, professional development, and other capacity-building as needed, including those measures specified in sections 1116(d)(9) and 1117, to ensure that schools and local educational agencies so identified have the resources, skills, and knowledge needed to carry out their obligations under sections 1114 and 1115 and to meet the requirements for adequate yearly progress described in this paragraph; and

''(v) provide for the identification of schools and local educational agencies for corrective action as required by section 1116, and for the implementation of corrective action against schools and local educational agencies in cases in which such actions are required under such section.

''(D) ANNUAL IMPROVEMENT FOR STATES.—

''(i) 90 PERCENT REQUIREMENT.—Each State plan shall specify that, for a State to make adequate yearly progress under subparagraph (A)(iii), not less than 90 percent of the local educational agencies within the State shall meet the State's criteria for adequate yearly progress.

''(ii) MODIFICATION.—If the application of the 90 percent requirement described in clause (i) would require a fractional number of local educational agencies to meet the criteria, the Secretary shall issue an order modifying the requirement, to the minimum extent necessary, and shall require a substantial number of the agencies to meet the criteria.

''(E) ANNUAL IMPROVEMENT FOR LOCAL EDUCATIONAL AGENCIES.—

''(i) 90 PERCENT REQUIREMENT.—Each State plan shall specify that, for a local educational agency to make adequate yearly progress under subparagraph (A)(ii), not less than 90 percent of the schools served by the local educational agency shall meet the State's criteria for adequate yearly progress.

''(ii) MODIFICATION.—If the application of the 90 percent requirement described in clause (i) would require a fractional number of schools to meet the criteria, the Secretary shall issue an order modifying the requirement, to the minimum extent necessary, and shall require a substantial number of the schools to meet the criteria.

''(F) ANNUAL IMPROVEMENT FOR SCHOOLS.—Each State plan shall specify that, for an elementary school or a secondary school to make adequate yearly progress under subparagraph (A)(i), not less than 90 percent of each group of students described in subparagraph (B)(iv) who are enrolled in such school shall take the assessments described in paragraph (4) and in section 612(a)(17)(A) of the Individuals with Disabilities Education Act.

''(G) PUBLIC NOTICE AND COMMENT.—

''(i) IN GENERAL.—Each State shall submit information in the State plan demonstrating that the State, in developing such plan—

''(I) diligently sought public comment from a range of institutions and individuals in the State with an interest in improved student performance; and

''(II) made and will continue to make a substantial effort to ensure that information regarding content standards, performance

standards, assessments, and the State accountability system is widely known and understood by the public, parents, teachers, and school administrators throughout the State.

''(ii) EFFORT.—The effort described in clause (i)(II), at a minimum, shall include annual publication of such information and explanatory text to the public through such means as the Internet, the media, and public agencies. Languages other than English shall be used to communicate the information and text to parents in appropriate cases.

''(3) STATE AUTHORITY.—If a State educational agency provides evidence that is satisfactory to the Secretary that neither the State educational agency nor any other State government official, agency, or entity has sufficient authority under State law to adopt content and student performance standards, and assessments aligned with such standards, that will be applicable to all students enrolled in the State's public schools, the State educational agency may meet the requirements of this subsection by stating in the State plan that the State is—

''(A) adopting content and student performance standards and assessments that meet the requirements of this subsection, on a statewide basis, and limiting the applicability of such standards and assessments to students served under this part; or

''(B) adopting and implementing policies that ensure that each local educational agency within the State that receives assistance under this part will adopt content and student performance standards and assessments—

''(i) that are aligned with the standards described in subparagraph (A); and

''(ii) that meet the criteria in this subsection and any regulations regarding such standards and assessments that the Secretary may publish and that are applicable to all students served by each such local educational agency.

''(4) ASSESSMENTS.—Each State plan shall demonstrate that the State has implemented a set of high quality, yearly student assessments that includes, at a minimum, assessments in mathematics, science, and English language arts, that will be used, starting not later than the 2002–2003 school year as the primary means of determining the yearly performance of each local educational agency and school served by the State under this title in enabling all students to meet the State's challenging content and student performance standards. Such assessments shall—

''(A) be the same as the assessments used to measure the performance of all students, if the State has assessments that measure the performance of all students;

''(B) be aligned with the State's challenging content and student performance standards, and provide coherent information about the local educational agency's contribution to the student attainment of such standards;

''(C) be used only for purposes for which such assessments are valid and reliable, and be consistent with relevant, nationally recognized professional and technical standards for such assessments;

''(D) measure the performance of students against the challenging State content and student performance standards, and be administered not less than once during—

''(i) grades 3 through 5;

''(ii) grades 6 through 9; and

''(iii) grades 10 through 12;

''(E) include multiple, up-to-date measures of student performance and the local educational agency's contribution to student performance, including measures that assess higher order thinking skills and understanding;

''(F) provide for—

''(i) the participation in such assessments of all students;

''(ii) the reasonable adaptations and accommodations for children with disabilities, as such term is defined in section 602(3) of the Individuals with Disabilities Education Act, that are necessary to measure the performance of such students relative to State content and student performance standards;

''(iii) in the case of a student with limited English proficiency, the assessment of such student in the student's native language if such a native language assessment is more likely than an English language assessment to yield accurate and reliable information on what that student knows and is able to do; and

''(iv) notwithstanding clause (iii), the assessment (using tests written in English) of English language arts of any student who has attended school in the United States (not including the Commonwealth of Puerto Rico) for 3 or more consecutive school years, except that if the local educational agency determines, on a case-by-case individual basis, that assessments in another language and form would likely yield more accurate and reliable information on what such students know and can do, the local educational agency may assess such students in the appropriate language other than English for 1 additional consecutive year beyond the third consecutive year;

''(G) include students who have attended schools served by a local educational agency for a full academic year but have not attended a single school for a full academic year, except that the performance of students who have attended more than 1 school served by the local educational agency in any academic year shall be used only in determining the progress of the local educational agency;

''(H) provide individual student reports to be submitted to parents, including reports containing assessment scores or other information on the attainment of student performance standards;

''(I) enable results to be disaggregated within each State, local educational agency, and school by each major racial and ethnic group, by gender, by English proficiency status, and by classification as economically disadvantaged students as compared to students who are not economically disadvantaged; and

''(J) to the extent practicable, use rigorous criteria.

''(5) FIRST GRADE LITERACY ASSESSMENT.—In addition to implementing the assessments described in paragraph (4), each State receiving funds under this part shall describe in the State plan what reasonable steps the State is taking to assist and encourage local educational agencies—

''(A) to measure literacy skills of first graders in schools receiving funds under this part by providing assessments of first graders that are—

''(i) developmentally appropriate;

''(ii) aligned with State content and student performance standards; and

''(iii) tied to scientifically based research; and

''(B) to assist and encourage local educational agencies receiving funds under this part in identifying and taking developmentally appropriate and effective interventions in any school served under this part in which a substantial number of first graders have not demonstrated grade-level literacy proficiency by the end of the school year.

''(6) LANGUAGE ASSESSMENTS.—Each State plan shall identify the languages other than English and Spanish that are present in the participating student populations in the State, and indicate the languages for which yearly student assessments are not available and are needed. The State may request assistance from the Secretary in identifying assessment measures in the needed languages. Upon request, the Secretary shall assist with the identification of appropriate assessment measures in the needed languages, but shall not mandate a specific assessment or mode of instruction.

''(7) DEVELOPMENT AND IMPLEMENTATION.—Each State plan shall provide that the State shall develop and implement, at a minimum, the assessments described in paragraph (4) in mathematics and English language arts by the 2002–2003 school year.

''(8) REQUIREMENT.—Each State plan shall describe—

''(A) how the State educational agency will assist each local educational agency and school affected by the State plan to develop the capacity to comply with each of the requirements of sections 1114(b), 1115(c), and 1116 that are applicable to such agency or school;

''(B) how the State educational agency will—

''(i) hold each local educational agency affected by the State plan accountable for improved student performance, including describing a procedure for—

''(I) identifying local educational agencies and schools for improvement; and

''(II) assisting local educational agencies and schools identified as described in subclause (I) to address performance problems, including providing thorough descriptions of—

''(aa) the amounts and types of professional development to be provided to instructional staff; and

''(bb) the amount of any financial assistance to be provided by the State under section 1003, and the amount of any funds to be provided through other sources and the activities to be provided with those funds; and

''(ii) implement corrective action if the assistance is not effective;

''(C) how the State educational agency is providing additional academic instruction, such as before- and after-school programs and summer academic programs, to low-performing students;

''(D) such other factors as the State considers to be appropriate to provide students with an opportunity to attain the knowledge and skills described in the State's challenging content standards;

''(E) the specific steps that the State educational agency will take or the specific strategies that the State educational agency will use to ensure that—

''(i) all teachers in the State, in schoolwide programs and targeted assistance programs, are fully qualified not later than December 31, 2006; and

''(ii) economically disadvantaged students and minority students are not taught at higher rates than other students by inexperienced, uncertified or unlicensed, or out-of-field teachers; and

''(F) the measures that the State educational agency will use to evaluate and publicly report the State's progress in improving the quality of instruction in the schools served by the State educational agency and local educational agencies receiving funding under this Act.

''(c) OTHER PROVISIONS TO SUPPORT TEACHING AND LEARNING.—Each State plan shall contain assurances that—

''(1) the State educational agency will work with other agencies, including educational service agencies, or local consortia and institutions to provide technical assistance to local educational agencies, elementary schools, and secondary schools to carry out the State educational agency's responsibilities under this part, including providing

technical assistance concerning providing professional development under section 1119A and technical assistance under section 1117;

''(2)(A) where educational service agencies exist, the State educational agency will consider providing professional development and technical assistance through such agencies; and

''(B) where educational service agencies do not exist, the State educational agency will consider providing professional development and technical assistance through other cooperative arrangements, such as through a consortium of local educational agencies;

''(3) the State educational agency will use the disaggregated results of the student assessments required under subsection (b)(4), and other measures or indicators available to the State, to review annually the progress of each local educational agency and school served under this part in the State to determine whether each such agency and school is making the annual progress necessary to ensure that all students will meet the State's proficient level of performance on the State assessments described in subsection (b)(4) within 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act;

''(4) the State educational agency will provide the least restrictive and burdensome regulations for local educational agencies and individual elementary schools and secondary schools participating in a program assisted under this part;

''(5) the State educational agency will regularly inform the Secretary and the public in the State of any Federal laws that hinder the ability of States to hold local educational agencies and schools accountable for student academic performance, and how the laws hinder that ability;

''(6) the State educational agency will encourage elementary schools and secondary schools to consolidate funds from other Federal, State, and local sources for schoolwide reform in schoolwide programs under section 1114;

''(7) the State educational agency will modify or eliminate State fiscal and accounting barriers so that elementary schools and secondary schools can easily consolidate funds from other Federal, State, and local sources for schoolwide reform in schoolwide programs under section 1114;

''(8) the State educational agency has involved the committee of practitioners established under section 1703(b) in developing the State plan and will involve the committee in monitoring the implementation of the State plan; and

''(9) the State educational agency will inform local educational agencies of the local educational agencies' authority to obtain waivers under title VIII and, if the State is an Ed-Flex Partnership State, waivers under the Education Flexibility Partnership Act of 1999.

''(d) REVIEW.—

''(1) PEER REVIEW AND SECRETARIAL APPROVAL.—The Secretary shall—

''(A) establish a peer review process to assist in the review of State plans;

''(B) only approve a State plan meeting each of the requirements of this section;

''(C) if the Secretary determines that the State plan does not meet each of the requirements of subsections (a), (b), and (c), immediately notify the State of such determination and the reasons for such determination;

''(D) not disapprove a State plan before—

''(i) notifying the State educational agency in writing of the specific deficiencies of the State plan;

''(ii) offering the State an opportunity to revise the State plan;

''(iii) providing technical assistance in order to assist the State to meet the requirements of subsections (a), (b), and (c); and

''(iv) providing a hearing;

''(E) have the authority to disapprove a State plan for not meeting the requirements of this section, but shall not have the authority to require a State, as a condition of approval of the State plan, to include in, or delete from, such plan 1 or more specific elements of the challenging State content standards or to use specific assessment instruments or items; and

''(F) if the Secretary disapproves a State plan that is—

''(i) the first State plan submitted by a State after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act, require the State to submit a revised State plan that meets the requirements of this section to the Secretary for approval not later than 1 year after the date of disapproval; and

''(ii) the second or a subsequent State plan submitted by a State after the date of enactment, require the State to submit such a revised State plan to the Secretary for approval not later than 30 days after the date of disapproval.

''(2) REVIEW.—The Secretary shall review information from the State on the adequate yearly progress of schools and local educational agencies within the State required under subsection (b)(2) for the purpose of determining State and local compliance with section 1116.

''(e) DURATION OF THE PLAN.—

''(1) IN GENERAL.—Each State plan shall—

''(A) remain in effect for the duration of the State's participation under this part; and

''(B) be periodically reviewed and revised by the State, as necessary, to reflect changes in the State's strategies and programs under this part.

''(2) ADDITIONAL INFORMATION.—If the State makes significant changes in the State plan, such as the adoption of new challenging State content standards and State student performance standards, new assessments, or a new definition of adequate yearly progress, the State shall submit information on such significant changes to the Secretary.

''(f) LIMITATION ON CONDITIONS.—Nothing in this part shall be construed to authorize an officer or employee of the Federal Government to mandate, direct, or control a State's, local educational agency's, or elementary school's or secondary school's specific challenging content or student performance standards, assessments, curricula, or program of instruction, as a condition of eligibility to receive funds under this part.

''(g) PENALTIES.—

''(1) IN GENERAL.—If a State fails to meet the statutory deadlines for demonstrating that the State has in place challenging content standards and student performance standards (including deadlines for standards required under section 1111(b)(6), as in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act), assessments, and a statewide State accountability system for holding schools and local educational agencies accountable for making adequate yearly progress (including adequate yearly progress with each group of students specified in subsection (b)(2)(B)(iv)), for the fiscal year after the failure, the State shall be ineligible to receive a greater amount of administrative funds under section 1703(c) than the amount the State received for the previous year for the purposes described in section 1703(c).

''(2) ADDITIONAL FUNDS.—Based on the extent to which the standards, assessments, and system described in paragraph (1) are not in place, the Secretary shall withhold from the State, in addition to any amount withheld under paragraph (1), additional administrative funds under section 1703(c). The Secretary shall withhold such additional funds as the Secretary determines to be appropriate, except that if the State fails to meet the deadlines for a second or subsequent fiscal year, the Secretary shall withhold, for the fiscal year after the failure, not less than ⅕ of the amount of administrative funds the State received under section 1703(c) during the first year in which the State failed to meet the deadlines.

''(3) WAIVER.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), notwithstanding part D of title VIII, the Education Flexibility Partnership Act of 1999, or any other provision of law, the Secretary may not grant a waiver of the requirements of this section, except that a State may request a 1-time, 1-year waiver to meet the requirements of this section.

''(B) EXCEPTION.—A waiver granted pursuant to subparagraph (A) shall not apply to the requirements described under subsection (h).

''(h) SPECIAL RULE ON SCIENCE STANDARDS AND ASSESSMENTS.—Notwithstanding subsection (b) and part D of title IV, no State shall be required to meet the requirements under this title relating to science standards or assessments until the beginning of the 2006–2007 school year.''.

SEC. 112. LOCAL EDUCATIONAL AGENCY PLANS.

(a) SUBGRANTS.—Section 1112(a)(1) (20 U.S.C. 6312(a)(1)) is amended by striking ''the Goals 2000: Educate America Act,'' and all that follows and inserting ''the Individuals with Disabilities Education Act, the Carl D. Perkins Vocational and Technical Education Act of 1998, the Head Start Act, and other Acts, as appropriate.''.

(b) PLAN PROVISIONS.—Section 1112(b) (20 U.S.C. 6312(b)) is amended—

(1) in the matter preceding paragraph (1), by striking ''Each'' and inserting ''In order to help low-performing students meet high standards, each'';

(2) in paragraph (1)—

(A) by striking ''part'' each place it appears and inserting ''title''; and

(B) in subparagraph (B), by striking ''children'' and inserting ''low-performing students'';

(3) in paragraph (4)—

(A) in subparagraph (A)—

(i) by striking ''elementary school programs,'' and inserting ''programs, and''; and

(ii) by striking '', and school-to-work transition programs''; and

(B) in subparagraph (B), by striking ''under part C'' the first place it appears and all that follows through ''dropping out'' and inserting ''under part C, neglected or delinquent youth'';

(4) in paragraph (7), by striking ''eligible'';

(5) in paragraph (9), by striking the period and inserting a semicolon; and

(6) by adding at the end the following new paragraphs:

''(10) a description of the actions the local educational agency will take to assist the low-performing schools served by the local educational agency, including schools identified under section 1116 for school improvement;

''(11) a description of how the local educational agency will promote the use of alternative instructional methods, and extended learning time options, such as an extended school year, before- and after-school programs, and summer programs; and

''(12) a description of—

''(A) the steps the local educational agency will take to ensure that all teachers in schoolwide programs and targeted assistance programs assisted under this part are fully qualified not later than December 31, 2006;

''(B) the strategies the local educational agency will use to ensure that economically disadvantaged students and minority students are not taught at higher rates than other students by inexperienced, uncertified or unlicensed, or out-of-field teachers; and

''(C) the measures the agency will use to evaluate and publicly report progress in improving the quality of instruction in schools served by the local educational agency and receiving funding under this Act.''.

(c) ASSURANCES.—Section 1112(c) (20 U.S.C. 6312(c)) is amended to read as follows:

''(c) ASSURANCES.—

''(1) IN GENERAL.—Each local educational agency plan shall provide assurances that the local educational agency will—

''(A) reserve not less than 10 percent of the funds the agency receives under this part for high quality professional development, as described in section 1119A, for professional instructional staff;

''(B) provide eligible schools and parents with information regarding schoolwide program authority and the ability of such schools to consolidate funds from Federal, State, and local sources;

''(C) provide technical assistance and support to schools participating in schoolwide programs;

''(D) work in consultation with schools as the schools develop school plans pursuant to section 1114(b)(2), and assist schools in implementing such plans or undertaking activities pursuant to section 1115(c), so that each school can make adequate yearly progress toward meeting the challenging State student performance standards;

''(E) use the disaggregated results of the student assessments required under section 1111(b)(4), and other measures or indicators available to the agency, to review annually the progress of each school served by the agency and receiving funds under this title to determine whether or not all of the schools are making the annual progress necessary to ensure that all students will meet the State's proficient level of performance on the State assessments described in section 1111(b)(4) within 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act;

''(F) set, and hold schools served by the local educational agency accountable for meeting, annual numerical goals for improving the performance of all groups of students based on the performance standards set by the State under section 1111(b)(1)(D)(ii);

''(G) fulfill the local educational agency's school improvement responsibilities under section 1116, including taking corrective actions under section 1116(c)(10);

''(H) provide the State educational agency with—

''(i) an annual, up-to-date, and accurate list of all schools served by the local educational agency that are identified for school improvement and corrective action;

''(ii) the reasons why each school described in clause (i) was identified for school improvement or corrective action; and

''(iii) specific plans for improving student performance in each of the schools described in clause (i), including specific numerical performance goals for each school, for the 2 school years after the school is identified for school improvement, for each group of students specified in section 1111(b)(2)(B)(iv) enrolled in the school;

''(I) provide services to eligible students attending private elementary schools and secondary schools in accordance with section 1120, and provide timely and meaningful consultation with private school officials regarding such services;

''(J) take into account the experience gained from model programs for the educationally disadvantaged and the findings of relevant scientifically based research when developing technical assistance plans for, and delivering technical assistance to, schools served by the local educational agency that are receiving funds under this part and are in school improvement or corrective action status;

''(K) in the case of a local educational agency that chooses to use funds under this part to provide early childhood development services to economically disadvantaged children below the age of compulsory school attendance, ensure that such services meet the performance standards established under subparagraphs (A) and (B) of section 641A(a)(1) of the Head Start Act;

''(L) comply with the requirements of section 1119 regarding the qualifications of teachers and paraprofessionals;

''(M) inform eligible schools served by the local educational agency of the agency's authority to obtain waivers on such schools' behalf under title VIII and, if the State is an Ed-Flex Partnership State, under the Education Flexibility Partnership Act of 1999; and

''(N) coordinate activities and collaborate, to the extent feasible and necessary as determined by the local educational agency, with other agencies providing services to children, youth, and their families.

''(2) MODEL PROGRAMS; SCIENTIFICALLY BASED RESEARCH.—For purposes of enabling local educational agencies to implement paragraph (1)(J)—

''(A) the Secretary shall consult with the Secretary of Health and Human Services on the implementation of such paragraph, and shall establish procedures (taking into consideration State and local laws and local teacher contracts) to assist local educational agencies to comply with such paragraph;

''(B) the Secretary shall disseminate to local educational agencies the performance standards issued under subparagraphs (A) and (B) of section 641A(a)(1) of the Head Start Act, on the publication of such standards; and

''(C) local educational agencies affected by such paragraph (1)(J) shall plan for the implementation of such paragraph (taking into consideration State and local laws and local teacher contracts), including pursuing the availability of other Federal, State, and local funding to assist in compliance with such paragraph.

''(3) INAPPLICABILITY.—The provisions of this subsection shall not apply to preschool programs using an Even Start model or to Even Start programs.''.

(d) PLAN DEVELOPMENT AND DURATION.—Section 1112(d) (20 U.S.C. 6312(d)) is amended to read as follows:

''(d) PLAN DEVELOPMENT AND DURATION.—

''(1) CONSULTATION.—Each local educational agency plan shall be developed in consultation with teachers, principals, local school boards, administrators (including administrators of programs described in other parts of this title), other appropriate school personnel, and parents of students in elementary schools and secondary schools served under this part.

''(2) DURATION.—Each plan described in paragraph (1) shall remain in effect for the duration of the local educational agency's participation under this part.

''(3) REVIEW.—Each local educational agency shall periodically review and, as necessary, revise the agency's plan.''.

(e) STATE APPROVAL.—Section 1112(e) (20 U.S.C. 6312(e)) is amended to read as follows:

''(e) PEER REVIEW AND STATE APPROVAL.—

''(1) IN GENERAL.—Each local educational agency plan shall be filed according to a schedule established by the State educational agency.

''(2) APPROVAL.—The State educational agency shall establish a peer review process to assist in the review of local educational agency plans. The State educational agency shall approve a local educational agency plan only if the State educational agency determines that the local educational agency plan—

''(A) will enable elementary schools and secondary schools served by the local educational agency and under this part to help all groups of students specified in section 1111(b)(2)(B)(iv) to meet the State's proficient level of performance on the State assessments described in section 1111(b)(4) within 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act; and

''(B) meets each of the requirements of this section.

''(3) STATE REVIEW.—Each State educational agency shall at least annually review each local educational agency plan approved by the State educational agency under this subsection, including comparing the objectives of the plan against the results of the disaggregated assessments required under section 1111(b)(4). The State educational agency shall conduct the review to ensure that the progress of all students in schools served by a local educational agency in the State under this part is adequate to ensure that all students in the State will meet the State's proficient level of performance on the State assessments described in section 1111(b)(4) within 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(4) PUBLIC REVIEW.—Each State educational agency will make publicly available each such local educational agency plan.''.

(f) PARENTAL NOTIFICATION FOR ENGLISH LANGUAGE INSTRUCTION.—Section 1112 (20 U.S.C. 6312) is amended by adding at the end the following:

''(g) PARENTAL NOTIFICATION FOR ENGLISH LANGUAGE INSTRUCTION.—

''(1) NOTIFICATION.—If a local educational agency uses funds under this part to provide English language instruction to limited English proficient students, the local educational agency shall notify the parents of a student participating in an English language instruction educational program under this part of—

''(A) the reasons for the identification of the student as being in need of English language instruction;

''(B) the student's level of English proficiency, how such level was assessed, and the status of the student's academic performance;

''(C) how the English language instruction educational program will specifically help the student learn English and meet age-appropriate standards for grade promotion and graduation;

''(D) the specific exit requirements of the English language instruction educational program;

''(E) the expected rate of graduation from the English language instruction educational program into mainstream classes; and

''(F) the expected rate of graduation from secondary school of participants in the English language instruction educational program, if funds under this part are used for students in secondary schools.

''(2) PARENTAL RIGHTS.—

''(A) IN GENERAL.—The parents of a student participating in an English language instruction educational program under this part shall—

''(i) have the option of selecting among methods of instruction, if more than 1 method is offered for the program; and

''(ii) have the right to have their child immediately removed from the program on their request.

''(B) RECEIPT OF INFORMATION.—The parents of a student identified for participation in an English language instruction educational program under this part shall receive, in a manner and form understandable to the parents, the information required by paragraph (1) and this paragraph. At a minimum, the parents shall receive—

''(i) timely information about English language instruction educational programs for limited English proficient students assisted under this part; and

''(ii) if the parents of a participating student so desire, notice of opportunities for regular meetings of parents of limited English proficient students participating in English language instruction educational programs under this part for the purpose of formulating and responding to recommendations from such parents.

''(3) BASIS FOR ADMISSION OR EXCLUSION.—No student shall be admitted to or excluded from any federally assisted education program solely on the basis of a surname or language minority status.''.

SEC. 113. SCHOOLWIDE PROGRAMS.

(a) USE OF FUNDS FOR SCHOOLWIDE PROGRAMS.—Section 1114(a) (20 U.S.C. 6314(a)) is amended—

(1) in paragraph (1), by striking ''school described in subparagraph (A)'' and all that follows through ''such families.'' the second place it appears and inserting ''school that serves an eligible school attendance area if—

''(A) not less than 40 percent of the children in the school attendance area are from economically disadvantaged families; or

''(B) not less than 40 percent of the children enrolled in the school are from such families.''; and

(2) in paragraph (2)—

(A) in subparagraph (A), by striking ''subsections (c)(1) and (e) of''; and

(B) in subparagraph (B), by striking ''subsections (c)(1) and (e) of''.

(b) COMPONENTS OF A SCHOOLWIDE PROGRAM.—Section 1114(b) (20 U.S.C. 6314(b)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A), by striking ''section 1111(b)(1)'' and inserting ''section 1111(b)'';

(B) in subparagraph (B)—

(i) in clause (i), by striking ''section 1111(b)(1)(D)'' and inserting ''1111(b)'';

(ii) in clause (iii)(II), by inserting ''and'' after the semicolon;

(iii) in clause (iv)(II), by striking ''; and'' and inserting a period; and

(iv) by striking clause (vii); and

(C) in subparagraph (G), by striking ''section 1112(b)(1)'' and inserting ''section 1112''; and

(2) in paragraph (2)—

(A) in subparagraph (A)—

(i) by striking ''Improving America's Schools Act of 1994'' and inserting ''Public Education Reinvestment, Reinvention, and Responsibility Act'';

(ii) by striking ''subsections (c)(1) and (e) of''; and

(iii) in clause (iv), by striking ''section 1111(b)(3)'' and inserting ''section 1111(b)(4)'';

(B) in subparagraph (B), by striking ''paragraphs (1) and (3) of section 1111(b)'' and inserting ''paragraphs (1) and (4) of section 1111(b)''; and

(C) in subparagraph (C)(i)—

(i) in subclause (I), by striking ''subsections (c) and (e) of''; and

(ii) in subclause (II), by striking ''Improving America's Schools Act of 1994'' and inserting ''Public Education Reinvestment, Reinvention, and Responsibility Act''.

SEC. 114. SCHOOL CHOICE.

Section 1115A (20 U.S.C. 6316) is amended to read as follows:

''SEC. 1115A. SCHOOL CHOICE.

''(a) CHOICE PROGRAMS.—A local educational agency may use funds under this part, in combination with State, local, and private funds, to develop and implement public school choice programs, for students eligible for assistance under this part, that permit parents to select the public school that their child will attend and are consistent with State and local law, policy, and practice related to public school choice and local pupil transfer.

''(b) CHOICE PLAN.—A local educational agency that chooses to implement a public school choice program under this section shall first develop a plan that—

''(1) contains an assurance that all eligible students, across grade levels, who are served under this part will have equal access to the program;

''(2) contains an assurance that the program does not include elementary schools or secondary schools that follow a racially discriminatory policy in providing services to students;

''(3) describes how elementary schools or secondary schools will use resources under this part, and from other sources, to implement the plan;

''(4) contains an assurance that the plan has been developed with the involvement of parents and others in the community to be served, and individuals who will carry out the plan, including administrators, teachers, principals, and other staff;

''(5) contains an assurance that parents of eligible students served by the local educational agency will be given prompt notice of the existence of the public school choice program, and the program's availability to such parents, and a clear explanation of how the program will operate;

''(6) contains an assurance that the public school choice program—

''(A) will include charter schools (as defined in section 4210) and any other public elementary school or secondary school served by the local educational agency; and

''(B) will not include as a school receiving transfers under the program an elementary school or a secondary school that the local educational agency determines—

''(i) is in school improvement or corrective action status;

''(ii) has been in school improvement or corrective action status during the 2 academic years before the determination; or

''(iii) is at risk of being identified for school improvement or corrective action during the academic year after the determination;

''(7) contains an assurance that transportation services or the costs of transportation to and from a public school to which a student transfers under the public school choice program—

''(A) may be provided by the local educational agency with funds under this part and funds from other sources; and

''(B) shall not be provided using more than 10 percent of the funds made available under this part to the local educational agency; and

''(8) contains an assurance that such local educational agency will comply with the other requirements of this part.''.

SEC. 115. ASSESSMENT AND LOCAL EDUCATIONAL AGENCY AND SCHOOL IMPROVEMENT.

(a) LOCAL REVIEW.—Section 1116(a) (20 U.S.C. 6317(a)) is amended—

(1) in paragraph (2), by striking ''1111(b)(2)(A)(i)'' and inserting ''1111(b)(2)'';

(2) in paragraph (3)—

(A) by striking ''individual school performance profiles'' and inserting ''school report cards'';

(B) by striking ''1111(b)(3)(I)'' and inserting ''1111(b)(4)(I)''; and

(C) by striking ''and'' after the semicolon;

(3) in paragraph (4), by striking the period and inserting ''; and''; and

(4) by adding at the end the following:

''(5) review the effectiveness of the actions and activities the schools are carrying out under this part with respect to parental involvement.''.

(b) SCHOOL IMPROVEMENT.—Section 1116(c) (20 U.S.C. 6317(c)) is amended to read as follows:

''(c) SCHOOL IMPROVEMENT.—

''(1) IN GENERAL.—A local educational agency shall identify for school improvement any elementary school or secondary school served under this part that—

''(A) for 2 consecutive years failed to make adequate yearly progress as defined in the State's plan under section 1111(b)(2); or

''(B) was in school improvement status under this section on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(2) TRANSITION.—The 2-year period described in paragraph (1)(A) shall include any continuous period of time immediately before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act during which an elementary school or a secondary school did not make adequate yearly progress as defined in the State's plan, as such plan was in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(3) TARGETED ASSISTANCE SCHOOLS.—To determine if an elementary school or a secondary school that is conducting a targeted assistance program under section 1115 should be identified for school improvement under this subsection, a local educational agency may choose to review the progress of only the students in such school who are served, or are eligible for services, under this part.

''(4) OPPORTUNITY TO REVIEW AND PRESENT EVIDENCE.—(A) Before identifying an elementary school or a secondary school for school improvement under paragraph (1), the local educational agency shall provide the school with an opportunity to review the school level data, including assessment data, on which the proposed identification is based.

''(B) If the principal of a school proposed for identification for school improvement believes that the proposed identification is in error for statistical or other substantive reasons, the principal may provide supporting evidence to the local educational agency, which shall consider such evidence before making a final determination.

''(5) TIME LIMITS.—Not later than 30 days after a local educational agency makes an initial determination concerning identifying a school served by the agency and receiving assistance under this part for school improvement, the local educational agency shall make public a final determination on the status of the school.

''(6) NOTIFICATION TO PARENTS.—A local educational agency shall, in an easily understandable format, and in the 3 languages, other than English, spoken by the greatest number of individuals in the area served by the local educational agency, provide in writing to parents of each student in an elementary school or a secondary school identified for school improvement—

''(A) an explanation of what the school improvement identification means, and how the school identified for school improvement compares in terms of academic performance to other elementary schools or secondary

schools served by the local educational agency and the State educational agency involved;

''(B) the reasons for such identification;

''(C) a description of the data on which such identification was based;

''(D) an explanation of what the school identified for school improvement is doing to address the problem of low performance;

''(E) an explanation of what the local educational agency or State educational agency is doing to help the school address the performance problem, including an explanation of the amounts and types of professional development being provided to the instructional staff in such school, the amount of any financial assistance being provided by the State educational agency under section 1003, and the activities that are being provided with such financial assistance;

''(F) an explanation of how parents described in this paragraph can become involved in addressing the academic issues that caused the school to be identified for school improvement; and

''(G) an explanation of the right of parents, pursuant to paragraph (7), to transfer their child to a higher performing public school, including a public charter school or magnet school, that is not in school improvement status, and how such transfer will be carried out.

''(7) PUBLIC SCHOOL CHOICE OPTION.—(A)(i) In the case of a school identified for school improvement on or before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act, a local educational agency shall, not later than 18 months after such date of enactment, provide all students enrolled in the school an option to transfer (consistent with State and local law, policy, and practices related to public school choice and local pupil transfer) to any higher performing public school, including a public charter or magnet school, that—

''(I) is not in school improvement or corrective action status;

''(II) has not been in school improvement or corrective action status at any time during the 2 academic years before the identification; and

''(III) is not at risk of being identified for school improvement or corrective action during the academic year after the identification.

''(ii) In the case of a school identified for school improvement after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act, the local educational agency involved shall, not later than 12 months after the date on which the local educational agency identifies the school for school improvement, provide all students enrolled in the school with the transfer option described in clause (i).

''(B) If all public schools served by the local educational agency to which a student may transfer under clause (i) are identified for school improvement or corrective action, or, if public schools in the agency's jurisdiction that are not in school improvement or corrective action status cannot accommodate all of the students who are eligible to transfer because of capacity constraints, or State or local law, policy, and practices related to public school choice and local pupil transfer, the local educational agency shall, to the extent practicable, establish a cooperative agreement with other local educational agencies that serve areas in proximity to the area served by the local educational agency. The cooperative agreement shall enable a student to transfer (consistent with State and local law, policy, and practices related to public school choice and local pupil transfer) to a school served by such other local educational agencies that meets the requirements described in subparagraph (A)(i).

''(C) A local educational agency that serves a school that has been identified for corrective action shall provide transportation services or pay for the costs of transportation for students who transfer to a different school pursuant to this paragraph. Not more than 10 percent of the funds allocated to a local educational agency under this part may be used to provide such transportation services or pay for the costs of such transportation.

''(D) Once a school is no longer identified for school improvement, the local educational agency shall continue to provide the transfer option described in subparagraph (A)(i) to students in such school for a period of not less than 2 years.

''(8) SCHOOL PLAN.—(A) Each school identified under paragraph (1) for school improvement shall, not later than 3 months after being so identified, develop or revise a school plan, in consultation with parents, school staff, the local educational agency serving the school, the local school board, and other outside experts, for approval by such local educational agency. The school plan shall—

''(i) incorporate scientifically based research strategies that strengthen the core academic subjects in the school and address the specific academic issues that caused the school to be identified for school improvement;

''(ii) adopt policies and practices concerning the school's core academic subjects that have the greatest likelihood of ensuring that all groups of students specified in section 1111(b)(2)(B)(iv) and enrolled in the school will meet the State's proficient level of performance on the State assessment described in section 1111(b)(4) within 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act;

''(iii) provide an assurance that the school will reserve not less than 10 percent of the funds made available to the school under this part for each fiscal year that the school is in school improvement status, for the purpose of providing to the school's teachers and principal high quality professional development that—

''(I) directly addresses the academic performance problem that caused the school to be identified for school improvement; and

''(II) meets the requirements for professional development activities under section 1119A;

''(iv) specify how the funds described in clause (iii) will be used to remove the school from school improvement status;

''(v) establish specific annual, numerical progress goals for each group of students specified in section 1111(b)(2)(B)(iv) and enrolled in the school that will ensure that all such groups of students will meet the State's proficient level of performance on the State assessment described in section 1111(b)(4) within 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act;

''(vi) identify how the school will provide written notification about the identification to parents of each student enrolled in such school, in a format and, to the extent practicable, in a language such parents can understand; and

''(vii) specify the responsibilities of the school, the local educational agency, and the State educational agency serving such school under the plan.

''(B) The local educational agency described in subparagraph (A)(vii) may condition approval of a school plan on inclusion of 1 or more of the corrective actions specified in paragraph (10)(D).

''(C) A school shall implement the school plan (including a revised plan) expeditiously, but not later than the beginning of the school year following the school year in which the school was identified for school improvement.

''(D) The local educational agency described in subparagraph (A)(vii) shall establish a peer review process to assist with review of a school plan prepared by a school served by the local educational agency, promptly review the school plan, work with the school as necessary, and approve the school plan if the school plan meets the requirements of this paragraph.

''(9) TECHNICAL ASSISTANCE.—(A) For each school identified for school improvement under paragraph (1), the local educational agency serving the school shall provide technical assistance as the school develops and implements the school plan.

''(B) Such technical assistance—

''(i) shall include assistance in analyzing data from the assessments required under section 1111(b)(4), and other samples of student work, to identify and address instructional problems and solutions;

''(ii) shall include assistance in identifying and implementing instructional strategies and methods that are tied to scientifically based research and that have proven effective in addressing the specific instructional issues that caused the school to be identified for school improvement;

''(iii) shall include assistance in analyzing and revising the school's budget so that the school resources are more effectively allocated for the activities most likely to increase student performance and to remove the school from school improvement status; and

''(iv) may be provided—

''(I) by the local educational agency, through mechanisms authorized under section 1117; or

''(II) with the local educational agency's approval, by the State educational agency, an institution of higher education (in full compliance with all the reporting provisions of title II of the Higher Education Act of 1965), a private not-for-profit organization or for-profit organization, an educational service agency, the recipient of a Federal contract or cooperative agreement as described under section 7104(a)(3), or another entity with experience in helping schools improve performance.

''(C) Technical assistance provided under this section by a local educational agency or an entity approved by such agency shall be based on scientifically based research.

''(10) CORRECTIVE ACTION.—(A) In this paragraph, the term 'corrective action' means action, consistent with State and local law, that—

''(i) substantially and directly responds to—

''(I) the consistent academic failure of a school that caused the local educational agency to take such action; and

''(II) any underlying staffing, curriculum, or other problem in the school; and

''(ii) is designed to increase substantially the likelihood that students enrolled in the school identified for corrective action will perform at the State's proficient and advanced levels of performance on the State assessment described in section 1111(b)(4).

''(B) In order to help students served under this part meet challenging State standards, each local educational agency shall implement a system of corrective action in accordance with subparagraphs (C) through (H).

''(C) After providing technical assistance under paragraph (9) and subject to subparagraph (G), the local educational agency—

''(i) may identify for corrective action and take corrective action at any time with respect to a school that is served by the local

educational agency and that has been identified under paragraph (1);

''(ii) shall identify for corrective action and take corrective action with respect to any school served by the local educational agency that fails to make adequate yearly progress, as defined by the State under section 1111(b)(2), at the end of the second year after the school year in which the school was identified under paragraph (1); and

''(iii) shall continue to provide technical assistance while instituting any corrective action under clause (i) or (ii).

''(D) In the case of a school described in subparagraph (C)(ii), the local educational agency shall take corrective action by—

''(i)(I) withholding funds from the school;

''(II) making alternative governance arrangements, including reopening the school as a public charter school;

''(III) reconstituting the relevant school staff; or

''(IV) instituting and fully implementing a new curriculum, including providing appropriate professional development for all relevant staff, that is tied to scientifically based research and offers substantial promise of improving educational performance for low-performing students; and

''(ii)(I) authorizing students to transfer (consistent with the requirements of paragraph (7)) to higher performing public schools served by the local educational agency, including public charter and magnet schools; and

''(II) providing to such students transportation services, or paying for the cost of transportation, to such schools (except that the funds used by the local educational agency to provide the transportation services or pay for the cost of transportation shall not exceed 10 percent of the amount allocated to the local educational agency under this part.

''(E) A local educational agency may delay, for a period not to exceed 1 year, implementation of corrective action only if the school's failure to make adequate yearly progress was justified due to exceptional or uncontrollable circumstances, such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the local educational agency or school.

''(F) The local educational agency shall publish and disseminate information regarding any corrective action the local educational agency takes under this paragraph at a school—

''(i) to the public and to the parents of each student enrolled in the school subject to corrective action;

''(ii) in a format and, to the extent practicable, in a language that the parents can understand; and

''(iii) through such means as the Internet, the media, and public agencies.

''(G)(i) Before identifying a elementary school or a secondary school corrective action under this paragraph, the local educational agency shall provide the school with an opportunity to review the school level data, including assessment data, on which the proposed identification is based.

''(ii) If the principal of the school believes that the proposed determination is in error for statistical or other substantive reasons, the principal may provide supporting evidence to the local educational agency, which shall consider such evidence before making a final determination.

''(H) Not later than 30 days after a local educational agency makes an initial determination concerning identifying a school served by the agency and receiving assistance under this part, the local educational agency shall make public a final determination on the status of the school.

''(11) STATE EDUCATIONAL AGENCY RESPONSIBILITIES.—If a State educational agency determines that a local educational agency failed to carry out the agency's responsibilities under this section, or determines that, after 1 year of implementation of corrective action, such action has not resulted in sufficient progress in increased student performance, the State educational agency shall take such action as the agency finds necessary, including designating a course of corrective action described in paragraph (10)(D), consistent with this section, to improve the affected schools and to ensure that the local educational agency carries out the local educational agency's responsibilities under this section.

''(12) SPECIAL RULES.—Schools that, for at least 2 of the 3 years following identification under paragraph (1), make adequate yearly progress toward meeting the State's proficient and advanced levels of performance on the State assessment described in section 1111(b)(4) shall no longer be identified for school improvement.''.

(c) STATE REVIEW AND LOCAL EDUCATIONAL AGENCY IMPROVEMENT.—Section 1116(d) (20 U.S.C. 6317(d)) is amended to read as follows:

''(d) STATE REVIEW AND LOCAL EDUCATIONAL AGENCY IMPROVEMENT.—

''(1) IN GENERAL.—A State educational agency shall annually review the progress of each local educational agency within the State receiving funds under this part to determine whether schools served by such agencies and receiving assistance under this part are making adequate yearly progress, as defined under section 1111(b)(2), toward meeting the State's student performance standards and to determine whether each local educational agency is carrying out its responsibilities under sections 1116 and 1117.

''(2) IDENTIFICATION OF LOCAL EDUCATIONAL AGENCY FOR IMPROVEMENT.—A State educational agency shall identify for improvement any local educational agency that—

''(A) for 2 consecutive years failed to make adequate yearly progress as defined in the State's plan under section 1111(b)(2); or

''(B) was in improvement status under this section on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(3) TRANSITION.—The 2-year period described in paragraph (2)(A) shall include any continuous period of time immediately before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act during which a local educational agency did not make adequate yearly progress as defined in the State's plan, as such plan was in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(4) TARGETED ASSISTANCE SCHOOLS.—To determine if a local educational agency that serves elementary schools or secondary schools that are conducting targeted assistance programs under section 1115 should be identified for improvement under this subsection, a State educational agency may choose to review the progress of only the students in such schools who are served, or who are eligible for services, under this part.

''(5) OPPORTUNITY TO REVIEW AND PRESENT EVIDENCE.—(A) Before identifying a local educational agency for improvement under paragraph (2), a State educational agency shall provide the local educational agency with an opportunity to review the local educational agency data, including assessment data, on which the proposed identification is based.

''(B) If the local educational agency believes that the proposed identification is in error for statistical or other substantive reasons, the local educational agency may provide supporting evidence to the State educational agency, which shall consider such evidence before making a final determination.

''(6) TIME LIMITS.—Not later than 45 days after the State educational agency makes an initial determination concerning identifying a local educational agency within the State and receiving assistance under this part for improvement, the State educational agency shall make public a final determination on the status of the local educational agency.

''(7) NOTIFICATION TO PARENTS.—The State educational agency shall promptly notify parents of each student enrolled in a school served by a local educational agency identified for improvement, in a format, and to the extent practicable, in a language the parents can understand, of—

''(A) the reasons for such identification; and

''(B) how the parents can participate in upgrading the quality of the local educational agency.

''(8) LOCAL EDUCATIONAL AGENCY PLAN.—(A) Each local educational agency identified under paragraph (2) shall, not later than 3 months after being so identified, develop or revise a local educational agency plan, in consultation with parents, teachers and other school staff, the local school board, and others, for approval by the State educational agency. Such plan shall—

''(i) incorporate scientifically based research strategies that strengthen the core academic subjects in schools served by the local educational agency;

''(ii) identify specific annual numerical academic performance objectives in at least the areas of mathematics and English language arts that the local educational agency will meet, with such objectives being calculated in a manner so that their achievement will ensure that each group of students enrolled in each school served by the local educational agency will meet the State's proficient level of performance on the State assessment described in section 1111(b)(4) within 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act; and

''(iii) provide an assurance that the local educational agency will—

''(I) reserve not less than 10 percent of the funds made available to the local educational agency under this part for each fiscal year that the agency is in improvement status for the purpose of providing to teachers and principals at schools served by the agency and receiving funds under this part high quality professional development that—

''(aa) directly addresses the academic performance problem that caused the local educational agency to be identified for improvement; and

''(bb) meets the requirements for professional development activities under section 1119A; and

''(II) specify how the funds described in subclause (I) will be used to remove the local educational agency from improvement status;

''(iv) identify how the local educational agency will provide written notification about the identification to parents described in paragraph (7) in a format and, to the extent practicable, in a language, that such parents can understand, pursuant to paragraph (7);

''(v) specify the responsibilities of the local educational agency and the State educational agency under the plan; and

''(vi) include a review of the local educational agency budget to ensure that resources are allocated for the activities that are most likely to improve student performance and to remove the agency from improvement status.

''(B) The local educational agency shall implement the local educational agency plan

(including a revised plan) expeditiously, but not later than the beginning of the school year following the school year in which the agency was identified for improvement.

''(C) The State educational agency shall establish a peer review process to assist with review of the local educational agency plan, promptly review the plan, work with the local educational agency as necessary, and approve the plan if the plan meets the requirements of this paragraph.

''(D) If the local educational agency budget, in allocating resources to activities, fails to allocate resources as described in subparagraph (A)(vi), the State educational agency may direct the local educational agency to reallocate resources to more effective activities.

''(9) STATE EDUCATIONAL AGENCY RESPONSIBILITY.—For each local educational agency identified under paragraph (2), the State educational agency shall provide technical or other assistance, if requested, as authorized under section 1117, to better enable the local educational agency—

''(A) to develop and implement a local educational agency plan (including a revised plan) that is approved by the State educational agency consistent with the requirements of this section; and

''(B) to work with schools served by the local educational agency that are identified for school improvement.

''(10) TECHNICAL ASSISTANCE.—The technical assistance provided by the State educational agency—

''(A) shall include assistance in analyzing data from the assessments required under section 1111(b)(4) and other samples of student work, to identify and address instructional problems and solutions;

''(B) shall include assistance in identifying and implementing instructional strategies and methods that are tied to scientifically based research and that have proven effective in addressing the specific instructional issues that caused the local educational agency to be identified for improvement;

''(C) shall include assistance in analyzing and revising the local educational agency's budget so that the agency's resources are more effectively allocated for the activities most likely to increase student performance and to remove the agency from improvement status; and

''(D) may be provided by—

''(i) the State educational agency; or

''(ii) with the local educational agency's approval, by an institution of higher education (in full compliance with all the reporting provisions of title II of the Higher Education Act of 1965), a private not-for-profit organization or for-profit organization, an educational service agency, the recipient of a Federal contract or cooperative agreement as described under section 7104(a)(3), or another entity with experience in helping schools improve performance.

''(11) RESOURCES REALLOCATION.—The State educational agency may, as a condition of providing the local educational agency with technical assistance and financial support in developing and carrying out a local educational agency plan, require that the local educational agency reallocate resources from ineffective or inefficient activities to activities that, through scientifically based research, have been proven to have the greatest impact on increasing student performance and closing the achievement gap between groups of students.

''(12) CORRECTIVE ACTION.—(A) In this paragraph, the term 'corrective action' means action, consistent with State law, that—

''(i) substantially and directly responds to—

''(I) the consistent academic failure of schools served by a local educational agency that caused the State educational agency to take such action with respect to the local educational agency; and

''(II) any underlying staffing, curriculum, or other problem in the schools served by the local educational agency; and

''(ii) is designed to increase substantially the likelihood that students enrolled in the schools served by the local educational agency identified for corrective action will perform at the State's proficient and advanced levels of performance on the State assessment described in section 1111(b)(4).

''(B) In order to help students served under this part meet challenging State standards, each State educational agency shall implement a system of corrective action in accordance with subparagraphs (C) through (H).

''(C) After providing technical assistance, if requested, under paragraphs (9) and (10), and subject to subparagraph (E), the State educational agency—

''(i) shall identify for corrective action and take corrective action with respect to any local educational agency that fails to make adequate yearly progress, as defined by the State under section 1111(b)(2), at the end of the second year after the school year in which the local educational agency was identified under paragraph (2); and

''(ii) shall continue to provide technical assistance while instituting any corrective action under clause (i).

''(D) In the case of a local educational agency described in subparagraph (C)(ii), the State educational agency shall take corrective action by—

''(i)(I) withholding funds from the local educational agency;

''(II) reconstituting the relevant local educational agency personnel;

''(III) removing particular schools from the jurisdiction of the local educational agency, and establishing alternative arrangements for public governance and supervision of such schools;

''(IV) appointing a receiver or trustee to administer the affairs of the local educational agency in place of the local educational agency's superintendent and school board; or

''(V) abolishing or restructuring the local educational agency; and

''(ii)(I) authorizing students to transfer (consistent with the requirements of section 1116(c)(7)) from schools served by the local educational agency to higher performing public schools, including public charter and magnet schools, served by another local educational agency; and

''(II) providing to such students transportation services, or paying for the cost of transportation, to such higher performing schools (except that the funds used by the local educational agency to provide the transportation services or pay for the cost of transportation shall not exceed 10 percent of the amount allocated to the local educational agency under this part.

''(E) The State educational agency may delay, for a period not to exceed 1 year, implementation of corrective action only if the local educational agency's failure to make adequate yearly progress was justified due to exceptional or uncontrollable circumstances, such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the local educational agency or schools served by the local educational agency.

''(F) The State educational agency shall publish and disseminate information regarding any corrective action the State educational agency takes under this paragraph—

''(i) to the public and to the parents described in paragraph (7) and the public;

''(ii) in a format and, to the extent practicable, in a language that the parents can understand; and

''(iii) through such means as the Internet, the media, and public agencies.

''(G) Prior to determining whether to take a corrective action with respect to a local educational agency under this paragraph, the State educational agency shall provide the local educational agency with notice and a opportunity for a hearing, if State law provides for such notice and opportunity.

''(H) Not later than 45 days after the State educational agency makes an initial determination regarding taking a corrective action concerning a local educational agency in the State and receiving assistance under this part, the State educational agency shall make public a final determination on the status of the local educational agency.''.

(d) DEFINITION.—Section 1116 (20 U.S.C. 6317) is amended by adding at the end the following:

''(f) DEFINITION.—In this section, the term 'charter school' has the meaning given the term in section 4210.''.

SEC. 116. STATE ASSISTANCE FOR SCHOOL SUPPORT AND IMPROVEMENT.

Section 1117 (20 U.S.C. 6318) is amended to read as follows:

''SEC. 1117. STATE ASSISTANCE FOR SCHOOL SUPPORT AND IMPROVEMENT.

''(a) SYSTEM FOR SUPPORT.—Using funds described in subsection (e), each State educational agency shall establish a statewide system of intensive and sustained support and improvement for local educational agencies, elementary schools, and secondary schools receiving funds under this part, in order to ensure that all groups of students specified in section 1111(b)(2)(B)(iv) and attending such schools meet the State's proficient level of performance on the State assessments described in section 1111(b)(4) within 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(b) PRIORITIES.—In carrying out this section during an academic year, a State educational agency shall—

''(1) first, provide support and technical assistance to local educational agencies identified for corrective action under section 1116, and assist elementary schools and secondary schools, in accordance with section 1116(c)(11), for which a local educational agency has failed to carry out the agency's responsibilities under paragraphs (9) and (10) of section 1116(c);

''(2) second, provide support and technical assistance to local educational agencies and schools identified for improvement under section 1116; and

''(3) third, provide support and technical assistance to local educational agencies and schools participating under this part that are at risk of being identified for improvement during the subsequent academic year.

''(c) APPROACHES.—In order to achieve the objective described in subsection (a), the State educational agency shall ensure that the statewide system will provide support and technical assistance through approaches such as—

''(1) using school support teams, composed of individuals who are knowledgeable about scientifically based research, about teaching and learning practices, and particularly about strategies for improving educational results for low-performing students; and

''(2) designating and using distinguished educators, who are chosen from schools served under this part that have been especially successful in improving academic performance.

''(d) ALTERNATIVES.—The State educational agency may—

''(1) devise additional approaches to providing the support and technical assistance described in subsection (c), such as providing assistance through institutions of higher education, educational service agencies, or other local consortia; and

''(2) seek approval from the Secretary to use funds under section 1003(b) for such approaches as part of the State plan.

''(e) FUNDS.—The State educational agency—

''(1) shall use funds reserved under section 1003(a), but not used under section 1003(b), to carry out this section; and

''(2) may use State administrative funds authorized under section 1703(c) to carry out this section.''.

SEC. 117. PARENTAL INVOLVEMENT.

(a) LOCAL EDUCATIONAL AGENCY POLICY.—Section 1118(a) (20 U.S.C. 6319(a)) is amended—

(1) in paragraph (1), by striking ''programs, activities, and procedures'' and inserting ''activities and procedures'';

(2) in paragraph (2), by striking subparagraphs (E) and (F) and inserting the following:

''(E) conduct, with the involvement of parents, an annual evaluation of the content of the parental involvement policy developed under such section and the effectiveness of the policy in improving the academic quality of the schools served under this part;

''(F) involve parents in the activities of the schools served under this part; and

''(G) promote consumer friendly environments within the local educational agency and schools served under this part.''; and

(3) in paragraph (3), by adding at the end the following new subparagraph:

''(C) Not less than 90 percent of the funds reserved under subparagraph (A) shall be distributed to schools served under this part.''.

(b) NOTICE.—Section 1118(b)(1) (20 U.S.C. 6319(b)(1)) is amended by inserting after the first sentence the following: ''Parents shall be notified of the policy in a format and, to the extent practicable, in a language, that the parents can understand.''.

(c) PARENTAL INVOLVEMENT.—Section 1118(c)(4) (20 U.S.C. 6319(c)(4)) is amended—

(1) in subparagraph (B), by striking ''school performance profiles required under section 1116(a)(3)'' and inserting ''school reports described in section 4401'';

(2) by redesignating subparagraphs (D) and (E) as subparagraphs (F) and (G), respectively;

(3) by inserting after subparagraph (C) the following:

''(D) notice of the school's identification for school improvement under section 1116(c), if applicable, and a clear explanation of what such identification means;

''(E) notice of corrective action taken against the school under section 1116(c)(10) or the local educational agency involved under section 1116(d)(12), if applicable, and a clear explanation of what such action means;''; and

(4) in subparagraph (G) (as redesignated by paragraph (2)), by striking ''subparagraph (D)'' and inserting ''subparagraph (F)''.

(d) BUILDING CAPACITY FOR INVOLVEMENT.—Section 1118(e) (20 U.S.C 6319(e)) is amended—

(1) in paragraph (1), by striking ''National Educational Goals,'';

(2) by redesignating paragraphs (14) and (15) as paragraphs (16) and (17), respectively;

(3) by inserting after paragraph (13) the following:

''(14) may establish a parent advisory council to advise on all matters related to parental involvement in programs supported under this part;'';

(4) by redesignating paragraph (5) as paragraph (15) and inserting such paragraph after paragraph (14) (as inserted by paragraph (3));

(5) by inserting after paragraph (4) the following:

''(5) shall expand the use of electronic communication among teachers, students, and parents, such as communication through the use of websites and e-mail communication;'';

(6) in paragraph (7), by inserting '', to the extent practicable, in a language and format the parent can understand'' before the semicolon; and

(7) in paragraph (15) (as redesignated by paragraph (4)), by striking ''shall'' and inserting ''may''.

(e) ACCESSIBILITY.—Section 1118(f) (20 U.S.C. 6319(f)) is amended by striking '', including'' and all that follows and inserting ''and of parents of migratory children, including providing information required under section 1111 and school reports described in section 4401 in a language and format such parents can understand.''.

SEC. 118. QUALIFICATIONS FOR TEACHERS AND PARAPROFESSIONALS.

Title I (20 U.S.C. 6301 et seq.) is amended—

(1) by redesignating section 1119 (20 U.S.C. 6320) as section 1119A; and

(2) by inserting after section 1118 the following:

''SEC. 1119. QUALIFICATIONS FOR TEACHERS AND PARAPROFESSIONALS.

''(a) IN GENERAL.—

''(1) PLAN.—Each State educational agency receiving assistance under this part shall develop and submit to the Secretary a plan to ensure that all teachers teaching within the State are fully qualified not later than December 31, 2006. Such plan shall include an assurance that the State educational agency will require each local educational agency or school receiving funds under this part publicly to report on annual progress with respect to the local educational agency's or school's performance in increasing the percentage of classes in core academic subjects (as defined in section 2002) taught by fully qualified teachers.

''(2) SPECIAL RULE.—Notwithstanding any other provision of law, the provisions of this section governing teacher qualifications shall not supersede State laws governing public charter schools (as defined in section 4210).

''(b) NEW PARAPROFESSIONALS.—Each local educational agency receiving assistance under this part shall ensure that each paraprofessional hired after December 31, 2004, and working in a program assisted under this part—

''(1) has completed at least the number of courses at an institution of higher education in the area of elementary education, or in the academic subject in which the paraprofessional is working, for a minor in elementary education or that subject at such institution;

''(2) has obtained an associate's (or higher) degree; or

''(3) has met a rigorous standard of quality, through formal State certification (as described in subsection (h)), that demonstrates, as appropriate—

''(A) knowledge of, and the ability to provide tutorial assistance in, reading, writing, and mathematics; or

''(B) knowledge of, and the ability to provide tutorial assistance in, reading readiness, writing readiness, and mathematics readiness.

''(c) EXISTING PARAPROFESSIONALS.—Each local educational agency receiving assistance under this part shall ensure that, not later than 4 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act, each paraprofessional working in a program assisted under this part shall have satisfied the requirements of subsection (b).

''(d) EXCEPTIONS FOR TRANSLATION AND PARENTAL INVOLVEMENT ACTIVITIES.—Subsections (b) and (c) shall not apply to a paraprofessional—

''(1) who is proficient in English and a language other than English, and who provides services primarily to enhance the participation of students in programs under this part by acting as a translator; or

''(2) whose duties consist solely of conducting parental involvement activities consistent with section 1118 or other school readiness activities that are noninstructional.

''(e) GENERAL REQUIREMENT FOR ALL PARAPROFESSIONALS.—Each local educational agency receiving assistance under this part shall ensure that each paraprofessional working in a program assisted under this part, regardless of the paraprofessional's hiring date, has obtained a secondary school diploma or its recognized equivalent.

''(f) DUTIES OF PARAPROFESSIONALS.—

''(1) IN GENERAL.—Each local educational agency receiving assistance under this part shall ensure that a paraprofessional working in a program assisted under this part is not assigned a duty inconsistent with this subsection.

''(2) AUTHORIZED RESPONSIBILITIES.—A paraprofessional described in paragraph (1) may be assigned—

''(A) to provide 1-on-1 tutoring for eligible students under this part, if the tutoring is scheduled at a time when the student would not otherwise receive instruction from a teacher;

''(B) to assist with classroom management, such as organizing instructional and other materials;

''(C) to provide assistance in a computer laboratory;

''(D) to conduct parental involvement activities or school readiness activities that are noninstructional;

''(E) to provide support in a library or media center;

''(F) to act as a translator; or

''(G) to provide assistance with the provision of instructional services to students.

''(3) LIMITATIONS.—A paraprofessional described in paragraph (1)—

''(A) shall not perform the duties of a certified or licensed teacher or a substitute;

''(B) shall not perform any duty assigned under paragraph (2) except under the direct supervision of a fully qualified teacher or other appropriate professional; and

''(C) may not provide assistance with the provision of instructional services to students in the area of reading, writing, or mathematics unless the paraprofessional has demonstrated, through State certification as described in subsection (b)(3), the ability to effectively provide the assistance.

''(g) USES OF FUNDS.—Notwithstanding subsection (h)(2), a local educational agency receiving funds under this part may use such funds to support ongoing training and professional development to assist teachers and paraprofessionals in satisfying the requirements of this section.

''(h) STATE CERTIFICATION.—Each State educational agency receiving assistance under this part shall—

''(1) ensure that the State educational agency has in place State criteria for the certification of paraprofessionals by December 31, 2003; and

''(2) ensure that paraprofessionals hired before December 31, 2004 who do not meet the requirements of subsection (b) are in high-quality professional development activities that are aimed at assisting paraprofessionals in meeting the requirements of subsection (b) and that ensure that a paraprofessional has the ability to carry out the duties described in subsection (f).

''(i) VERIFICATION OF COMPLIANCE.—

''(1) IN GENERAL.—In verifying compliance with this section, each local educational agency, at a minimum, shall require that each principal of an elementary school or secondary school operating a program under section 1114 or 1115 annually attest in writing as to whether the school is in compliance with the requirements of this section.

''(2) AVAILABILITY OF INFORMATION.—Copies of the annual attestation described in paragraph (1)—

''(A) shall be maintained at each elementary school and secondary school operating a program under section 1114 or 1115 and at the main office of the local educational agency; and

''(B) shall be available to any member of the general public on request.''.

SEC. 119. PROFESSIONAL DEVELOPMENT.

Section 1119A (as redesignated by section 118(1)) is amended—

(1) by striking subsection (a) and inserting the following:

''(a) PURPOSE.—The purpose of this section is to assist each local educational agency receiving assistance under this part in increasing the academic achievement of eligible children (as identified under section 1115(b)(1)(B)) (referred to in this section as 'eligible children') through improved teacher quality.'';

(2) in subsection (b)—

(A) by amending paragraph (1) to read as follows:

''(1) REQUIRED ACTIVITIES.—Each local educational agency receiving assistance under this part shall provide professional development activities under this section that shall—

''(A) give teachers, principals, and administrators the knowledge and skills to provide eligible children with the opportunity to meet challenging State or local content standards and student performance standards;

''(B) support the recruiting, hiring, and training of fully qualified teachers;

''(C) advance teacher understanding of effective instructional strategies, based on scientifically based research, for improving eligible children achievement in, at a minimum, English language arts, mathematics, and science;

''(D) be directly related to the curricula and academic subjects that a teacher teaches;

''(E) be designed to enhance the ability of a teacher to understand and use the State's standards for the academic subject that the teacher teaches;

''(F) be tied to scientifically based research that demonstrates the effectiveness of such professional development activities in increasing the achievement of eligible children or substantially increasing the subject matter knowledge, teaching knowledge, and teaching skills of teachers;

''(G) be of sufficient intensity and duration (not to include such activities as 1-day or short-term workshops and conferences) to have a positive and lasting impact on teachers' performance in the classroom, except that this subparagraph shall not apply to an activity if such activity is 1 component described in a long-term comprehensive professional development plan—

''(i) established by the teacher and the teacher's supervisor; and

''(ii) based on an assessment of the needs of the teacher, the teacher's students who are eligible children, and the local educational agency involved;

''(H) be developed with extensive participation of teachers, principals, parents, administrators, and local school boards of schools to be served under this part;

''(I) to the extent appropriate, provide training for teachers regarding using technology and applying technology effectively in the classroom, to improve teaching and learning concerning the curricula and academic subjects that the teachers teach;

''(J) as a whole, be regularly evaluated for such activities' impact on increased teacher effectiveness and improved student achievement, with the findings of such evaluations used to improve the quality of professional development; and

''(K) include strategies for identifying and eliminating gender and racial bias in instructional materials, methods, and practices.''; and

(B) in paragraph (2)—

(i) in subparagraph (A), by inserting ''and data to provide information and instruction for classroom practice'' before the semicolon;

(ii) by striking subparagraphs (D) and (G);

(iii) by redesignating subparagraphs (E), (F), (H), and (I), as subparagraphs (D), (E), (F) and (G), respectively;

(iv) in subparagraph (F) (as redesignated by clause (iii)), by striking ''and'' after the semicolon;

(v) in subparagraph (G) (as redesignated by clause (iii)), by striking the period and inserting a semicolon; and

(vi) by adding at the end (as redesignated by clause (iii)) the following new subparagraph:

''(H) instruction in the ways that teachers, principals, and guidance counselors can work with students (and the parents of the students) from groups, such as females and minorities, that are underrepresented in careers in mathematics, science, engineering, and technology, to encourage and maintain the interest of such students in those careers; and

''(I) programs that are designed to assist new teachers during their first 3 years of teaching, such as mentoring programs that—

''(i) provide mentoring to new teachers from veteran teachers with expertise in the same academic subject as the new teachers are teaching;

''(ii) provide mentors time for activities such as coaching, observing, and assisting teachers who are being mentored; and

''(iii) use standards or assessments that are consistent with the State's student performance standards and the requirements for professional development activities described in section 2109 in order to guide the new teachers.'';

(3) by striking subsections (f) through (i); and

(4) by adding after subsection (e) the following:

''(f) CONSOLIDATION OF FUNDS.—Funds provided under this part that are used for professional development purposes may be consolidated with funds provided under title II and other sources.''.

SEC. 120. FISCAL REQUIREMENTS.

Section 1120A(a) (20 U.S.C. 6322(a)) is amended by striking ''section 14501'' and inserting ''section 8501''.

SEC. 121. COORDINATION REQUIREMENTS.

Section 1120B (20 U.S.C. 6323) is amended—

(1) in subsection (a), by striking ''to the extent feasible'' and all that follows through the period and inserting ''in coordination with local Head Start agencies and, if feasible, entities carrying out other early childhood development programs.''; and

(2) in subsection (b)—

(A) in paragraph (3), by striking ''and'' after the semicolon;

(B) in paragraph (4), by striking the period and inserting ''; and''; and

(C) by adding at the end, the following:

''(5) linking the educational services provided by such local educational agency with the services provided by local Head Start agencies.''.

SEC. 122. LIMITATIONS ON FUNDS.

Subpart 1 of part A of title I (20 U.S.C. 6311 et seq.) is amended by inserting after section 1120B (20 U.S.C. 6323) the following:

''SEC. 1120C. LIMITATIONS ON FUNDS.

''(a) IN GENERAL.—Notwithstanding any other provision of this Act, a local educational agency shall use funds received under this part only to provide academic instruction and services directly related to the instruction to students in preschool through grade 12 to assist eligible children to improve their academic achievement and to meet achievement standards established by the State.

''(b) PERMISSIBLE AND PROHIBITED ACTIVITIES.—In this subpart, the term 'academic instruction'—

''(1) includes—

''(A) the employment of teachers and other instructional personnel, including providing teachers and instructional personnel with employee benefits;

''(B) the extension of instruction described in this subsection beyond the normal school day and year, including during summer school;

''(C) the provision of instructional services to pre-kindergarten children to prepare such children for the transition to kindergarten;

''(D) the purchase of instructional resources, such as books, materials, computers, other instructional equipment, and wiring to support instructional equipment;

''(E) the development and administration of curricula, educational materials, and assessments;

''(F) the implementation of—

''(i) instructional interventions in schools in need of improvement; and

''(ii) corrective actions to improve student achievement; and

''(G) the transportation of students to assist the students in improving academic achievement, except that not more than 10 percent of the funds made available under this part to a local educational agency shall be used to carry out this subparagraph; and

''(2) does not include—

''(A) the purchase or provision of janitorial services or the payment of utility costs;

''(B) the construction or operation of facilities;

''(C) the acquisition of real property;

''(D) the payment of costs for food and refreshments; or

''(E) the purchase or lease of vehicles.''.

SEC. 123. GRANTS FOR THE OUTLYING AREAS AND THE SECRETARY OF THE INTERIOR.

Section 1121 (20 U.S.C. 6331) is amended to read as follows:

''SEC. 1121. GRANTS FOR THE OUTLYING AREAS AND THE SECRETARY OF THE INTERIOR.

''(a) RESERVATION OF FUNDS.—From the amount appropriated for payments to States for any fiscal year under section 1002(a), the Secretary shall reserve a total of 1 percent to provide assistance to—

''(1) the outlying areas on the basis of their respective need for such assistance according to such criteria as the Secretary determines will best carry out the purpose of this part; and

''(2) the Secretary of the Interior in the amount necessary to make payments pursuant to subsection (c).

''(b) ASSISTANCE TO THE OUTLYING AREAS.—

''(1) IN GENERAL.—From amounts made available under subsection (a) in each fiscal year, the Secretary shall make grants to local educational agencies in the outlying areas (other than the outlying areas assisted under paragraph (2)).

''(2) COMPETITIVE GRANTS.—(A) For each fiscal year through 2001, the Secretary shall reserve $5,000,000 from the amounts made available under subsection (a) to award grants on a competitive basis, to local educational agencies in the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. The Secretary shall award such grants according to the recommendations of the Pacific Region Educational Laboratory which shall conduct a competition for such grants.

''(B) Except as provided in subparagraph (D), grant funds awarded under this part only may be used for programs described in this Act, including teacher training, curriculum development, instructional materials, or general school improvement and reform.

''(C) Grant funds awarded under this paragraph may only be used to provide direct educational services.

''(D) The Secretary may provide 5 percent of the amount made available for grants under this paragraph to pay the administrative costs of the Pacific Region Educational Laboratory regarding activities assisted under this paragraph.

''(c) ALLOTMENT TO THE SECRETARY OF THE INTERIOR.—

''(1) IN GENERAL.—The amount allotted for payments to the Secretary of the Interior under subsection (a)(2) for any fiscal year shall be, as determined pursuant to criteria established by the Secretary, the amount necessary to meet the special educational needs of—

''(A) Indian children on reservations served by elementary schools and secondary schools for Indian children operated or supported by the Department of the Interior; and

''(B) out-of-State Indian children in elementary schools and secondary schools in local educational agencies under special contracts with the Department of the Interior.

''(2) PAYMENTS.—From the amount allotted for payments to the Secretary of the Interior under subsection (a)(2), the Secretary of the Interior shall make payments to local educational agencies, upon such terms as the Secretary determines will best carry out the purposes of this part, with respect to out-of-State Indian children described in paragraph (1). The amount of such payment may not exceed, for each such child, the greater of—

''(A) 40 percent of the average per pupil expenditure in the State in which the agency is located; or

''(B) 48 percent of such expenditure in the United States.''.

SEC. 124. AMOUNTS FOR GRANTS.

Section 1122 (20 U.S.C. 6332) is amended to read as follows:

''SEC. 1122. AMOUNTS FOR BASIC GRANTS, CONCENTRATION GRANTS, AND TARGETED GRANTS.

''(a) IN GENERAL.—For fiscal years 2002 through 2006, an amount of the appropriations for this part equal to the appropriation for fiscal year 2001 for section 1124 shall be allocated in accordance with section 1124, and an amount equal to the appropriation for fiscal year 2001 for section 1124A shall be allocated in accordance with section 1124A. Any additional appropriations under section 1002(a) for any fiscal year, after application of the preceding sentence, shall be allocated in accordance with section 1125.

''(b) ADJUSTMENTS WHERE NECESSITATED BY APPROPRIATIONS.—

''(1) IN GENERAL.—If the sums available under this part for any fiscal year are insufficient to pay the full amounts that all local educational agencies in States are eligible to receive under sections 1124, 1124A, and 1125 for such year, the Secretary shall ratably reduce the allocations to such local educational agencies, subject to subsections (c) and (d).

''(2) ADDITIONAL FUNDS.—If additional funds become available for making payments under sections 1124, 1124A, and 1125 for such fiscal year, allocations that were reduced under paragraph (1) shall be increased on the same basis as they were reduced.

''(c) HOLD-HARMLESS AMOUNTS.—

''(1) IN GENERAL.—For each fiscal year, except as provided in paragraph (2) and subsection (d), the amount made available to each local educational agency under each of sections 1124 and 1125 shall be not less than 95 percent of the previous year's amount if the number of children counted for grants under section 1124 is at least 30 percent of the total number of children aged 5 to 17 years, inclusive, in the local educational agency, 90 percent of the previous year amount if this percentage is between 15 percent and 30 percent, and 85 percent if this percentage is below 15 percent.

''(2) SUFFICIENT FUNDS.—If sufficient funds are appropriated, the hold-homeless amounts described in paragraph (1) shall be paid to all local educational agencies that received grants under section 1124, 1124A, or 1125 for the preceding fiscal year, regardless of whether the local educational agency currently meets the minimum eligibility criteria provided in section 1124(b), 1124A(a)(1)(A), or 1125(a), respectively, except that a local educational agency which does not meet such minimum eligibility criteria for 5 consecutive years shall no longer be eligible to receive a hold-harmless amount.

''(3) CALCULATION.—In any fiscal year for which the Secretary calculates grants on the basis of population data for counties, the Secretary shall apply the hold-harmless percentages in paragraph (1) to counties, and, if the Secretary's allocation for a county is not sufficient to meet the hold-harmless requirements of this subsection for every local educational agency within that county, then the State educational agency shall reallocate funds proportionately from all other local educational agencies in the State that are receiving funds in excess of the hold-harmless amounts specified in this subsection.

''(d) RATABLE REDUCTIONS.—

''(1) IN GENERAL.—If the sums made available under this part for any fiscal year are insufficient to pay the full amounts that all States are eligible to receive under subsection (c) for such year, the Secretary shall ratably reduce such amounts for such year.

''(2) ADDITIONAL FUNDS.—If additional funds become available for making payments under subsection (c) for such fiscal year, amounts that were reduced under paragraph (1) shall be increased on the same basis as such amounts reduced.

''(e) DEFINITION.—For the purpose of this section and sections 1124, 1124A, and 1125, the term 'State' means each of the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico.''.

SEC. 125. BASIC GRANTS TO LOCAL EDUCATIONAL AGENCIES.

(a) FINDINGS.—Congress finds that—

(1) according to the Department of Education, 58 percent of all elementary schools and secondary schools receive at least some funds under title I of the Elementary and Secondary Education Act of 1965 (referred to in this section as ''title I funds'');

(2) of the elementary schools and secondary schools that receive no title I funds at all, a disturbing number have high concentrations of poor students;

(3) 1 out of every 5 elementary schools and secondary schools with poverty rates between 50 percent and 75 percent do not get any title I funds;

(4) a school district qualifies for funding through basic grants made under such title I if at least 2 percent of the students in the school district are from families with incomes below the poverty line;

(5) 9 out of every 10 school districts receive some title I funds; and

(6) Congress has never appropriated funding to provide targeted grants under such title I.

(b) SENSE OF CONGRESS.—It is the sense of Congress that—

(1) title I funds are distributed so broadly that many of the Nation's elementary schools and secondary schools with high poverty rates are not receiving on title I funds;

(2) the Federal Government is not living up to the original intent of the Elementary and Secondary Education Act of 1965, which was to focus Federal funding to ensure that poor students have equal access to a quality education;

(3) it is the role of the Federal Government to provide targeted funding for school districts in which the Nation's poorest students live, while holding States and localities accountable for raising the academic performance of all students in the United States to a higher level; and

(4) the Federal Government must take a firm stand to better focus Federal funds on the Nation's poorest school districts through a new formula for the title I funds that will ensure that the funds are targeted so that elementary schools and secondary schools in high-poverty urban and rural areas get the Federal resources for education that the schools need and deserve.

(c) GENERAL AUTHORITY.—Section 1124 (20 U.S.C. 6333) is amended to read as follows:

''SEC. 1124. BASIC GRANTS TO LOCAL EDUCATIONAL AGENCIES.

''(a) AMOUNT OF GRANTS.—

''(1) GRANTS FOR LOCAL EDUCATIONAL AGENCIES AND PUERTO RICO.—Except as provided in paragraph (4) and in section 1126, the grant that a local educational agency is eligible to receive under this section for a fiscal year is the amount determined by multiplying—

''(A) the number of children counted under subsection (c); and

''(B) 40 percent of the average per-pupil expenditure in the State, except that the amount determined under this subparagraph shall not be less than 32 percent, and not more than 48 percent, of the average per-pupil expenditure in the United States.

''(2) CALCULATION OF GRANTS.—(A) The Secretary shall calculate grants under this section on the basis of the number of children counted under subsection (c) for local educational agencies, unless the Secretary and the Secretary of Commerce determine that some or all of those data are unreliable or that their use would be otherwise inappropriate, in which case—

''(i) the 2 Secretaries shall publicly disclose the reasons for their determination in detail; and

''(ii) paragraph (3) shall apply.

''(B)(i) For any fiscal year to which this paragraph applies, the Secretary shall calculate grants under this section for each local educational agency.

''(ii) The amount of a grant under this section for each large local educational agency shall be the amount determined under clause (i).

''(iii) For small local educational agencies, the State educational agency may either—

''(I) distribute grants under this section in amounts determined by the Secretary under clause (i); or

''(II) use an alternative method, developed in accordance with clause (iv), approved by the Secretary to distribute the portion of the State's total grants under this section that is based on those small agencies.

''(iv) An alternative method under clause (iii)(II) shall be based on population data

that the State educational agency determines best reflect the current distribution of children in poor families among the State's small local educational agencies that meet the eligibility criteria of subsection (b).

''(v) If a small local educational agency is dissatisfied with the determination of its grant by the State educational agency under clause (iii)(II), it may appeal that determination to the Secretary, who shall respond within 45 days of receiving it.

''(vi) As used in this subparagraph—

''(I) the term 'large local educational agency' means a local educational agency serving an area with a total population of 20,000 or more; and

''(II) the term 'small local educational agency' means a local educational agency serving an area with a total population of less than 20,000.

''(3) ALLOCATIONS TO COUNTIES.—(A) For any fiscal year to which this paragraph applies, the Secretary shall calculate grants under this section on the basis of the number of children counted under section 1124(c) for counties, and State educational agencies shall suballocate county amounts to local educational agencies, in accordance with regulations promulgated by the Secretary.

''(B) In any State in which a large number of local educational agencies overlap county boundaries, or for which the State believes it has data that would better target funds than allocating them by county, the State educational agency may apply to the Secretary for authority to make the allocations under this part for a particular fiscal year directly to local educational agencies without regard to counties.

''(C) If the Secretary approves a State's application under subparagraph (B), the State educational agency shall provide the Secretary an assurance that those allocations are made—

''(i) using precisely the same factors for determining a grant as are used under this part; or

''(ii) using data that the State educational agency submits to the Secretary for approval that more accurately target poverty.

''(D) The State educational agency shall provide the Secretary an assurance that a procedure is (or will be) established through which local educational agencies that are dissatisfied with its determinations under subparagraph (B) may appeal directly to the Secretary for a final determination.

''(4) PUERTO RICO.—For each fiscal year, the Secretary shall determine the percentage that the average per pupil expenditure in the Commonwealth of Puerto Rico is of the lowest average per pupil expenditure of any of the 50 States. The grant that the Commonwealth of Puerto Rico shall be eligible to receive under this section for a fiscal year shall be the amount arrived at by multiplying the number of children counted under subsection (c) for the Commonwealth of Puerto Rico by the product of—

''(A) the percentage determined under the preceding sentence; and

''(B) 32 percent of the average per pupil expenditure in the United States.

''(5) DEFINITION.—For purposes of this subsection, the term 'State' does not include an outlying area.

''(b) MINIMUM NUMBER OF CHILDREN TO QUALIFY.—A local educational agency is eligible for a basic grant under this section for any fiscal year only if the number of children counted under subsection (c) for that agency is—

''(1) 10 or more; and

''(2) more than 2 percent of the total school-age population in the agency's jurisdiction.

''(c) CHILDREN TO BE COUNTED.—

''(1) CATEGORIES OF CHILDREN.—The number of children to be counted for purposes of this section is the aggregate of—

''(A) the number of children aged 5 to 17, inclusive, in the school district of the local educational agency from families below the poverty level as determined under paragraph (2);

''(B) the number of children aged 5 to 17, inclusive, in the school district of such agency from families above the poverty level as determined under paragraph (4); and

''(C) the number of children (determined under paragraph (4) for either the preceding year as described in that paragraph, or for the second preceding year, as the Secretary finds appropriate) aged 5 to 17, inclusive, in the school district of such agency in institutions for neglected and delinquent children (other than such institutions operated by the United States), but not counted pursuant to subpart 1 of part D for the purposes of a grant to a State agency, or being supported in foster homes with public funds.

''(2) DETERMINATION OF NUMBER OF CHILDREN.—For the purposes of this section, the Secretary shall determine the number of children aged 5 to 17, inclusive, from families below the poverty level on the basis of the most recent satisfactory data, described in paragraph (3), available from the Department of Commerce. The District of Columbia and the Commonwealth of Puerto Rico shall be treated as individual local educational agencies. If a local educational agency contains 2 or more counties in their entirety, then each county will be treated as if such county were a separate local educational agency for purposes of calculating grants under this part. The total of grants for such counties shall be allocated to such a local educational agency, which local educational agency shall distribute to schools in each county within such agency a share of the local educational agency's total grant that is no less than the county's share of the population counts used to calculate the local educational agency's grant.

''(3) POPULATION UPDATES.—In fiscal year 2002 and every 2 years thereafter, the Secretary shall use updated data on the number of children, aged 5 to 17, inclusive, from families below the poverty level for counties or local educational agencies, published by the Department of Commerce, unless the Secretary and the Secretary of Commerce determine that use of the updated population data would be inappropriate or unreliable. If the Secretary and the Secretary of Commerce determine that some or all of the data referred to in this paragraph are inappropriate or unreliable, they shall publicly disclose their reasons. In determining the families which are below the poverty level, the Secretary shall utilize the criteria of poverty used by the Bureau of the Census in compiling the most recent decennial census, in such form as those criteria have been updated by increases in the Consumer Price Index for all urban consumers, published by the Bureau of Labor Statistics.

''(4) OTHER CHILDREN TO BE COUNTED.—For purposes of this section, the Secretary shall determine the number of children aged 5 to 17, inclusive, from families above the poverty level on the basis of the number of such children from families receiving an annual income, in excess of the current criteria of poverty, from payments under a State program funded under part A of title IV of the Social Security Act, and in making such determinations the Secretary shall utilize the criteria of poverty used by the Bureau of the Census in compiling the most recent decennial census for a family of 4 in such form as those criteria have been updated by increases in the Consumer Price Index for all urban consumers, published by the Bureau of Labor Statistics. The Secretary shall determine the number of children aged 5 through 17 living in institutions for neglected or delinquent children, or being supported in foster homes with public funds, on the basis of the caseload data for the month of October of the preceding fiscal year (using, in the case of children described in the preceding sentence, the criteria of poverty and the form of such criteria required by such sentence which were determined for the calendar year preceding such month of October) or, to the extent that such data are not available to the Secretary before January of the calendar year in which the Secretary's determination is made, then on the basis of the most recent reliable data available to the Secretary at the time of such determination. The Secretary of Health and Human Services shall collect and transmit the information required by this paragraph to the Secretary not later than January 1 of each year. For the purposes of this section, the Secretary shall consider all children who are in correctional institutions to be living in institutions for delinquent children.

''(5) ESTIMATE.—When requested by the Secretary, the Secretary of Commerce shall make a special updated estimate of the number of children of such ages who are from families below the poverty level (determined as described in paragraph (1)) in each school district, and the Secretary is authorized to pay (either in advance or by way of reimbursement) the Secretary of Commerce the cost of making this special estimate. The Secretary of Commerce shall give consideration to any request of the chief executive of a State for the collection of additional census information. For purposes of this section, the Secretary shall consider all children who are in correctional institutions to be living in institutions for delinquent children.

''(d) STATE MINIMUM.—Notwithstanding section 1122, the aggregate amount allotted for all local educational agencies within a State may not be less than the lesser of—

''(1) 0.25 percent of total grants under this section; or

''(2) the average of—

''(A) one-quarter of 1 percent of the total amount available for such fiscal year under this section; and

''(B) the number of children in such State counted under subsection (c) in the fiscal year multiplied by 150 percent of the national average per pupil payment made with funds available under this section for that year.''.

SEC. 126. CONCENTRATION GRANTS.

Section 1124A (20 U.S.C. 6334) is amended to read as follows:

''SEC. 1124A. CONCENTRATION GRANTS TO LOCAL EDUCATIONAL AGENCIES.

''(a) ELIGIBILITY FOR AND AMOUNT OF GRANTS.—

''(1) IN GENERAL.—(A) Except as otherwise provided in this paragraph, each local educational agency, in a State other than an outlying area, which is eligible for a grant under section 1124 for any fiscal year is eligible for an additional grant under this section for that fiscal year if the number of children counted under section 1124(c) for the agency exceeds either—

''(i) 6,500; or

''(ii) 15 percent of the total number of children aged 5 through 17 in the agency.

''(B) Notwithstanding section 1122, no State described in subparagraph (A) shall receive less than the lesser of—

''(i) 0.25 percent of total grants; or

''(ii) the average of—

''(I) one-quarter of 1 percent of the sums available to carry out this section for such fiscal year; and

''(II) the greater of—

''(aa) $340,000; or

''(bb) the number of children in such State counted for purposes of this section in that fiscal year multiplied by 150 percent of the national average per pupil payment made with funds available under this section for that year.

''(2) SPECIAL RULE.—For each county or local educational agency eligible to receive an additional grant under this section for any fiscal year the Secretary shall determine the product of—

''(A) the number of children counted under section 1124(c) for that fiscal year; and

''(B) the amount in section 1124(a)(1)(B) for all States except Puerto Rico, and the amount in section 1124(a)(4) for Puerto Rico.

''(3) AMOUNT.—The amount of the additional grant for which an eligible local educational agency or county is eligible under this section for any fiscal year shall be an amount which bears the same ratio to the amount available to carry out this section for that fiscal year as the product determined under paragraph (2) for such local educational agency for that fiscal year bears to the sum of such products for all local educational agencies in the United States for that fiscal year.

''(4) LOCAL ALLOCATIONS.—(A) Grant amounts under this section shall be determined in accordance with paragraphs (2) and (3) of section 1124(a).

''(B) For any fiscal year for which the Secretary allocates funds under this section on the basis of counties, a State may reserve not more than 2 percent of its allocation under this section for any fiscal year to make grants to local educational agencies that meet the criteria of clause (i) or (ii) of paragraph (1)(A) but that are in ineligible counties.

''(b) STATES RECEIVING MINIMUM GRANTS.—In States that receive the minimum grant under subsection (a)(1)(B), the State educational agency shall allocate such funds among the local educational agencies in each State either—

''(1) in accordance with paragraphs (2) and (4) of subsection (a); or

''(2) based on their respective concentrations and numbers of children counted under section 1124(c), except that only those local educational agencies with concentrations or numbers of children counted under section 1124(c) that exceed the statewide average percentage of such children or the statewide average number of such children shall receive any funds on the basis of this paragraph.''.

SEC. 127. TARGETED GRANTS.

Section 1125 (20 U.S.C 6335) is amended to read as follows:

''SEC. 1125. TARGETED GRANTS TO LOCAL EDUCATIONAL AGENCIES.

''(a) ELIGIBILITY OF LOCAL EDUCATIONAL AGENCIES.—A local educational agency in a State is eligible to receive a targeted grant under this section for any fiscal year if the number of children in the local educational agency counted under section 1124(c), before application of the weighting factor described in subsection (c), is at least 10, and if the number of children counted for grants under section 1124 is at least 5 percent of the total population aged 5 to 17 years, inclusive, in the local educational agency. Funds made available as a result of applying this subsection shall be reallocated by the State educational agency to other eligible local educational agencies in the State in proportion to the distribution of other funds under this section.

''(b) GRANTS FOR LOCAL EDUCATIONAL AGENCIES, THE DISTRICT OF COLUMBIA, AND PUERTO RICO.—

''(1) IN GENERAL.—The amount of the grant that a local educational agency in a State or that the District of Columbia is eligible to receive under this section for any fiscal year shall be the product of—

''(A) the weighted child count determined under subsection (c); and

''(B) the amount in section 1124(a)(1).

''(2) PUERTO RICO.—For each fiscal year, the amount of the grant for which the Commonwealth of Puerto Rico is eligible under this section shall be equal to the number of children counted under subsection (c) for Puerto Rico, multiplied by the amount determined in section 1124(a)(4).

''(c) WEIGHTED CHILD COUNT.—

''(1) WEIGHTS FOR ALLOCATIONS TO COUNTIES.—(A) For each fiscal year for which the Secretary uses county population data to calculate grants, the weighted child count used to determine a county's allocation under this section is the larger of the 2 amounts determined under clause (i) or (ii), as follows:

''(i) This amount is determined by adding—

''(I) the number of children determined under section 1124(c) for that county constituting up to 12.20 percent, inclusive, of the county's total population aged 5 to 17, inclusive, multiplied by 1.0;

''(II) the number of such children constituting more than 12.20 percent, but not more than 17.70 percent, of such population, multiplied by 1.75;

''(III) the number of such children constituting more than 17.70 percent, but not more than 22.80 percent, of such population, multiplied by 2.5;

''(IV) the number of such children constituting more than 22.80 percent, but not more than 29.70 percent, of such population, multiplied by 3.25; and

''(V) the number of such children constituting more than 29.70 percent of such population, multiplied by 4.0.

''(ii) This amount is determined by adding—

''(I) the number of children determined under section 1124(c) constituting up to 1,917, inclusive, of the county's total population aged 5 to 17, inclusive, multiplied by 1.0;

''(II) the number of such children between 1,918 and 5,938, inclusive, in such population, multiplied by 1.5;

''(III) the number of such children between 5,939 and 20,199, inclusive, in such population, multiplied by 2.0;

''(IV) the number of such children between 20,200 and 77,999, inclusive, in such population, multiplied by 2.5; and

''(V) the number of such children in excess of 77,999 in such population, multiplied by 3.0.

''(B) Notwithstanding subparagraph (A), the weighting factor for Puerto Rico under this paragraph shall not be greater than the total number of children counted under section 1124(c) multiplied by 1.72.

''(2) WEIGHTS FOR ALLOCATIONS TO LOCAL EDUCATIONAL AGENCIES.—(A) For each fiscal year for which the Secretary uses local educational agency data, the weighted child count used to determine a local educational agency's grant under this section is the larger of the 2 amounts determined under clauses (i) and (ii), as follows:

''(i) This amount is determined by adding—

''(I) the number of children determined under section 1124(c) for that local educational agency constituting up to 14.265 percent, inclusive, of the agency's total population aged 5 to 17, inclusive, multiplied by 1.0;

''(II) the number of such children constituting more than 14.265 percent, but not more than 21.553 percent, of such population, multiplied by 1.75;

''(III) the number of such children constituting more than 21.553 percent, but not more than 29.223 percent, of such population, multiplied by 2.5;

''(IV) the number of such children constituting more than 29.223 percent, but not more than 36.538 percent, of such population, multiplied by 3.25; and

''(V) the number of such children constituting more than 36.538 percent of such population, multiplied by 4.0.

''(ii) This amount is determined by adding—

''(I) the number of children determined under section 1124(c) constituting up to 575, inclusive, of the agency's total population aged 5 to 17, inclusive, multiplied by 1.0;

''(II) the number of such children between 576 and 1,870, inclusive, in such population, multiplied by 1.5;

''(III) the number of such children between 1,871 and 6,910, inclusive, in such population, multiplied by 2.0;

''(IV) the number of such children between 6,911 and 42,000, inclusive, in such population, multiplied by 2.5; and

''(V) the number of such children in excess of 42,000 in such population, multiplied by 3.0.

''(B) Notwithstanding subparagraph (A), the weighting factor for Puerto Rico under this paragraph shall not be greater than the total number of children counted under section 1124(c) multiplied by 1.72.

''(d) CALCULATION OF GRANT AMOUNTS.—Grants under this section shall be calculated in accordance with paragraphs (2) and (3) of section 1124(a).

''(e) STATE MINIMUM.—Notwithstanding any other provision of this section or section 1122, from the total amount available for any fiscal year to carry out this section, each State shall be allotted at least the lesser of—

''(1) 0.25 percent of total appropriations; or

''(2) the average of—

''(A) one-quarter of 1 percent of the total amount available to carry out this section; and

''(B) 150 percent of the national average grant under this section per child described in section 1124(c), without application of a weighting factor, multiplied by the State's total number of children described in section 1124(c), without application of a weighting factor.''.

SEC. 128. EDUCATION FINANCE INCENTIVE PROGRAM.

Section 1125A (20 U.S.C. 6336) is amended to read as follows:

''SEC. 1125A. EDUCATION FINANCE INCENTIVE PROGRAM.

''(a) GRANTS.—The Secretary is authorized to make grants to States from the sums appropriated pursuant to subsection (e) to carry out the purposes of this part.

''(b) DISTRIBUTION BASED UPON FISCAL EFFORT AND EQUITY.—

''(1) IN GENERAL.—Funds appropriated pursuant to subsection (e) shall be allotted to each State based upon the number of children aged 5 to 17, inclusive, of such State multiplied by the product of—

''(A) such State's effort factor described in paragraph (2); multiplied by

''(B) 1.30 minus such State's equity factor described in paragraph (3), except that for each fiscal year no State shall receive less than ¼ of 1 percent of the total amount appropriated pursuant to subsection (e) for such fiscal year.

''(2) EFFORT FACTOR.—(A) Except as provided in subparagraph (B), the effort factor for a State shall be determined in accordance with the succeeding sentence, except that such factor shall not be less than .95 nor greater than 1.05. The effort factor determined under this sentence shall be a fraction

the numerator of which is the product of the 3-year average per-pupil expenditure in the State multiplied by the 3-year average per capita income in the United States and the denominator of which is the product of the 3-year average per capita income in such State multiplied by the 3-year average per-pupil expenditure in the United States.

''(B) The effort factor for the Commonwealth of Puerto Rico shall be equal to the lowest effort factor calculated under subparagraph (A) for any State.

''(3) EQUITY FACTOR.—(A)(i) Except as provided in subparagraph (B), the Secretary shall determine the equity factor under this section for each State in accordance with clause (ii).

''(ii)(I) For each State, the Secretary shall compute a weighted coefficient of variation for the per-pupil expenditures of local educational agencies in accordance with subclauses (II), (III), (IV), and (V).

''(II) In computing coefficients of variation, the Secretary shall weigh the variation between per-pupil expenditures in each local educational agency and the average per-pupil expenditures in the State according to the number of pupils in the local educational agency.

''(III) In determining the number of pupils under this paragraph in each local educational agency and each State, the Secretary shall multiply the number of children from economically disadvantaged families by 1.4 under this paragraph.

''(IV) In computing coefficients of variation, the Secretary shall include only those local educational agencies with an enrollment of more than 200 students.

''(V) The Secretary shall compute separate coefficients of variation for elementary, secondary, and unified local educational agencies and shall combine such coefficients into a single weighted average coefficient for the State by multiplying each coefficient by the total enrollments of the local educational agencies in each group, adding such products, and dividing such sum by the total enrollments of the local educational agencies in the State.

''(B) The equity factor for a State that meets the disparity standard described in section 222.63 of title 34, Code of Federal Regulations (as such section was in effect on the day preceding the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act) or a State with only 1 local educational agency shall be not greater than 0.10.

''(C) The Secretary may revise each State's equity factor as necessary based on the advice of independent education finance scholars to reflect other need-based costs of local educational agencies in addition to economically disadvantaged student enrollment, such as differing geographic costs, costs associated with students with disabilities, children with limited English proficiency or other meaningful educational needs, which deserve additional support. In addition and also with the advice of independent education finance scholars, the Secretary may revise each State's equity factor to incorporate other valid and accepted methods to achieve adequacy of educational opportunity that may not be reflected in a coefficient of variation method.

''(c) USE OF FUNDS.—All funds awarded to each State under this section shall be allocated to local educational agencies and schools on a basis consistent with the distribution of other funds to such agencies and schools under sections 1124, 1124A, and 1125 to carry out activities under this part.

''(d) MAINTENANCE OF EFFORT.—

''(1) IN GENERAL.—Except as provided in paragraph (2), a State is entitled to receive its full allotment of funds under this part for any fiscal year only if the Secretary finds that either the combined fiscal effort per student or the aggregate expenditures within the State with respect to the provision of free public education for the fiscal year preceding the fiscal year for which the determination is made was not less than 90 percent of such combined fiscal effort or aggregate expenditures for the second fiscal year preceding the fiscal year for which the determination is made.

''(2) REDUCTION OF FUNDS.—The Secretary shall reduce the amount of the funds awarded to any State under this section in any fiscal year in the exact proportion to which the State fails to meet the requirements of paragraph (1) by falling below 90 percent of both the fiscal effort per student and aggregate expenditures (using the measure most favorable to the State), and no such lesser amount shall be used for computing the effort required under paragraph (1) for subsequent years.

''(3) WAIVERS.—The Secretary may waive, for 1 fiscal year only, the requirements of paragraphs (1) and (2) if the Secretary determines that such a waiver would be equitable due to exceptional or uncontrollable circumstances such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the State.

''(e) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of making grants under this section, there are authorized to be appropriated $200,000,000 for fiscal year 2002 and such sums as may be necessary for each of the 3 succeeding fiscal years.''.

SEC. 129. SPECIAL ALLOCATION PROCEDURES.

Section 1126 (20 U.S.C. 6337) is amended to read as follows:

''SEC. 1126. SPECIAL ALLOCATION PROCEDURES.

''(a) ALLOCATIONS FOR NEGLECTED CHILDREN.—

''(1) IN GENERAL.—If a State educational agency determines that a local educational agency in the State is unable or unwilling to provide for the special educational needs of children who are living in institutions for neglected or delinquent children as described in section 1124(c)(1)(C), the State educational agency shall, if such agency assumes responsibility for the special educational needs of such children, receive the portion of such local educational agency's allocation under sections 1124, 1124A, and 1125 that is attributable to such children.

''(2) SPECIAL RULE.—If the State educational agency does not assume such responsibility, any other State or local public agency that does assume such responsibility shall receive that portion of the local educational agency's allocation.

''(b) ALLOCATIONS AMONG LOCAL EDUCATIONAL AGENCIES.—The State educational agency may allocate the amounts of grants under sections 1124, 1124A, and 1125 among the affected local educational agencies—

''(1) if 2 or more local educational agencies serve, in whole or in part, the same geographical area;

''(2) if a local educational agency provides free public education for children who reside in the school district of another local educational agency; or

''(3) to reflect the merger, creation, or change of boundaries of 1 or more local educational agencies.

''(c) REALLOCATION.—If a State educational agency determines that the amount of a grant that a local educational agency would receive under sections 1124, 1124A, and 1125 is more than such local agency will use, the State educational agency shall make the excess amount available to other local educational agencies in the State that need additional funds in accordance with criteria established by the State educational agency.''.

Subtitle B—Even Start Family Literacy Programs

SEC. 131. PROGRAM AUTHORIZED.

Section 1202(c) (20 U.S.C. 6362(c)) is amended—

(1) in paragraph (1), by striking ''subsection and for which'' and all that follows through '', whichever is less, to award grants,'' and inserting ''subsection, from funds reserved under section 7104(b), the Secretary shall award grants,'';

(2) by striking paragraph (2)(C); and

(3) in paragraph (3)—

(A) by striking ''is defined'' and inserting ''was defined''; and

(B) by inserting ''as such section was in effect on the day preceding the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act'' after ''2252''.

SEC. 132. APPLICATIONS.

Section 1207(c)(1)(F) (20 U.S.C. 6367(c)(1)(F)) is amended by striking ''14306'' and inserting ''8305''.

SEC. 133. RESEARCH.

Section 1211(c) (20 U.S.C. 6396b(c)) is amended to read as follows:

''(c) DISSEMINATION.—The Secretary shall disseminate, or designate another entity to disseminate, the results of the research described in subsection (a) to States and recipients of subgrants under this part.''.

Subtitle C—Education of Migratory Children

SEC. 141. COMPREHENSIVE NEEDS ASSESSMENT AND SERVICE-DELIVERY PLAN; AUTHORIZED ACTIVITIES.

Section 1306(a)(1) (20 U.S.C. 6369(a)(1)) is amended—

(1) in subparagraph (A), by striking '', the Goals 2000'' and all that follows through the semicolon and inserting ''or other Acts, as appropriate, consistent with section 8306;'';

(2) in subparagraph (B), by striking ''section 14302'' and inserting ''section 8302''; and

(3) in subparagraph (F), by striking ''bilingual education'' and all that follows and inserting ''language instruction programs under title III; and''.

Subtitle D—Prevention and Intervention Programs for Children and Youth who are Neglected, Delinquent, or at Risk of Dropping Out

SEC. 151. STATE PLAN AND STATE AGENCY APPLICATIONS.

Section 1414 (20 U.S.C. 6434) is amended—

(1) in subsection (a)(1), by striking '', the Goals 2000'' and all that follows through the period and inserting ''or other Acts, as appropriate, consistent with section 8305.''; and

(2) in subsection (c)—

(A) in paragraph (6), by striking ''section 14701'' and inserting ''section 8701''; and

(B) in paragraph (7), by striking ''section 14501'' and inserting ''section 8501''.

SEC. 152. USE OF FUNDS.

Section 1415(a)(2)(D) (20 U.S.C. 6435(a)(2)(D)) is amended by striking ''section 14701'' and inserting ''section 8701''.

Subtitle E—Federal Evaluations, Demonstrations, and Transition Projects

SEC. 161. EVALUATIONS.

Section 1501 (20 U.S.C. 6491) is amended—

(1) in subsection (a)(4)—

(A) by striking ''January 1, 1996'' and inserting ''January 1, 2003''; and

(B) by striking ''January 1, 1999'' and inserting ''January 1, 2006'';

(2) in subsection (b)(1), by striking ''December 31, 1997'' and inserting ''December 31, 2004''; and

(3) in subsection (e)(2), by striking ''December 31, 1996'' and inserting ''December 31, 2003''.

SEC. 162. DEMONSTRATIONS OF INNOVATIVE PRACTICES.

Section 1502 (20 U.S.C. 6492) is amended to read as follows:

"SEC. 1502. COMPREHENSIVE SCHOOL REFORM.

''(a) FINDINGS AND PURPOSE.—

''(1) FINDINGS.—Congress finds the following:

''(A) A number of schools across the country have shown impressive gains in student performance through the use of comprehensive models for schoolwide change that incorporate virtually all aspects of school operations.

''(B) No single comprehensive school reform model may be suitable for every school. Schools should be encouraged to examine successful, externally developed comprehensive school reform approaches as the schools undertake comprehensive school reform.

''(C) Comprehensive school reform is an important means by which children are assisted in meeting challenging State student performance standards.

''(2) PURPOSE.—The purpose of this section is to provide financial incentives for schools to develop comprehensive school reforms, based upon scientifically based research and effective practices that include an emphasis on basic academics and parental involvement so that all children can meet challenging State content and performance standards.

''(b) GRANTS TO STATES.—

''(1) IN GENERAL.—The Secretary is authorized to provide grants to State educational agencies from allotments under paragraph (2) to provide subgrants to local educational agencies to carry out the purpose described in subsection (a)(2).

''(2) ALLOTMENT.—

''(A) RESERVATION.—Of the amount made available under subsection (f) for a fiscal year, the Secretary may reserve—

''(i) not more than 1 percent for—

''(I) payments to the Bureau of Indian Affairs for activities, approved by the Secretary, consistent with this section; and

''(II) payments to outlying areas, to be allotted in accordance with their respective needs for assistance under this section as determined by the Secretary, for activities, approved by the Secretary, consistent with this section; and

''(ii) not more than 1 percent to conduct national evaluation activities described in subsection (d).

''(B) IN GENERAL.—Of the amount made available under subsection (f) for a fiscal year and remaining after the reservation under subparagraph (A), the Secretary shall allot to each State an amount that bears the same ratio to the remainder as the amount made available under section 1124 to the State for the preceding fiscal year bears to the total amount made available under section 1124 to all States for that year.

''(C) REALLOTMENT.—If a State chooses not to apply for funds under this section, or fails to submit an approvable application under paragraph (3), the Secretary shall reallot the funds that such State would have received under subparagraph (B) to States having applications approved under paragraph (3), in accordance with subparagraph (B).

''(3) STATE APPLICATION.—

''(A) IN GENERAL.—Each State educational agency that desires to receive a grant under this section shall submit an application to the Secretary at such time, in such manner and containing such other information as the Secretary may reasonably require.

''(B) CONTENTS.—Each State application shall describe—

''(i) the process and selection criteria with which the State educational agency, after using expert review, will select local educational agencies to receive subgrants under this section;

''(ii) how the agency will ensure that only comprehensive school reforms that are based on scientifically based research will receive funds under this section;

''(iii) how the agency will disseminate materials regarding information on comprehensive school reforms that are based on scientifically based research;

''(iv) how the agency will evaluate the implementation of such reforms and measure the extent to which the reforms resulted in increased student academic performance; and

''(v) how the agency will provide, upon request, technical assistance to a local educational agency in evaluating, developing, and implementing comprehensive school reform.

''(4) REPORTING.—Each State educational agency that receives a grant under this section shall provide to the Secretary such information as the Secretary may require, including the names of local educational agencies and schools selected to receive grants under this section, the amount of such grants, and a description of the comprehensive school reform model selected and used for the schools.

''(5) ADMINISTRATIVE COSTS.—A State educational agency that receives a grant under this section may reserve not more than 5 percent of the funds made available through the grant for administrative, evaluation, and technical assistance expenses.

''(c) GRANTS TO LOCAL EDUCATIONAL AGENCIES.—

''(1) GRANTS.—

''(A) IN GENERAL.—Except as provided in subsection (b)(5), a State educational agency that receives a grant under this section shall use the grant funds to provide grants, on a competitive basis, to local educational agencies receiving funds under part A.

''(B) GRANT REQUIREMENTS.—A grant to a local educational agency shall be—

''(i) of sufficient size and scope to pay for the initial costs for the particular comprehensive school reform plan selected or designed by each school identified in the application of the local educational agency;

''(ii) in an amount of not less than $50,000 for each participating school; and

''(iii) made for an initial period of 1 year, and shall be renewable for 2 additional 1-year periods if the participating schools are making substantial progress in the implementation of their reforms.

''(2) LOCAL APPLICATIONS.—

''(A) IN GENERAL.—To be eligible to receive a grant under this section, a local educational agency shall submit an application to the State educational agency at such time, in such manner, and containing such information as the agency may require.

''(B) CONTENTS.—At a minimum, the local application shall—

''(i) identify which schools that are served by the local educational agency and eligible for funds under part A plan to implement a comprehensive school reform program, and identify the projected costs of such a program;

''(ii) describe the scientifically based comprehensive school reforms that such schools will implement;

''(iii) describe how the agency will provide technical assistance and support for the effective implementation of the scientifically based school reforms selected by such schools; and

''(iv) describe how the agency will evaluate the implementation of such reforms and measure the results achieved in improving student academic performance.

''(3) COMPONENTS OF THE PROGRAM.—A local educational agency that receives a grant under this section shall provide grant funds to schools that, individually, implement a comprehensive school reform program that—

''(A) employs innovative strategies and proven methods for student learning, teaching, and school management that are based on scientifically based research and effective practices and have been replicated successfully in schools with diverse characteristics;

''(B) uses a comprehensive design for effective school functioning, including instruction, assessment, classroom management, professional development, parental involvement, and school management, that aligns the school's curriculum, technology, and professional development into a comprehensive reform plan for schoolwide change designed to enable all students to meet challenging State content and student performance standards, and that addresses needs identified through a school needs assessment;

''(C) provides high quality and continuous teacher and staff professional development;

''(D) includes measurable goals for student performance and benchmarks for meeting such goals;

''(E) is supported by teachers, principals, administrators, and other professional staff;

''(F) provides for the meaningful involvement of parents and the local community in planning and implementing school improvement activities;

''(G) uses high quality external technical support and assistance from an entity, which may be an institution of higher education, with experience and expertise in schoolwide reform and improvement;

''(H) includes a plan for the evaluation of the implementation of school reforms and the student results achieved; and

''(I) identifies how other resources, including Federal, State, local, and private resources, available to the school will be used to coordinate services to support and sustain the school reform effort.

''(4) PRIORITY AND CONSIDERATION.—

''(A) PRIORITY.—The State educational agency, in awarding grants under paragraph (1), shall give priority to local educational agencies that—

''(i) plan to use the grant funds in schools identified for school improvement or corrective action under section 1116(c); and

''(ii) demonstrate a commitment to assist schools with budget allocation, professional development, and other strategies necessary to ensure the comprehensive school reforms are properly implemented and are sustained in the future.

''(B) GRANT CONSIDERATION.—In making grants under this section, the State educational agency shall take into account the need for equitable distribution of funds to different geographic regions within the State, including urban and rural areas, and to elementary schools and secondary schools.

''(5) SPECIAL RULE.—A school that receives funds under this section to develop a comprehensive school reform program shall not be limited to using the approaches identified or developed by the Department of Education, but may develop comprehensive school reform programs for schoolwide change that comply with paragraph (3).

''(d) EVALUATION AND REPORT.—

''(1) IN GENERAL.—The Secretary shall develop and carry out a plan for a national evaluation of the programs developed pursuant to this section.

''(2) EVALUATION.—The national evaluation shall evaluate the implementation of the programs and the results achieved by schools after 1 year and 3 years of implementing comprehensive school reforms through the programs, and assess the effectiveness of comprehensive school reforms in schools with diverse characteristics.

''(3) REPORTS.—

''(A) INTERIM REPORT.—After evaluating the first year of implementation and results under paragraph (2), the Secretary shall submit an interim report outlining first year implementation activities to the Committees on Education and the Workforce and Appropriations of the House of Representatives and the Committees on Health, Education, Labor, and Pensions and Appropriations of the Senate.

''(B) FINAL REPORT.—After evaluating the third year of implementation and results under paragraph (2), the Secretary shall submit a final report outlining third year implementation activities to the committees described in subparagraph (A).

''(e) SUPPLEMENT.—Funds made available under this section shall be used to supplement and not supplant other Federal, State, and local public funds expended for activities described in this section.

''(f) AUTHORIZATION OF APPROPRIATIONS.—Funds appropriated for any fiscal year under section 1002(f) shall be used for carrying out the activities under this section.

''(g) DEFINITION.—The term 'scientifically based research'—

''(1) means the application of rigorous, systematic, and objective procedures in the development of comprehensive school reform models; and

''(2) shall include research that—

''(A) employs systematic, empirical methods that draw on observation or experiment;

''(B) involves rigorous data analyses that are adequate to test stated hypotheses and justify the general conclusions drawn;

''(C) relies on measurements or observational methods that provide valid data across evaluators and observers and across multiple measurements and observations; and

''(D) has been accepted by a journal that uses peer review or approved by a panel of independent experts through a comparably rigorous, objective, and scientific review.''.

Subtitle F—Rural Education Development Initiative

SEC. 171. RURAL EDUCATION DEVELOPMENT INITIATIVE.

Title I (20 U.S.C. 6301 et seq.) is amended—

(1) by redesignating part F (20 U.S.C. 6511 et seq.) as part G and redesignating accordingly the references to such part F;

(2) by redesignating sections 1601 through 1604 (20 U.S.C. 6511, 6514) as sections 1701 through 1704, respectively, and by redesignating accordingly the references to such sections 1601 through 1604; and

(3) by inserting after part E (20 U.S.C. 6491 et seq.) the following:

''PART F—RURAL EDUCATION INITIATIVE

''SEC. 1601. SHORT TITLE.

''This part may be cited as the 'Rural Education Achievement Program'.

''SEC. 1602. PURPOSE.

''It is the purpose of this part to address the unique needs of rural school districts that frequently—

''(1) lack the personnel and resources needed to compete for Federal competitive grants; and

''(2) receive formula allocations in amounts too small to be effective in meeting their intended purposes.

''SEC. 1603. AUTHORIZATION OF APPROPRIATIONS.

''(a) IN GENERAL.—There are authorized to be appropriated to carry out this part $300,000,000 for fiscal year 2002 and such sums as may be necessary for each of the 4 succeeding fiscal years, of which 50 percent shall be available to carry out subpart 1 for each such fiscal year and 50 percent shall be available to carry out subpart 2 for each such fiscal year.

''(b) SPECIAL RULE.—Notwithstanding subsection (a), if the amount of funds made available under subsection (a) to carry out subpart 1 for any fiscal year exceeds the amount required to carry out subpart 1 for the fiscal year, then such excess shall be available to carry out subpart 2 for the fiscal year.

''Subpart 1—Small, Rural School Achievement Program

''SEC. 1611. FORMULA GRANT PROGRAMS.

''(a) ALTERNATIVE USES.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, an eligible local educational agency may use the applicable funding, that the agency is eligible to receive from the State educational agency for a fiscal year, to carry out activities described in section 1114, 1115, 1116, 2207, 3107, or 6006.

''(2) NOTIFICATION.—An eligible local educational agency shall notify the State educational agency of the local educational agency's intention to use the applicable funding in accordance with paragraph (1) not later than a date that is established by the State educational agency for the notification.

''(b) ELIGIBILITY.—A local educational agency shall be eligible to use the applicable funding in accordance with subsection (a) if—

''(1) the total number of students in average daily attendance at all of the schools served by the local educational agency is less than 600; and

''(2) all of the schools served by the local educational agency are designated with a School Locale Code of 7 or 8, as determined by the Secretary of Education.

''(c) APPLICABLE FUNDING.—In this section, the term 'applicable funding' means funds provided under each of titles II, III, and VI.

''(d) DISBURSAL.—Each State educational agency that receives applicable funding for a fiscal year shall disburse the applicable funding to local educational agencies for alternative uses under this section for the fiscal year at the same time that the State educational agency disburses the applicable funding to local educational agencies that do not intend to use the applicable funding for such alternative uses for the fiscal year.

''(e) SUPPLEMENT NOT SUPPLANT.—Funds made available under this section shall be used to supplement and not supplant any other Federal, State, or local education funds.

''(f) SPECIAL RULE.—References in Federal law to funds for the provisions of law set forth in subsection (c) may be considered to be references to funds for this section.

''(g) COOPERATIVE ARRANGEMENTS.—Nothing in this subpart shall be construed to prohibit a local educational agency that enters into cooperative arrangements with other local educational agencies for the provision of special, compensatory, or other education services pursuant to State law or a written agreement from entering into similar arrangements for the use or the coordination of the use of the funds made available under this section.

''SEC. 1612. FORMULA GRANT PROGRAM AUTHORIZED.

''(a) IN GENERAL.—The Secretary is authorized to award grants to eligible local educational agencies to enable the local educational agencies to carry out activities described in section 1114, 1115, 1116, 2207, 3107, or 6006.

''(b) ELIGIBILITY.—A local educational agency shall be eligible to receive a grant under this section if—

''(1) the total number of students in average daily attendance at all of the schools served by the local educational agency is less than 600; and

''(2) all of the schools served by the local educational agency are designated with a School Locale Code of 7 or 8, as determined by the Secretary of Education.

''(c) AMOUNT.—

''(1) IN GENERAL.—The Secretary shall award a grant to a local educational agency under this section for a fiscal year in an amount equal to the amount determined under paragraph (2) for the fiscal year minus the total amount received by the local educational agency for the preceding fiscal year under the provisions of law described in section 1611(c).

''(2) DETERMINATION.—The amount referred to in paragraph (1) is equal to $100 multiplied by the total number of students in excess of 50 students that are in average daily attendance at the schools served by the local educational agency, plus $20,000, except that the amount may not exceed $60,000.

''(3) CENSUS DETERMINATION.—

''(A) IN GENERAL.—Each local educational agency desiring a grant under this section shall conduct a census not later than December 1 of each year to determine the number of kindergarten through grade 12 students in average daily attendance at the schools served by the local educational agency.

''(B) SUBMISSION.—Each local educational agency shall submit the number described in subparagraph (A) to the Secretary not later than March 1 of each year.

''(4) PENALTY.—If the Secretary determines that a local educational agency has knowingly submitted false information under paragraph (3) for the purpose of gaining additional funds under this section, then the local educational agency shall be fined an amount equal to twice the difference between the amount the local educational agency received under this section, and the correct amount the local educational agency would have received under this section if the agency had submitted accurate information under paragraph (3).

''(d) DISBURSAL.—The Secretary shall disburse the funds awarded to a local educational agency under this section for a fiscal year not later than July 1 of that year.

''(e) SUPPLEMENT NOT SUPPLANT.—Funds made available under this section shall be used to supplement and not supplant any other Federal, State, or local education funds.

''(f) CONSTRUCTION.—Nothing in this subpart shall be construed to prohibit a local educational agency that enters into cooperative arrangements with other local educational agencies for the provision of special, compensatory, or other education services pursuant to State law or a written agreement from entering into similar arrangements for the use or the coordination of the use of the funds made available under this section.

''SEC. 1613. APPLICATIONS.

''(a) IN GENERAL.—Each eligible local educational agency desiring to use funds for alternative uses under section 1611 or desiring a grant under section 1612 annually shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require.

''(b) CONTENTS.—Each application submitted under subsection (a) shall—

''(1) describe the activities for which funds made available under this subpart will be used to raise student academic performance;

''(2) specify annual, measurable performance goals and objectives, at a minimum, for the activities assisted under this subpart with respect to—

''(A) increased student academic achievement;

''(B) decreased gaps in achievement between minority and nonminority students,

and between economically disadvantaged and non-economically disadvantaged students (unless the Secretary determines the number of students in a category is insufficient to yield statistically reliable information); and

''(C) other factors that the eligible local educational agency may choose to measure; and

''(3) specify the extent to which such goals are aligned with State content and student performance standards;

''(4) describe how the eligible local educational agency will—

''(A) measure the annual impact of activities described in paragraph (1) and the extent to which the activities will increase student academic performance; and

''(B) hold elementary schools or secondary schools using or receiving funds under this subpart accountable for meeting the annual, measurable goals and objectives;

''(5) describe how the eligible local educational agency will provide technical assistance for an elementary school or secondary school that does not meet the annual, measurable goals and objectives;

''(6) describe how the eligible local educational agency will take action against an elementary school or secondary school, if the school fails, over 2 consecutive years, to meet the annual, measurable goals and objectives; and

''(7) in the case that the application describes alternative uses for funds under title II or III, specify how the eligible local educational agency shall use the funds to meet the annual numerical performance objectives described in section 2104 or 3109, respectively.

''SEC. 1614. ACCOUNTABILITY.

''The Secretary, at the end of the third year that an eligible local educational agency uses funds in accordance with section 1611 or receives grant funds under section 1612, shall permit only those eligible local educational agencies that meet their annual, measurable goals and objectives described in section 1613(b)(2) and their performance objectives described in section 2104 and 3109 for 2 consecutive years to continue to so use funds or receive grant funds for the fourth or fifth fiscal years of participation in the program under this subpart.

''SEC. 1615. RATABLE REDUCTIONS IN CASE OF INSUFFICIENT APPROPRIATIONS.

''(a) IN GENERAL.—If the amount appropriated for any fiscal year and made available for grants under section 1612 is insufficient to pay the full amount for which all agencies are eligible under this subpart, the Secretary shall ratably reduce each such amount.

''(b) ADDITIONAL AMOUNTS.—If additional funds become available for making payments under paragraph (1) for such fiscal year, payments that were reduced under subsection (a) shall be increased on the same basis as such payments were reduced.

''SEC. 1616. REPORTS.

''(a) REPORTS FROM ELIGIBLE LOCAL EDUCATIONAL AGENCIES.—Each eligible local educational agency making alternative use of funds under section 1611 or receiving a grant under section 1612 shall provide an annual report to the Secretary. The report shall describe—

''(1) how the agency used the funds made available under this subpart;

''(2) the degree to which progress has been made toward meeting the annual, measurable goals and objectives described in the agency's application; and

''(3) how the agency coordinated funds received under this subpart with other Federal, State, and local funds.

''(b) REPORT TO CONGRESS.—The Secretary shall prepare and submit to Congress an annual report setting forth the information provided to the Secretary pursuant to subsection (a).

''Subpart 2—Low-Income and Rural School Program

''SEC. 1621. DEFINITIONS.

''In this subpart:

''(1) POVERTY LINE.—The term 'poverty line' means the poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2))) applicable to a family of the size involved.

''(2) SPECIALLY QUALIFIED AGENCY.—The term 'specially qualified agency' means an eligible local educational agency, located in a State that does not participate in a program carried out under this subpart for a fiscal year, that applies directly to the Secretary for a grant for such year in accordance with section 1622(b).

''SEC. 1622. PROGRAM AUTHORIZED.

''(a) GRANTS TO STATES.—

''(1) IN GENERAL.—From the sum appropriated under section 1603 for a fiscal year and made available to carry out this subpart, the Secretary shall award grants, from allotments made under paragraph (2) , to State educational agencies that have applications approved under section 1624 to enable the State educational agencies to award grants to eligible local educational agencies for activities described in section 1114, 1115, 1116, 2207, 3107, or 6006.

''(2) ALLOTMENT.—From the sum appropriated under section 1603 for a fiscal year and made available to carry out this subpart, the Secretary shall allot to each State educational agency an amount that bears the same ratio to the sum as the number of students in average daily attendance at the schools served by eligible local educational agencies in the State for that fiscal year bears to the number of all such students at the schools served by eligible local educational agencies in all States for that fiscal year.

''(b) DIRECT GRANTS TO SPECIALLY QUALIFIED AGENCIES.—

''(1) NONPARTICIPATING STATE.—If a State educational agency elects not to participate in the program carried out under this subpart or does not have an application approved under section 1624, a specially qualified agency in such State desiring a grant under this subpart may apply directly to the Secretary under section 1624 to receive a grant under this subpart.

''(2) DIRECT AWARDS TO SPECIALLY QUALIFIED AGENCIES.—The Secretary may award, on a competitive basis, the amount the State educational agency is eligible to receive under subsection (a)(2) directly to specially qualified agencies in the State.

''(c) ADMINISTRATIVE COSTS.—A State educational agency that receives a grant under this subpart may not use more than 2 percent of the amount of the grant funds for State administrative costs.

''SEC. 1623. STATE DISTRIBUTION OF FUNDS.

''(a) IN GENERAL.—A State educational agency that receives a grant under this subpart shall use the funds made available through the grant to award grants to eligible local educational agencies to enable the local educational agencies to carry out activities described in section 1114, 1115, 1116, 2207, 3107, or 6006.

''(b) LOCAL AWARDS.—A local educational agency shall be eligible to receive a grant under this subpart if—

''(1) 20 percent or more of the children age 5 through 17 that are served by the local educational agency are from families with incomes below the poverty line; and

''(2) all of the schools served by the local educational agency are located in a community with a Rural-Urban Continuum Code of 6, 7, 8, or 9, as determined by the Secretary of Agriculture.

''(c) AWARD BASIS.—The State educational agency shall award the grants to eligible local educational agencies—

''(1) according to a formula based on the number of students in average daily attendance at schools served by the eligible local educational agencies; or

''(2) on a competitive basis if distribution by formula is impracticable as determined by the State educational agency.

''SEC. 1624. APPLICATIONS.

''(a) IN GENERAL.—Each State educational agency desiring a grant under section 1622(a) and each specially qualified agency desiring a grant under section 1622(b) shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require.

''(b) CONTENTS.—Each application submitted under subsection (a) shall—

''(1) specify annual, measurable performance goals and objectives for the activities assisted under this subpart, at a minimum, with respect to—

''(A) increased student academic achievement;

''(B) decreased gaps in achievement between minority and non-minority students, and between economically disadvantaged and non-economically disadvantaged students (unless the Secretary determines the number of students in a category is insufficient to yield statistically reliable information); and

''(C) other factors that the State educational agency or eligible local educational agency may choose to measure;

''(2) describe how the State educational agency or specially qualified agency will hold local educational agencies and elementary schools or secondary schools receiving funds under this subpart accountable for meeting the annual, measurable goals and objectives;

''(3) describe how the State educational agency or specially qualified agency will provide technical assistance for a local educational agency, an elementary school, or a secondary school that does not meet the annual, measurable goals and objectives; and

''(4) describe how the State educational agency or specially qualified agency will take action against a local educational agency, an elementary school, or a secondary school, if the local educational agency or school fails, over 2 consecutive years, to meet the annual, measurable goals and objectives.

''SEC. 1625. USES OF FUNDS.

''Grant funds awarded to eligible local educational agencies under this subpart shall be used for—

''(1) educational technology activities;

''(2) high quality professional development for teachers and principals;

''(3) technical assistance;

''(4) recruitment and retention of fully qualified teachers, as defined in section 2002, and highly qualified principals;

''(5) parental involvement activities; or

''(6) other programs or activities that—

''(A) seek to raise the academic achievement levels of all elementary school and secondary school students; and

''(B) are based on State content and student performance standards.

''SEC. 1626. ACCOUNTABILITY.

''The Secretary, at the end of the third year that a State educational agency or specially qualified agency receives grant funds under this subpart, shall permit only those State educational agencies and specially qualified agencies that meet their annual, measurable goals and objectives for 2 consecutive years to continue to receive grant

funds for the fourth or fifth fiscal years of the program under this subpart.

"SEC. 1627. REPORTS AND STUDY.

''(a) STATE REPORTS.—Each State educational agency that receives a grant under this subpart shall provide an annual report to the Secretary. The report shall describe—

''(1) the method the State educational agency used to award grants to eligible local educational agencies and to provide assistance to elementary schools and secondary schools under this subpart;

''(2) how eligible local educational agencies, elementary schools, and secondary schools within the State used the grant funds provided under this subpart; and

''(3) the degree to which progress has been made toward meeting the annual, measurable goals and objectives described in the State application.

''(b) REPORTS FROM ELIGIBLE LOCAL EDUCATIONAL AGENCIES.—Each eligible local educational agency receiving a grant under this subpart shall provide an annual report to the Secretary. Such report shall describe—

''(1) how the agency used the grant funds;

''(2) the degree to which progress has been made toward meeting the annual, measurable goals and objectives described in the agency's application; and

''(3) how the agency coordinated funds received under this subpart with other Federal, State, and local funds.

''(c) REPORT TO CONGRESS.—The Secretary shall prepare and submit to Congress an annual report setting forth the information provided to the Secretary pursuant to subsections (a) and (b).

''(d) STUDY.—The Comptroller General of the United States shall conduct a study regarding the impact of assistance provided under this subpart on student achievement, and shall submit such study to Congress.

"SEC. 1628. SUPPLEMENT NOT SUPPLANT.

''Funds made available under this subpart shall be used to supplement and not supplant any other Federal, State, or local education funds.

"SEC. 1629. SPECIAL RULE.

''No local educational agency may concurrently participate in activities carried out under subpart 1 and activities carried out under this subpart.''.

Subtitle G—General Provisions

SEC. 181. STATE ADMINISTRATION.

Section 1703 (20 U.S.C. 6513) (as redesignated by section 171(2)) is amended by striking subsection (c).

SEC. 182. DEFINITIONS.

Part G of title I (20 U.S.C. 6511 et seq.) (as redesignated by section 171(1)) is amended by adding at the end the following:

"SEC. 1705. DEFINITIONS.

''In this title:

''(1) FULLY QUALIFIED.—The term 'fully qualified' has the meaning given such term in section 2002.

''(2) LOW-PERFORMING STUDENT.—The term 'low-performing student' means a student who performs below a State's basic level of performance described in the State standards described in section 1111(b)(1).

''(3) SCIENTIFICALLY BASED RESEARCH.—Except as provided in section 1502, the term 'scientifically based research'—

''(A) means the application of rigorous, systematic, and objective procedures; and

''(B) shall include research that—

''(i) employs systematic, empirical methods that draw on observation or experiment;

''(ii) involves rigorous data analyses that are adequate to test stated hypotheses and justify the general conclusions drawn;

''(iii) relies on measurements or observational methods that provide valid data across evaluators and observers and across multiple measurements and observations; and

''(iv) has been accepted by a journal that uses peer review or approved by a panel of independent experts through a comparably rigorous, objective, and scientific review.''

TITLE II—TEACHER AND PRINCIPAL QUALITY, PROFESSIONAL DEVELOPMENT, AND CLASS SIZE

SEC. 201. TEACHER AND PRINCIPAL QUALITY, PROFESSIONAL DEVELOPMENT, AND CLASS SIZE.

Title II (20 U.S.C. 6601 et seq.) is amended to read as follows:

"TITLE II—TEACHER AND PRINCIPAL QUALITY, PROFESSIONAL DEVELOPMENT, AND CLASS SIZE

"SEC. 2001. PURPOSE.

''The purpose of this title is to provide grants to State educational agencies and local educational agencies in order to assist their efforts to increase student academic achievement through such strategies as improving teacher and principal quality, increasing professional development, and decreasing class size.

"SEC. 2002. DEFINITIONS.

''In this title:

''(1) CHARTER SCHOOL.—The term 'charter school' has the meaning given the term in section 4210.

''(2) CORE ACADEMIC SUBJECT.—The term 'core academic subject', used with respect to a State, means English language arts, mathematics, science, and any other academic subject that the State determines is a core academic subject.

''(3) FULLY QUALIFIED.—The term 'fully qualified' means—

''(A) in the case of an elementary school teacher (other than a teacher teaching in a public charter school or a middle school teacher), a teacher who, at a minimum—

''(i) has obtained State certification (which may include certification obtained through alternative means), or a State license, to teach in the State in which the teacher teaches;

''(ii) holds a bachelor's degree from an institution of higher education; and

''(iii) demonstrates the subject matter knowledge, teaching knowledge, and teaching skills required to teach effectively reading, writing, mathematics, science, social studies, and other elements of a liberal arts education;

''(B) in the case of a middle school or secondary school teacher (other than a teacher teaching in a public charter school), a teacher who, at a minimum—

''(i) has obtained State certification (which may include certification obtained through alternative means), or a State license, to teach in the State in which the teacher teaches;

''(ii) holds a bachelor's degree from an institution of higher education; and

''(iii) demonstrates a high level of competence in all academic subjects in which the teacher teaches through—

''(I) completion of an academic major (or courses totaling an equivalent number of credit hours) in each of the academic subjects in which the teacher teaches;

''(II) in the case of a teacher who is a mid-career professional entering the teaching profession, achievement of—

''(aa) a high level of performance in other professional employment experience relevant to the core academic subjects that the teacher teaches; and

''(bb) achievement of a level of performance described in subclause (III); or

''(III) achievement of a high level of performance on rigorous academic subject area tests administered by the State in which the teacher teaches; and

''(C) in the case of a teacher teaching in a public charter school—

''(i) meets the requirements of State law, if any, relating to certification or licensing to teach in the State in a charter school;

''(ii) meets the requirements of State law, if any, regarding holding a degree from an institution of higher education to teach in a charter school; and

''(iii)(I) in the case of an elementary school teacher (other than a middle school teacher), demonstrates the knowledge and skills described in subparagraph (A)(iii); or

''(II) in the case of a middle school or secondary school teacher, demonstrates a high level of competence as described in subparagraph (B)(iii).

''(4) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means an institution of higher education, as defined in section 101 of the Higher Education Act of 1965, that—

''(A) has not been identified as low-performing under section 208 of the Higher Education Act of 1965; and

''(B) is in full compliance with the public reporting requirements described in section 207 of the Higher Education Act of 1965.

''(5) LOW-PERFORMING STUDENT.—The term 'low-performing student' means a student who, based on multiple measures, performs at or below a State's basic level of performance for the student's grade level, as described in the State student performance standards described in section 1111(b)(1).

''(6) OUTLYING AREA.—The term 'outlying area' means the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

''(7) POVERTY LINE.—The term 'poverty line' means the income official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act) applicable to a family of the size involved, for the most recent year for which satisfactory data are available.

''(8) SCHOOL-AGE POPULATION.—The term 'school-age population' means the population aged 5 through 17, as determined on the basis of the most recent satisfactory data.

''(9) SCIENTIFICALLY BASED RESEARCH.—The term 'scientifically based research' has the meaning given the term in section 1705.

''(10) STATE.—The term 'State' means each of the several States in the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

''(11) STATE EDUCATIONAL AGENCY.—The term 'State educational agency' means the entity or agency designated under the laws of a State as responsible for teacher certification or licensing in the State.

"PART A—TEACHER AND PRINCIPAL QUALITY AND PROFESSIONAL DEVELOPMENT

"SEC. 2101. PROGRAM AUTHORIZED.

''(a) GRANTS AUTHORIZED.—The Secretary shall award a grant, from an allotment made under subsection (b), to each State educational agency having a State plan approved under section 2103, to enable the State educational agency to raise the quality of, and provide professional development opportunities for, public elementary school and secondary school teachers, principals, and administrators.

''(b) RESERVATIONS AND ALLOTMENTS.—

''(1) RESERVATIONS.—From the amount appropriated under section 2114 to carry out this part for each fiscal year, the Secretary shall reserve—

''(A) ½ of 1 percent of such amount for payments to the Bureau of Indian Affairs for activities, approved by the Secretary, consistent with this part;

''(B) ½ of 1 percent of such amount for payments to outlying areas, to be allotted in accordance with their respective needs for assistance under this part as determined by the Secretary, for activities, approved by the Secretary, consistent with this part; and

''(C) such sums as may be necessary to continue to support any multiyear partnership program award made under part A, C, or D (as such part was in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act) until the termination of the multiyear award.

''(2) STATE ALLOTMENTS.—From the amount appropriated under section 2114 for a fiscal year and remaining after the Secretary makes reservations under paragraph (1), the Secretary shall allot to each State having a State plan approved under section 2103 the sum of—

''(A) an amount that bears the same relationship to 50 percent of the remainder as the school-age population from families with incomes below the poverty line in the State bears to the school-age population from families with incomes below the poverty line in all States; and

''(B) an amount that bears the same relationship to 50 percent of the remainder as the school-age population in the State bears to the school-age population in all States.

''(c) STATE MINIMUM.—For any fiscal year, no State shall be allotted under this section an amount that is less than ½ of 1 percent of the total amount allotted to all States under subsection (b)(2).

''(d) HOLD-HARMLESS AMOUNTS.—For fiscal year 2002, notwithstanding subsection (b)(2), the amount allotted to each State under subsection (b)(2) shall be not less than 100 percent of the total amount the State was allotted under part B (as such part was in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act) for fiscal year 2001.

''(e) RATABLE REDUCTIONS.—If the sums made available under subsection (b)(2) for any fiscal year are insufficient to pay the full amounts that all States are eligible to receive under subsection (d) for such year, the Secretary shall ratably reduce such amounts for such year.

''SEC. 2102. WITHIN-STATE ALLOCATION.

''(a) IN GENERAL.—Each State educational agency for a State receiving a grant under section 2101(a) shall—

''(1) set aside 15 percent of the grant funds to award educator partnership grants under section 2113;

''(2) set aside not more than 5 percent of the grant funds to carry out activities described in the State plan submitted under section 2103; and

''(3) using the remaining 80 percent of the grant funds, make subgrants by allocating to each local educational agency in the State the sum of—

''(A) an amount that bears the same relationship to 60 percent of the remainder as the school-age population from families with incomes below the poverty line in the area served by the local educational agency bears to the school-age population from families with incomes below the poverty line in the area served by all local educational agencies in the State; and

''(B) an amount that bears the same relationship to 40 percent of the remainder as the school-age population in the area served by the local educational agency bears to the school-age population in the area served by all local educational agencies in the State.

''(b) HOLD-HARMLESS AMOUNTS.—

''(1) FISCAL YEAR 2002.—For fiscal year 2002, notwithstanding subsection (a), the amount allocated to each local educational agency under this section shall be not less than 100 percent of the total amount the local educational agency was allocated under part B (as such part was in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act) for fiscal year 2001.

''(2) FISCAL YEAR 2003.—For fiscal year 2003, notwithstanding subsection (a), the amount allocated to each local educational agency under this section shall be not less than 85 percent of the amount allocated to the local educational agency under this section for fiscal year 2002.

''(3) FISCAL YEARS 2004–2006.—For each of fiscal years 2004 through 2006, notwithstanding subsection (a), the amount allocated to each local educational agency under this section shall be not less than 70 percent of the amount allocated to the local educational agency under this section for the previous fiscal year.

''(c) RATABLE REDUCTIONS.—If the sums made available under subsection (a)(3) for any fiscal year are insufficient to pay the full amounts that all local educational agencies are eligible to receive under subsection (b) for such year, the State educational agency shall ratably reduce such amounts for such year.

''SEC. 2103. STATE PLANS.

''(a) PLAN REQUIRED.—

''(1) COMPREHENSIVE STATE PLAN.—The State educational agency shall submit a State plan to the Secretary at such time, in such manner, and containing such information as the Secretary may require. If the State educational agency (as defined in section 8101) is not the entity or agency designated under the laws of the State as responsible for teacher certification or licensing in the State, then the plan shall be developed in consultation with the State educational agency. The entity or agency shall provide annual evidence of such consultation to the Secretary.

''(2) CONSOLIDATED PLAN.—A State plan submitted under paragraph (1) may be submitted as part of a consolidated plan under section 8302.

''(b) CONTENTS.—Each plan submitted under subsection (a) shall—

''(1) describe how the State educational agency is taking reasonable steps to—

''(A) reform teacher certification, recertification, or licensure requirements to ensure that—

''(i) teachers have the necessary subject matter knowledge, teaching knowledge, and teaching skills in the academic subjects that the teachers teach;

''(ii) such requirements are aligned with the challenging State content standards;

''(iii) teachers have the knowledge and skills necessary to help students meet the challenging State student performance standards;

''(iv) such requirements take into account the need, as determined by the State educational agency, for greater access to, and participation in, the teaching profession by individuals from historically underrepresented groups; and

''(v) teachers have the necessary technological skills to integrate technology more effectively in the teaching of content required by State and local standards in all academic subjects that the teachers teach;

''(B) develop and implement rigorous testing procedures for teachers, as described in subparagraphs (A)(iii) and (B)(iii)(IV) of section 2002(3), to ensure that the teachers have the subject matter knowledge, teaching knowledge, and teaching skills necessary to teach effectively the content required by State and local standards in the academic subjects that the teachers teach;

''(C) establish, expand, or improve alternative routes to State certification of teachers, especially in the areas of mathematics and science, for highly qualified individuals with a baccalaureate degree, including midcareer professionals from other occupations, paraprofessionals, former military personnel, and recent college or university graduates who have records of academic distinction and who demonstrate the potential to become highly effective teachers;

''(D) reduce emergency teacher certification;

''(E) develop and implement effective programs, and provide financial assistance, to assist local educational agencies, elementary schools, and secondary schools in effectively recruiting and retaining fully qualified teachers and principals, particularly in schools that have the lowest proportion of fully qualified teachers or the highest proportion of low-performing students;

''(F) provide professional development programs that meet the requirements described in section 2109;

''(G) provide programs that are designed to assist new teachers during their first 3 years of teaching, such as mentoring programs that—

''(i) provide mentoring to new teachers from veteran teachers with expertise in the same academic subject as the new teachers are teaching;

''(ii) provide mentors time for activities such as coaching, observing, and assisting teachers who are being mentored; and

''(iii) use standards or assessments that are consistent with the State's student performance standards and the requirements for professional development activities described in section 2109 in order to guide the new teachers;

''(H) provide technical assistance to local educational agencies in developing and implementing activities described in section 2108; and

''(I) ensure that programs in core academic subjects, particularly in mathematics and science, will take into account the need for greater access to, and participation in, such core academic subjects by students from historically underrepresented groups, including females, minorities, individuals with limited English proficiency, the economically disadvantaged, and individuals with disabilities, by incorporating pedagogical strategies and techniques that meet such students' educational needs;

''(2) describe the activities for which assistance is sought under the grant, and how such activities will improve students' academic achievement and close academic achievement gaps of economically disadvantaged, minority, and limited English proficient students;

''(3) describe how the State educational agency will establish annual numerical performance objectives under section 2104 for improving the qualifications of teachers and the professional development of teachers, principals, and administrators;

''(4) contain an assurance that the State educational agency consulted with local educational agencies, education-related community groups, nonprofit organizations, parents, teachers, school administrators, local school boards, institutions of higher education in the State, and content specialists in establishing the performance objectives described in section 2104;

''(5) describe how the State educational agency will hold local educational agencies, elementary schools, and secondary schools

accountable for meeting the performance objectives described in section 2104 and for reporting annually on the local educational agencies' and schools' progress in meeting the performance objectives;

''(6) describe how the State educational agency will ensure that a local educational agency receiving a subgrant under section 2102 will comply with the requirements of this part;

''(7) provide an assurance that the State educational agency will require each local educational agency, elementary school, or secondary school receiving funds under this part to report publicly the local educational agency's or school's annual progress with respect to the performance objectives described in section 2104; and

''(8) describe how the State educational agency will coordinate professional development activities provided under the program carried out under this part with professional development activities provided under other Federal, State, and local programs, including programs authorized under titles I and III and, where appropriate, the Individuals with Disabilities Education Act and the Carl D. Perkins Vocational and Technical Education Act of 1998.

''(c) SECRETARY APPROVAL.—The Secretary, after using a peer review process, shall approve a State plan if the plan meets the requirements of this section.

''(d) DURATION OF THE PLAN.—

''(1) IN GENERAL.—Each State plan shall—

''(A) remain in effect for the duration of the State educational agency's participation under this part; and

''(B) be periodically reviewed and revised by the State educational agency, as necessary, to reflect changes to the agency's strategies and programs carried out under this part.

''(2) ADDITIONAL INFORMATION.—If a State educational agency receiving a grant under this part makes significant changes to the State plan, such as the adoption of new performance objectives, the agency shall submit information regarding the significant changes to the Secretary.

''SEC. 2104. STATE PERFORMANCE OBJECTIVES.

''(a) IN GENERAL.—Each State educational agency receiving a grant under this part shall establish annual numerical performance objectives with respect to progress in improving the qualifications of teachers and the professional development of teachers, principals, and administrators. For each annual numerical performance objective established, the agency shall specify an incremental percentage increase for the objective to be attained for each fiscal year (after the first fiscal year) for which the agency receives a grant under this part, relative to the preceding fiscal year.

''(b) REQUIRED OBJECTIVES.—At a minimum, the annual numerical performance objectives described in subsection (a) shall include an incremental increase in the percentage of—

''(1) classes in core academic subjects that are being taught by fully qualified teachers;

''(2) new teachers and principals receiving professional development support, including mentoring during the teachers' and principals' first 3 years of employment as teachers and principals, respectively;

''(3) teachers, principals, and administrators participating in high quality professional development programs that are consistent with section 2109; and

''(4) fully qualified teachers teaching in the State, to ensure that all teachers teaching in such State are fully qualified by December 31, 2006.

''(c) REQUIREMENT FOR FULLY QUALIFIED TEACHERS.—Each State educational agency receiving a grant under this part shall ensure that all public elementary school and secondary school teachers in the State are fully qualified not later than December 31, 2006.

''(d) ACCOUNTABILITY.—

''(1) IN GENERAL.—Each State educational agency receiving a grant under this part shall be held accountable for—

''(A) meeting the State's annual numerical performance objectives; and

''(B) meeting the reporting requirements described in section 4401.

''(2) SANCTIONS.—Any State educational agency that fails to meet the requirement described in paragraph (1)(A) shall be subject to sanctions under section 7101.

''(e) SPECIAL RULE.—Notwithstanding any other provision of law, the provisions of subsection (c) shall not supersede State laws governing public charter schools.

''SEC. 2105. STATE OPTIONAL ACTIVITIES.

''(a) IN GENERAL.—Each State educational agency receiving a grant under section 2101(a) may use the grant funds described in section 2102(a)(2)—

''(1) to develop and implement a system to measure the effectiveness of specific professional development programs and strategies;

''(2) to increase the portability of teacher pensions and reciprocity of teaching certification or licensure among States, except that no reciprocity agreement developed under this section may lead to the weakening of any State teacher certification or licensing requirement;

''(3) to develop or assist local educational agencies in the development and utilization of proven, innovative strategies to deliver intensive professional development programs that are cost effective and easily accessible, such as programs offered through the use of technology and distance learning;

''(4) to provide assistance to local educational agencies for the development and implementation of innovative professional development programs that train teachers to use technology to improve teaching and learning and that are consistent with the requirements of section 2109;

''(5) to provide professional development to enable teachers to ensure that female students, minority students, limited English proficient students, students with disabilities, and economically disadvantaged students have the full opportunity to meet challenging State content and performance standards in the core academic subjects;

''(6) to increase the number of persons who are women, minorities, or individuals with disabilities, who teach in the State, who are fully qualified, and who teach in core academic subjects in which such persons are underrepresented;

''(7) to increase the number of highly qualified women, minorities, and individuals from other underrepresented groups who are involved in the administration of elementary schools and secondary schools within the State; and

''(8) to create a statewide online leadership network for principals to communicate with other principals in order to share ideas and solve problems.

''(b) COORDINATION.—Each State that receives a grant under this part and a grant under section 202 of the Higher Education Act of 1965 shall coordinate the activities the State carries out under such section 202 with the activities the State educational agency carries out under this section.

''SEC. 2106. STATE ADMINISTRATIVE EXPENSES.

''Each State educational agency receiving a grant under section 2101(a) may use not more than 5 percent of the amount set aside in section 2102(a)(2) for a fiscal year for the cost of—

''(1) planning and administering the activities described in section 2103(b); and

''(2) administration relating to making subgrants to local educational agencies under section 2102.

''SEC. 2107. LOCAL PLANS.

''(a) IN GENERAL.—Each local educational agency desiring a subgrant from the State educational agency under section 2102(a)(3) shall submit a local plan to the State educational agency—

''(1) at such time, in such manner, and containing such information as the State educational agency may require; and

''(2) that describes how the local educational agency will coordinate the activities for which the agency seeks the subgrant with other programs carried out under this Act, or other Acts, as appropriate.

''(b) LOCAL PLAN CONTENTS.—The local plan described in subsection (a) shall, at a minimum—

''(1) describe how the local educational agency will use the subgrant funds to meet the State performance objectives for teacher qualifications and professional development described in section 2104;

''(2) describe how the local educational agency will hold elementary schools and secondary schools accountable for meeting the requirements described in this part;

''(3) contain an assurance that the local educational agency will target funds to the elementary schools and secondary schools served by the local educational agency that—

''(A) have the lowest proportion of fully qualified teachers; and

''(B) are identified for school improvement and corrective action under section 1116;

''(4) describe how the local educational agency will coordinate professional development activities authorized under section 2108(a) with professional development activities provided through other Federal, State, and local programs, including those authorized under titles I and III and, where applicable, the Individuals with Disabilities Education Act and the Carl D. Perkins Vocational and Technical Education Act of 1998; and

''(5) describe how the local educational agency has collaborated with teachers, principals, parents, and administrators in the preparation of the local plan.

''SEC. 2108. LOCAL ACTIVITIES.

''(a) IN GENERAL.—Each local educational agency receiving a subgrant under section 2102(a)(3) shall use the subgrant funds to—

''(1) support professional development activities, for—

''(A) teachers, in at least the areas of reading, mathematics, and science; and

''(B) teachers, principals, and administrators in order to provide such individuals with the knowledge and skills to provide all students, including female students, minority students, limited English proficient students, students with disabilities, and economically disadvantaged students, with the opportunity to meet challenging State content and student performance standards;

''(2) provide professional development to teachers, principals, and administrators to enhance the use of technology within elementary schools and secondary schools in order to deliver more effective curriculum instruction;

''(3) recruit and retain fully qualified teachers and highly qualified principals, particularly for elementary schools and secondary schools located in areas with high percentages of low-performing students and students from families with incomes below the poverty line;

''(4) recruit and retain fully qualified teachers and highly qualified principals to

serve in the elementary schools and secondary schools with the highest percentages of low-performing students, through activities such as—

''(A) mentoring programs for newly hired teachers, including programs provided by master teachers, and for newly hired principals; and

''(B) programs that provide other incentives, including financial incentives, to retain—

''(i) teachers who have a record of success in helping low-performing students improve those students' academic success; and

''(ii) principals who have a record of improving the performance of all students, or significantly narrowing the gaps between minority students and nonminority students, and economically disadvantaged students and noneconomically disadvantaged students, within the elementary schools or secondary schools served by the principals;

''(5) provide professional development that incorporates effective strategies, techniques, methods, and practices for meeting the educational needs of diverse groups of students, including female students, minority students, students with disabilities, limited English proficient students, and economically disadvantaged students; and

''(6) provide professional development for mental health professionals, including school psychologists, school counselors, and school social workers, that is focused on enhancing the skills and knowledge of such individuals so that the individuals may help students exhibiting distress (through conduct such as substance abuse, disruptive behavior, and suicidal behavior) meet the challenging State student performance standards.

''(b) OPTIONAL ACTIVITIES.—Each local educational agency receiving a subgrant under section 2102(a)(3) may use the subgrant funds—

''(1) to provide a signing bonus or other financial incentive, such as differential pay, for—

''(A) a fully qualified teacher to teach in an academic subject for which there exists a shortage of fully qualified teachers within the elementary school or secondary school in which the teacher teaches or within the elementary schools and secondary schools served by the local educational agency;

''(B) a fully qualified teacher or a highly qualified principal in a school in which there is—

''(i) a large percentage of students from economically disadvantaged families; or

''(ii) a high percentage of low-performing students; or

''(C) a teacher who has met the National Education Technology Standards, as developed by the Department of Education and the International Society for Technology in Education, or has obtained an information technology certification that is directly related to the curriculum or subject area that the teacher teaches;

''(2) to establish programs that—

''(A) recruit professionals into teaching from other fields and provide such professionals with alternative routes to teacher certification, especially in the areas of mathematics, science, and English language arts; and

''(B) provide increased teaching and administration opportunities for fully qualified females, minorities, individuals with disabilities, and other individuals underrepresented in the teaching or school administration professions; and

''(3) to establish programs and activities that are designed to improve the quality of the teacher and principal force, such as innovative professional development programs (which may be provided through partnerships, including partnerships with institutions of higher education), and including programs that—

''(A) train teachers and principals to utilize technology to improve teaching and learning;

''(B) develop principals by helping schools identify school leaders and invest in their professional development; and

''(C) are provided in a manner consistent with the requirements of section 2019;

''(4) to provide collaboratively designed performance pay systems for teachers and principals that encourage teachers and principals to work together to raise student performance;

''(5) to establish professional development programs that provide instruction in how to teach students with different learning styles, particularly students with disabilities and students with special learning needs (including students who are gifted and talented);

''(6) to establish professional development programs that provide instruction in how best to discipline students in the classroom, and to identify early and appropriate interventions to help students described in paragraph (5) learn;

''(7) to provide professional development programs that provide instruction in how to teach character education in a manner that—

''(A) reflects the values of parents, teachers, and local communities; and

''(B) incorporates elements of good character, including honesty, citizenship, courage, justice, respect, personal responsibility, and trustworthiness;

''(8) to provide scholarships or other incentives to assist teachers in attaining national board certification;

''(9) to support activities designed to provide effective professional development for teachers of limited English proficient students;

''(10) to establish other activities designed—

''(A) to improve professional development for teachers, principals, and administrators; and

''(B) to recruit and retain fully qualified teachers and highly qualified principals;

''(11) to establish master teacher programs to increase teacher salaries and employee benefits for teachers who enter into contracts with the local educational agency to serve as master teachers in the public schools, in accordance with the requirements of subsection (c); and

''(12) to carry out professional development activities that consist of—

''(A) instruction in the use of data and assessments to provide information and instruction for classroom practice;

''(B) instruction in ways that teachers, principals, pupil services personnel, and school administrators may work more effectively with parents;

''(C) the formation of partnerships with institutions of higher education to establish school-based teacher training programs that provide prospective teachers and new teachers with an opportunity to work under the guidance of experienced teachers and college faculty;

''(D) the creation of career ladder programs for paraprofessionals, who are assisting teachers under this part, to obtain the education necessary for such paraprofessionals to become certified and licensed teachers;

''(E) instruction in ways to teach special needs students;

''(F) joint professional development activities involving teachers, principals, and administrators eligible to participate in programs under this part, and personnel from Head Start programs, Even Start programs, or State preschool programs;

''(G) instruction in experiential-based teaching methods such as service-learning or applied learning; and

''(H) mentoring programs focusing on changing teacher behaviors and practices—

''(i) to help new teachers, including teachers who are members of a minority group, develop and gain confidence in their skills;

''(ii) to increase the likelihood that the new teachers will continue in the teaching profession; and

''(iii) to improve the quality of their teaching.

''(c) REQUIREMENTS FOR MASTER TEACHER PROGRAMS.—

''(1) DEFINITION.—In this subsection, the term 'master teacher' means a teacher who—

''(A) is certified or licensed under State law;

''(B) has been teaching for at least 5 years in a public or private school or institution of higher education;

''(C) is selected to serve as a master teacher on the basis of an application and recommendations by administrators and other teachers;

''(D) at the time of submission of such application, is teaching in a public school;

''(E) assists other teachers in improving instructional strategies, improves the skills of other teachers, performs mentoring, develops curricula, and provides other professional development; and

''(F) enters into a contract with the local educational agency involved to continue to teach and serve as a master teacher for at least 5 years.

''(2) REQUIREMENTS FOR MASTER TEACHER CONTRACTS.—

''(A) IN GENERAL.—A local educational agency that establishes a master teacher program under subsection (b)(11) shall negotiate the terms of contracts of master teachers with the local labor organizations that represent teachers in the school district served by that agency.

''(B) BREACH.—A contract with a master teacher entered into under this paragraph shall specify that a breach of the contract shall be deemed to have occurred if the master teacher voluntarily withdraws from the program, terminates the contract, or is dismissed by the local educational agency for nonperformance of duties, subject to the requirements of any statutory or negotiated due process procedures that may apply.

''(C) REPAYMENT.—The contract shall require, in the event of a breach of the contract described in subparagraph (B), that the teacher repay the local educational agency all funds provided to the teacher under the contract.

''(d) REQUIREMENTS.—Professional development provided under this section shall be provided in a manner consistent with section 2109.

''SEC. 2109. PROFESSIONAL DEVELOPMENT FOR TEACHERS.

''(a) LIMITATION RELATING TO CURRICULA AND ACADEMIC SUBJECTS.—In deciding how to use subgrant funds allocated under section 2102(a)(3) to support a professional development activities for teachers, a local educational agency shall first use the funds to support activities that—

''(1) are directly related to the curricula and academic subjects that the teachers teach; or

''(2) are designed to enhance the ability of the teachers to understand and use the State's challenging content standards for the academic subjects that the teachers teach; or

''(3) provide instruction in methods of disciplining students.

''(b) PROFESSIONAL DEVELOPMENT ACTIVITY.—A professional development activity carried out under this part shall—

''(1) be measured, in terms of progress described in section 2104(a), using the specific performance objectives established by the State educational agency in accordance with section 2104;

''(2) be tied to challenging State or local content standards and student performance standards;

''(3) be tied to scientifically based research demonstrating the effectiveness of such activity in increasing student achievement or substantially increasing the subject matter knowledge, teaching knowledge, and teaching skills of teachers;

''(4) be of sufficient intensity and duration (not to include such activities as 1-day or short-term workshops and conferences) to have a positive and lasting impact on teachers' performance in the classroom, except that this paragraph shall not apply to an activity that is 1 component described in a long-term comprehensive professional development plan—

''(A) established by a teacher and the teacher's supervisor; and

''(B) based on an assessment of the needs of the teacher, the teacher's students, and the local educational agency involved;

''(5) be developed with extensive participation of teachers, principals, parents, administrators, and local school boards of elementary schools and secondary schools to be served under this part, and institutions of higher education in the State involved, and, with respect to any professional development program described in paragraph (6) or (7) of section 2108(b), shall, if applicable, be developed with extensive coordination with, and participation of, professionals with expertise in such type of professional development;

''(6) to the extent appropriate, provide training for teachers regarding using technology and applying technology effectively in the classroom, to improve teaching and learning concerning the curricula and academic subjects that the teachers teach; and

''(7) be directly related to the academic subjects that the teachers teach and the State content standards.

''(c) ACCOUNTABILITY.—

''(1) IN GENERAL.—A State educational agency shall notify a local educational agency that the local educational agency may be subject to the action described in paragraph (3) if, after any fiscal year, the State educational agency determines that the programs or activities funded by the agency under this part fail to meet the requirements of subsections (a) and (b).

''(2) TECHNICAL ASSISTANCE.—A local educational agency that has received notification pursuant to paragraph (1) may request technical assistance from the State educational agency and an opportunity for such local educational agency to comply with the requirements of subsections (a) and (b).

''(3) STATE EDUCATIONAL AGENCY ACTION.—If a State educational agency determines that a local educational agency failed to carry out the local educational agency's responsibilities under subsections (a) and (b), the State educational agency shall take such action as the agency determines to be necessary, consistent with this section, to provide, or direct the local educational agency to provide, high-quality professional development for teachers, principals, and administrators.

''SEC. 2110. PARENTS' RIGHT TO KNOW.

''Each local educational agency receiving a subgrant under section 2102(a)(3) shall meet the reporting requirements with respect to teacher qualifications described in section 4401(f).

''SEC. 2111. LOCAL ADMINISTRATIVE EXPENSES.

''Each local educational agency receiving a subgrant under section 2102(a)(3) may use not more than 1.5 percent of the subgrant funds for a fiscal year for the cost of administering activities under this part.

''SEC. 2112. GENERAL ACCOUNTING OFFICE STUDY.

''Not later than September 30, 2005, the Comptroller General of the United States shall prepare and submit to the Committee on Education and the Workforce of the House of Representatives and the Committee on Health, Education, Labor, and Pensions of the Senate a report setting forth information regarding—

''(1) the progress of States' in achieving compliance concerning increasing the percentage of fully qualified teacher, for fiscal years 2002 through 2004;

''(2) any obstacles to achieving that compliance; and

''(3) the approximate percentage of Federal, State, and local resources being expended to carry out activities to attract and retain fully qualified teachers, especially in geographic areas and core academic subjects in which a shortage of such teachers exists.

''SEC. 2113. EDUCATOR PARTNERSHIP GRANTS.

''(a) SUBGRANTS.—

''(1) IN GENERAL.—A State educational agency receiving a grant under section 2101(a) shall award subgrants, on a competitive basis, from amounts made available under section 2102(a)(1), to local educational agencies, elementary schools, and secondary schools, that have formed educator partnerships, for the design and implementation of programs that will enhance professional development opportunities for teachers, principals, and administrators, and will increase the number of fully qualified teachers.

''(2) ALLOCATIONS.—A State educational agency awarding subgrants under this subsection shall allocate the subgrant funds on a competitive basis and in a manner that results in an equitable distribution of the subgrant funds by geographic areas within the State.

''(b) EDUCATOR PARTNERSHIPS.—An educator partnership described in subsection (a) shall be a coalition established by a cooperative arrangement between—

''(1) a public elementary school or secondary school (including a charter school), or a local educational agency; and

''(2) 1 or more of the following:

''(A) An institution of higher education.

''(B) An educational service agency.

''(C) A public or private not-for-profit education organization.

''(D) A for-profit education organization.

''(E) An entity from outside the traditional education arena, including a corporation or consulting firm.

''(c) USE OF FUNDS.—An educator partnership receiving a subgrant under this section shall use the subgrant funds for 1 or more activities consisting of—

''(1) developing and enhancing professional development activities for teachers in core academic subjects to ensure that the teachers have subject matter knowledge in the academic subjects that the teachers teach;

''(2) developing and enhancing professional development activities for mathematics and science teachers to ensure that such teachers have the subject matter knowledge to teach mathematics and science;

''(3) developing and providing assistance to local educational agencies and elementary schools and secondary schools for sustained, high-quality professional development activities for teachers, principals, and administrators, that—

''(A) ensure that teachers, principals, and administrators are able to use State content standards, performance standards, and assessments to improve instructional practices and student achievement; and

''(B) may include intensive programs designed to prepare a teacher who participates in such a program to provide professional development instruction to other teachers within the participating teacher's school;

''(4) increasing the number of fully qualified teachers available to provide high-quality education to limited English proficient students by—

''(A) working with institutions of higher education that offer degree programs, to attract more people into such programs, and to prepare better new teachers who are English language teachers to provide effective language instruction to limited English proficient students; and

''(B) supporting development and implementation of professional development programs for language instruction teachers to improve the language proficiency of limited English proficient students;

''(5) developing and implementing professional development activities for principals and administrators to enable the principals and administrators to be effective school leaders and to improve student achievement on challenging State content and student performance standards, including professional development relating to—

''(A) leadership skills;

''(B) recruitment, assignment, retention, and evaluation of teachers and other staff;

''(C) effective instructional practices, including the use of technology; and

''(D) parental and community involvement; and

''(6) providing activities that enhance professional development opportunities for teachers, principals, and administrators or will increase the number of fully qualified teachers.

''(d) APPLICATION REQUIRED.—Each educator partnership desiring a subgrant under this section shall submit an application to the appropriate State educational agency at such time, in such manner, and containing such information as the State educational agency may reasonably require.

''(e) ADMINISTRATIVE EXPENSES.—Each educator partnership receiving a subgrant under this section may use not more than 5 percent of the subgrant funds for a fiscal year for the cost of planning and administering programs under this section.

''(f) COORDINATION.—Each educator partnership that receives a subgrant under this section and a grant under section 203 of the Higher Education Act of 1965 shall coordinate the activities carried out under such section 203 with any related activities carried out under this section.

''SEC. 2114. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated to carry out this part $2,000,000,000 for fiscal year 2002 and such sums as may be necessary for each of the 4 succeeding fiscal years.

''PART B—CLASS SIZE REDUCTION

''SEC. 2201. FINDINGS.

''Congress makes the following findings:

''(1) Rigorous research has shown that, in the early elementary school grades, students attending small classes make more rapid educational gains than students in larger classes, and that those gains persist through at least the eighth grade.

''(2) The benefits of smaller classes are greatest for lower-achieving, minority, poor, and inner-city children, as demonstrated by a study that found that urban fourth graders in smaller-than-average classes were ¾ of a school year ahead of their counterparts in larger-than-average classes.

''(3) Teachers in small classes can provide students with more individualized attention, spend more time on instruction and less time on other tasks, and cover more material effectively, and are better able to work with

parents to further their children's education, than teachers in large classes.

''(4) Smaller classes allow teachers to identify and work with students who have learning disabilities sooner than is possible with larger classes, potentially reducing those students' needs for special education services in the later grades.

''(5) The National Research Council report, 'Preventing Reading Difficulties in Young Children', recommends reducing class sizes, accompanied by providing high-quality professional development for teachers, as a strategy for improving student achievement in reading.

''(6) Some research has shown that class size reduction efforts are most effective in the early elementary school grades.

''(7) Efforts to improve educational outcomes by reducing class sizes in the early elementary school grades are likely to be successful only if well-qualified teachers are hired to fill additional classroom positions, and if teachers receive intensive, ongoing professional development.

''(8) Several States and school districts have begun serious efforts to reduce class sizes in the early elementary school grades, but those efforts may be impeded by financial limitations or difficulties in hiring highly qualified teachers.

''(9) The Federal Government can assist in those efforts by providing funding for class size reductions in grades 1 through 3, and by helping to ensure that both new and current teachers who are moving into smaller classrooms are well prepared.

''SEC. 2202. PURPOSES.

''The purposes of this part are—

''(1) to help States and local educational agencies to reduce class sizes with fully qualified teachers;

''(2) to enable local educational agencies to carry out effective approaches to reducing class sizes with fully qualified teachers; and

''(3) to improve educational achievement for children in regular classes and special needs children, and particularly to improve that achievement by reducing class sizes in the early elementary school grades.

''SEC. 2203. ALLOTMENTS TO STATES.

''(a) RESERVATIONS FOR THE OUTLYING AREAS AND THE BUREAU OF INDIAN AFFAIRS.—From the amount appropriated under section 2212 for any fiscal year, the Secretary shall reserve a total of not more than 1 percent to make payments to—

''(1) outlying areas, to be allotted in accordance with their respective needs for assistance under this part as determined by the Secretary, for activities, approved by the Secretary, consistent with this part; and

''(2) the Secretary of the Interior for activities approved by the Secretary of Education, consistent with this part, in schools operated or supported by the Bureau of Indian Affairs, on the basis of their respective needs.

''(b) ALLOTMENTS TO STATES.—

''(1) IN GENERAL.—

''(A) FISCAL YEAR 2002.—From the amount appropriated under section 2212 for fiscal year 2002 and remaining after the Secretary makes reservations under subsection (a), the Secretary shall make grants to State educational agencies by allotting to each State having a State application approved under section 2204(c) an amount that bears the same relationship to the remainder as the greater of the amounts that the State received for the preceding fiscal year under sections 1122 and 2202(b) (as such sections were in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act) bears to the total of the greater amounts that all States received under such sections for fiscal year 2001.

''(B) FISCAL YEAR 2003 AND SUBSEQUENT FISCAL YEARS.—From the amount appropriated under section 2212 for fiscal year 2003 or a subsequent fiscal year and remaining after the Secretary makes reservations under subsection (a), the Secretary shall make grants to State educational agencies by allotting to each State having a State application approved under section 2204(c) an amount that bears the same relationship to the remainder as the greater of the amounts that the State received for the preceding fiscal year as described in section 1122 and this section bears to the total of the greater amounts that all States received under such sections for the preceding fiscal year.

''(2) REALLOTMENT.—If any State chooses not to participate in the program carried out under this part, or fails to submit an approvable application under this part, the Secretary shall reallot the amount that such State would have received under paragraph (1) to States having applications approved under section 2204(c), in accordance with paragraph (1).

''SEC. 2204. STATE APPLICATIONS.

''(a) APPLICATIONS REQUIRED.—The State educational agency for each State desiring a grant under this part shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

''(b) CONTENTS.—The application shall include—

''(1) a description of the State's goals for using funds under this part to reduce average class sizes in regular classrooms in grades 1 through 3, including a description of class sizes in those classrooms, for each local educational agency in the State (as of the date of submission of the application);

''(2) a description of how the State educational agency will allocate program funds made available through the grant within the State;

''(3) a description of how the State educational agency will use other funds, including other Federal funds, to reduce class sizes and to improve teacher quality and reading achievement within the State; and

''(4) an assurance that the State educational agency will submit to the Secretary such reports and information as the Secretary may reasonably require.

''(c) APPROVAL OF APPLICATIONS.—The Secretary shall approve a State application submitted under this section if the application meets the requirements of this section and holds reasonable promise of achieving the purposes of this part.

''(d) NOTIFICATION.—Not later than 30 days after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act, the Secretary shall provide specific notification to each local educational agency eligible to receive funds under this part regarding the flexibility provided under section 2207(b)(2)(B) and the ability to use such funds to carry out activities described in section 2207(b)(1)(C).

''SEC. 2205. WITHIN-STATE ALLOCATIONS.

''(a) ALLOCATIONS TO LOCAL EDUCATIONAL AGENCIES.—Each State educational agency receiving a grant under this part for a fiscal year—

''(1) may reserve not more than 1 percent of the grant funds for the cost of administering this part; and

''(2) using the remaining funds, shall make subgrants by allocating to each local educational agency in the State the sum of—

''(A) an amount that bears the same relationship to 80 percent of the remainder as the school-age population from families with incomes below the poverty line in the area served by the local educational agency bears to the school-age population from families with incomes below the poverty line in the area served by all local educational agencies in the State; and

''(B) an amount that bears the same relationship to 20 percent of the remainder as the enrollment of the school-age population in public and private nonprofit elementary schools and secondary schools in the area served by the local educational agency bears to the enrollment of the school-age population in public and private nonprofit elementary schools and secondary schools in the area served by all local educational agencies in the State.

''(b) REALLOCATION.—If any local educational agency chooses not to participate in the program carried out under this part, or fails to submit an approvable application under this part, the State educational agency shall reallocate the amount such local educational agency would have received under subsection (a) to local educational agencies having applications approved under section 2206(b), in accordance with subsection (a).

''SEC. 2206. LOCAL APPLICATIONS.

''(a) IN GENERAL.—Each local educational agency desiring a subgrant under section 2205(a) shall submit an application to the appropriate State educational agency at such time, in such manner, and containing such information as the State educational agency may require, including a description of the local educational agency's program to reduce class sizes by hiring additional fully qualified teachers.

''(b) APPROVAL OF APPLICATIONS.—The State educational agency shall approve a local agency application submitted under this section if the application meets the requirements of this section and holds reasonable promise of achieving the purposes of this part.

''SEC. 2207. USES OF FUNDS.

''(a) ADMINISTRATIVE EXPENSES.—Each local educational agency receiving a subgrant under section 2205(a) may use not more than 3 percent of the subgrant funds for a fiscal year for the cost of administering this part.

''(b) LOCAL ACTIVITIES.—

''(1) IN GENERAL.—Each local educational agency receiving a subgrant under section 2205(a) may use the subgrant funds for—

''(A) recruiting (including recruiting through the use of signing bonuses, and other financial incentives), hiring, and training fully qualified regular and special education teachers (which may include hiring special education teachers to team-teach with regular teachers in classrooms that contain both students with disabilities and other students) and fully qualified teachers of special-needs students;

''(B) testing new teachers for subject matter knowledge and satisfaction of State certification or licensing requirements consistent with title II of the Higher Education Act of 1965; and

''(C) providing professional development (which may include such activities as the activities described in section 2108, opportunities for teachers to attend multiweek institutes, such as institutes offered during the summer months that provide intensive professional development in partnership with local educational agencies, and initiatives that promote retention and mentoring) to teachers, including special education teachers and teachers of special-needs students, in order to meet the goal of ensuring that all teachers have the necessary subject matter knowledge, teaching knowledge, and teaching skills to teach effectively the academic subjects that the teachers teach, consistent with title II of the Higher Education Act of 1965.

''(2) LIMITATIONS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), a local educational agency may use not more than a total of 25 percent of the subgrant funds for activities described in subparagraphs (B) and (C) of paragraph (1).

''(B) EXCEPTION.—

''(i) IN GENERAL.—A local educational agency may use a portion equal to more than 25 percent of the subgrant funds for activities described in paragraph (1)(C) if 10 percent or more of the teachers in elementary schools served by the agency—

''(I) have not met applicable State and local certification requirements (including certification through State or local alternative routes); or

''(II) are teachers for whom the requirements have been waived.

''(ii) USE OF FUNDS.—The local educational agency shall use the portion referred to in clause (i)—

''(I) to help teachers who are not certified or licensed by the State become certified or licensed, including certification through State or local alternative routes; or

''(II) to help teachers affected by class size reduction who lack sufficient subject matter knowledge to teach effectively the academic subjects that the teachers teach, to obtain that knowledge.

''(iii) NOTIFICATION.—To be eligible to use the portion of the funds described in clause (i) for objectives described in this subparagraph, the local educational agency shall notify the State educational agency of the percentage of the funds that the local educational agency will use for those objectives.

''(3) ADDITIONAL USES.—

''(A) IN GENERAL.—A local educational agency that has already reduced class size in the early elementary school grades to 18 or fewer students (or has already reduced class size to a State or local class size reduction goal that was in effect on the day before the date of enactment of the Department of Education Appropriations Act, 2000, if that State or local goal is 20 or fewer students) may use the subgrant funds—

''(i) to make further class size reductions in kindergarten or grade 1, 2, or 3;

''(ii) to reduce class size in other grades; or

''(iii) to carry out activities to improve teacher quality, including professional development.

''(B) PROFESSIONAL DEVELOPMENT.—Even if a local educational agency has already reduced class size in the early elementary school grades to 18 or fewer students and intends to use the subgrant funds to carry out activities to improve teacher quality, including professional development activities, the State educational agency shall make the subgrant under section 2205 to the local educational agency.

''(c) SPECIAL RULE.—Notwithstanding subsection (b), if the amount of the subgrant made to a local educational agency under section 2205 is less than the starting salary for a new fully qualified teacher teaching in a school served by that agency, the agency may use the subgrant funds to—

''(1) help pay the salary of a full- or part-time teacher hired to reduce class size, and may provide the funds in combination with other Federal, State, or local funds; or

''(2) pay for activities described in subsection (b), which may be related to teaching in smaller classes.

''SEC. 2208. PRIVATE SCHOOLS.

''If a local educational agency uses funds made available under this part for professional development activities, the local educational agency shall ensure the equitable participation of private nonprofit elementary schools and secondary schools in such activities. Section 8503(b)(1) shall not apply to other activities carried out under this part.

''SEC. 2209. TEACHER SALARIES AND BENEFITS.

''A local educational agency may use grant funds provided under this part—

''(1) except as provided in paragraph (2), to increase the salaries of, or provide benefits (other than participation in professional development and enrichment programs) to, teachers only if such teachers were hired under this part; and

''(2) to pay the salaries of teachers hired with funds made available under section 307 of the Department of Education Appropriations Act, 1999 or under section 310 of the Department of Education Appropriations Act, 2000, who not later than the beginning of the 2002–2003 school year, are fully qualified.

''SEC. 2210. STATE REPORT REQUIREMENTS.

''(a) REPORT ON ACTIVITIES.—A State educational agency receiving funds under this part shall submit a report to the Secretary providing information about the activities in the State assisted under this part.

''(b) REPORT TO PARENTS.—Each State educational agency or local educational agency receiving funds under this part shall publicly issue a report to parents of students who attend schools assisted under this part describing—

''(1) the agency's progress in reducing class size;

''(2) the agency's progress in increasing the percentage of classes in core academic areas that are taught by fully qualified teachers; and

''(3) the impact, if any, that hiring additional fully qualified teachers and reducing class size has had on increasing student academic achievement in schools served by the agency.

''(c) PROFESSIONAL QUALIFICATIONS REPORT.—Upon the request of a parent of a student attending a school receiving assistance under this part, such school shall provide the parent with information regarding the professional qualifications of the student's teacher.

''SEC. 2211. SUPPLEMENT NOT SUPPLANT.

''Funds made available under this part shall be used to supplement and not supplant State and local funds expended for activities described in this part.

''SEC. 2212. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated to carry out this part $1,623,000,000 for fiscal year 2002, and such sums as may be necessary for each of the 4 succeeding fiscal years.''.

TITLE III—LANGUAGE MINORITY STUDENTS AND INDIAN, NATIVE HAWAIIAN, AND ALASKA NATIVE EDUCATION

SEC. 301. LANGUAGE MINORITY STUDENTS.

Title III (20 U.S.C. 6801 et seq.) is amended—

(1) by amending the title heading for title III to read as follows:

''TITLE III—LANGUAGE MINORITY STUDENTS AND INDIAN, NATIVE HAWAIIAN, AND ALASKA NATIVE EDUCATION'';

(2) by repealing section 3101 (20 U.S.C. 6801) and part A (20 U.S.C. 6811 et seq.); and

(3) by inserting after the title heading for title III (as amended by paragraph (1)) the following:

''PART A—LANGUAGE MINORITY STUDENTS

''SEC. 3101. FINDINGS, POLICY, AND PURPOSE.

''(a) FINDINGS.—Congress makes the following findings:

''(1)(A) Educating limited English proficient students is an urgent goal for many local educational agencies, but that goal is not being achieved.

''(B) Each year, 640,000 limited English proficient students are not served by any sort of program targeted to the students' unique needs.

''(C) In 1998, only 15 percent of local educational agencies that applied for related funding through enhancement grants and comprehensive school grants received such funding.

''(2)(A) The school dropout rate for Hispanic students, the largest group of limited English proficient students, is approximately 29 percent, and is approximately 44 percent for Hispanics born outside of the United States.

''(B) A Department of Education report regarding school dropout rates states that language difficulty 'may be a barrier to participation in United States schools'.

''(C) Reading ability is a key predictor of graduation and academic success.

''(3) Through fiscal year 2001, bilingual education capacity and demonstration grants—

''(A) have spread funding too broadly to make an impact on language instruction educational programs implemented by State educational agencies and local educational agencies; and

''(B) have lacked concrete performance measures.

''(4)(A) Since 1979, the number of limited English proficient children in schools in the United States has doubled to more than 3,000,000, and demographic trends indicate the population of limited English proficient children will continue to increase.

''(B) Language-minority students in the United States speak virtually all world languages plus many that are indigenous to the United States.

''(C) The rich linguistic diversity language-minority students bring to classrooms in the United States enhances the learning environment for all students and should be valued for the significant, positive impact such diversity has on the entire school environment.

''(D) Parent and community participation in educational language programs for limited English proficient students contributes to program effectiveness.

''(E) The Federal Government has a special and continuing obligation, as reflected in title VI of the Civil Rights Act of 1964 and section 204(f) of the Equal Educational Opportunities Act of 1974, to ensure that States and local educational agencies take appropriate action to provide equal educational opportunities to limited English proficient children and youth, and other children and youth.

''(F) The Federal Government also has a special and continuing obligation to assist States and local educational agencies, as exemplified by programs authorized under this title, to develop the capacity to provide programs of instruction that offer equal educational opportunities to limited English proficient children and youth, and other children and youth.

''(5) Limited English proficient children and youth face a number of challenges in receiving an education that will enable the children and youth to participate fully in society, including—

''(A) disproportionate attendance at high-poverty schools, as demonstrated by the fact that, in 1994, 75 percent of limited English proficient students attended schools in which at least half of all students were eligible for free or reduced-price meals;

''(B) the limited ability of parents of such children and youth to participate fully in the education of their children because of the parents' own limited English proficiency;

''(C) a shortage of teachers and other staff who are professionally trained and qualified to serve such children and youth; and

''(D) lack of appropriate performance and assessment standards that distinguish between language ability and academic achievement so that State educational agencies and local educational agencies are equally as accountable for the achievement of limited English proficient students in academic content while the students are acquiring English language skills as the agencies are for enabling the students to acquire those skills.

''(b) POLICY.—It is the policy of the United States that in order to ensure equal educational opportunity for all children and youth, and to promote educational excellence, the Federal Government should—

''(1) assist State educational agencies, local educational agencies, and community-based organizations to build their capacity to establish, implement, and sustain programs of instruction and English language development for children and youth of limited English proficiency;

''(2) hold State educational agencies and local educational agencies accountable for increases in English proficiency and core content knowledge among limited English proficient students; and

''(3) promote parental and community participation in limited English proficiency programs.

''(c) PURPOSES.—The purposes of this part are—

''(1) to assist all limited English proficient students to attain English proficiency;

''(2) to assist all limited English proficient students to develop high levels of attainment in the core academic subjects so that those students can meet the same challenging State content standards and challenging State student performance standards as all students are expected to meet, as required by section 1111(b)(1);

''(3) to assist local educational agencies to develop and enhance their capacity to provide high quality instruction in teaching limited English proficient students to attain the same high levels of academic achievement as other students; and

''(4) to provide the assistance described in paragraphs (1), (2), and (3) by—

''(A) streamlining language instruction educational programs into a program carried out through a performance-based grant for State and local educational agencies to help limited English proficient students become proficient in English;

''(B) increasing significantly the amount of Federal assistance provided to local educational agencies serving such students while requiring that State educational agencies and local educational agencies—

''(i) demonstrate improvements in the English proficiency of such students each fiscal year; and

''(ii) make adequate yearly progress with limited English proficient students in the core academic subjects as described in section 1111(b)(2); and

''(C) providing State educational agencies and local educational agencies with the flexibility to implement instructional programs, tied to scientifically based research, that the agencies believe to be the most effective for teaching English.

''SEC. 3102. DEFINITIONS.

''Except as otherwise provided, in this part:

''(1) CORE ACADEMIC SUBJECT.—The term 'core academic subject' has the meaning given the term in section 2002.

''(2) LIMITED ENGLISH PROFICIENT STUDENT.—The term 'limited English proficient student' means an individual aged 5 through 17 enrolled in an elementary school or secondary school—

''(A) who—

''(i) was not born in the United States or whose native language is a language other than English;

''(ii)(I) is a Native American or Alaska Native, or a native resident of the outlying areas; and

''(II) comes from an environment where a language other than English has had a significant impact on such individual's level of English language proficiency; or

''(iii) is migratory, whose native language is a language other than English, and who comes from an environment where a language other than English is dominant; and

''(B) who has sufficient difficulty speaking, reading, writing, or understanding the English language, and whose difficulties may deny such individual—

''(i) the ability to meet the State's proficient level of performance on State assessments described in section 1111(b)(4) in core academic subjects; or

''(ii) the opportunity to participate fully in society.

''(3) LANGUAGE INSTRUCTION EDUCATIONAL PROGRAM.—The term 'language instruction educational program' means an instructional course in which a limited English proficient student is placed for the purpose of becoming proficient in the English language.

''(4) SCIENTIFICALLY BASED RESEARCH.—The term 'scientifically based research' has the meaning given the term in section 1705.

''(5) SPECIALLY QUALIFIED AGENCY.—The term 'specially qualified agency' means a local educational agency, in a State that does not participate in a program under this part for a fiscal year.

''(6) STATE.—The term 'State' means each of the several States of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

''SEC. 3103. PROGRAM AUTHORIZED.

''(a) GRANTS AUTHORIZED.—The Secretary shall award grants, from allotments under subsection (b), to each State having a State plan approved under section 3105(c), to enable the State to help limited English proficient students become proficient in English.

''(b) RESERVATIONS AND ALLOTMENTS.—

''(1) RESERVATIONS.—From the amount appropriated under section 3111 to carry out this part for each fiscal year, the Secretary shall reserve—

''(A) ½ of 1 percent of such amount for payments to the Secretary of the Interior for activities approved by the Secretary of Education, consistent with this part, in schools operated or supported by the Bureau of Indian Affairs, on the basis of their respective needs; and

''(B) ½ of 1 percent of such amount for payments to outlying areas, to be allotted in accordance with their respective needs for assistance under this part as determined by the Secretary, for activities, approved by the Secretary, consistent with this part.

''(2) STATE ALLOTMENTS.—From the amount appropriated under section 3111 for any of the fiscal years 2002 through 2006 that remains after making reservations under paragraph (1), the Secretary shall allot to each State having a State plan approved under section 3105(c) an amount that bears the same relationship to the remainder as the number of limited English proficient students in the State bears to the number of limited English proficient students in all States.

''(3) DATA.—For the purpose of determining the number of limited English proficient students in a State and in all States for each fiscal year, the Secretary shall use data that will yield the most accurate, up-to-date numbers of such students, including—

''(A) data available from the Bureau of the Census; or

''(B) data submitted to the Secretary by the States to determine the number of limited English proficient students in a State and in all States.

''(4) HOLD-HARMLESS AMOUNTS.—For fiscal year 2002, and for each of the 4 succeeding fiscal years, notwithstanding paragraph (2), the total amount allotted to each State under this subsection shall be not less than 85 percent of the total amount the State was allotted under parts A and B of title VII (as such title was in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act) for fiscal year 2001.

''(c) DIRECT AWARDS TO SPECIALLY QUALIFIED AGENCIES.—

''(1) NONPARTICIPATING STATE.—If a State educational agency for a fiscal year chooses not to participate in a program under this part, or fails to submit an approvable application under section 3105, a specially qualified agency in such State desiring a grant under this part for the fiscal year shall apply directly to the Secretary to receive a grant under this subsection.

''(2) DIRECT AWARDS.—The Secretary may award, on a competitive basis, the amount the State educational agency is eligible to receive under subsection (b)(2) directly to specially qualified agencies in the State desiring a grant under this part and having an application approved under section 3105(c).

''(3) ADMINISTRATIVE FUNDS.—A specially qualified agency that receives a direct grant under this subsection may use not more than 1 percent of the grant funds for the administrative costs of carrying out this part in the first year the agency receives a grant under this subsection and 0.5 percent of the funds for such costs in the second and each succeeding fiscal year for which the agency receives such a grant.

''SEC. 3104. WITHIN-STATE ALLOCATIONS.

''(a) GRANT AWARDS.—Each State educational agency receiving a grant under this part shall use 95 percent of the grant funds to award subgrants, from allocations under subsection (b), to local educational agencies in the State to carry out the activities described in section 3107.

''(b) ALLOCATION FORMULA.—Each State educational agency receiving a grant under this part shall award grants for a fiscal year by allocating to each local educational agency in the State having a plan approved under section 3106 in an amount that bears the same relationship to the amount of funds appropriated under section 3111 for the fiscal year as the population of limited English proficient students in schools served by the local educational agency bears to the population of limited English proficient students in schools served by all local educational agencies in the State.

''(c) RESERVATIONS.—

''(1) STATE ACTIVITIES.—Each State educational agency or specially qualified agency receiving a grant under this part may reserve not more than 5 percent of the grant funds to carry out activities described in the State plan or specially qualified agency plan submitted under section 3105.

''(2) ADMINISTRATIVE EXPENSES.—From the amount reserved under paragraph (1), a State educational agency or specially qualified agency may use not more than 2 percent for the planning costs and administrative costs of carrying out the activities described in the State plan or specially qualified agency plan and providing grants to local educational agencies.

''SEC. 3105. STATE AND SPECIALLY QUALIFIED AGENCY PLANS.

''(a) PLAN REQUIRED.—Each State educational agency and specially qualified agency desiring a grant under this part shall submit a plan to the Secretary at such time, in

such manner, and containing such information as the Secretary may require.

''(b) CONTENTS.—Each State plan submitted under subsection (a) shall—

''(1) describe how the State or specially qualified agency will—

''(A)(i) establish standards and benchmarks for English language development that are aligned with the State content and student performance standards described in section 1111(b)(1);

''(ii) establish the standards and benchmarks for each of the 4 recognized domains of speaking, listening, reading, and writing; and

''(iii) for each domain, establish at least 3 benchmarks, including benchmarks for performance that is not proficient, partially proficient performance, and proficient performance;

''(B) develop high-quality, annual assessments to measure English language proficiency, including proficiency in the 4 recognized domains of speaking, listening, reading, and writing; and

''(C) develop annual performance objectives, based on the English language development standards described in subparagraph (A), to raise the level of English proficiency of each limited English proficient student;

''(2) contain an assurance that the State educational agency or specially qualified agency consulted with local educational agencies, education-related community groups and nonprofit organizations, parents, teachers, school administrators, and English language instruction specialists, in setting the performance objectives;

''(3) describe how—

''(A) in the case of a State educational agency, the State educational agency will hold local educational agencies and elementary schools and secondary schools accountable for—

''(i) meeting the performance objectives described in section 3109 for English proficiency in each of the 4 domains of speaking, listening, reading, and writing; and

''(ii) making adequate yearly progress with limited English proficient students in the core academic subjects as described in section 1111(b)(2); and

''(B) in the case of a specially qualified agency, the agency will hold elementary schools and secondary schools accountable for—

''(i) meeting the performance objectives described in section 3109 for English proficiency in each of the 4 domains of speaking, listening, reading, and writing; and

''(ii) making adequate yearly progress, including meeting annual numerical goals for improving the performance of limited English proficient students on performance standards described in section 1111(b)(1)(D)(ii);

''(4) describe the activities for which assistance is sought, and how the activities will increase the speed and effectiveness with which students learn English;

''(5) in the case of a State educational agency, describe how local educational agencies in the State will be given the flexibility to teach English—

''(A) using a language instruction curriculum that is tied to scientifically based research and has been demonstrated to be effective; and

''(B) in the manner the local educational agencies determine to be the most effective; and

''(6) describe how—

''(A) in the case of a State educational agency, the State educational agency will—

''(i) provide technical assistance to local educational agencies and elementary schools and secondary schools for the purposes of identifying and implementing English language instruction educational programs and curricula that are tied to scientifically based research; and

''(ii) provide technical assistance to local educational agencies and elementary schools and secondary schools for the purposes of helping limited English proficient students meet the same challenging State content standards and challenging State student performance standards as all students are expected to meet; and

''(B) in the case of a specially qualified agency, the specially qualified agency will—

''(i) provide technical assistance to elementary schools and secondary schools served by the specially qualified agency for the purposes of identifying and implementing programs and curricula described in subparagraph (A)(i); and

''(ii) provide technical assistance in elementary schools and secondary schools served by the specially qualified agency for the purposes described in subparagraph (A)(ii).

''(c) APPROVAL.—The Secretary, after using a peer review process, shall approve a State plan or a specially qualified agency plan if the plan meets the requirements of this section, and holds reasonable promise of achieving the purposes described in section 3101(c).

''(d) DURATION OF THE PLAN.—

''(1) IN GENERAL.—Each State plan or specially qualified agency plan shall—

''(A) remain in effect for the duration of the State educational agency's or specially qualified agency's participation under this part; and

''(B) be periodically reviewed and revised by the State educational agency or specially qualified agency, as necessary, to reflect changes to the State's or specially qualified agency's strategies and programs carried out under this part.

''(2) ADDITIONAL INFORMATION.—If the State educational agency or specially qualified agency makes significant changes to the plan, such as the adoption of new performance objectives or assessment measures, the State educational agency or specially qualified agency shall submit information regarding the significant changes to the Secretary.

''(e) CONSOLIDATED PLAN.—A State plan submitted under subsection (a) may be submitted as part of a consolidated plan under section 8302.

''(f) SECRETARY ASSISTANCE.—Pursuant to section 7104(a)(3), the Secretary shall provide assistance, if required, in the development of English language development standards and English language proficiency assessments.

''SEC. 3106. LOCAL PLANS.

''(a) PLAN REQUIRED.—Each local educational agency desiring a grant from the State educational agency under section 3104 shall submit a plan to the State educational agency at such time, in such manner, and containing such information as the State educational agency may require.

''(b) CONTENTS.—Each local educational agency plan submitted under subsection (a) shall—

''(1) describe how the local educational agency will use the grant funds to meet the English proficiency performance objectives described in section 3109;

''(2) describe how the local educational agency will hold elementary schools and secondary schools accountable for meeting the performance objectives;

''(3) contain an assurance that the local educational agency consulted with elementary schools and secondary schools, education-related community groups and nonprofit organizations, institutions of higher education, parents, language instruction teachers, school administrators, and English language instruction specialists, in developing the local educational agency plan;

''(4) describe how the local educational agency will use the disaggregated results of the student assessments required under section 1111(b)(4), and other measures or indicators available to the agency, to review annually the progress of each school served by the agency under this part and under title I to determine whether the schools are making the adequate yearly progress necessary to ensure that limited English proficient students attending the schools will meet the State's proficient level of performance on the State assessment described in section 1111(b)(4) within 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act; and

''(5) describe how the local educational agency will hold elementary schools and secondary schools accountable for making adequate yearly progress with limited English proficient students in the core academic subjects as described in section 1111(b)(2).

''SEC. 3107. USES OF FUNDS.

''(a) ADMINISTRATIVE EXPENSES.—Each local educational agency receiving a grant under section 3104 may use not more than 1 percent of the grant funds for a fiscal year for the cost of administering this part.

''(b) ACTIVITIES.—Each local educational agency receiving grant funds under section 3104 shall use the grant funds that are not used under subsection (a)—

''(1) to increase limited English proficient students' proficiency in English by providing high-quality language instruction educational programs, such as bilingual education programs and transitional education or English immersion education programs, that are—

''(A) tied to scientifically based research demonstrating the effectiveness of the programs in increasing English proficiency; and

''(B) approved by the State educational agency;

''(2) to provide high-quality professional development activities for teachers of limited English proficient students that are—

''(A) designed to enhance the ability of such teachers to understand and use curricula, assessment measures, and instructional strategies for limited English proficient students;

''(B) tied to scientifically based research demonstrating the effectiveness of such activities in increasing students' English proficiency or substantially increasing the subject matter knowledge, teaching knowledge, and teaching skills of such teachers;

''(C) of sufficient intensity and duration (not to include activities such as 1-day or short-term workshops and conferences) to have a positive and lasting impact on the teachers' performance in the classroom, except that this subparagraph shall not apply to an activity that is 1 component described in a long-term, comprehensive professional development plan established by a teacher and the teacher's supervisor based upon an assessment of the needs of the teacher, the supervisor, the students of the teacher, and the local educational agency;

''(3) to identify, acquire, and upgrade curricula, instructional materials, educational software, and assessment procedures; and

''(4) to provide parent and community participation programs to improve language instruction educational programs for limited English proficient students.

''SEC. 3108. PROGRAM REQUIREMENTS.

''(a) PROHIBITION.—In carrying out this part, the Secretary shall neither mandate nor preclude the use of a particular curricular or pedagogical approach to educating limited English proficient students.

''(b) TEACHER ENGLISH FLUENCY.—Each local educational agency receiving grant

funds under section 3104 shall certify to the State educational agency that all teachers in any language instruction educational program for limited English proficient students funded under this part are fluent in English.

"SEC. 3109. PERFORMANCE OBJECTIVES.

''(a) IN GENERAL.—Each State educational agency or specially qualified agency receiving a grant under this part shall develop annual numerical performance objectives with respect to helping limited English proficient students become proficient in English, including proficiency in the 4 recognized domains of speaking, listening, reading, and writing. For each annual numerical performance objective established, the agency shall specify an incremental percentage increase for the objective to be attained for each of the fiscal years (after the first fiscal year) for which the agency receives a grant under this part, relative to the preceding fiscal year, including increases in the number of limited English proficient students demonstrating an increase in performance on annual assessments in speaking, listening, reading, and writing.

''(b) ACCOUNTABILITY.—Each State educational agency or specially qualified agency receiving a grant under this part shall be held accountable for meeting the annual numerical performance objectives under this part and the adequate yearly progress levels for limited English proficient students under clauses (iv) and (vii) of section 1111(b)(2)(B). Any State educational agency or specially qualified agency that fails to meet the annual performance objectives shall be subject to sanctions under section 7101.

"SEC. 3110. REGULATIONS AND NOTIFICATION.

''(a) REGULATION RULE.—In developing regulations under this part, the Secretary shall consult with State educational agencies, local educational agencies, organizations representing limited English proficient individuals, and organizations representing teachers and other personnel involved in the education of limited English proficient students.

''(b) PARENTAL NOTIFICATION.—

''(1) IN GENERAL.—Each local educational agency shall notify parents of a student participating in a language instruction educational program under this part of—

''(A) the student's level of English proficiency, how such level was assessed, the status of the student's academic achievement, and the implications of the student's educational strengths and needs for age- and grade-appropriate academic attainment, promotion, and graduation;

''(B)(i) the programs that are available to meet the student's educational strengths and needs, and how such programs differ in content and instructional goals from other language instruction educational programs; and

''(ii) in the case of a student with a disability who participates in the language instruction educational program, how the program meets the objectives of the individualized education program of the student; and

''(C)(i) the instructional goals of the language instruction educational program in which the student participates, and how the program will specifically help the limited English proficient student learn English and meet age-appropriate standards for grade promotion and graduation;

''(ii) the characteristics, benefits, and past academic results of the language instruction educational program and of instructional alternatives; and

''(iii) the reasons the student was identified as being in need of a language instruction educational program.

''(2) OPTION TO DECLINE.—

''(A) IN GENERAL.—Each parent described in paragraph (1) shall also be informed that the parent has the option of declining the enrollment of the student in a language instruction educational program, and shall be given an opportunity to decline such enrollment if the parent so chooses.

''(B) OBLIGATIONS.—A local educational agency shall not be relieved of any of the agency's obligations under title VI of the Civil Rights Act of 1964 if a parent chooses not to enroll a student in a language instruction educational program.

''(3) RECEIPT OF INFORMATION.—A parent described in paragraph (1) shall receive the information required by this subsection in a manner and form understandable to the parent including, if necessary and to the extent feasible, receiving the information in the native language of the parent. At a minimum, the parent shall receive—

''(A) timely information about programs funded under this part; and

''(B) if the parent desires, notice of opportunities for regular meetings for the purpose of formulating and responding to recommendations from parents of students assisted under this part.

''(4) SPECIAL RULE.—A student shall not be admitted to, or excluded from, any federally assisted language instruction educational program solely on the basis of a surname or language-minority status.

''(5) LIMITATIONS ON CONDITIONS.—Nothing in this part shall be construed to authorize an officer or employee of the Federal Government to mandate, direct, or control a State's, local educational agency's, elementary school's, or secondary school's specific challenging English language development standards or assessments, curricula, or program of instruction, as a condition of eligibility to receive grant funds under this part.

"SEC. 3111. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated to carry out this part $1,000,000,000 for fiscal year 2002, and such sums as may be necessary for each of the 4 succeeding fiscal years.''.

SEC. 302. EMERGENCY IMMIGRANT EDUCATION PROGRAM.

(a) REPEALS, TRANSFERS, AND REDESIGNATIONS.—Title III (20 U.S.C. 6801 et seq.) is further amended—

(1) by repealing part B (20 U.S.C. 6891 et seq.), part C (20 U.S.C. 6921 et seq.), part D (20 U.S.C. 6951 et seq.), part E (20 U.S.C. 6971 et seq.), and part F, as added by section 1711 of division B of the Miscellaneous Appropriations Act, 2001 (as enacted into law by section 1(a)(4) of Public Law 106–554);

(2) by transferring part C of title VII (20 U.S.C. 7541 et seq.) to title III and inserting such part after part A (as inserted by section 301(3));

(3) by redesignating part C of title VII (as transferred by paragraph (2)) as part B, and redesignating the references to such part C as the references to such part B; and

(4) by redesignating sections 7301 through 7309 (20 U.S.C. 7541, 7549) (as transferred by paragraph (2)) as sections 3201 through 3209, respectively, and redesignating accordingly the references to such sections 7301 through 7309.

(b) AMENDMENTS.—Part B of title III (as so transferred and redesignated) is amended—

(1) in section 3205(a)(2) (as redesignated by subsection (a)(4)), by striking ''the Goals 2000: Educate America Act,''; and

(2) in section 3209 (as redesignated by subsection (a)(4)), by striking ''$100,000,000'' and all that follows through ''necessary for'' and inserting ''such sums as may be necessary for fiscal year 2002 and''.

SEC. 303. INDIAN, NATIVE HAWAIIAN, AND ALASKA NATIVE EDUCATION.

(a) REPEALS, TRANSFERS, AND REDESIGNATIONS.—Title III (20 U.S.C 6801 et seq.) is further amended—

(1) by transferring title IX (20 U.S.C. 7801 et seq.) to title III and inserting such title after part B (as redesignated by section 302(a)(3));

(2) by redesignating subparts 1 through 6 of part A of title IX (as transferred by paragraph (1)) as chapters I through VI, respectively, and redesignating accordingly the references to such subparts as the references to such chapters;

(3) by redesignating parts A through C of title IX (as transferred by paragraph (1)) as subparts 1 through 3, respectively, and redesignating accordingly the references to such parts as the references to such subparts;

(4) by redesignating title IX (as transferred by paragraph (1)) as part C, and redesignating accordingly the references to such title as the references to such part;

(5) by redesignating sections 9101 and 9102 (20 U.S.C. 7801, 7802) (as transferred by paragraph (1)) as sections 3301 and 3302, respectively, and redesignating accordingly the references to such sections 9101 and 9102;

(6) by redesignating sections 9111 through 9118 (20 U.S.C. 7811, 7818) (as transferred by paragraph (1)) as sections 3311 through 3318, respectively, and redesignating accordingly the references to such sections 9111 through 9118;

(7) by redesignating sections 9121 through 9125 (20 U.S.C. 7831, 7835) (as transferred by paragraph (1)) as sections 3321 through 3325, and redesignating accordingly the references to such sections 9121 through 9125;

(8) by redesignating sections 9131 and 9141 (20 U.S.C. 7851, 7861) (as transferred by paragraph (1)) as sections 3331 and 3341, respectively, and redesignating accordingly the references to such sections 9131 and 9141;

(9) by redesignating sections 9151 through 9154 (20 U.S.C. 7871, 7874) (as transferred by paragraph (1)) as sections 3351 through 3354, respectively, and redesignating accordingly the references to such sections 9151 through 9154;

(10) by redesignating sections 9161 and 9162 (20 U.S.C. 7881, 7882) (as transferred by paragraph (1)) as sections 3361 and 3362, respectively, and redesignating accordingly the references to such sections 9161 and 9162;

(11) by redesignating sections 9201 through 9212 (20 U.S.C. 7901, 7912) (as transferred by paragraph (1)) as sections 3401 through 3412, respectively, and redesignating accordingly the references to such sections 9201 through 9212; and

(12) by redesignating sections 9301 through 9308 (20 U.S.C. 7931, 7938) (as transferred by paragraph (1)) as sections 3501 through 3508, and redesignating accordingly the references to such sections 9301 through 9308.

(b) AMENDMENTS.—Part C of title III (as so transferred and redesignated) is amended—

(1) by amending section 3314(b)(2)(A) (as redesignated by subsection (a)(6)) to read as follows:

''(2)(A) is consistent with, and promotes the goals in, the State and local plans under sections 1111 and 1112;'';

(2) by amending section 3325(e) (as redesignated by subsection (a)(7)) to read as follows:

''(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to carry out this chapter for fiscal year 2002 and each of the 4 succeeding years.'';

(3) in section 3361(4)(E) (as redesignated by subsection (a)(10)), by striking ''the Act entitled the 'Improving America's Schools Act of 1994'' and inserting ''the Public Education Reinvestment, Reinvention, and Responsibility Act'';

(4) by amending section 3362 (as redesignated by subsection (a)(10)) to read as follows:

"SEC. 3362. AUTHORIZATION OF APPROPRIATIONS.

''For the purpose of carrying out chapters I through V of this subpart, there are authorized to be appropriated to the Department of Education such sums as may be necessary for fiscal year 2002 and each of the 4 succeeding years.'';

(5) in section 3404 (as redesignated by subsection (a)(11))—

(A) in subsection (i), by striking ''Improving America's Schools Act of 1994'' and inserting ''Public Education Reinvestment, Reinvention, and Responsibility Act''; and

(B) in subsection (j), by striking ''$500,000 for fiscal year 1995, and such sums as may be necessary'' and inserting ''such sums as may be necessary for fiscal year 2002, and'';

(6) in section 3405(c) (as redesignated by subsection (a)(11)), by striking ''$6,000,000 for fiscal year 1995, and such sums as may be necessary'' and inserting ''such sums as may be necessary for fiscal year 2002, and'';

(7) in section 3406(e) (as redesignated by subsection (a)(11)), by striking ''$2,000,000 for fiscal year 1995, and such sums as may be necessary'' and inserting ''such sums as may be necessary for fiscal year 2002, and'';

(8) in section 3407(e) (as redesignated by subsection (a)(11)), by striking ''$1,500,000 for fiscal year 1995, and such sums as may be necessary'' and inserting ''such sums as may be necessary for fiscal year 2002, and'';

(9) in section 3408(c) (as redesignated by subsection (a)(11)), by striking ''$2,000,000 for fiscal year 1995, and such sums as may be necessary'' and inserting ''such sums as may be necessary for fiscal year 2002, and'';

(10) in section 3409(d) (as redesignated by subsection (a)(11)), by striking ''$2,000,000 for fiscal year 1995, and such sums as may be necessary'' and inserting ''such sums as may be necessary for fiscal year 2002, and'';

(11) in section 3410(d) (as redesignated by subsection (a)(11)), by striking ''$1,000,000 for fiscal year 1995, and such sums as may be necessary'' and inserting ''such sums as may be necessary for fiscal year 2002, and'';

(12) in section 3504(c) (as redesignated by subsection (a)(12)), by striking ''$5,000,000 for fiscal year 1995, and such sums as may be necessary'' and inserting ''such sums as may be necessary for fiscal year 2002, and'';

(13) in section 3505(e) (as redesignated by subsection (a)(12)), by striking ''$2,000,000 for fiscal year 1995, and such sums as may be necessary'' and inserting ''such sums as may be necessary for fiscal year 2002, and''; and

(14) in section 3506(d) (as redesignated by subsection (a)(12)), by striking ''$1,000,000 for fiscal year 1995, and such sums as may be necessary'' and inserting ''such sums as may be necessary for fiscal year 2002, and''.

TITLE IV—PUBLIC SCHOOL CHOICE

SEC. 401. PUBLIC SCHOOL CHOICE.

(a) MAGNET SCHOOLS AMENDMENTS.—Section 5113(a) (20 U.S.C. 7213(a)) is amended—

(1) by striking ''$120,000,000'' and inserting ''$130,000,000''; and

(2) by striking ''1995'' and inserting ''2002''.

(b) CHARTER SCHOOL AMENDMENTS.—Section 10311 (20 U.S.C. 8067) is amended—

(1) by striking ''$100,000,000'' and inserting ''$200,000,000''; and

(2) by striking ''1999'' and inserting ''2002''.

(c) REPEALS, TRANSFERS, AND REDESIGNATIONS.—The Act (20 U.S.C. 6301 et seq.) is amended—

(1) by amending the heading for title IV (20 U.S.C. 7101 et seq.) to read as follows:

"TITLE IV—PUBLIC SCHOOL CHOICE";

(2) by amending section 4001 to read as follows:

"SEC. 4001. FINDINGS, POLICY, AND PURPOSE.

''(a) FINDINGS.—Congress makes the following findings:

''(1)(A) Charter schools and magnet schools are an integral part of the educational system in the United States.

''(B) Thirty-four States and the District of Columbia have established charter schools.

''(C) Magnet schools have been established throughout the United States.

''(D) A Department of Education evaluation of charter schools shows that 59 percent of charter schools reported that lack of start-up funds posed a difficult or very difficult challenge for the school.

''(2) State educational agencies and local educational agencies should hold all schools accountable for the improved performance of all students, including students attending charter schools and magnet schools, using State standards and student assessment measures.

''(3) Transportation is an important and critical component of school choice. Local educational agencies have a responsibility to provide transportation costs to ensure that all children receive equal access to high quality schools.

''(4) School report cards constitute the key informational component used by parents for effective public school choice.

''(b) POLICY.—It is the policy of the United States—

''(1) to support and stimulate improved public school performance through increased public elementary school and secondary school competition and increased Federal financial assistance; and

''(2) to provide parents with more choices among public school options.

''(c) PURPOSES.—The purposes of this title are as follows:

''(1) To consolidate Federal law regarding public school choice programs into 1 title.

''(2) To increase Federal assistance for magnet schools and charter schools.

''(3) To give parents more options and help parents make better and more informed choices by—

''(A) providing continued support for and financial assistance for magnet schools;

''(B) providing continued support for and expansion of charter schools and charter school districts; and

''(C) providing financial assistance to States and local educational agencies for the development of local educational agency and school report cards.'';

(3) by repealing sections 4002 through 4004 (20 U.S.C. 7102, 7104), and part A (20 U.S.C. 7111 et seq.), of title IV;

(4) by transferring part A of title V (20 U.S.C. 7201 et seq.) to title IV, inserting such part A after section 4001, and redesignating the references to part A of title V as the references to part A of title IV;

(5) by redesignating sections 5101 through 5113 (20 U.S.C. 7201, 7213) (as transferred by paragraph (4)) as sections 4101 through 4113, respectively, and by redesignating accordingly the references to such sections 5105 through 5113;

(6) by transferring part C of title X (20 U.S.C. 8061 et seq.) to title IV and inserting such part C after part A of title IV (as transferred by paragraph (4));

(7) by redesignating part C of title IV (as transferred by paragraph (6)) as part B of title IV, and redesignating accordingly the references to such part C;

(8) by redesignating sections 10301 through 10311 (20 U.S.C. 8061, 8067) (as transferred by paragraph (6)) as sections 4201 through 4211, respectively, and by redesignating accordingly the references to such sections 10301 through 10311; and

(9) by redesignating sections 10321 through 10331 (as added by section 322 of the Department of Education Appropriations Act, 2001 (as enacted into law by section 1(a)(1) of Public Law 106–554) and transferred by paragraph (6)) as sections 4221 through 4231, respectively, and by redesignating accordingly the references to such sections 10321 through 10331.

SEC. 402. DEVELOPMENT OF PUBLIC SCHOOL CHOICE PROGRAMS; REPORT CARDS.

Title IV (20 U.S.C. 7101 et seq.) is further amended by adding at the end the following:

"PART C—DEVELOPMENT OF PUBLIC SCHOOL CHOICE PROGRAMS

"SEC. 4301. DEFINITIONS.

''In this part:

''(1) HIGH-POVERTY LOCAL EDUCATIONAL AGENCY.—The term 'high-poverty local educational agency' means a local educational agency serving a school district in which the percentage of children, ages 5 to 17, from families with incomes below the poverty line is 20 percent or more.

''(2) POVERTY LINE.— The term 'poverty line' means the income official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)) applicable to a family of the size involved, for the most recent year for which satisfactory data are available.

"SEC. 4302. GRANTS AUTHORIZED.

''(a) IN GENERAL.—From amounts made available to carry out this part for a fiscal year under section 4306, and not reserved under section 4305, the Secretary is authorized to award grants, on a competitive basis, to State educational agencies and local educational agencies to enable the local educational agencies to develop local public school choice programs.

''(b) DURATION.—Grants awarded under this part may be awarded for periods of not more than 3 years.

"SEC. 4303. USES OF FUNDS.

''(a) IN GENERAL.—

''(1) PUBLIC SCHOOL CHOICE.—Funds made available under this part may be used to develop, implement, evaluate, demonstrate, and disseminate information on, innovative approaches to promote public school choice, including the design and development of new public school choice options, the development of new strategies for overcoming barriers to effective public school choice, and the design and development of public school choice systems that promote high standards for all students and the continuous improvement of all public schools.

''(2) INNOVATIVE APPROACHES.—Such approaches, which may be carried out at the school, local educational agency, and State levels, may include—

''(A) universal public school choice programs that serve to make every school in a school district, group of school districts, or a State, a school of choice;

''(B) interdistrict and intradistrict approaches to public school choice, including approaches that increase equal access to high quality educational programs and diversity in schools;

''(C) public elementary school and secondary school programs that—

''(i) involve partnerships that include institutions of higher education; and

''(ii) are located on the campuses of the institutions;

''(D) programs that allow students in public secondary schools to enroll in postsecondary courses and to receive both secondary and postsecondary academic credit;

''(E) approaches in which State educational agencies or local educational agencies form partnerships with public or private employers, to create public schools at parents' places of employment, referred to as worksite satellite schools; and

''(F) approaches to school desegregation that provide students and parents choice

through strategies other than magnet schools.

''(b) TRANSPORTATION.—Funds made available under this part may be used for providing transportation services or paying for the cost of transportation for students, except that not more than 10 percent of the funds received under this part shall be used by a State educational agency or local educational agency to provide such services or pay for such cost.

''(c) SUPPLEMENT, NOT SUPPLANT.—Funds made available under this part shall be used to supplement and not supplant State and local public funds expended for public school choice programs.

''SEC. 4304. GRANT APPLICATION; PRIORITIES.

''(a) APPLICATION REQUIRED.—A State educational agency or local educational agency desiring to receive a grant under this part shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

''(b) APPLICATION CONTENTS.—The application shall include—

''(1) a description of the program for which the agency seeks the grant the goals for such program;

''(2) a description of how the program will be coordinated with, and will complement and enhance, other related Federal and non-Federal programs;

''(3) if the program involves partners, the name of each partner and a description of the partner's responsibilities;

''(4) a description of the policies and procedures the applicant will use to ensure—

''(A) accountability for results, including goals and performance indicators; and

''(B) that the program is open and accessible to, and will promote high academic standards for, all students;

''(5) information demonstrating that the applicant will provide transportation services or the cost of transportation to ensure that all students receive equal access to high quality schools; and

''(6) such other information as the Secretary may require.

''(c) PRIORITIES.—

''(1) LOW-PERFORMING SCHOOLS.—In making grants under this part, the Secretary shall give priority to an agency submitting an application for a program for a local educational agency serving schools designated as low-performing.

''(2) HIGH-POVERTY AGENCIES.—In making grants under this part, the Secretary shall give priority to an agency submitting an application for a program for a high-poverty local educational agency.

''(3) PARTNERSHIPS.—In making grants under this part, the Secretary may give priority to an agency submitting an application demonstrating that the applicant will carry out the applicant's program in partnership with 1 or more public or private agencies, organizations, or institutions, such as institutions of higher education and public or private employers.

''SEC. 4305. EVALUATION, TECHNICAL ASSISTANCE, AND DISSEMINATION.

''(a) RESERVATION FOR EVALUATION, TECHNICAL ASSISTANCE, AND DISSEMINATION.—From the amount appropriated under section 4306 for any fiscal year, the Secretary may reserve not more than 5 percent to carry out evaluations under subsection (b), to provide technical assistance, and to disseminate information.

''(b) EVALUATIONS.—The Secretary may use funds reserved under subsection (a) to carry out 1 or more evaluations of programs assisted under this part, which shall, at a minimum, address—

''(1) how, and the extent to which, the programs supported with funds under this part promote educational equity and excellence; and

''(2) the extent to which public schools of choice supported with funds under this part are—

''(A) held accountable to the public;

''(B) effective in improving public education; and

''(C) open and accessible to all students.

''SEC. 4306. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated to carry out this part $200,000,000 for fiscal year 2002 and such sums as may be necessary for each of the 4 succeeding fiscal years.

''PART D—REPORT CARDS

''SEC. 4401. REPORT CARDS.

''(a) GRANTS AUTHORIZED.—The Secretary shall award grants, from allotments made under subsection (b), to States, local educational agencies, and public schools receiving assistance under this Act to enable the States, agencies, and schools to publish annually reports and report cards concerning the agencies and schools.

''(b) RESERVATIONS AND ALLOTMENTS.—

''(1) RESERVATIONS.—From the amount appropriated under subsection (k) to carry out this part for each fiscal year, the Secretary shall reserve—

''(A) ½ of 1 percent of such amount for payments to the Secretary of the Interior for activities approved by the Secretary of Education, consistent with this part, in schools operated or supported by the Bureau of Indian Affairs, on the basis of their respective needs for assistance under this part; and

''(B) ½ of 1 percent of such amount for payments to outlying areas, to be allotted in accordance with their respective needs for assistance under this part, as determined by the Secretary, for activities approved by the Secretary, consistent with this part.

''(2) STATE ALLOTMENTS.—From the amount appropriated under subsection (k) for a fiscal year and remaining after the Secretary makes reservations under paragraph (1), the Secretary shall allot to each State receiving assistance under this Act an amount that bears the same relationship to the remainder as the number of public school students enrolled in elementary schools and secondary schools in the State bears to the number of such students so enrolled in all States.

''(c) STATE RESERVATION OF FUNDS.—Each State educational agency receiving a grant under subsection (a) may reserve—

''(1) not more than 10 percent of the grant funds to carry out activities described in subsections (e) and (g)(2) for fiscal year 2002; and

''(2) not more than 5 percent of the grant funds to carry out activities described under subsections (e) and (g)(2) for fiscal year 2003 and each of the 3 succeeding fiscal years.

''(d) WITHIN-STATE ALLOCATIONS.—Each State educational agency receiving a grant under subsection (a) shall allocate the grant funds that remain after making the reservation described in subsection (c) to each local educational agency in the State in an amount that bears the same relationship to the remainder as the number of public school students enrolled in elementary schools and secondary schools served by the local educational agency bears to the number of such students served by local educational agencies within the State.

''(e) ANNUAL STATE REPORT.—

''(1) REPORTS REQUIRED.—

''(A) IN GENERAL.—Not later than the beginning of the 2002–2003 school year, a State that receives assistance under this Act shall prepare and disseminate an annual report with respect to all public elementary schools and secondary schools within the State that receive funds under this Act.

''(B) STATE REPORT CARDS ON EDUCATION.—In the case of a State that publishes State report cards on education, the State shall meet the requirements of subparagraph (A) by including in such report cards the information described in paragraphs (3) through (5) for all public schools and local educational agencies in the State that receive funds under this Act.

''(C) REPORT CARDS ON ALL PUBLIC SCHOOLS.—In the case of a State that publishes report cards on all public elementary schools and secondary schools in the State, the State shall meet the requirements of subparagraph (A) by including in the report cards, at a minimum, the information described in paragraphs (3) through (5) for all public schools and local educational agencies in the State that receive funds under this Act.

''(D) PUBLICATION THROUGH OTHER MEANS.—In the event that the State does not publish a report card described in subparagraph (B) or (C), the State shall, not later than the beginning of the 2002–2003 school year, meet the requirements of subparagraph (A) by publicly reporting the information described in paragraphs (3) through (5) for all public schools and local educational agencies in the State that receive funds under this Act.

''(2) IMPLEMENTATION; REQUIREMENTS.—The State shall ensure implementation at the State, local, and school levels of the activities necessary to enable the State to make the reports described in paragraph (1).

''(3) REQUIRED INFORMATION.—Each State described in paragraph (1)(A) shall, at a minimum, include in the annual State report information on each local educational agency and public school that receives funds under this Act, including information regarding—

''(A)(i) student performance on statewide assessments for the year for which the annual State report is made, and the preceding year, in at least English language arts, mathematics, and (in each State report for a school year after the 2006–2007 school year) science, including—

''(I) a comparison of the proportions of students who performed at the State's basic, proficient, and advanced levels of performance in each academic subject, for each grade level for which State assessments are required under section 1111(b)(4) for the year for which the report is prepared, with proportions in each of the same 3 levels in each academic subject at the same grade levels in the preceding school year; and

''(II) a statement of the percentage of students not tested and a listing of categories of the reasons why such students were not tested; and

''(ii) the most recent 3-year trend in the percentage of students performing at the State's basic, proficient, and advanced levels of performance, for each grade level for which State assessments are required under section 1111(b)(4), in each academic subject, including at least—

''(I) English language arts;

''(II) mathematics; and

''(III) (in each State report for a school year after the 2007–2008 school year) science;

''(B) student retention rates in each grade, the number of students completing advanced placement courses, and 4-year graduation rates;

''(C) the professional qualifications of teachers in the aggregate, including the percentage of teachers teaching with emergency or provisional credentials, the percentage of class sections not taught by fully qualified teachers, and the percentage of teachers who are fully qualified; and

''(D) the professional qualifications of paraprofessionals in the aggregate, the number of paraprofessionals in the aggregate,

and the ratio of paraprofessionals to teachers in the classroom.

''(4) STUDENT DATA.—Student data in each report shall contain disaggregated results for the following categories:

''(A) Racial and ethnic groups.

''(B) Gender groups.

''(C) Economically disadvantaged students, as compared to students who are not economically disadvantaged.

''(D) Students with limited English proficiency, as compared with students who are proficient in English.

''(5) OPTIONAL INFORMATION.—A State may include in the State annual report any other information the State determines appropriate to reflect school quality and school achievement, including by grade level information on—

''(A) average class size; and

''(B) school safety, such as the incidence of school violence and drug and alcohol abuse, and the incidence of student suspensions and expulsions.

''(6) WAIVER.—The Secretary may grant a waiver to a State seeking a waiver of the requirements of this subsection, if the State demonstrates to the Secretary that—

''(A) the content of State reports meets the goals of this part; and

''(B) the State is taking identifiable steps to meet the requirements of this subsection.

''(f) LOCAL EDUCATIONAL AGENCY AND SCHOOL REPORT CARDS.—

''(1) REPORT CARD REQUIRED.—

''(A) IN GENERAL.—The State shall ensure that each local educational agency, public elementary school, or public secondary school in the State that receives funds under this Act, collects appropriate data and publishes an annual report card consistent with this subsection.

''(B) REQUIRED INFORMATION.—Each local educational agency, elementary school, and secondary school described in subparagraph (A) shall, at a minimum, include in its annual report card—

''(i) the information described in paragraphs (3) and (4) of subsection (e) for each local educational agency and school, as appropriate;

''(ii) in the case of a local educational agency—

''(I) information regarding the number and percentage of schools served by the local educational agency that are identified for school improvement and corrective action, including schools identified under section 1116;

''(II) information on the most recent 3-year trend in the number and percentage of elementary schools and secondary schools served by the local educational agency that are identified for school improvement; and

''(III) information that shows how students in the schools served by the local educational agency performed on the statewide assessment compared with students in the State as a whole;

''(iii) in the case of an elementary school or a secondary school—

''(I) information regarding whether the school has been identified for school improvement or corrective action; and

''(II) information that shows how the school's students performed on the statewide assessment compared with students in schools served by the same local educational agency and with all students in the State; and

''(iv) other appropriate information, whether or not the information is included in the annual State report.

''(2) SPECIAL RULE.—A local educational agency that issues report cards for all public elementary schools and secondary schools served by the agency shall include, at a minimum, the information described in paragraphs (3) through (5) of subsection (e) for all public schools that receive funds under this Act.

''(g) DISSEMINATION AND ACCESSIBILITY OF REPORTS AND REPORT CARDS.—

''(1) REQUIREMENTS.—Annual reports and report cards under this part shall be—

''(A) concise; and

''(B) presented in a format and manner that parents can understand, including, to the extent practicable, in a language the parents can understand.

''(2) STATE REPORTS.—State annual reports under subsection (e) shall be disseminated to all elementary schools, secondary schools, and local educational agencies in the State, and made broadly available to the public through means such as posting on the Internet and distribution to the media, and through public agencies.

''(3) LOCAL REPORT CARDS.—Local educational agency report cards under subsection (f) shall be disseminated to all elementary schools and secondary schools served by the local educational agency and to all parents of students attending such schools, and made broadly available to the public through means such as posting on the Internet and distribution to the media, and through public agencies.

''(4) SCHOOL REPORT CARDS.—Elementary school and secondary school report cards under subsection (f) shall be disseminated to all parents of students attending that school, and made broadly available to the public, through means such as posting on the Internet and distribution to the media, and through public agencies.

''(h) PARENTS RIGHT-TO-KNOW.—

''(1) QUALIFICATIONS.—A local educational agency that receives funds under part A of title I or part A of title II shall provide, on request, in an understandable and uniform format, to any parent of a student attending any school served by the agency and receiving funds under part A of title I or part A of title II, information regarding the professional qualifications of the student's classroom teachers. The information shall describe, at a minimum—

''(A) whether the teacher is fully qualified, as defined in section 2002, for the grade levels and academic subjects in which the teacher teaches;

''(B) whether the teacher is teaching under emergency or other provisional status through which State certification or licensing criteria are waived;

''(C) the major in which the teacher received a baccalaureate degree, any graduate degree or certification held by the teacher, and the field of discipline of each such degree or certification; and

''(D) whether the student is provided services by paraprofessionals, and the qualifications of any such paraprofessional.

''(2) ADDITIONAL INFORMATION.—In addition to the information described in paragraph (1), and the information provided in reports and report cards under this part, a school that receives funds under part A of title I or part A of title II shall provide, to the extent practicable, to each individual parent (including a guardian) of a student attending the school—

''(A) information on the level of performance of the student on each of the State assessments required under section 1111(b)(4); and

''(B) if the student was assigned to or taught for 2 or more consecutive weeks by a substitute teacher or by a teacher who is not fully qualified, timely notice about the teacher involved.

''(i) COORDINATION OF STATE PLAN CONTENT.—A State shall include in the State's plan under part A of title I or part A of title II, an assurance that the State has in effect a policy that meets the requirements of this section.

''(j) PRIVACY.—Information collected under this section shall be collected and disseminated in a manner that protects the privacy of individuals.

''(k) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this part $5,000,000 for fiscal year 2002 and such sums as may be necessary for each of the 4 succeeding fiscal years.

''(l) DEFINITION.—In this section, the term 'State' means each of the several States of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.''.

TITLE V—IMPACT AID

SEC. 501. PAYMENTS RELATING TO FEDERAL ACQUISITION OF REAL PROPERTY.

Section 8002 (20 U.S.C. 7702), as amended by section 1803 of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (Public Law 106-398), is amended—

(1) in subsection (h)(4), by striking subparagraph (B) and inserting the following:

''(B) the Secretary shall make a payment to each local educational agency that is eligible to receive a payment under this section for the fiscal year involved in an amount that bears the same relation to 75 percent of the remainder as a percentage share determined for the local educational agency (as determined by dividing the maximum amount that such agency is eligible to receive under subsection (b) by the total maximum amounts that all such local educational agencies are eligible to receive under such subsection) bears to the percentage share determined (in the same manner) for all local educational agencies eligible to receive a payment under this section for the fiscal year involved, except that for purposes of calculating a local educational agency's maximum payment, data from the most current fiscal year shall be used.''; and

(2) by adding at the end the following:

''(n) LOSS OF ELIGIBILITY.—

''(1) IN GENERAL.—Notwithstanding any other provision of this section, the Secretary shall make the following minimum payments for each fiscal year to each local educational agency described in paragraph (2):

''(A) For the first fiscal year following the loss of eligibility (as described in paragraph (2)), an amount equal to 90 percent of the amount received in the final fiscal year of eligibility.

''(B) For the second fiscal year following the loss of eligibility (as described in paragraph (2)), an amount equal to 75 percent of the amount received in the final fiscal year of eligibility.

''(C) For the third fiscal year following the loss of eligibility (as described in paragraph (2)), an amount equal to 50 percent of the amount received in the final fiscal year of eligibility.

''(2) ELIGIBLE LOCAL EDUCATIONAL AGENCIES.—A local educational agency described in this paragraph is an agency that—

''(A) was eligible for, and received, a payment under this section for fiscal year 2002; and

''(B) beginning in fiscal year 2003 or a subsequent fiscal year, is no longer eligible for payments under this section as provided for in subsection (a)(1)(C) as a result of the transfer of the Federal property involved to a non-Federal entity.''.

SEC. 502. REPEAL OF SPECIAL RULE RELATING TO THE COMPUTATION OF PAYMENTS FOR ELIGIBLE FEDERALLY CONNECTED CHILDREN.

Section 8003(a) (20 U.S.C. 7703(a)) is amended by striking paragraph (3).

SEC. 503. EXTENSION OF AUTHORIZATION OF APPROPRIATIONS.

Section 8014 (20 U.S.C. 7714), as amended by section 1817 of the Floyd D. Spence National

Defense Authorization Act for Fiscal Year 2001 (Public Law 106-398), is amended—

(1) in subsection (a), by striking ''three succeeding'' and inserting ''six succeeding'';

(2) in subsection (b), by striking ''three succeeding'' and inserting ''six succeeding'';

(3) in subsection (c), by striking ''three succeeding'' and inserting ''six succeeding'';

(4) in subsection (e), by striking ''three succeeding'' and inserting ''six succeeding'';

(5) in subsection (f), by striking ''three succeeding'' and inserting ''six succeeding''; and

(6) in subsection (g), by striking ''three succeeding'' and inserting ''six succeeding''.

SEC. 504. REPEALS, TRANSFERS, AND REDESIGNATIONS.

The Act (20 U.S.C. 6301 et seq.) is amended—

(1) by repealing title V (20 U.S.C. 7201 et seq.);

(2) by redesignating title VIII (20 U.S.C. 7701 et seq.) as title V, and transferring the title to follow title IV (as amended by section 402);

(3) by redesignating references to title VIII as references to title V (as redesignated and transferred by paragraph (2)); and

(4) by redesignating sections 8001 through 8005, and 8007 through 8014 (20 U.S.C. 7701, 7714) (as transferred by paragraph (2)) as sections 5001 through 5001, and 5007 through 5014, respectively, and redesignating accordingly the references to such sections 8001 through 8005 and 8007 through 8014.

TITLE VI—HIGH PERFORMANCE AND QUALITY EDUCATION INITIATIVES

SEC. 601. HIGH PERFORMANCE AND QUALITY EDUCATION INITIATIVES.

Title VI (20 U.S.C. 7301 et seq.) is amended to read as follows:

''TITLE VI—HIGH PERFORMANCE AND QUALITY EDUCATION INITIATIVES

''SEC. 6001. FINDINGS, POLICY, AND PURPOSE.

''(a) FINDINGS.—Congress makes the following findings:

''(1)(A) The educators most familiar with schools, including school superintendents, principals, teachers, and school support personnel, have critical roles in knowing what students need and how best to meet the educational needs of students.

''(B) Local educational agencies should therefore have primary responsibility for deciding how to use funds.

''(2)(A) Since the Elementary and Secondary Education Act of 1965 was first authorized in 1965, the Federal Government has created numerous grant programs, each of which was created to address 1 among the myriad challenges and problems facing education.

''(B) Only a few of the Federal grant programs established before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act can be tied to significant quantitative results.

''(C) Because Federal education dollars are distributed through a patchwork of programs, with each program having a set of requirements and restrictions, local educational agencies and schools have found it difficult to leverage funds for maximum impact.

''(D) In many cases, Federal education dollars distributed through competitive grant programs are too diffused to provide a true impact at the school level.

''(E) As a result of the Federal elementary and secondary education policies in place before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act, the focus of Federal, State, and local educational agencies has been diverted from comprehensive student achievement to administrative compliance.

''(3)(A) Every elementary school and secondary school should provide a drug- and violence-free learning environment.

''(B) The widespread illegal use of alcohol and drugs among the Nation's secondary school students, and increasingly among elementary school students, constitutes a grave threat to students' physical and mental well-being, and significantly impedes the learning process.

''(C) Drug and violence prevention programs are essential components of a comprehensive strategy to promote school safety, youth development, and positive school outcomes, and reduce the demand for and illegal use of alcohol, tobacco, and drugs throughout the Nation.

''(D) Schools, local organizations, parents, students, and communities throughout the Nation have a special responsibility to work together to combat the continuing epidemic of violence and illegal drug use, and should measure the success of programs established to address this epidemic against clearly defined goals and objectives.

''(E) Drug and violence prevention programs are most effective when implemented within a research-based, drug and violence prevention framework of proven effectiveness.

''(F) Substance abuse and violence are intricately related, and must be dealt with in a holistic manner.

''(4)(A) Technology can produce far greater opportunities to enable all students to meet high learning standards, promote efficiency and effectiveness in education, and help to immediately and dramatically reform our Nation's educational system.

''(B) Because most Federal and State educational technology programs have focused on acquiring educational technologies, rather than emphasizing the utilization of the technologies in the classroom and the training and infrastructure required efficiently to support the technologies, the full potential of educational technology has rarely been realized.

''(C) The effective use of technology in education has been inhibited by the inability of many State educational agencies and local educational agencies to invest in and support needed technologies, and to obtain sufficient resources to seek expert technical assistance in developing high-quality professional development activities for teachers and keeping pace with rapid technological advances.

''(D) To remain competitive in the global economy, which is increasingly reliant on a workforce that is comfortable with technology and able to integrate rapid technological changes into production processes, it is imperative that our Nation maintain a work-ready labor force.

''(b) POLICY.—It is the policy of the United States—

''(1) to facilitate significant innovation in elementary school and secondary school education programs;

''(2) to enrich the learning environment of students;

''(3) to provide a safe learning environment for all students;

''(4) to ensure that all students are technologically literate; and

''(5) to assist State educational agencies and local educational agencies in building the agencies' capacity to establish, implement, and sustain innovative programs for public elementary school and secondary school students.

''(c) PURPOSES.—The purposes of this title are as follows:

''(1) To provide supplementary assistance for school improvement to elementary schools, secondary schools, and local educational agencies—

''(A) that have been or are at risk of being identified for improvement, as described in subsection (c) or (d) of section 1116, to carry out activities (as described in such schools' or agencies' improvement plans developed under such section) that are designed to remedy the circumstances that caused such schools or agencies to be identified for improvement; or

''(B) to improve core content curricula and instructional practices and materials in core academic subjects (as defined in section 2002) to ensure that all students are performing at a State's proficient level of performance described in the State performance standards described in section 1111(b)(1) within 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(2) To provide assistance to local educational agencies and schools for innovative programs and activities that will transform schools into places that provide 21st century opportunities for students by—

''(A) creating challenging learning environments and facilitating academic enrichment through innovative academic programs; or

''(B) providing extra learning, time, and opportunities for students.

''(3) To provide assistance to local educational agencies, schools, and communities to strengthen existing programs or develop and implement new programs, based on proven researched-based strategies, that create safe learning environments by—

''(A) preventing violence and other high-risk behavior from occurring in and around schools; and

''(B) preventing the illegal use of alcohol, tobacco, and drugs among students.

''(4) To create New Economy Technology Schools by providing assistance to local educational agencies and schools for—

''(A) the acquisition, development, interconnection, implementation, improvement, and maintenance of an effective educational technology infrastructure;

''(B) the acquisition and maintenance of technology equipment and the provision of training in the use of such equipment for teachers, school library and media personnel, and administrators;

''(C) the acquisition or development of technology-enhanced curricula and instructional materials that are aligned with challenging State content and student performance standards; and

''(D) the acquisition or development, and implementation, of high-quality professional development activities for teachers concerning the use of technology and integration of technology with challenging State content and student performance standards.

''SEC. 6002. DEFINITIONS.

''In this title:

''(1) AUTHENTIC TASK.—The term 'authentic task' means a real world task as determined by the State involved that—

''(A) is challenging, meaningful, multidisciplinary, and interactive;

''(B) involves reasoning, problem solving, and composition; and

''(C) is not a task requiring a discrete component skill that has no obvious connection with students' activities outside of school.

''(2) POVERTY LINE.—The term 'poverty line' means the income official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act) applicable to a family of the size involved, for the most recent year for which satisfactory data are available.

''(3) SCHOOL-AGE POPULATION.—The term 'school-age population', used with respect to a State, means the population of children

that the State determines are school-age children, but at least the population aged 5 through 17, as determined on the basis of the most recent satisfactory data.

''(4) STATE.—The term 'State' means each of the several States, the District of Columbia, and the Commonwealth of Puerto Rico.

''SEC. 6003. PROGRAMS AUTHORIZED.

''(a) GRANTS AUTHORIZED.—From the amount appropriated under section 6009 for a fiscal year, the Secretary shall award a grant, from an allotment made under subsection (b), to each State educational agency having a State plan approved under section 6005(a)(4) to enable the State educational agency to award grants to local educational agencies in the State.

''(b) RESERVATIONS AND ALLOTMENTS.—

''(1) RESERVATIONS.—From the amount appropriated under section 6009 for a fiscal year, the Secretary shall reserve—

''(A) not more than ½ of 1 percent of such amount for payments to the Bureau of Indian Affairs for activities, approved by the Secretary, consistent with this title;

''(B) not more than ½ of 1 percent of such amount for payments to outlying areas, to be allotted in accordance with their respective needs for assistance under this title as determined by the Secretary, for activities, approved by the Secretary, consistent with this title; and

''(C) such sums as may be necessary to continue to support any multiyear award made under title III, title IV, part B of title V, or title X (as such titles and part were in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act) until the termination of the multiyear award.

''(2) STATE ALLOTMENTS.—

''(A) IN GENERAL.—From the amount appropriated under section 6009 for a fiscal year and remaining after the Secretary makes reservations under paragraph (1), the Secretary shall allot to each State having a State plan approved under section 6005(a)(4) the sum of—

''(i) an amount that bears the same relationship to 50 percent of the remainder as the amount the State received under part A of title I for the fiscal year bears to the amount all States received under such part for the fiscal year; and

''(ii) an amount that bears the same relationship to 50 percent of the remainder as the school-age population in the State bears to the school-age population in all States.

''(B) DATA.—For the purposes of determining the school-age population in a State and in all States, the Secretary shall use the most recent available data from the Bureau of the Census.

''(c) STATE MINIMUM.—For any fiscal year, no State shall be allotted under subsection (b)(2) an amount that is less than 0.4 percent of the total amount allotted to all States under subsection (b)(2).

''(d) HOLD-HARMLESS AMOUNTS.—For fiscal year 2002, notwithstanding subsection (e), the amount allotted to each State under subsection (b)(2) shall be not less than 100 percent of the total amount the State was allotted through formula grants under sections 3132, 4011, and 6101 (as such sections were in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act) for fiscal year 2001.

''(e) RATABLE REDUCTIONS.—If the sums made available under subsection (b)(2) for any fiscal year are insufficient to pay the full amounts that all State educational agencies are eligible to receive under subsection (c) or (d) for such year, the Secretary shall ratably reduce such amounts for such year.

''SEC. 6004. WITHIN STATE ALLOCATION.

''(a) RESERVATIONS; ALLOCATIONS.—Each State educational agency for a State receiving a grant for a fiscal year under section 6003(a) shall—

''(1) set aside not more than 1 percent of the grant funds for the cost of administering the activities under this title;

''(2) set aside not more than 4 percent of the grant funds to—

''(A) provide for the establishment of, and continued improvement on, high-quality, internationally competitive content and student performance standards that all students will be expected to meet;

''(B) provide for the establishment of, and continued improvement on, high-quality, rigorous assessments that include multiple measures and demonstrate comprehensive knowledge;

''(C) encourage and enable all State educational agencies and local educational agencies to develop, implement, and strengthen comprehensive education improvement plans that address student achievement, teacher quality, parent involvement, and reliable measurement and evaluation methods; and

''(D) encourage and enable all States to develop and implement value-added assessments, including model value-added assessments identified by the Secretary under section 7104(a)(6); and

''(3) using the remaining 95 percent of the grant funds, make grants by allocating to each local educational agency in the State having a local educational agency plan approved under section 6005(b)(3) the sum of—

''(A) an amount that bears the same relationship to 60 percent of such remainder as the amount the local educational agency received under part A of title I for the fiscal year bears to the amount all local educational agencies in the State received under such part for the fiscal year; and

''(B) an amount that bears the same relationship to 40 percent of such remainder as the school-age population in the area served by the local educational agency bears to the school-age population in the area served by all local educational agencies in the State.

''(b) MATCHING REQUIREMENT.—

''(1) IN GENERAL.—Each eligible local educational agency receiving a grant under subsection (a) shall, with respect to the costs to be incurred by the agency in carrying out the programs for which the grant was awarded, make available (directly or through donations from public or private entities) non-Federal contributions, in cash or in kind, in an amount equal to 25 percent of the Federal funds provided under the grant.

''(2) WAIVER.—A local educational agency may apply to the State educational agency for, and the State educational agency may grant, a waiver of the requirements of paragraph (1) to a local educational agency that—

''(A) applies for such a waiver; and

''(B) demonstrates that extreme circumstances make the agency unable to meet such requirements.

''SEC. 6005. PLANS.

''(a) STATE PLANS.—

''(1) IN GENERAL.—The State educational agency for each State desiring a grant under this title shall submit a State plan to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

''(2) CONSOLIDATED PLAN.—A State plan submitted under paragraph (1) may be submitted as part of a consolidated plan under section 8302.

''(3) CONTENTS.—Each plan submitted under paragraph (1) shall—

''(A) describe how the State educational agency will assist each local educational agency and school served under this title in the State to comply with the requirements described in section 6006 that are applicable to the local educational agency or school;

''(B) certify that the State has in place the standards and assessments required under section 1111;

''(C) certify that the State educational agency has a system, as required under section 1111, for—

''(i) holding each local educational agency and school in the State accountable for adequate yearly progress (as defined under section 1111(b)(2)(B));

''(ii) identifying local educational agencies and schools for improvement and corrective action (as required in subsections (c) and (d) of section 1116);

''(iii) assisting local educational agencies and schools that are identified for improvement with the development of improvement plans; and

''(iv) providing technical assistance, professional development, and other capacity building as needed to remove such agencies and schools from improvement status;

''(D) certify that the State educational agency shall use the disaggregated results of student assessments required under section 1111(b)(4), and other available measures or indicators, to review annually the progress of each local educational agency and school served under this title in the State, to determine whether or not each such agency and school is making adequate yearly progress as required under section 1111(b)(2);

''(E) certify that the State educational agency will take action against a local educational agency that is in corrective action and receiving funds under this title as described in section 6006(d)(1);

''(F) describe what, if any, State and other resources will be provided to local educational agencies and schools served under this title to carry out activities consistent with this title; and

''(G) certify that the State educational agency has a system to hold local educational agencies accountable for meeting the annual performance objectives required under subsection (b)(2)(C).

''(4) APPROVAL.—The Secretary, after using a peer review process, shall approve a State plan if the State plan meets the requirements of this subsection.

''(5) DURATION OF THE PLAN.—Each State plan shall remain in effect for the duration of the State's participation under this title.

''(6) REQUIREMENT.—The Secretary shall not approve a State plan for a State unless the State has established the standards and assessments required under section 1111.

''(b) LOCAL PLANS.—

''(1) IN GENERAL.—Each local educational agency desiring a grant under this title shall annually submit a local educational agency plan to the State educational agency at such time, in such manner, and containing such information as the State educational agency may require.

''(2) CONTENTS.—Each local educational agency shall—

''(A) describe the programs for which funds allocated under section 6004(a)(3) will be used and the reasons for the selection of such programs;

''(B) describe the methods the local educational agency will use to measure the annual impact of programs described under subparagraph (A) and the extent to which such programs will increase student academic performance;

''(C) describe the annual, quantifiable, and measurable performance goals and objectives that the local educational agency will use for each program described under subparagraph (A) and the extent to which such goals

and objectives are aligned with State content and student performance standards;

''(D) describe how the local educational agency will hold schools accountable for meeting the performance objectives for each program described under subparagraph (C);

''(E) provide an assurance that the local educational agency has met the local plan requirements described in section 1112 for—

''(i) holding schools accountable for adequate yearly progress as required under section 1111(b)(2), including meeting annual numerical goals for improving the performance of all groups of students based on the student performance standards set by the State under section 1111(b)(1)(D)(ii);

''(ii) identifying schools for school improvement or corrective action;

''(iii) fulfilling the local educational agency's school improvement responsibilities described in section 1116, including taking corrective action under section 1116(c)(10); and

''(iv) providing technical assistance, professional development, or other capacity building to schools served by the agency;

''(F) certify that the local educational agency will take action against a school that is in corrective action and receiving funds under this title as described under section 6006(d)(2);

''(G) describe what State and local resources will be contributed to carrying out programs described under subparagraph (A);

''(H) provide assurances that the local educational agency consulted, at a minimum, with parents, school board members, teachers, administrators, business partners, education organizations, and community groups to develop the local educational agency plan and select the programs to be assisted under this title; and

''(I) provide assurances that the local educational agency will continue such consultation on a regular basis and will provide the State with annual evidence of such consultation.

''(3) APPROVAL.—The State, after using a peer review process, shall approve a local educational agency plan if the plan meets the requirements of this subsection.

''(4) DURATION OF THE PLAN.—Each local educational agency plan shall remain in effect for the duration of the local educational agency's participation under this title.

''(5) PUBLIC REVIEW.—Each State educational agency shall make publicly available each local educational agency plan approved under paragraph (3).

''SEC. 6006. LOCAL USES OF FUNDS AND ACCOUNTABILITY.

''(a) ADMINISTRATIVE EXPENSES.—Each local educational agency receiving a grant award under section 6004(a)(3) may use not more than 1 percent of the grant funds for a fiscal year for the cost of administering this title.

''(b) REQUIRED ACTIVITIES.—Each local educational agency receiving a grant award under section 6004(a)(3) shall use the grant funds pursuant to this section to establish and carry out programs that are designed to achieve, separately or cumulatively, each of the goals described in the categories specified in the following paragraphs:

''(1) SCHOOL IMPROVEMENT.—Each local educational agency shall use 30 percent of the grant funds—

''(A) in the case of a school that has been identified for school improvement under section 1116(c), for activities or strategies that are described in section 1116(c) that focus on removing such school from school improvement status; or

''(B) for programs that seek to raise the academic achievement levels of all elementary school and secondary school students based on challenging State content and student performance standards and, to the greatest extent possible—

''(i) incorporate the best practices developed from research-based methods and practices;

''(ii) are aligned with challenging State content and performance standards and focused on reinforcing and boosting the core academic skills and knowledge of students who are struggling academically, as determined by State assessments under section 1111(b)(4) and local evaluations;

''(iii) focus on accelerated learning rather than remediation, so that students will master the high level of skills and knowledge needed to meet the highest State standards or to perform at high levels on all State assessments;

''(iv) offer teachers, principals, and administrators professional development and technical assistance that are aligned with the other content of such programs; and

''(v) address local needs, as determined by the local educational agency's evaluation of school and districtwide data.

''(2) 21ST CENTURY OPPORTUNITIES.—Each local educational agency shall use 25 percent of the grant funds for—

''(A) programs that provide for extra learning, time, and opportunities for students so that all students may achieve high levels of learning and perform at the State's proficient level of performance described in the State standards described in section 1111(b)(1) within 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act;

''(B) programs to improve higher order thinking skills of all students, especially disadvantaged students;

''(C) promising innovative education reform projects that are consistent with challenging State content and student performance standards; or

''(D) programs that focus on ensuring that disadvantaged students enter elementary school with the basic skills needed to meet the highest State content and student performance standards.

''(3) SAFE LEARNING ENVIRONMENTS.—Each local educational agency shall use 15 percent of the grant funds for programs that help ensure that all elementary school and secondary school students learn in a safe and supportive environment, by—

''(A) reducing drugs, violence, and other high-risk behavior in schools;

''(B) providing safe, extended-day opportunities for students;

''(C) providing professional development activities for teachers, principals, mental health professionals, and guidance counselors concerning dealing with students exhibiting distress (such as exhibiting distress through substance abuse, disruptive behavior, and suicidal behavior);

''(D) recruiting or retaining high-quality mental health professionals;

''(E) providing character education for students;

''(F) meeting other objectives that are established under State standards regarding safety or that address local community concerns; or

''(G) providing alternative educational opportunities for violent and disruptive students.

''(4) NEW ECONOMY TECHNOLOGY SCHOOLS.—

''(A) IN GENERAL.—Each local educational agency shall use 30 percent of the grant funds to establish technology programs that will transform schools into New Economy Technology Schools and, to the greatest extent possible, will—

''(i) increase student performance related to an authentic task;

''(ii) integrate the use of technology into activities that are a core part of classroom curricula and are available to all students;

''(iii) emphasize how to use technology to accomplish authentic tasks;

''(iv) provide professional development and technical assistance to teachers so that teachers may integrate technology into daily teaching activities that are directly aligned with State content and student performance standards;

''(v) enable the local educational agency annually to increase the percentage of classrooms with access to technology, particularly in schools in which not less than 50 percent of the school-age population comes from families with incomes below the poverty line; and

''(vi) allow local educational agencies to provide incentives or bonuses for teachers who have met the National Education Technology Standards, as developed by the Department of Education and the International Society for Technology in Education, or have obtained an information technology certification that is directly related to the curricula or the academic subjects that the teachers teach.

''(B) LIMITATION.—Each local educational agency shall use a portion equal to not more than 50 percent of the grant funds described in subparagraph (A) to purchase, upgrade, or retrofit computer hardware in schools. In distributing funds from that portion, the agency shall give priority to schools in which not less than 50 percent of the school-age population comes from families with incomes below the poverty line.

''(c) TRANSFER OF FUNDS.—Notwithstanding subsection (b)—

''(1) a local educational agency that meets adequate yearly progress requirements for student performance, as established by the State educational agency under section 1111(b)(2)(B), may allocate, at the local educational agency's discretion, not more than 30 percent of the grant funds received under section 6004(a)(3) among the 4 categories described in paragraphs (1) through (4) of subsection (b);

''(2) a local educational agency that exceeds the adequate yearly progress requirements described in paragraph (1) by a significant amount, as determined by the State educational agency, may allocate, at the local educational agency's discretion, not more than 50 percent of the grant funds received under section 6004(a)(3) among the 4 categories; and

''(3) a local educational agency that is identified for improvement, as described in section 1116(d), may apply not more than 25 percent of the grant funds in the categories described in paragraphs (2), (3), and (4) of subsection (b) to carry out school improvement activities described in subsection (b)(1).

''(d) LIMITATIONS FOR SCHOOLS AND LOCAL EDUCATIONAL AGENCIES IN CORRECTIVE ACTION.—

''(1) LOCAL EDUCATIONAL AGENCIES IN CORRECTIVE ACTION.—If a local educational agency is identified for corrective action under section 1116(d), the State educational agency shall—

''(A) notwithstanding any other provision of law, specify how the local educational agency shall spend the grant funds in order to focus the local educational agency on the activities that will be the most effective in raising student performance levels; and

''(B) implement corrective action in accordance with the provisions for corrective action described in section 1116(d)(12).

''(2) SCHOOLS IN CORRECTIVE ACTION.—If a school is identified for corrective action under section 1116(c), the local educational agency shall—

''(A) specify how the school shall spend grant funds received under this section in order to focus the school on the activities that will be the most effective in raising student performance levels; and

''(B) implement corrective action in accordance with the provisions for corrective action described in section 1116(c)(10).

''(3) DURATION.—Limitations imposed under paragraphs (1) and (2) on a school or local educational agency in corrective action status shall remain in effect until such time as the school or local educational agency has made sufficient improvement, as determined by the State educational agency, and is removed from corrective action status.

''SEC. 6007. STATE AND LOCAL RESPONSIBILITIES.

''(a) DATA REVIEW.—

''(1) STATE AND LOCAL REVIEW.—A State educational agency shall jointly review with a local educational agency described in section 6006(d)(1) the local educational agency's data gathered from student assessments and other measures required under section 1111(b)(4), in order to determine pursuant to section 6006(d)(1)(A) how the local educational agency shall spend the grant funds in order to substantially increase student performance levels.

''(2) SCHOOL AND LOCAL REVIEW.—A local educational agency shall jointly review with a school described in section 6006(d)(2) the school's data gathered from student assessments and other measures required under section 1111(b)(4), in order to determine pursuant to section 6006(d)(2) how the school shall spend grant funds in order to substantially increase student performance levels.

''(b) TECHNICAL ASSISTANCE.—

''(1) STATE ASSISTANCE.—

''(A) IN GENERAL.—A State educational agency shall provide, upon request by a local educational agency receiving grant funds under this title, technical assistance to the local educational agency and schools served by the local educational agency, including assistance in analyzing student performance and the impact of programs assisted under this title, and identifying the best instructional strategies and methods for carrying out such programs.

''(B) PROVISION.—State technical assistance may be provided by—

''(i) the State educational agency; or

''(ii) with the local educational agency's approval, an institution of higher education, a private not-for-profit or for-profit organization, an educational service agency, the recipient of a Federal contract or participant in a cooperative agreement as described in section 7104(a)(3), a nontraditional entity such as a corporation or consulting firm, or any other entity with experience in the program area for which the assistance is being sought.

''(2) LOCAL ASSISTANCE.—

''(A) IN GENERAL.—A local educational agency shall provide, upon request by an elementary school or secondary school served by the agency and receiving grant funds under this title, technical assistance to such school, including assistance in analyzing student performance and the impact of programs assisted under this title, and identifying the best instructional strategies and methods for carrying out such programs.

''(B) PROVISION.—Local technical assistance may be provided by—

''(i) the State educational agency or local educational agency; or

''(ii) with the school's approval, an institution of higher education, a private not-for-profit or for-profit organization, an educational service agency, the recipient of a Federal contract or participant in a cooperative agreement as described in section 7104(a)(3), a nontraditional entity such as a corporation or consulting firm, or any other entity with experience in the program area for which the assistance is being sought.

''SEC. 6008. LOCAL REPORTS.

''Each local educational agency receiving funds under this title to carry out programs shall annually publish and disseminate to the public in a format and, to the extent practicable, in a language that parents can understand, a report on—

''(1) information describing the use of funds in the 4 categories described in section 6006(b);

''(2) the impact of such programs and an assessment of such programs' effectiveness; and

''(3) the local educational agency's progress toward attaining the goals and objectives described in the plan described in section 6005(b), and the extent to which programs assisted under this title have increased student achievement.

''SEC. 6009. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated to carry out this title $3,500,000,000 for fiscal year 2002, and such sums as may be necessary for each of the 4 succeeding fiscal years.''.

TITLE VII—ACCOUNTABILITY

SEC. 701. ACCOUNTABILITY.

Title VII (20 U.S.C. 7401 et seq.) is amended to read as follows:

''TITLE VII—ACCOUNTABILITY

''PART A—SANCTIONS AND REWARDS

''SEC. 7101. SANCTIONS.

''(a) THIRD FISCAL YEAR.—If a State receiving grant funds under a covered provision has not met the performance objectives established under the covered provision by the end of the third fiscal year for which the State receives such grant funds, the Secretary shall reduce by 50 percent the amount the State receives for administrative expenses under such provision.

''(b) FOURTH FISCAL YEAR.—If the State fails to meet the performance objectives established under the covered provision by the end of the fourth fiscal year for which the State receives such grant funds, the Secretary shall reduce the total amount the State receives under title VI by 30 percent.

''(c) DURATION.—If the Secretary determines, under subsection (a) or (b), that a State failed to meet the performance objectives established under a covered provision for a third or fourth fiscal year, the Secretary shall reduce grant funds in accordance with subsection (a) or (b) for the State for each subsequent fiscal year until the State demonstrates that the State met the performance objectives for the fiscal year preceding the demonstration.

''(d) TECHNICAL ASSISTANCE.—The Secretary shall provide technical assistance, if sought, to a State subjected to sanctions under subsection (a) or (b).

''(e) LOCAL SANCTIONS.—

''(1) IN GENERAL.—Each State receiving assistance under part A of title I, part A of title II, part A of title III, or title VI shall develop a system to hold local educational agencies accountable for meeting—

''(A) the performance objectives established under part A of title II, part A of title III, and title VI; and

''(B) the adequate yearly progress requirements established under part A of title I, and required under part A of title III and title VI.

''(2) SANCTIONS.—A system developed under paragraph (1) shall include a mechanism for sanctioning local educational agencies for failure to meet such performance objectives and adequate yearly progress levels.

''(f) DEFINITIONS.—In this section:

''(1) COVERED PROVISION.—The term 'covered provision' means part A of title I, part A of title II, part A of title III, and title VI.

''(2) PERFORMANCE OBJECTIVES.—The term 'performance objectives' means, used with respect to—

''(A) part A of title I, the adequate yearly progress levels established under subsections (b)(2)(A)(iii) and (b)(2)(B) of section 1111;

''(B) part A of title II, the set of performance objectives established under section 2104;

''(C) part A of title III, the set of performance objectives established under section 3109; and

''(D) title VI, the set of performance objectives set by each local educational agency under section 6005(b)(2)(C).

''SEC. 7102. REWARDING HIGH PERFORMANCE.

''(a) STATE REWARDS.—

''(1) IN GENERAL.—From amounts appropriated under subsection (d), and from amounts made available as a result of reductions under section 7101, the Secretary shall make awards to States that—

''(A) for 3 consecutive years have—

''(i) exceeded the States' performance objectives established for any title under this Act;

''(ii) exceeded the adequate yearly progress levels established under section 1111(b)(2);

''(iii) significantly narrowed the gaps between minority and nonminority students, and between economically disadvantaged and noneconomically disadvantaged students;

''(iv) raised all students enrolled in the States' public elementary schools and secondary schools to the State's proficient level of performance described in the State standards described in section 1111(b)(4) earlier than 10 years after the date of enactment of the Public Education Reinvention, Reinvestment, and Responsibility Act; or

''(v) significantly increased the percentage of classes in core academic subjects being taught by fully qualified teachers in schools receiving funds under part A of title I; or

''(B) not later than December 31, 2004, ensure that all teachers teaching in the States' public elementary schools and secondary schools are fully qualified.

''(2) STATE USE OF FUNDS.—

''(A) DEMONSTRATION SITES.—Each State receiving an award under paragraph (1) shall use a portion of the award that is not distributed under subsection (b) to establish demonstration sites with respect to high-performing schools (based on performance objectives or adequate yearly progress) in order to help low-performing schools.

''(B) IMPROVEMENT OF PERFORMANCE.—Each State receiving an award under paragraph (1) shall use the portion of the award that is not used pursuant to subparagraph (A) or (C) and is not distributed under subsection (b) for the purpose of improving the level of performance of all elementary school and secondary school students in the State, based on State content and performance standards.

''(C) RESERVATION FOR ADMINISTRATIVE EXPENSES.—Each State receiving an award under paragraph (1) may set aside not more than ½ of 1 percent of the award for the planning and administrative costs of carrying out this section, including the costs of distributing awards to local educational agencies.

''(b) LOCAL EDUCATIONAL AGENCY AWARDS.—

''(1) IN GENERAL.—Each State receiving an award under subsection (a)(1) shall distribute 80 percent of the award funds by making awards to local educational agencies in the State that—

''(A) for 3 consecutive years have—

''(i) exceeded the State-established local educational agency performance objectives established for any title under this Act;

''(ii) exceeded the adequate yearly progress levels established under section 1111(b)(2);

''(iii) significantly narrowed the gaps between minority and nonminority students, and between economically disadvantaged and noneconomically disadvantaged students;

''(iv) raised all students enrolled in schools served by the local educational agency to the State's proficient level of performance described in the State standards described in section 1111(b)(1) earlier than 10 years after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act; or

''(v) significantly increased the percentage of classes in core academic subjects being taught by fully qualified teachers in schools receiving funds under part A of title I;

''(B) not later than December 31, 2004, ensure that all teachers teaching in the elementary schools and secondary schools served by the local educational agencies are fully qualified; or

''(C) have attained consistently high achievement in another area that the State determines is appropriate to reward.

''(2) SCHOOL AWARDS.—A local educational agency shall use funds made available under paragraph (1) for activities described in subsection (c).

''(3) RESERVATION FOR ADMINISTRATIVE EXPENSES.—Each local educational agency receiving an award under paragraph (1) may set aside not more than ½ of 1 percent of the award for the planning and administrative costs of carrying out this section, including the costs of distributing awards to eligible elementary schools and secondary schools, teachers, and principals.

''(c) SCHOOL AWARDS.—Each local educational agency receiving an award under subsection (b) shall consult with teachers and principals to develop a reward system, and shall use the award funds for 1 or more activities—

''(1) to reward individual schools that demonstrate high performance with respect to—

''(A) increasing the academic achievement of all students;

''(B) narrowing the academic achievement gap described in section 1111(b)(2)(B)(vii);

''(C) improving teacher quality;

''(D) increasing high-quality professional development for teachers, principals, and administrators; or

''(E) improving the English proficiency of limited English proficient students;

''(2) to reward collaborative teams of teachers, or teams of teachers and principals, that—

''(A) significantly improve the annual performance of low-performing students; or

''(B) significantly improve in a fiscal year the English proficiency of limited English proficient students;

''(3) to reward principals who successfully raise the performance of a substantial number of low-performing students to high academic levels;

''(4) to develop or implement school districtwide programs or policies to improve the level of student performance on State assessments that are aligned with State content standards; or

''(5) to reward schools for consistently high achievement in another area that the local educational agency determines is appropriate to reward.

''(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $200,000,000 for fiscal year 2002, and such sums as may be necessary for each of the 4 succeeding fiscal years.

''(e) DEFINITION.—In this section:

''(1) CORE ACADEMIC SUBJECT.—The term 'core academic subject' has the meaning given the term in section 2002.

''(2) LOW-PERFORMING STUDENT.—In this section, the term 'low-performing student' means a student who performs below a State's basic level of performance described in the State standards described in section 1111(b)(1).

''SEC. 7103. SUPPLEMENT NOT SUPPLANT.

''Funds appropriated pursuant to the authority of this title shall be used to supplement and not supplant other Federal, State, and local public funds expended to provide activities described in section 7102.

''SEC. 7104. SECRETARY'S ACTIVITIES.

''(a) IN GENERAL.—Notwithstanding any other provision of this Act, from amounts appropriated under subsection (d) and not reserved under subsection (b), the Secretary may—

''(1) support activities of the National Board for Professional Teaching Standards;

''(2) study and disseminate information regarding model programs assisted under this Act;

''(3) provide training and technical assistance to States, local educational agencies, elementary schools and secondary schools, Indian tribes, and other recipients of grant funds under this Act that are carrying out activities assisted under this Act, including entering into contracts or cooperative agreements with public or private nonprofit entities or consortia of such entities, in order to provide comprehensive training and technical assistance related to the administration and implementation of activities assisted under this Act;

''(4) support activities that will promote systemic education reform at the State and local levels;

''(5) award grants or contracts to public or private nonprofit entities to enable the entities—

''(A) to develop and disseminate information on exemplary educational practices relating to reading, writing, mathematics, science, and other academic subjects, and technology, and instructional materials and professional development concerning the academic subjects, for States, local educational agencies, and elementary schools and secondary schools; and

''(B) to provide technical assistance concerning the implementation of teaching methods and assessment tools for use by elementary school and secondary school students, teachers, and administrators;

''(6) disseminate information on models of value-added assessments;

''(7) award a grant or contract to a public or private nonprofit entity or consortium of such entities for the development and dissemination of information on exemplary programs and curricula for accelerated and advanced learning for all students, including gifted and talented students;

''(8) award a grant or contract to Reading Is Fundamental, Inc. and other public or private nonprofit entities to support and promote programs that include the distribution of inexpensive books to students and the provision of literacy activities that motivate students to read; and

''(9) provide assistance to States—

''(A) by assisting in the development of English language development standards and high-quality assessments, if requested by a State participating in activities under part A of title III; and

''(B) by developing native language tests for limited English proficient students that a State may administer to such students to assess student performance in at least reading, science, and mathematics, consistent with section 1111.

''(b) RESERVATION.—From the amounts appropriated under subsection (d), the Secretary shall reserve $10,000,000 for the purposes of carrying out activities under section 1202(c).

''(c) SPECIAL RULE FOR SECRETARY AWARDS.—

''(1) IN GENERAL.—Notwithstanding any other provision of this Act, a recipient of funds under this Act for a program that are provided through a direct grant made by the Secretary, or a contract or cooperative agreement entered into directly with the Secretary, shall include information on the following in any application or plan required under such program:

''(A) How funds provided under the program have been used and will be used and how such use has increased and will increase student academic achievement.

''(B) The goals and objectives that have been met and that will be met through the program, including goals for dissemination and use of any information or materials produced.

''(C) How the recipient has tracked and reported annually, and will track and report annually, to the Secretary information on—

''(i) the successful dissemination of any information or materials produced under the program;

''(ii) where the information or materials produced are being used; and

''(iii) the impact of such use and, if applicable, the extent to which such use increases student academic achievement.

''(2) REQUIREMENT.—If no application or plan is required under a program described in paragraph (1), the Secretary shall require the recipient to submit a plan containing the information required under paragraph (1).

''(3) FAILURE TO ACHIEVE GOALS AND OBJECTIVES.—

''(A) IN GENERAL.—The Secretary shall evaluate the information submitted under this subsection to determine whether the recipient has met the goals and objectives described in paragraph (1)(B), assess the magnitude of the dissemination, and assess the effectiveness of the activity funded in raising student academic achievement in places where information or materials produced with such funds are used.

''(B) INELIGIBILITY.—The Secretary shall consider the recipient ineligible for grants, contracts, or cooperative agreements described in paragraph (1) if—

''(i) the goals and objectives described in paragraph (1)(B) have not been met;

''(ii) the dissemination has not been of a magnitude to ensure that national goals are being addressed; or

''(iii) the information or materials produced have not made a significant impact on raising student achievement in places where such information or materials are used.

''(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $150,000,000 for fiscal year 2002, and such sums as may be necessary for each of the 4 succeeding fiscal years.

''PART B—AMERICA'S EDUCATION GOALS PANEL

''SEC. 7201. AMERICA'S EDUCATION GOALS PANEL.

''(a) PURPOSE.—The purpose of this section is to establish a bipartisan mechanism for—

''(1) building a national consensus for education improvement; and

''(2) reporting on progress toward achieving America's Education Goals.

''(b) AMERICA'S EDUCATION GOALS PANEL.—

''(1) ESTABLISHMENT.—There is established in the executive branch an America's Education Goals Panel (referred to in this part as the 'Goals Panel') to advise the President, the Secretary, and Congress.

''(2) COMPOSITION.—The Goals Panel shall be composed of 18 members (referred to individually in this section as a 'member'), including—

''(A) 2 members appointed by the President;

''(B) 8 members who are Governors, 3 of whom shall be from the same political party as the President and 5 of whom shall be from the opposite political party from the President, appointed by the Chairperson and Vice Chairperson of the National Governors' Association, with the Chairperson and Vice Chairperson each appointing representatives of such Chairperson's and Vice Chairperson's respective political parties, in consultation with each other;

''(C) 4 Members of Congress, of whom—

''(i) 1 member shall be appointed by the Majority Leader of the Senate from among the Members of the Senate;

''(ii) 1 member shall be appointed by the Minority Leader of the Senate from among the Members of the Senate;

''(iii) 1 member shall be appointed by the Majority Leader of the House of Representatives from among the Members of the House of Representatives; and

''(iv) 1 member shall be appointed by the Minority Leader of the House of Representatives from among the Members of the House of Representatives; and

''(D) 4 members of State legislatures appointed by the President of the National Conference of State Legislatures, of whom 2 shall be from the same political party as the President of the United States.

''(3) SPECIAL APPOINTMENT RULES.—

''(A) IN GENERAL.—The members appointed pursuant to paragraph (2)(B) shall be appointed as follows:

''(i) SAME PARTY.—If the Chairperson of the National Governors' Association is from the same political party as the President, the Chairperson shall appoint 3 individuals and the Vice Chairperson of such association shall appoint 5 individuals.

''(ii) OPPOSITE PARTY.—If the Chairperson of the National Governors' Association is from the opposite political party from the President, the Chairperson shall appoint 5 individuals and the Vice Chairperson of such association shall appoint 3 individuals.

''(B) SPECIAL RULE.—If the National Governors' Association has appointed a panel that meets the requirements of paragraph (2) and subparagraph (A) (except for the requirements of paragraph (2)(D)), prior to the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act, the members serving on such panel shall be deemed to be in compliance with the provisions of such paragraph (2) and subparagraph (A) and shall not be required to be reappointed pursuant to such paragraph (2) and subparagraph (A).

''(C) REPRESENTATION.—To the extent feasible, the membership of the Goals Panel shall be geographically representative and reflect the racial, ethnic, and gender diversity of the United States.

''(4) TERMS.—The terms of service of members shall be as follows:

''(A) PRESIDENTIAL APPOINTEES.—Members appointed under paragraph (2)(A) shall serve at the pleasure of the President.

''(B) GOVERNORS.—Members appointed under paragraph (2)(B) (or (3)(B)) shall serve for 2-year terms, except that the initial appointments under such paragraph shall be made to ensure staggered terms.

''(C) CONGRESSIONAL APPOINTEES AND STATE LEGISLATORS.—Members appointed under subparagraphs (C) and (D) of paragraph (2) shall serve for 2-year terms.

''(5) DATE OF APPOINTMENT.—The initial members shall be appointed not later than 60 days after the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(6) INITIATION.—The Goals Panel may begin to carry out the Goals Panel's duties under this section when 10 members of the Goals Panel have been appointed.

''(7) VACANCIES.—A vacancy on the Goals Panel shall not affect the powers of the Goals Panel, but shall be filled in the same manner as the original appointment.

''(8) TRAVEL.—The members shall not receive compensation for the performance of services for the Goals Panel, but each member may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for each day the member is engaged in the performance of duties for the Goals Panel away from the home or regular place of business of the member. Notwithstanding section 1342 of title 31, United States Code, the President may accept the voluntary and uncompensated services of members.

''(9) CHAIRPERSON.—

''(A) IN GENERAL.—The members shall select a Chairperson from among the members.

''(B) TERM AND POLITICAL AFFILIATION.—The Chairperson of the Goals Panel shall serve a 1-year term. No 2 consecutive Chairpersons shall be from the same political party.

''(10) CONFLICT OF INTEREST.—A member of the Goals Panel who is an elected official of a State that has developed content or student performance standards may not participate in Goals Panel consideration of such standards.

''(11) EX OFFICIO MEMBER.—If the President has not appointed the Secretary as 1 of the 2 members the President appoints pursuant to paragraph (2)(A), the Secretary shall serve as a nonvoting ex officio member of the Goals Panel.

''(c) DUTIES.—

''(1) IN GENERAL.—The Goals Panel shall—

''(A) report to the President, the Secretary, and Congress regarding the progress the Nation and the States are making toward achieving America's Education Goals, including issuing an annual report;

''(B) report on, and widely disseminate through multiple strategies information pertaining to, promising or effective actions being taken at the Federal, State, and local levels, and in the public and private sectors, to achieve America's Education Goals;

''(C) report on, and widely disseminate information on promising or effective practices pertaining to, the achievement of each of the 8 America's Education Goals; and

''(D) help build a bipartisan consensus for the reforms necessary to achieve America's Education Goals.

''(2) REPORT.—

''(A) IN GENERAL.—The Goals Panel shall annually prepare and submit to the President, the Secretary, the appropriate committees of Congress, and the Governor of each State a report that shall—

''(i) assess the progress of the United States toward achieving America's Education Goals; and

''(ii) identify actions that should be taken by Federal, State, and local governments.

''(B) FORM; DATA.—The reports shall be presented in a form, and include data, that is understandable to parents and the general public.

''(3) EARLY CHILDHOOD ASSESSMENT.—The Goals Panel shall carry out the activities described in section 207 of the Goals 2000: Educate America Act, as in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(d) POWERS.—The Goals Panel shall have the powers described in section 204 of the Goals 2000: Educate America Act, as in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(e) ADMINISTRATION.—The Goals Panel shall comply with the administrative requirements described in section 205 of the Goals 2000: Educate America Act, as in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(f) PERSONNEL.—The Goals Panel shall have the authority relating to a director, employees, experts and consultants, and detailees described in section 206 of the Goals 2000: Educate America Act, as in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.

''(g) DEFINITION.—In this section, the term 'America's Education Goals' means the National Education Goals established under section 102 of the Goals 2000: Educate America Act, as in effect on the day before the date of enactment of the Public Education Reinvestment, Reinvention, and Responsibility Act.''.

TITLE VIII—GENERAL PROVISIONS AND REPEALS

SEC. 801. REPEALS, TRANSFERS, AND REDESIGNATIONS REGARDING TITLE XIV.

(a) IN GENERAL.—The Act (20 U.S.C. 6301 et seq.) is amended—

(1) by inserting after title VII the following:

''TITLE VIII—GENERAL PROVISIONS'';

(2) by repealing sections 14514 and 14603 (20 U.S.C. 8904, 8923);

(3)(A) by transferring title XIV (20 U.S.C. 8801 et seq.) to title VIII and inserting such title after the title heading for title VIII; and

(B) by striking the title heading for title XIV;

(4)(A) by redesignating part H of title VIII (as redesignated by paragraph (3)) as part I of title VIII; and

(B) by redesignating the references to such part H of title VIII as references to part I of title VIII;

(5) by inserting after part G of title VIII the following:

''PART H—SUPPLEMENT, NOT SUPPLANT

''SEC. 8801. SUPPLEMENT, NOT SUPPLANT.

''Funds appropriated pursuant to the authority of this Act shall be used to supplement and not supplant State and local public funds expended to provide activities described in this Act.'';

(6) by redesignating the references to title XIV as references to title VIII;

(7)(A) by redesignating sections 14101 through 14103 (20 U.S.C. 8801, 8803) (as transferred by paragraph (3)) as sections 8101 through 8103, respectively; and

(B) by redesignating the references to such sections 14101 through 14103 as references to sections 8101 through 8103, respectively;

(8)(A) by redesignating sections 14201 through 14206 (20 U.S.C. 8821, 8826) (as transferred by paragraph (3)) as sections 8201 through 8206, respectively; and

(B) by redesignating the references to such sections 14201 through 14206 as references to sections 8201 through 8206, respectively;

(9)(A) by redesignating sections 14301 through 14307 (20 U.S.C. 8851, 8857) (as transferred by paragraph (3)) as sections 8301 through 8307, respectively; and

(B) by redesignating the references to such sections 14301 through 14307 as references to sections 8301 through 8307, respectively;

(10)(A) by redesignating section 14401 (20 U.S.C. 8881) (as transferred by paragraph (3)) as section 8401; and

(B) by redesignating the references to such section 14401 as references to section 8401;

(11)(A) by redesignating sections 14501 through 14513 (20 U.S.C. 8891, 8903) (as transferred by paragraph (3)) as sections 8501 through 8513, respectively; and

(B) by redesignating the references to such sections 14501 through 14513 as references to sections 8501 through 8513, respectively;

(12)(A) by redesignating sections 14601 and 14602 (20 U.S.C. 8921, 8922) (as transferred by paragraph (3)) as sections 8601 and 8602, respectively; and

(B) by redesignating the references to such sections 14601 and 14602 as references to sections 8601 and 8602, respectively;

(13)(A) by redesignating section 14701 (20 U.S.C. 8941) (as transferred by paragraph (3)) as section 8701; and

(B) by redesignating the references to such section 14701 as references to section 8701; and

(14)(A) by redesignating sections 14801 and 14802 (20 U.S.C. 8961, 8962) (as transferred by paragraph (3)) as sections 8901 and 8902, respectively; and

(B) by redesignating the references to such sections 14801 and 14802 as references to sections 8901 and 8902, respectively.

(b) AMENDMENTS.—Title VIII (as so transferred and redesignated) is amended—

(1) in section 8101(10) (as redesignated by subsection (a)(7))—

(A) by striking subparagraphs (C) through (F); and

(B) by adding after subparagraph (B) the following:

''(C) part A of title II;

''(D) part A of title III; and

''(E) title IV.'';

(2) in section 8102 (as redesignated by subsection (a)(7)), by striking ''VIII'' and inserting ''V'';

(3) in section 8201 (as redesignated by subsection (a)(8))—

(A) in subsection (a)(2), by striking '', and administrative funds under section 308(c) of the Goals 2000: Educate America Act''; and

(B) by striking subsection (f);

(4) in section 8203(b) (as redesignated by subsection (a)(8)), by striking ''Improving America's Schools Act of 1994'' and inserting ''Public Education Reinvestment, Reinvention, and Responsibility Act'';

(5) in section 8204 (as redesignated by subsection (a)(8))—

(A) by striking subsection (b); and

(B) in subsection (a)—

(i) in paragraph (2)—

(I) in the matter preceding subparagraph (A), by striking ''1995'' and inserting ''2002''; and

(II) in subparagraph (B), by inserting ''professional development,'' after ''curriculum development,''; and

(ii) in paragraph (4)—

(I) by striking ''and section 410(b) of the Improving America's Schools Act of 1994'';

(II) by striking ''paragraph (2)'' and inserting ''subsection (a)(2)'';

(III) by striking the following:

''(4) RESULTS.—'' and inserting the following:

''(b) RESULTS.—'';

(IV) by striking the following:

''(A) develop'' and inserting the following:

''(1) develop''; and

(V) by striking the following:

''(B) within'' and inserting the following:

''(2) within'';

(6) in section 8205(a)(1) (as redesignated by subsection (a)(8)), by striking ''part A of title IX'' and inserting ''subpart 1 of part C of title III'';

(7) in section 8206 (as redesignated by subsection (a)(8))—

(A) by striking ''(a) UNNEEDED PROGRAM FUNDS.—''; and

(B) by striking subsection (b);

(8) in section 8302(a)(2) (as redesignated by subsection (a)(9))—

(A) by striking subparagraph (C); and

(B) by redesignating subparagraphs (D) and (E) as subparagraphs (C) and (D), respectively;

(9) in section 8304(b) (as redesignated by subsection (a)(9)), by striking ''Improving America's Schools Act of 1994'' and inserting ''Public Education Reinvestment, Reinvention, and Responsibility Act'';

(10) in section 8401 (as redesignated by subsection (a)(10))—

(A) in subsection (a), by striking ''Except as provided in subsection (c),'' and inserting ''Except as provided in subsection (c), and notwithstanding any other provision regarding waivers in this Act,''; and

(B) in subsection (c)(8), by striking ''part C of title X'' and inserting ''part B of title IV'';

(11) in section 8502 (as redesignated by subsection (a)(11)), by striking ''VIII'' and inserting ''V'';

(12) in section 8503(b)(1) (as redesignated by subsection (a)(11))—

(A) by striking subparagraphs (B) through (E); and

(B) by adding at the end the following:

''(B) part A of title II, relating to professional development;

''(C) title III; and

''(D) title VI.'';

(13) in section 8506(d) (as redesignated by subsection (a)(11)), by striking ''Improving America's Schools Act of 1994'' and inserting ''Public Education Reinvestment, Reinvention, and Responsibility Act'';

(14) in section 8513 (as redesignated by subsection (a)(11)), by striking ''Improving America's Schools Act of 1994'' each place it appears and inserting ''Public Education Reinvestment, Reinvention, and Responsibility Act'';

(15) in section 8601 (as redesignated by subsection (a)(12))—

(A) in subsection (b)(3)—

(i) in subparagraph (A), by striking ''Improving America's Schools Act of 1994'' and inserting ''Public Education Reinvestment, Reinvention, and Responsibility Act''; and

(ii) in subparagraph (B), by striking ''Improving America's Schools Act'' and inserting ''Public Education Reinvestment, Reinvention, and Responsibility Act''; and

(B) in subsection (f), by striking ''Improving America's Schools Act of 1994'' and inserting ''Public Education Reinvestment, Reinvention, and Responsibility Act''; and

(16) in section 8701(b) (as redesignated by subsection (a)(13))—

(A) in paragraph (1)—

(i) in subparagraph (B)—

(I) in clause (i), by striking ''Improving America's Schools Act of 1994'' and inserting ''Public Education Reinvestment, Reinvention, and Responsibility Act'';

(II) in clause (ii), by striking ''such as initiatives under the Goals 2000: Educate America Act, and'' and inserting ''under''; and

(III) in clause (ii), by striking ''such Acts'' and inserting ''such Act''; and

(ii) in subparagraph (C)(ii), by striking ''the School-to-Work Opportunities Act of 1994, and the Goals 2000: Educate America Act,'' and inserting ''and the School-to-Work Opportunities Act of 1994''; and

(B) in paragraph (3), by striking ''1998'' and inserting ''2005''.

SEC. 802. OTHER REPEALS.

Titles X, XI, XII, and XIII (20 U.S.C. 8001 et seq., 8401 et seq., 8501 et seq., 8601 et seq.) and the Goals 2000: Educate America Act (20 U.S.C. 5801 et seq.) are repealed.

Mr. BAYH Mr. President, I am pleased to join with my colleagues Senators LIEBERMAN, LANDRIEU, KOHL, LINCOLN, BREAUX, GRAHAM, FEINSTEIN, CARPER, KERRY, and NELSON in offering the Public Education Reinvestment, Reinvention, and Responsibility Act. It is my hope that our proposal will allow Congress to break the gridlock of the recent past and pursue a two-track strategy in this Congress, working together for the benefit of the American people when we agree, while continuing to disagree on other matters over which consensus cannot be formed.

We introduce our version of the Elementary and Secondary Education Act today in recognition of the fact that for too many millions of American children the promise of a quality public education is a hollow dream. We stand here today in recognition of the fact that the solutions of the 1960s are inadequate to meet the challenges of the 21st Century and the years beyond. We stand here today to say the status quo is not good enough; that we must do better. Congress has an historic opportunity and responsibility to enact the most sweeping education reform since the 1960s to ensure that no child is left behind. The consequences of any of our children not receiving a quality education are far greater than ever before. For the first time in our nation's history, the growing gap between the educational ''haves'' and ''have nots'' threatens to create a permanent underclass. If we do not address these shortcomings, the knowledge and information gap will lock many of our citizens out of the marketplace and prevent them from accessing opportunity in the New Economy.

Our proposal breaks with the sterile orthodoxy of the past, in which too often the left said just spending more money was the answer to the problems facing our schools, and the right said the public schools could not be fixed and, therefore, should be abandoned. Instead, we propose a consensus, a synthesis of ideas reflecting the best of both the right and the left to improve the quality of public education across our country. We propose a substantial increase in our nation's investment in education, because we recognize that we can't expect our schools, particularly our poorer schools, to get the job done if we don't give them the tools to get the job done. We propose an increase of $35 billion over five years in Federal education spending. But we do more than just throw money at the problem, because we know that taxpayers, parents, and most of all our children, have a right to expect more from us. Instead, we focus on accountability. In return for increased investment, we insist upon results. We focus on outcomes, not inputs. No longer will we define success only in terms of how much money is spent, but instead of how much our children learn. Can they read and write, add and subtract, know basic science? No longer will we define accountability in terms of ordering local school districts to spend dollars in particular ways, but instead in terms of whether our children are getting the skills they need to make a successful life for themselves. This is a significant rethinking from the ideas

that have prevailed here in Washington for several decades.

Our proposal also provides a substantial amount of flexibility. We don't agree with the block grants our colleagues on the far right advocate for which would allow money to be diverted from public education or to allow dollars to be diverted from focusing on our poorest students. But we do allow for local principals and superintendents to have a much greater say in determining how best to spend those dollars, because we believe that those at the local level who labor in the classrooms and the schools every day, can make those decisions far better than those of us who now work on the banks of the Potomac.

Finally, our proposal harnesses market forces and embeds them in the public education system to encourage innovation, improvement, and increased accountability without abandoning the public schools and those children who would not do well in a market-based system by going down the path of vouchers. Instead, we support the expansion of public school choice, magnet schools, and charter schools. We believe in the enduring American principle of a quality public education for all of our nation's children—not just the lucky few under a market based system.

It was Thomas Jefferson who said that a society that expects to be both ignorant and free is expecting something that never has been and never shall be. So we put forward this proposal because we know that the cause of improving public education is critically important to our economy, critically important to the kind of society that we will be, and essential to the vibrancy of our democracy itself.

Mr. KOHL. Mr. President, I am proud to again be an original cosponsor of The Public Education Reinvestment, Reinvention, and Responsibility Act of 2000—better known as ''Three R's.'' I have been pleased to work with the education community in Wisconsin, as well as Senators LIEBERMAN, BAYH, and our other cosponsors, on this important piece of legislation.

Perhaps this year, the three ''R's'' should stand for: ''right, right, and right.'' It is the right time to keep promises we all made during the election to make bipartisan education reform our first order of business. It is the right policy to give schools more flexibility but ask for more accountability. And it is the right thing to do to make our students a number one federal priority.

We have come a long way since we started this effort more than a year ago. Unfortunately, in the 106th Congress, we were unable to rise above the usual partisan sniping and have a serious education debate. But last year's fighting has given way to this year's opportunity to do what's right by our children. If we learned anything from the last election, it is that the American people want real education reform—and they want to see results.

None of us would deny that we have made great strides in recent years toward a better public education system. Nearly all States now have academic standards in place. More students are taking more challenging courses. Test scores have risen slightly. Dropout rates have decreased.

In Wisconsin, educators have worked hard to help students achieve. Students are showing continued improvement on State tests in nearly every subject, particularly in science and math and across all groups, including African Americans, the disabled, and the economically disadvantaged.

But despite our best efforts, our public schools still face huge challenges. Too many students do not have the skills they need to compete in the 21st century economy. And the achievement gap between poor and more affluent students remains alarmingly wide.

Mr. President, in the past some have called for reducing or eliminating the Federal role in education. I think that would be a mistake. As a nation, it is in all of our best interests to make sure our children receive the best education possible. It is vital to their future success, and to the success of our country.

But addressing problems in education is going to take more than cosmetic reform. We risk our children's future by defending the tired programs of the past. We need to let go of the partisan bickering and focus on what the American people are focused on: Results.

Results are what the 3 R's bill is about. We make raising student achievement for all students—and eliminating the achievement gap between low-income and more affluent students—our top priorities. To accomplish this, our bill centers around three principles.

First, we believe that we must make a strong investment in education, and we need to target those funds to the neediest schools and students. Since Federal funds make up only 7 percent of all money spent on education, it is essential that we target those funds where they are needed the most.

Second, we believe that States and local school districts are in the best position to know what their educational needs are. The 3 R's give educators more flexibility to decide how they will use Federal dollars to meet those needs.

Finally—and I believe this is the key component of our approach—we believe that in exchange for this increased flexibility, there must be increased accountability.

For too long, we have seen a steady stream of Federal dollars flow to States and school districts—regardless of how well they educated their students. This has to stop. We need to reward schools that do a good job. We need to provide help to schools that are struggling to do a better job. But we need to stop subsidizing failure. Our highest priority must be educating children—not protecting broken systems.

I am pleased that there is an emerging consensus around these core principles of 3 R's. Already, President Bush has expressed interest in pursuing many of these same ideas that our group laid out over a year ago, and I look forward to joining with both parties to get this done.

The Three R's bill is a strong starting point for this debate. This bill—by using the concepts of increased funding, targeting, flexibility—and most importantly, accountability—demonstrates how we can work with our State and local partners to make sure every child receives the highest quality education—and a chance to live a successful, productive life. I look forward to working with both sides of the aisle as Congress debates education reform in the coming months.

Mr. GRAHAM. Mr. President, I am pleased to join my colleagues, Senator LIEBERMAN, Senator BAYH, and others of the Senate New Democrats today in introducing the Three R's bill: the Public Education Reinvestment, Reinvention and Responsibility Act of 2001.

This legislation is important for several reasons:

It re-establishes the education of our children, all our children, as a national priority.

It is a sterling example of ''finding the center.'' We take the best of many ideas, and forge what we hope will be common ground.

It is ''unfinished business'' from last year. The 106th Congress had the responsibility to reauthorize the Elementary and Secondary Authorization Act. We debated for a while, gridlock set in, and all progress ended for the year. By coming forward early in the 107th Congress with a centrist proposal—we hope for a different outcome in 2001.

The concepts in the Three R's are simple, but resonant with teachers, parents and administrators:

More money is needed. State and local governments have the primary responsibility toward funding K–12 education, but the federal government can do more. We offer $35 billion more over the next five years.

Accountability assures that we are getting the most effective use of federal dollars in education. There is strong accountability here. Struggling schools are offered extra help, but then they must show results in student progress. Schools that exceed goals are rewarded.

Flexibility is essential so that each local school district is able to meet specific local needs and challenges. The three R's ensures that federal priorities in education receive a focus, but allow state and local decision makers to implement what they most need.

In the first week of February last year, I hosted a roundtable discussion of parents, teachers and administrators in Tampa, Florida. All of them asked for the same thing: more resources more flexibility, and a focus on results—not procedure. simply put, that's what we try to do here.

My discussion in Tampa also highlighted the urgent need for the federal government's commitment to education.

The latest National Assessment of Educational Progress, NAEP, scores show:

Only 17 percent of 8th graders in Florida score at or above the proficient level in mathematics.

Only 3 percent of African American 8th graders score at or above proficient standards in math.

Only 23 percent of 4th graders are at or above proficient standards in reading.

18 percent of the classes in Florida are taught by instructors who lack a college major in the subject matter that they teach.

The ''achievement gap'' is real. White students in Florida on average score 1001 points on the SAT. African American students, on average, score 856 points. Hispanic students score a 957.

We need to do more to give all Florida's students, and all of our nation's students, the best education possible.

The introduction of this legislation is the first step toward finding the common ground and making the changes that are needed. I look forward to working with each of my colleagues as we focus on this in the 107th Congress.

Mr. KERRY. Mr. President, today I join several of my colleagues to introduce an innovative education reform proposal, the Public Education Reinvestment, Reinvention, and Responsibility Act, or Three R's for short. Three R's aims to help states and districts raise the academic achievement of all children by increasing the federal government's investment in public education, by highly-targeting those resources toward to most economically disadvantaged children, by increasing the flexibility with which states and districts use federal dollars, and by holding schools accountable for results.

I believe that it is past time to break the partisan gridlock in Washington over education reform and to come together around programs, policies, and initiatives that members of both parties can agree are critical to improving education for our neediest children. I am very pleased that President Bush agrees with my colleagues and I on the fundamental principles underlying this legislation—that meaningful education reform requires more resources, more flexibility, and more accountability. I look forward to working with President Bush and my Republican colleagues to reach a bipartisan consensus on education reform. I believe that the Three R's legislation provides a great framework for finding the common ground necessary to reach a consensus.

Bipartisanship means compromise, not capitulation—and education reform is an issue for compromise. We've been pushing for three years for real education reform for our kids—we've been willing to put aside hot button issues—and now I hope that President Bush will join us by putting aside his voucher proposals and working toward meaningful public education reform that both parties can agree on. Both Republicans and Democrats can agree that the federal government should focus on helping states improve academic results for our children instead of developing more rules, on encouraging states and schools to enact bold reforms instead of passively tolerating failure. It is time to step back from mico-managing public education from Washington, and time instead to give states and school districts the flexibility they need to improve public education. And we must hold those schools and states accountable for results.

Members of both parties know that we must increase our investment in public education so that schools can meet high standards, that we must maintain our commitment to the most economically disadvantaged students, that to be successful schools must have capable leaders and fully certified teachers, and that schools must be held accountable for providing children with a quality education.

I have worked on education reform in a bipartisan way in the past. In the last Congress Senator GORDON SMITH and I introduced education reform legislation and were supported by many of our colleagues. Our proposal represented an education reform agenda that members of both parties could support and contained initiatives that many agreed were fundamental to improving public education. The Three R's legislation—a focus on increased investment, increased flexibility, and increased accountability—is also an education reform agenda on which many can agree and I want to reach out in the next few weeks and ask those Republicans, like GORDON SMITH, SUSAN COLLINS, and OLYMPIA SNOWE, to join in this effort to reform education in a bipartisan fashion.

Mr. CARPER. Mr. President, I am very pleased to rise today in support of the Public Education Reinvestment, Reinvention, and Responsibility Act. I want to congratulate my good friends, the Senator from Connecticut and the Senator from Indiana, for their strong leadership on this issue. When they first introduced this legislation back last year, the prospects for bipartisan education reform looked far different than they do today. Members on the two sides of the aisle were sharply divided over the future of the federal role in education. As a result, the Congress failed last year to reauthorize the Elementary and Secondary Education Act for the first time in its 35-year history.

Last year, it took courage and foresight for the supporters of this legislation to step into the partisan breach in the way that they did. This bill received all of 13 votes when it was first brought to the floor. Today, we ought to all be grateful for the leadership of those 13 senators, because this year the Public Education Reinvestment, Reinvention, and Responsibility Act represents the best hope and the best blueprint for finally achieving meaningful, bipartisan reform of the federal role in education.

For the last eight years, I had the great privilege of serving my little State as governor. During that time, I worked together with legislators from both sides of the aisle, with educators and others, to set rigorous standards, to provide local schools with the resources and flexibility they needed, and in return to demand accountability for results. We in Delaware have not been alone in this endeavor. We have been part of a nationwide movement for change—a movement of parents and teachers, of employers, legislators and governors, who believe that our public schools can be improved and that every child can learn.

As a former chairman of the National Governors' Association, I can attest that the Federal Government is frequently a lagging indicator when it comes to responsiveness to change. It is clearly states and local communities that are leading the movement for change in public education today. The bill we introduce today does not seek to make the Federal Government the leader in education reform by micromanaging the operation of local schools. Nor does this legislation seek to perpetuate the status quo in which the Federal Government passively funds and facilitates failure. Rather, this legislation seeks for the first time to make the Federal Government a partner and catalyst in the movement for reform that we see all across this country at the State and local level. This legislation refocuses Federal policy on doing a few things, but doing them well. It redirects Federal policy toward the purpose of achieving results rather than promulgating yet more rules and regulations.

I believe we have a tremendous opportunity this year to achieve bipartisan consensus to reform and reauthorize the Elementary and Secondary Education Act, and in so doing to redeem the original intent of that landmark legislation. I want to express my appreciation to our new President for his interest in renewing educational opportunity in America and leaving no child behind. There is much in the legislation we introduce today that squares with the plan that the President sent to Congress last week. We on this side of the aisle agree with the President that we need to invest more federal dollars in our schools, particularly in schools that serve the neediest students. We also agree that the dollars we provide, we should provide more flexibly. And we agree that if we are going to provide more money, and if we are going to provide that money more flexibly, we should demand results. That's the formula: invest in reform; insist on results.

I believe we also agree with our new President that parents should be empowered to make choices to send their children to a variety of different schools. We agree that parents are the

first enforcers of accountability in public education. Where we disagree is in how we provide that choice. The President believes that the best way to empower parents and to provide them with choices is to give children and their parents vouchers of $1,500. With all due respect, that is an empty promise. In my State, you just can't get your child into most private or parochial schools for $1,500 per year. That is simply an empty promise.

I believe there is a better way. I believe we've found a better way in my little State of Delaware. Four years ago, we introduced statewide public school choice. We also passed our first charter schools law. I knew that this was going to work when I heard the following conversation between a school administrator and some of his colleagues. He said, ''If we don't provide parents and families what they want and need, they'll send their kids somewhere else.'' I thought to myself, ''Right! He's got it.''

We have 200 public schools in my small State, and students in all of these schools take our test measuring what they know and can do in reading, writing, and math. We also measure our schools by the incidence of poverty, from highest to lowest. The school with the highest incidence of poverty in my state is the East Side Charter School in Wilmington, Delaware. The incidence of poverty there is 83 percent. Its students are almost all minority. It is right in the center of the projects in Wilmington. In the first year after East Side Charter School opened its doors, very few of its students met our state standards in math. Last spring, every third grader there who took our math test met or exceeded our standards, which is something that happened at no other school in the state. It's a remarkable story. And it's been possible because East Side Charter School is a remarkable school. Kids can come early and stay late. They have a longer school year. They wear school uniforms. Parents have to sign a contract of mutual responsibility. Teachers are given greater authority to innovate and initiate.

We need to ensure that parents and students are getting what they want and need, and if they're not getting what they want and need that they have the choice—and most importantly that they have they have the ability—to go somewhere else. A $1,500 voucher doesn't give parents that ability, at least not in my State. Public school choice and charter schools do.

We agree on many things. Where we disagree, as on vouchers, I believe we can find common ground. I believe that we can come together, for example, to provide a ''safety valve'' to children in failing schools, in the way of broader public school choice and greater access to charter schools. I am therefore hopeful about the prospects for bipartisan agreement and for meaningful reform. To that end, I urge my colleagues to support the Public Education Reinvestment, Reinvention, and Responsibility Act.

By Mr. HATCH (for himself, Mr. LEAHY, Mr. BIDEN, Mr. DEWINE, and Mr. THURMOND):

S. 304. A bill to reduce illegal drug use and trafficking and to help provide appropriate drug education, prevention, and treatment programs; to the Committee on the Judiciary.

Mr. HATCH. Mr. President, today we are taking an important step in our effort to rid our nation of drug abuse. There has lately developed a bipartisan consensus that realizes that supply reduction needs to be complemented with demand reduction in our fight to combat drugs. Yes, we must continue our vigilant defense of our borders and our streets against those who make their living by manufacturing and selling these harmful substances. And yes, we must sustain our vigorous law enforcement offensive against these merchants of misery. But the time has come to increase the resources we devote to prevent people from using drugs in the first place and to breaking the cycle of addiction for those whose lives are devastated and consumed by these substances. Only through such a balanced approach can we remove the scourge of drugs from our society.

Last session, to stem the maddening increase in methamphetamine manufacturing and trafficking in America, Congress passed and the President signed into law the Methamphetamine Anti-Proliferation Act, a bill which I had authored. It was a balanced bill that provided law enforcement with several needed tools to help turn back the tide of methamphetamine proliferation, and it also contained several significant prevention and treatment provisions. In particular, one of the treatment provisions offered an innovative approach to how drug addicted patients can seek and obtain treatment. As science and medicine continue to make significant strides in developing drugs that promise to make treatment more effective, we must pave the way to ensure that these drugs can be administered in an effective manner, Indeed, this provision did exactly that, by creating a decentralized system of treating heroin addicts with a new generation of anti-addiction medications.

Mr. President, the Drug Education, Prevention and Treatment Act of 2001, which we introduce today, also embodies this balanced approach. While the bill furthers our law enforcement efforts by increasing penalties for those who involve minors in drug crimes and those who use our public lands for drug manufacturing, the bulk of the legislation advances our prevention and treatment efforts. Before detailing some of these measures, I want to thank my partner on the Judiciary Committee, Senator LEAHY, as well as my colleagues Senators BIDEN, DEWINE, and THURMOND for cosponsoring this bill. The effort and expertise they have contributed to this bill have helped make it worthy of the support of every member of this body.

I am extremely pleased that this bipartisan bill has a friend in the new White House. President Bush has indicated on several occasions, and in the plan he unveiled last fall, that he also believes in a comprehensive drug control strategy. He, too, has stressed treatment as an important component in combating juvenile drug abuse. I look forward to working with the President, as well as with Attorney General Ashcroft, as we combat drug abuse in this country in a bipartisan fashion.

This legislation recognizes that we must do more to prevent and treat substance abuse. Such efforts, it is safe to say, will prove well worth it. According to a report recently released by the National Center on Addiction and Substance Abuse at Columbia University in 1998, States spent $81.3 billion—fully 13.1 percent of total state spending—on substance abuse and addiction. Only $3 billion of this, however, was spent on prevention and treatment. The remaining $78 billion was spent, in the words of the study's authors, ''to shovel up the wreckage of substance abuse and addiction.'' Remarkably, these staggering numbers do not even include the amount of federal matching funds that states spend, for example, on Medicaid and welfare, or the spending of local governments—which bear most of the law enforcement burden, or private sector costs such as employee health care, lost productivity, and facility security. The report urges us, as policymakers, to reexamine our priorities and shift our attention to drug prevention and treatment.

This bill does just that, and, I hasten to add, it does so without undermining in any way our commitment to supply reduction. Indeed, this bill, it can be said, ultimately will help to cut supply by reducing the demand for drugs among those who are the most consistent and addicted users.

Whilte this legislation will prove enormously helpful, it is no substitute for what is our most effective tool for preventing drug abuse: good parenting. Demand reduction starts with educating all of America's children about the harmful, destructive nature of drugs, and that education must start at home. According to the 1999 PRIDE survey, students whose parents never or seldom talk to them about drugs are 36.5 percent more likely to use drugs; in contrast, students whose parents talk to them often, or a lot, about drugs are 33.5 percent less likely to use drugs.

Parents need to talk seriously to their children about the risks of drug use before they fall prey to peer pressure or drug dealers who want nothing more than to create new addicts. Parents need to stop deluding themselves into believing that moving to the suburbs, away from the temptations and evils of the inner cities, will prevent

drug dealers from reaching their children. They need to stop thinking that it is always the other family's kid who is using drugs.

Parents, grandparents, priests, pastors, rabbis, teachers, and everyone else involved in a child's life need to take an active role in educating our children about the dangers of drugs. Drug abuse knows no boundaries. It doesn't discriminate on the basis of gender, race, age, or class. It is truly an equal opportunity destroyer. Unless children are prepared with the knowledge and truth of how drugs will ruin their health and future, they are vulnerable to the lies of those who are peddling drugs.

Sadly, studies reveal that many children will never have conversations with their parents about drug use. Some children have parents that are addicted to drugs, some have parents who are imprisoned, and some have parents who just don't understand how vital it is for them to talk to their children about drug use. This fact alone represents one important reason why communities and organizations need to be involved in educating both parent and children about the dangers of drug abuse.

We need effective education and prevention programs in our schools and communities. Even for children blessed with dedicated, concerned parents, these school- and community-based programs are vitally important. Indeed, according to the 1999 PRIDE survey, students who never or seldom join in community activities are 52.6 percent more likely to use drugs. Additionally, students who report never taking part in gangs are 90.8 percent less likely to use drugs. It is clear that the more children hear the truth about what drug abuse and addiction can do to them, the more likely they will turn their backs on drug use and lead productive lives.

To this end, this bill contains significant funding for drug abuse education and prevention programs in our schools and communities. It authorizes grants for school and community-based drug education and prevention programs that have been proven to be effective and research-based. The bill also authorizes funding for the National Institutes of Health to continue its research toward identifying even more effective prevention and treatment programs. Learning how to treat drug addiction effectively is an inextricable component in America's battle to conquer drug abuse.

An additional provision authorizes grants to eligible community-based organizations, including youth-serving organizations, faith-based organizations, and other community groups, to provide after-school or out-of-school programs that include a strong character education component. Another important provision authorizes funding for community-based organizations that provide counseling and mentoring services to children who have a parent or guardian that is incarcerated. We want all who can help to be in a position to help, and these drug education and prevention programs seek to get everyone in all communities involved.

Mr. President, while I am confident these innovative drug education and prevention programs will help reduce the number of children who decide to use drugs, we also need to ensure that those who are addicted receive treatment. This bill authorizes, therefore, sizeable grants to States to provide residential treatment facilities specifically designed to treat drug-addicted juveniles. It is crucial that drug-addicted children receive treatment while they are young before they ruin their lives and grow up to become hard core addicts, which often leads to criminal behavior.

It does without saying that it is important to ensure that violent and repeat offenders are imprisoned and punished for their crimes. However, I believe that there is merit to giving nonviolent offenders, whose crimes are tied directly to their addictions, a chance to enter drug treatment in stead of prison. This bill contains several provisions that will assist States in providing nonviolent, drug-addicted offenders with the opportunity to participate in drug treatment programs in lieu of incarceration.

For example, one provision authorizes the Attorney General to make grants to State and local prosecutors for the purpose of developing, implementing, or expanding drug treatment alternatives to prison programs for nonviolent offenders. These programs are administered by prosecutors who determine which offenders are eligible to participate. All eligible offenders who participate are sentenced to, or placed with, a long-term, drug-free residential substance abuse treatment provider. If, however, the offender does not successfully complete treatment, he or she is required to serve a sentence of imprisonment with respect to the underlying crime.

This program has been administered effectively by certain district attorneys in New York over the last decade. Last session, I worked hard with Senators THURMOND and SCHUMER, to get these very programs authorized so that other State and local prosecutors could benefit from this drug alternative to prison program. I look forward to the continuing support of Senators THURMOND and SCHUMER to ensure that this provision is enacted into law this session.

This bill also reauthorizes the drug court program and authorizes juvenile substance abuse courts, both of which provide continuing judicial supervision over nonviolent offenders with substance abuse problems while allowing them to enter treatment programs as an alternative to prison.

A high percentage of offenders who otherwise don't qualify for participation in alternatives to prison programs, but nonetheless have serious drug addictions, far too often are released from incarceration without ever receiving treatment. To address this issue, this bill authorizes funding to provide drug treatment services to inmates. This funding will go a long way in ensuring safer neighborhoods and a more productive society once drug addicted offenders are released from incarceration.

To further ensure safer neighborhoods, the bill also promotes the successful reintegration of inmates into society by authorizing demonstration projects in the federal and state court systems that incorporate new strategies and programs for alleviating the public safety risk posed by released prisoners. These projects, which establish court-based programs for monitoring the return of offenders into communities, include drug treatment, as well as vocation and basic educational training. Each program uses court sanctions and incentives to encourage positive behavior.

Finally, the bill contains a provision that requires the government to consider, on the same basis as other nongovernmental organizations, faith-based organizations to provide the assistance under all programs authorized by this bill, as long as the program is implemented in a manner consistent with the first amendment. I am aware of some concerns Senators LEAHY and BIDEN may have with this provision relating to the participation of faith-based organizations, and I am committed to working with them in an effort to address their concerns as the legislation moves through the process.

Mr. President, this bill bespeaks a compassionate concern for those who suffer from drug addiction. By passing this bill, we will be telling these people that we have not given up hope for them, especially for our children, that we will offer the means to help them help themselves, and that we will not leave them behind to be preyed upon by those who would make a profit on their misery. Above all, this legislation demonstrates our unwavering commitment to rid our nation of drug abuse. To those who traffic drugs, let there be no mistake about our resolve: we will put you in jail when we catch you, but we will also fight you for the soul of every person you would prey upon. And, in time, we will change them from helpless targets for your poison to productive, responsible members of our society. I invite my colleagues to join us in this effort.

I ask unanimous consent that a section-by-section summary of the bill be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

DRUG ABUSE EDUCATION, PREVENTION, AND TREATMENT ACT OF 2001—SUMMARY

TITLE I: OFFENSES INVOLVING JUVENILES

Sec. 101. Increased Penalties for Using Minors To Traffic Drugs Across the Border

This section directs the Sentencing Commission to review and amend, if appropriate,

the Sentencing Guidelines with respect to offenses relating to the use of a minor to traffic controlled substances across the border and to consider whether the base offense level for such offenses should be increased to level 20.

Sec. 102. Increased Penalties for Drug Offenses Committed in the Presence of Minors

This section directs the Sentencing Commission to review and amend, if appropriate, the Sentencing Guidelines with respect to offenses relating to drug offenses committed in the line of sight or in the residence of a minor under the age 16. The Sentencing Commission shall consider creating an enhancement of 2 offense levels or 1 additional year (whichever is greater) and 4 offense levels or 2 additional years (whichever is greater) for subsequent offenses.

Sec. 103. Increased Penalties for Using Minors To Distribute Drugs

This section directs the Sentencing Commission to review and amend, if appropriate, the Sentencing Guidelines to provide an appropriate sentencing enhancement for any offense involving the use of minors to distribute drugs.

Sec. 104. Increased Penalties for Distributing Drugs To Minors

21 U.S.C. 859 prohibits the distribution of controlled substances to a person under 21 years old. This section directs the Sentencing Commission to review and amend, if appropriate, the Sentencing Guidelines to provide an appropriate sentencing enhancement for offenses involving the use of minors to distribute drugs.

Sec. 105. Increased Penalties for Distributing Drugs Near Schools

21 U.S.C. 860 prohibits the distribution or manufacture of controlled substances near schools and other places frequented by minors. This section directs the Sentencing Commission to review and amend, if appropriate the Sentencing Guidelines to create a sentencing enhancement for such violations.

Sec. 106. Increased Penalties for Using Federal Property to Manufacture Controlled Substances

This section amends the Controlled Substances Act by doubling the maximum punishment authorized by law for anyone who cultivates or manufactures a controlled substances on any property in whole or in part owned by or leased to the US or any department or agency thereof. This section directs the Sentencing Commission to review and amend, if appropriate, the Sentencing Guidelines to provide an appropriate sentencing enhancement for any offense under 21 U.S.C. 841(b)(5) that occurs on Federal property.

Sec. 107. Clarification of Length of Supervised Release Terms in Controlled Substance Cases

This section clarifies an apparent conflict in the code regarding the length of supervised release in controlled substance cases.

Sec. 108. Supervised Release Period after Conviction for Continuing Criminal Enterprise

Any sentence imposed for violating the continuing criminal enterprise statute shall include a term of supervised release of not less than 10 years, and if there was a prior conviction, of not less than 15 years in addition to the term of imprisonment.

TITLE II: DRUG-FREE PRISONS AND JAILS

Sec. 201. Drug-Free Prisons and Jails Incentive Grants

This section authorizes grants to eligible States and Indian tribes to encourage the establishment and maintenance of drug-free prisons and jails. Eligible drug-free programs shall include: (1) a zero-tolerance policy for drug use or presence in State facilities, including routine sweeps and inspections, random and frequent drug tests, and improved screening for drugs; (2) enforcement of penalties, including prosecution for the introduction, possession, or use of drugs in any prison or jail; (3) implementation of residential drug treatment programs; and (4) drug testing of all inmates upon intake and release from incarceration, as appropriate. Programs may include a system of incentives for prisoners to participate in counter-drug programs such as treatment and to be housed in wings with greater privileges, but incentives may not include the early release of any prisoner convicted of a crime of violence. Authorizes $50 million a year for three years.

Sec. 202. Jail-Based Substance Abuse Treatment Programs

This section authorizes $100 million in additional funding for residential substance abuse treatment programs, outpatient treatment programs, and aftercare treatment services in State and local prisons and jails.

Sec. 203. Mandatory Revocation of Probation and Supervised Release for Failing Drug Tests

This section amends 18 U.S.C. 3565(b) and 3583(g) to provide for mandatory revocation of probation or supervised release if a defendant tests positive for illegal controlled substances more than three times over the span of one year.

Sec. 204. Increased Penalties for Providing an Inmate with a Controlled Substance

This section directs the Sentencing Commission to review and amend, if appropriate, the Sentencing Guidelines with respect to any offense relating to providing a Federal prisoner a Schedule I or II controlled substance and to consider increasing the base offense level for such violations to not less than level 26. The Sentencing Commission shall also consider increasing the base offense level for such offenses by not less than 2 offense levels if the defendant is a law enforcement or correctional officer or employee, or an employee of the DOJ, at the time of the offense.

TITLE III: TREATMENT, EDUCATION, AND PREVENTION

Sec. 301. Prosecution Drug Treatment Alternative to Prison

This section authorizes the Attorney General to make grants to State and local prosecutors for the purpose of developing, implementing, or expanding drug treatment alternatives to prison programs for non-violent offenders. These programs are administered by prosecutors who determine which offenders are eligible to participate. All eligible offenders who participate are sentenced to or placed with a long term, drug free residential substance abuse treatment provider. If the offender does not successfully complete treatment, he is required to serve a sentence of imprisonment with respect to the underlying crime. Authorizes $30 million a year for three years.

Sec. 302. Juvenile Substance Abuse Courts

This section authorizes the Attorney General to make grants to States and local governments to establish programs that continue judicial supervision over non-violent juvenile offenders with substance abuse problems with integrate administration of other sanctions and services, which include: (1) mandatory testing for controlled substances; (2) substance abuse treatment for participants; (3) probation, diversion, or other supervised release involving the possibility of prosecution, confinement, or incarceration based on noncompliance with program requirements; and (4) aftercare services, such as relapse prevention. Authorizes $50 million to be appropriated each year for FY 2002–2004.

Sec. 303. Expansion of Drug Abuse Education and Prevention Efforts

This section allows the Administrator of the Substance Abuse and Mental Health Services Administration (SAMSHA) to make grants to public and nonprofit private entities to carry out school-based programs concerning the dangers of abuse of and addiction to illicit drugs and to carry out community-based abuse and addiction prevention programs that are effective and research-based. The Administrator shall give priority in making grants to rural and urban areas that are experiencing a high rate or rapid increase in abuse, and the amounts awarded may be used to carry out various programs, including school-based and community-based programs that focus on populations that are most at-risk for abuse of or addiction to illicit drugs. Authorizes $100 million to be appropriated for FY 2002 and such sums as necessary for each succeeding FY.

Sec. 304. Funding for Treatment in Rural States and Economically Depressed Communities

This section authorizes $50 million for grants to States to provide treatment facilities in the neediest Rural States and economically depressed communities that have high rates of drug addiction but lack resources to provide adequate treatment.

Sec. 305. Funding for Residential Treatment Centers for Women with Children

This section authorizes $10 million for grants to States to provide residential treatment facilities for methamphetamine, heroin, and other drug addicted women who have minor children. These facilities offer specialized treatment for addicted mothers and allow their children to reside with them in the facility or nearby while treatment is ongoing.

Sec. 306. Drug Treatment for Juveniles

This section authorizes $100 million a year for grants to States to provide residential treatment facilities designed to treat drug addicted juveniles.

Sec. 307. Coordinated Juvenile Services Grants

This section allows existing Juvenile Justice and Delinquency and Prevention funds to be used to make grants to encourage Federal, State, and local agencies (including schools) and private childrens service providers to coordinate the delivery of mental health and/or substance abuse services to children at risk. Such grants leverage limited Federal, State, and community-based adolescent services to help fill the large unmet need for adolescent mental health and substance abuse treatment.

Sec. 308. Expansion of Research

This section authorizes funding for the National Institutes of Health to enter into cooperative agreements to conduct research on drug abuse treatment and prevention and to establish up to 12 new National Drug Abuse Treatment Clinical Trials Network (CTN) centers to develop and test an array of behavioral and pharmacological treatments and to determine the conditions under which novel treatments are successfully adopted by local treatment clinics. Authorizes $76.4 million to be appropriated in 2002 and such sums as are necessary for FY 2003–2005.

Sec. 309. Comprehensive Study By National Academy of Sciences

This section directs the Attorney General to enter into contracts to (1) evaluate the effectiveness of federally funded programs for preventing youth substance abuse; (2) identify federal programs and programs that receive federal funds that contribute to reductions in youth substance abuse; and (3) identify programs that have not achieved their

intended results and to make recommendations on programs that have proven successful and those that should have their funding terminated or reduced because of lack of effectiveness.

Sec. 310. Report on Drug-Testing Technologies

This section directs the National Institute on Standards and Technology to conduct a study of drug-testing technologies to identify and assess the efficacy, accuracy, and usefulness of such technologies.

Sec. 311. Use of National Institutes of Health Substance Abuse Research

This section ensures that the research on alcohol and drug abuse conducted by NIDA is disseminated to treatment practitioners to aid them in the treatment of addicts.

TITLE IV: SCHOOL SAFETY AND CHARACTER EDUCATION

Subtitle A—School Safety

Sec. 401. Alternative Education Demonstration Project Grants

This section authorizes funding for the Attorney General, in consultation with the Secretary of Education, to make grants to State educational agencies or local educational agencies to establish not less than 10 demonstration projects that enable the agencies to develop models and carry out alternative education for at-risk youths. This section authorizes $15 million a year for FY 2002 through 2004.

Sec. 402. Transfer of School Disciplinary Records

This section requires a State that receives federal funds to have a procedure to facilitate the transfer of disciplinary records by local educational agencies to any private or public elementary school or secondary school.

Subtitle B—Character Education

Sec. 411. National Character Achievement Award

This section establishes a National Character Achievement Award for students who distinguish themselves as models of good character.

Sec. 421–424. Preventing Juvenile Delinquency through Character Education

This section authorizes $100 million for the Secretary of HHS, in consultation with the Attorney General, to award grants to eligible community-based organizations, including youth serving organizations, businesses, and other community groups, to provide after school or out of school programs to youth that include a strong character education component. Eligible organizations must have a demonstrated capacity to provide after school or out of school programs to youth. Character education is defined as an organized educational program that works to reinforce core elements of character, including caring, civic virtue and citizenship, justice and fairness, respect, responsibility, and trustworthiness.

Sec. 431–434. Counseling, Training, and Mentoring Children of Prisoners

This section authorizes $25 million for the Attorney General to award grants to community-based organizations providing counseling, training, and mentoring services to America's most at-risk children and youth in low-income and high-crime communities who have a parent or legal guardian that is incarcerated in a Federal, State, or local correctional facility. Such services will include counseling, including drug prevention counseling; academic tutoring, including online computer academic programs that focus on the development and reinforcement of basic skills; technology training; job skills and vocational training; and confidence building mentoring services.

TITLE V: REESTABLISHMENT OF DRUG COURTS

Sec. 501. Reauthorization of Drug Courts

This section reauthorizes the drug court programs that provide continuing judicial supervision over non-violent offenders with substance abuse problems and allow non-violent offenders to enter treatment programs as an alternative to prison. Authorizes $50 million to be appropriated in 2002 and such sums as necessary for 2003–2004.

TITLE VI: PROGRAM FOR SUCCESSFUL REEENTRY OF CRIMINAL OFFENDERS INTO LOCAL COMMUNITIES

Sec. 601–618. Federal Reentry Demonstration Projects

This section authorizes demonstration projects in Federal judicial districts, the District of Columbia, States, and in the Federal Bureau of Prisons using new strategies and emerging technologies that alleviate the public safety risk posed by released prisoners by promoting their successful reintegration into the community. This section also establishes court-based programs to monitor the return of offenders into communities, which include drug treatment and aftercare, mental and medical health treatment, vocational and basic educational training. Each program uses court sanctions and incentives to promote positive behavior and graduated levels of supervision within the community corrections facility to promote community safety.

TITLE VII: ASSISTANCE BY RELIGIOUS ORGANIZATIONS

Sec. 701. Assistance by Religious Organizations

This section provides that the government shall consider, on the same basis as other non-governmental organizations, faith-based organizations to provide the assistance under all programs authorized by this bill, as long as the program is implemented in a manner consistent with the First Amendment.

Mr. LEAHY. Mr. President, today I join with Senator HATCH and Senators BIDEN, DEWINE, and THURMOND to introduce the Drug Abuse Education, Prevention, and Treatment Act of 2001. This bill provides a comprehensive approach to drug treatment, prevention, and enforcement. It is my hope that the innovative programs established by this legislation will assist all of our States in their efforts to address the drug problems that most affect our communities.

No community is immune from the ravages of drug abuse. My own State of Vermont has one of the lowest crime rates in the nation, yet we are experiencing serious troubles because of the abuse of heroin and other drugs. Recent estimates indicate that heroin use in Vermont has doubled in just the past three years, and the number of people seeking drug treatment has risen even more rapidly. The average age of a first-time heroin user dropped from 27 to 17 during the 1990s, signaling a sharp rise in teenage drug abuse. The consequences of this rise have made themselves all too clear over the past months.

On January 3, Christal Jones, a 16-year-old girl from Burlington, was murdered in New York City. According to news reports, she was recruited in Burlington to move to New York and become part of a prostitution ring, and she was motivated by a desire to get money to buy heroin. When she died, drugs were found in her body, although they were not the cause of her death. And Christal Jones' tragedy apparently is not unique as many as a dozen Vermont girls may have been involved in this New York ring. And since her death, others have come forward to say that teenage girls in Burlington are prostituting themselves to get money to buy heroin.

These disturbing reports followed by only a few months a heinous drug-related triple murder in Rutland, Vermont. In that case, 20-year-olds Robert Lee and Donald Fell reportedly spent the night drinking and taking crack cocaine, and then allegedly killed Fell's mother and her friend. Looking to get out of Vermont, they then allegedly carjacked a woman arriving for work at a local supermarket and drove to New York, where they are accused of beating her to death. Such a case surely deserves a strong law enforcement response, and last Thursday the accused were indicted by a federal grand jury for carjacking resulting in death and kidnapping, among other charges.

Such violence is rarely visited upon my State. When it is, a swift law enforcement response is necessary, and we must do what we can to support the efforts of law enforcement to safeguard our communities. But we kid ourselves if we think that law enforcement alone, with ever-increasing penalties, is the answer to the drug problem. Though effective enforcement of our drug laws, particularly to deter involvement of our young people, is a critical component, this is simply insufficient to meet the severe social effects of drug abuse. We need to provide a comprehensive approach to the drug problems of my State and our nation. In Vermont, as the Rutland Daily Herald recently editorialized, on January 26, 2001, ''agencies that treat addictions'' need ''a boost in resources and manpower.'' Those who work to prevent drug abuse from occurring in the first place need our strong support.

I have tried to boost Vermont's anti-drug efforts by working to provide funding for drug prevention, law enforcement, and drug treatment projects. For example, I secured funding for the Vermont Coalition of Teen Centers in last year's Commerce-Justice-State Appropriations bill. These teen centers give adolescent Vermonters recreational alternatives to drug use. I was also able to help provide significant funding for the Vermont Multi-Jurisdictional Drug Task Force, facilitating the ability of law enforcement officials to work together to tackle Vermont's drug problems. In addition, at my request Congress approved substantial funding for Vermont to plan and establish a long-term residential treatment facility for adolescents.

I believe that the bill I introduce today with Senator HATCH will build

upon those important efforts by providing a substantial boost for treatment, law enforcement, and prevention, both in Vermont and across the nation. It contains numerous grant programs to aid States and local communities in their efforts to prevent and treat drug abuse. Of particular interest to the residents of my State, it establishes drug treatment grants for rural States and authorizes money for residential treatment centers for mothers addicted to heroin, methamphetamines, or other drugs.

This legislation also will help States and communities reduce drug use in prisons through testing and treatment, an effort I proposed in the Drug Free Prisons Act I introduced in the last Congress. It will provide funding for programs designed to reduce recidivism through funding drug treatment and other services for former prisoners after release. In addition, this bill will reauthorize drug courts another step I proposed in the Drug Free Prisons Act and create juvenile drug courts.

Finally, the bill directs the Sentencing Commission to review and amend penalties for a number of drug crimes involving children. For example, in addressing circumstances such as those surrounding the death of Christal Jones, the bill instructs the Sentencing Commission to amend its guidelines to provide for any necessary sentencing enhancement for criminals who distribute drugs to minors in order to lure a minor into or keep a minor engaged in prostitution or other criminal activity.

In short, there are programs in this legislation to benefit all Americans whose lives are disrupted by drug abuse in their families and communities. I strongly recommend this bipartisan bill to my colleagues, and hope that we can move quickly to make it law.

As I mentioned earlier, I have worked to provide necessary funding for treatment, prevention, and enforcement efforts in Vermont. Last year, I secured $150,000 for the Vermont Coalition of Teen Centers, $400,000 for the Vermont Drug Task Force, $100,000 for an adolescent treatment facility, two grants worth $500,000 for a balanced and restorative justice project, $1.7 million in Byrne law enforcement grants, two grants worth $560,000 to reduce underage drinking, about $725,000 for Drug Free Communities Support Programs throughout Vermont, and $274,535 for Residential Substance Abuse Treatment, RSAT, programs in the Vermont Corrections Department. In 1999, I worked to procure $270,611 for RSAT programs for Vermont prisons and jails, $75,000 for the Vermont Coalition of Teen Centers and an additional $74,976 for the Essex Teen Center, two grants worth $660,000 to combat underage drinking, and about $172,000 for Drug Free Community Support programs throughout Vermont. And in 1998, I helped secure $249,864 for balanced and restorative justice programs, $274,938 for RSAT programs, $1.9 million in Byrne law enforcement grants, $360,000 to combat drunk driving, and $424,494 in a Safe Kids/Safe Streets grant.

This legislation will provide additional ways that Vermont and other States can benefit from federal assistance to prevent drug abuse and drug-related crime. I would like to describe in more detail some of its most important aspects.

This bill authorizes a wide variety of treatment and prevention programs. Treatment and prevention efforts are often overshadowed by law enforcement needs. Indeed, a recent study by the Center on Addiction and Substance Abuse, CASA, showed that of every dollar States spent on substance abuse and addiction, only four cents went to prevention and treatment. The States and the Federal government have undeniably important law enforcement obligations, but we must do more to balance those obligations with farsighted efforts to prevent drug crimes from happening in the first place.

As I have said, heroin is an increasing problem in Vermont. In other States, methamphetamines or other drugs present a growing challenge. This legislation will help States address their most pressing drug problems, and places a particular emphasis on States that may not have been able to address their treatment and prevention needs in the past. Indeed, among many other provisions, the bill offers funding for rural States like Vermont to establish or enhance treatment centers. It instructs the Director of the Center for Substance Abuse Treatment to make grants to public and nonprofit private entities that provide treatment and are approved by State experts. This will allow the Vermont agencies looking to provide heroin treatment or to prevent heroin abuse in the first place to acquire Federal funding to help in their efforts.

The Drug Abuse Prevention and Treatment Act also authorizes funding for residential treatment centers that treat mothers who are addicted to heroin, methamphetamines, or other drugs. This will help mothers and the children who depend on them to rebuild their lives it will keep families together. And I hope it will help avoid further stories like one that appeared in last Sunday's edition of the Burlington Free Press, in which a young mother told a reporter how heroin ''made it easier for [her] to take care of [her] kids.''

The bill also calls for funding drug treatment programs for juveniles. As the tragic story of Christal Jones and the disturbing reports about other girls in her position have shown, juveniles can see their lives quickly deteriorate under the influence of drugs. This is why I have worked to provide Vermont with funding to establish a long-term residential treatment facility for adolescents. I hope to continue that effort through this bill, in the hope that we may be able to prevent future tragedies.

Our efforts here must include reducing the lure of drugs, and educating our kids and making sure they have recreational alternatives are two key components. In light of that, this bill authorizes grants to carry out school- and community-based prevention and education programs, with priority given to rural and urban areas experiencing drug problems. It provides additional funding for after-school programs. Finally, it authorizes funding for States to establish demonstration projects of alternative education for at-risk youths. These steps should improve the quality and availability of drug education and prevention efforts throughout the United States.

In addition to providing additional funds for treatment and prevention, the bill directs the United States Sentencing Commission to review existing criminal penalties and provide any necessary increases for drug crimes involving juveniles. In particular, the Sentencing Commission must review the current penalties for distributing drugs to minors, using minors to distribute drugs, trafficking near a school, and using Federal property to grow or manufacture controlled substances. I would like to highlight one provision in particular in my comments today.

This bill calls for the Sentencing Commission to amend its guidelines to provide for a specific sentencing enhancement for anyone who distributes drugs to minors in order to lure a minor into or keep a minor engaged in prostitution or other criminal activity. Let me explain why this provision matters. If the law enforcement officials investigating the death of Christal Jones find that the person or people who brought her to New York and prostituted her were giving or selling her heroin to entice her, the punishment should be more severe. This provision will give prosecutors an additional tool to fight such odious conduct.

I would also like to commend the approach taken in the criminal provisions in this legislation. Instead of imposing mandatory minimums, we have invested discretion in the Sentencing Commission to determine appropriate penalties. A 1997 study by the RAND Corporation of mandatory minimum drug sentences found that ''mandatory minimums are not justifiable on the basis of cost-effectiveness at reducing cocaine consumption, cocaine expenditures, or drug-related crime.'' Despite this study and mounting evidence of prison overcrowding, legislators continue to propose additional mandatory minimums. In light of the persistence of that idea, this legislation calls for a new study of the issue, including whether mandatory minimums have a disproportionate impact on any racial or ethnic groups and whether they are an appropriate vehicle to punish nonviolent offenders.

Last year I introduced the Drug Free Prisons Act, which authorized grants to States to facilitate treatment and testing programs in prisons and jails.

This bill provides resources to achieve the same goal. It is critical that our prisons be drug-free, both because lawbreaking within our correctional system is a national embarrassment, and because prisoners who are released while still addicted to drugs are far more likely to commit future crimes than prisoners who are released sober. This bill will provide needed help to address drug abuse in prisons throughout the country. It authorizes $50 million for drug-free prisons and jails bonus grants, allows States to use Residential Substance Abuse Treatment, RSAT, grants to provide services for inmates or former inmates, and reauthorizes funding for substance abuse treatment in Federal prisons.

As Joseph Califano, Jr., the president of CASA and former secretary of Health, Education, and Welfare, told the National Press Club last month: ''The next great opportunity to reduce crime is to provide treatment and training to drug and alcohol abusing prisoners who will return to a life of criminal activity unless they leave prison substance free and, upon release, enter treatment and continuing aftercare.'' This legislation will accomplish both of those goals.

A prior CASA study found that drug and alcohol abuse was implicated in the crimes and incarceration of 80 percent of those currently serving time in America's prisons. This finding shows that we have a prison population that has a history of substance abuse, and will seek out opportunities to continue using drugs while imprisoned. Of course, if prisoners are using drugs in prison, this will create serious behavioral and other problems that corrections officers will have to address, at no small risk to them.

The problem does not end there. The same CASA study shows that inmates who are illegal drug and/or alcohol abusers are the most likely to be repeat offenders. In fact, the study concluded that 61 percent of state prison inmates who have two prior convictions are regular drug users. The strong link between drug use and recidivism cannot be ignored. Prison should provide an opportunity for us to break this cycle and therefore reduce crime. We can do this through a concerted effort to test prisoners for drug use and penalize those who test positive and provide adequate drug treatment so that prisoners can lead productive, non-criminal lives upon their release.

This approach to reducing drug use and addiction in prisons has the support of Jim Walton, Vermont's Commissioner of Public Safety, and John Perry, the Director of Planning for the Vermont Department of Corrections, who work with these issues every day. I have always valued their counsel, as they have first-hand knowledge of the real law enforcement needs in my state. They both feel strongly that the bill will give law enforcement the tools it needs to test and treat offender populations, both in jail and in the community. I hope and expect that this bill will have the same effect across the country.

In addition to providing funding for drug treatment and testing in prisons, this legislation also adopts a proposal made by Senator BIDEN in both this Congress and the last that would provide funding for Federal and State programs designed to ease the transition of criminal offenders back into society after their release. It establishes court-based programs to monitor the return of offenders into communities. These programs include drug treatment and aftercare, mental and medical health treatment, vocational and educational training, life skills instructions, and assistance in obtaining suitable affordable housing. Each program uses court sanctions and incentives to promote positive behavior and graduated levels of supervision within the community corrections facility to promote community safety. I commend Senator BIDEN for his leadership on this program.

The bill also re-establishes the drug courts program and re-authorizes funding for it, as I proposed in last year's Drug Free Prisons Act. The majority repealed the authorization of the drug courts program in the Omnibus Consolidated Rescissions and Appropriations Act of 1996, in an apparent attempt to discredit Democratic programs. In my view, effective programs dealing with drug abuse should not be used as political footballs. That is why the Congress has continued to fund drug courts in every year's appropriations acts. This has been the right decision, and we should undo the repeal.

Drug courts provide the opportunity to deal systematically with nonviolent drug offenders at a substantial savings to taxpayers. Instead of jailing these nonviolent offenders, the courts can order alternative punishments that are mixed with mandatory testing and drug treatment and human services such as education or vocational training. Meanwhile, imprisonment is held out as a stick to ensure good behavior. To qualify for federal assistance, a drug court program must mandate periodic drug testing during any supervised release or probation periods, provide drug abuse treatment for each participant, and hold out the possibility of prosecution, confinement, or incarceration for noncompliance or failure to show satisfactory process. Violent offenders are defined quite broadly, so we can be confident that we are not funding programs that put dangerous people back on the streets.

In addition to reauthorizing drug courts for adults, this legislation authorizes the Attorney General to provide grants to State and local governments to establish juvenile drug courts, extending the drug court model that has shown significant promise in dealing with adult offenders to juveniles. Juvenile drug courts should provide a way to reach out to younger offenders before they turn to a life of crime, helping to save both lives and significant government resources.

Finally, I would like to comment on the inclusion of charitable choice language in this legislation to allow religious groups to compete for grants on the same basis as other groups. Although the language in this bill mirrors language that was passed in the Children's Health Act last year as well as in previous legislation, I have serious reservations about it. I know that many of my colleagues share those reservations.

Charitable choice is going to be a significant issue during this Congress. I would have preferred that we have hearings about charitable choice before including it in this bill, and I made my feelings known to Senator HATCH. I asked him to introduce the bill without the language and consider adding it later if specific language could be crafted for which there was bipartisan support. But Senator HATCH was committed to including this language in the bill as introduced. Let me be clear: its inclusion here does not represent my endorsement. As this legislation is considered by the Committee and the Senate, we need to give considerable thought to the approach taken here. I intend to work with Senator HATCH and the other sponsors of the bill to ensure that the important protections and prohibitions of the First Amendment are fully respected. At the very least, we need to ensure that those who receive federal drug treatment and prevention funds are trained professionals, and that the government funds are not used in any way, directly or indirectly, to support or promote discrimination.

At the same time, I believe that this bill, taken as a whole, will do a great deal of good. While charitable choice language is in this bill today, I have made no commitment to having this charitable choice language in the bill when Congress passes it. My commitment is to help improve drug treatment, prevention, and education throughout the United States.

I ask unanimous consent to print in the RECORD two newspaper articles.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Rutland Daily Herald (VT), Jan. 26, 2001]

NOW IS THE TIME

It is time for Vermont lawmakers to take the initiative in pushing for a comprehensive anti-drug program that will respond constructively to the increased use of dangerous drugs in Vermont.

Major drug busts in the Rutland area, as well as a rise in crimes related to drug addiction, have pointed to the heroin problem in the region. City leaders have taken needed steps to bolster efforts by city police to address the problem, and Mayor John Cassarino has offered a tax proposal that would provide necessary funding in the future.

Statewide, the use of heroin has probably doubled in the past three years. The number of Vermonters seeking treatment rose from 164 to 344 in that time. That number doesn't

take into account the users who don't seek treatment.

The Vermont State Police have made a compelling case for boosting manpower, which has eroded substantially in the past eight years. And Gov. Howard Dean has made the fight against heroin one of his priorities.

But so far Dean has not come up with resources for a long-term attack on the problem. The Legislature ought to use this moment to take Dean's initiative further.

Dean is well known for his punitive attitude toward drugs and for his lack of faith in the efficacy of treatment for drug users. But aggressive treatment, combined with aggressive law enforcement, has not been tried. And at this late date in the war on drugs, we ought to realize that law enforcement alone has not done the job.

Law enforcement agencies at the local and state levels can use a boost in resources and manpower. But so can agencies that treat addictions. Effective treatment is labor-intensive and could be made available to people both inside and outside of the state's corrections system.

Mental health workers know that drug addiction is not an easy affliction to cure. Addicts sometimes want no part of treatment. But the state could establish institutions that would respond more effectively to people who need help. Drug courts could establish a regimen of treatment that would expose people in state custody to the kind of help they may never have seen before.

Dean has promised to move quickly to set up clinics for drug treatment, following passage last year of legislation allowing for methadone treatment. But as Dean has often said, methadone alone will not solve the problem. Methadone needs to be part of a larger program of treatment.

As of last week, only two hospitals in Vermont had expressed firm interest in establishing methadone clinics. Rutland Regional Medical Center is waiting to determine what resources will be available and what kind of program the regulations will establish. Health care facilities such as RRMC need to be given the support and the resources to do the job.

Vermont is a small enough state that it could pioneer methods for treating drug problems that go beyond the obvious first step of locking people up. It would be in the state's interest to do so both to prevent the kind of crime and dereliction that is a drain on any community and to rescue Vermonters who succumb to the deathly appeal of drugs.

A package that included both law enforcement and treatment measures might draw bipartisan support. Vermonters are not helpless before the scourge of drug addiction if they have the will to act.

[From the Burlington Free Press (VT), Feb. 7, 2001]

VT. TEEN'S DEATH RULED HOMICIDE

(By Sam Hemingway)

Christal Jean Jones, the 16-year-old Burlington girl found dead in a Bronx apartment Jan. 3, was the victim of a homicide, according to New York City's top medical officer.

''The cause of death was asphyxiation, and the manner of death is homicide,'' Ellen Borakove; spokeswoman for the New York City Medical Examiner's Office, confirmed Tuesday.

The medical examiner relied on police investigation and toxicology tests to reach his conclusion. Borakove said Jones was smothered.

Drugs were found in Jones' body, but Borakove declined to say what the drug was or how it had been administered.

''Whatever substance was found was not a contributing factor in her death,'' Borakove said.

Jones' mother, Kathleen Wright, received the news during an emotional 11:30 a.m. phone call Tuesday from Borakove's office.

''It's just what I expected,'' a weeping Wright said after hanging up the phone. ''She was injected with drugs and then she was killed.''

Local and federal authorities say Jones was part of a prostitution ring operating out of an apartment in the Hunts Point section of the Bronx last fall and this winter. Authorities also say drugs, particularly heroin, were involved.

As many as a dozen Vermont girls, many in the custody of the state Social & Rehabilitation Services department at the time, have been involved, say some of the teens who have traveled to New York, their parents and authorities.

Gov. Howard Dean has ordered an investigation into SRS's handling of the girls' cases.

Jose Rodriguez, a part-time Vermont resident with a criminal record here, is being held on $100,000 bail in a New York City prison because New York officials suspect he might be involved in Jones' death. However, Rodriguez has been in jail since Dec. 11, when he was arrested on two charges of promoting prostitution and one charge of statutory rape involving another Vermont teenager.

At prosecutors' request his initial bail of $10,000 was increased to $100,000.

''Our sympathy goes out the (Jones) family,'' Eric Sachs, Rodriguez's court-appointed attorney, said Tuesday. ''We don't wish that on anybody, especially a young girl.''

He said Rodriguez has cooperated fully with authorities and knows nothing about Christal Jones' death.

''He's in jail. Obviously, we know he didn't do it,'' Sachs said.

When he was told Tuesday that the medical examiner had ruled Jones' death a homicide, Sachs called the District Attorney's Office.

He was assured, he said, ''there is no Christal Jones case, and there is no accusation that my client is involved.''

''Nobody has ever seen him'' in the Zerega Avenue apartment in which Jones was killed, Sachs said. ''It's not his apartment. He has no connection to this apartment. Where these girls live, or don't—he doesn't know.''

However, in the police affidavit outlining the prostitution and rape charges against Rodriguez, New York Police Office Sean Iannucci said the victim said the crimes were committed at the apartment where Jones' body was found.

If convicted, Sachs said, Rodriguez faces a maximum jail term of four years for the rape charge and 15 years for each of two prostitution charges.

Investigators who have interviewed witnesses and some of those involved say Rodriguez was intimately linked to the girls and a prostitution ring.

''I will kill you if you try to leave; I know people in Vermont and New York,'' Rodriguez was said to have told two of the Vermont girls before his arrest. Police also said he beat one of the girls after learning she had tried to call a family member for help.

Since Jones' death, many of those involved have gone into hiding. Some parents of the girls known to frequent New York won't talk. When approached, they crack the door only to say they don't know where their daughters are. Their fear is palpable.

In the Old North End and the King Street area of Burlington, Jones' death—and life—are well known. Local residents are painfully aware of the extent of heroin use and the hold the drug has over their neighbors. They say there is no easy resolution to the problem they have watched reach epidemic propositions in the past five years.

''We've got the demand,'' said Mike Larow, who owns Larow's Market on North Street. ''Everyone seems to be afraid to admit that it's here.''

A federal grand jury in Burlington is reviewing evidence in the case.

Vermont state officials and local police knew of the prostitution ring in the fall, according to a variety of sources. Dean said state officials went to New York and brought back two girls who had been at the apartment where Jones eventually died.

''The only comment is how sad it is that this child has died and how unnecessary,'' SRS Commissioner William Young said Tuesday. ''I think everyone from our local office and throughout the organization takes this kind of news hard.

''We certainly hope whoever is responsible for her death is brought to justice.''

Young said the case pointed out how vulnerable young women are, especially when they abuse drugs. Young said this was the first case that anyone in his agency was aware of in which there was an organized effort to take girls from Vermont to another location to work as prostitutes.

Mr. BIDEN. Mr. President, substance abuse is one of our Nation's most pervasive problems. Addiction is a disease that does not discriminate based on age, gender, socio-economic status, race or creed. And while we tend to stereotype drug abuse as an urban problem, the steadily growing number of heroin and methamphetamine addicts in rural villages and suburban towns shows that is simply not the case.

We have nearly 15 million drug users in this country, four million of whom are hard-core addicts. We all know someone—a family member, neighbor, colleague or friend—who has become addicted to drugs or alcohol. And we are all affected by the undeniable correlation between substance abuse and crime—an overwhelming 80 percent of the two million men and women behind bars today have a history of drug and alcohol abuse or addiction or were arrested for a drug-related crime.

All of this comes at a hefty price. Drug abuse and addiction cost this Nation $110 billion in law enforcement and other criminal justice expenses, medical bills, lost earnings and other costs each year. Illegal drugs are responsible for thousands of deaths each year and for the spread of a number of communicable diseases, including AIDS and Hepatitis C. And a study by The National Center on Addiction and Substance Abuse at Columbia University, CASA, shows that seven out of ten cases of child abuse and neglect are caused or exacerbated by substance abuse and addiction.

Another CASA study released last week revealed that for each dollar that States spend on substance-abuse related programs, 96 cents goes to dealing with the consequences of substance abuse and only four cents to preventing and treating it. Investing more in prevention and treatment is cost-effective because it will decrease much of the street crime, child abuse, domestic violence, and other social ills that can result from substance abuse.

The bill I am introducing today with Senators HATCH, LEAHY, DEWINE and THURMOND authorizes more than $900 million a year for prevention and treatment programs to reduce the criminal justice, health care, and human costs associated with substance abuse.

We know that if someone gets through age 21 without smoking, abusing alcohol, or using drugs, they are unlikely ever to have a substance abuse problem. That is why prevention programs for kids are vital. This bill provides $200 million a year in grants to drug prevention programs like those run by the Boys and Girls Clubs and by law enforcement through the DARE program to get the message out to kids that drugs can ruin their lives.

While there is good news that overall drug use has stabilized among students, there is also bad news—use of Ecstasy by high school seniors has increased more than 66 percent. Prevention programs funded by this Act will get the message out to kids that drugs like Ecstasy are incredibly dangerous—even if their friends or a cover story in the New York Times Magazine might make it seem like it is ''no big deal.'' Studies show that Ecstasy can damage regions of the brain responsible for thought and memory. If that isn't a big deal, I don't know what is.

This bill also authorizes additional funding for drug treatment, which is desperately needed. Every year since 1989, I have published my own drug report, each of which has advocated a three-prong approach to address the drug problem—prevention, treatment and enforcement. I have always urged more money for treatment because it always gets the short end of the stick.

Drug addiction is a chronic relapsing disease. And as with other chronic relapsing diseases—such as diabetes, hypertension and asthma—there is no cure, although a number of treatments can effectively control the disease. According to an article published in the Journal of the American Medical Association in October, the rate of adherence to the treatment program and the relapse rate are similar for drug addiction and other chronic diseases—meaning that treatment for addiction works just as well as treatment for other chronic relapsing diseases.

Unfortunately, only two million of the estimated five million people who need drug treatment are receiving it. The Drug Abuse Education, Prevention and Treatment Act takes steps to close this ''treatment gap'' by targeting drug treatment to rural and economically depressed areas, funding adolescent treatment and residential treatment centers for women with children, and increasing funding for the National Institute on Drug Abuse—whose brilliant scientists conduct 85 percent of the world's research on drug abuse—to conduct clinical trials on new treatments for addiction.

The bill also reauthorizes two key programs created in the 1994 Biden Crime Law that fund prison-based drug treatment in the state and federal systems.

Providing treatment to criminal offenders is not ''soft''; it is smart crime prevention policy as the Key and Crest programs in my home state of Delaware have shown. If we do not treat addicted offenders before they are released, they will return to our streets with the same addiction problem that got them in trouble in the first place, and they are likely to re-offend. This is not my opinion; it is fact. More than 80 percent of inmates with five or more prior convictions have been habitual drug users, compared to approximately 40 percent of first-time offenders. Reauthorizing prison-based treatment programs is a good investment and an important crime prevention initiative.

This legislation would also re-authorize the drug court program, a program I have championed and introduced legislation to reauthorize. The Federal Government has funded drug courts since 1994 as a cost-effective, innovative way to deal with non-violent offenders who need drug treatment. Rather than just churning people through the revolving door of the criminal justice system, drug courts help these folks get their acts together so they won't be back. When they graduate from drug court programs they are clean and sober and more prepared to participate in society. In order to graduate, they are required to finish high school or obtain a GED, hold down a job, and keep up with financial obligations, including drug-court fees and child-support payments.

Drug courts have been proven effective at keeping offenders with little previous treatment history in treatment, providing closer supervision than other community programs to which the offenders could be assigned, reducing crime and being cost-effective.

According to the Department of Justice, drug courts save at least $5,000 per offender each year in prison costs alone. That says nothing of the savings associated with future crime prevention and freeing scarce prison beds for violent criminals. But most important, more than 500 drug-free babies have been born to female drug court participants, a sizable victory for society and the budget alike.

This Act also includes my ''Offender Reentry and Community Safety Act of 2001,'' which creates demonstration programs to oversee the reintegration of high-risk, high-need offenders into society upon release. These individuals have served their prison sentences, but they pose the greatest risk of re-offending because they lack the education, job skills, stable family or living arrangements, and the substance abuse treatment and other mental and medical health services they need to successfully re-integrate into society.

According to the Department of Justice, 1.25 million offenders are now living in prisons and another 600,000 offenders are incarcerated in local jails. A record number of those inmates—nearly 590,000—will return to communities this year. Historically, two-thirds of returning prisoners have been re-arrested for new crimes within three years.

The safety threat posed by this number of prisoner returns has been exacerbated by the fact that states and communities can't possibly properly supervise all their returning offenders. In fact, parole systems have been abolished in thirteen States, and policy shifts toward more determinate sentencing have reduced the courts' authority to impose supervisory conditions on offenders returning to their communities.

The demonstration reentry programs created by this bill would help supervise these people when they are released from jail and make sure they get the mental health, substance abuse and other services they need so that they won't go back to a life of crime and can be productive members of our society.

I believe that the Drug Abuse Education, Prevention and Treatment Act is a good piece of legislation. Strong treatment and prevention programs are a vital part of a comprehensive drug strategy. Forestalling drug abuse and treating it when it occurs is sensible policy in terms of saving money, preventing crime and sparing lives. I urge my colleagues to support this legislation.

By Mr. SMITH of New Hampshire:

S. 305. A bill to amend title 10, United States Code, to remove the reduction in the amount of Survivor Benefit Plan annuities at age 62; to the Committee on Armed Services.

Mr. SMITH of New Hampshire. Mr. President, I am delighted today to rise to discuss President Bush's commitment to strengthening America's national security. I know this is a matter that is very close to the heart of my colleague in the Chair, the Senator from Oklahoma. President Bush often said during the campaign to the military that ''help is on the way.'' It is nice to know that help has arrived.

The President is spending this week traveling to military installations to see and hear, for the first time since assuming office, the needs of the military.

I can tell you, having just come back a few weeks ago from visiting the troops, marines and sailors aboard the U.S.S. *Nassau* in the Mediterranean, that they appreciate it when anybody from the Government comes to visit them where they are on location. Clearly, for the President of the United States to go directly to a military facility and look the troops in the eye and tell them that help is coming says a lot about the President. And believe me, it will do a lot for the morale of the military in this country. He is going to be traveling to additional military installations this week to see and hear just what the needs are as

those needs are addressed by the men and women who serve.

He is committed to address these urgent needs, and specifically pay raises, housing, benefits, and the like. I fully support him in that effort. I believe for the last 8 years our military has suffered.

I might just say it is nice to hear a President talking about strengthening the military. The needs of our military in the last 8 years have not been funded, and our military has been overextended for too many peacekeeping missions for which it was neither trained nor equipped.

In addition to that, oftentimes these missions were conducted without being budgeted, which forced the dollars to come out of the hides of the men and women who serve in terms of readiness and other accounts.

As the Senator in the Chair understands full well, our military readiness is at an all-time low. Planes are not flying for lack of spare parts and numerous accidents. Two Army helicopters crashed yesterday. Ships aren't sailing for lack of fuel. Soldiers aren't training for lack of ammunition.

I remember looking a young marine in the eye aboard the U.S.S. *Nassau* a couple of weeks ago and asking him if he needed anything other than a little more money. He said: Yes, I would like to have that, but I also would appreciate it, Senator, if you could give me some ammunition for this weapon that I need to fire. We don't have even dummy rounds to practice for this particular weapon. He showed me the weapon. I was shocked by that, frankly.

But, again, let me reassure our military that help is on the way. In fact, I think it has arrived.

Like the chairman of the Armed Services Committee, my friend Senator WARNER, I support this effort by the administration to complete a top-to-bottom assessment of the military. I think it is important when we do that assessment to do it on the basis of what the needs are and understand that we are doing it for that reason—to assess the needs—and not to come to some foregone conclusion and then prove it with your top-to-bottom assessment. We need to be sure we are buying the right weapons for the right threats.

The United States has a strong economy and a great open society. Unfortunately, it is the only remaining superpower in the world. That also makes us a target for those who oppose our values of life and our liberties. The world is not a friendly place. We see violence and unrest every night on the news.

I do not know if people realize it, but when you go and talk to the men and women out there, their lives are on the line every day. I stood on the bridge of the U.S.S. *Nassau* in Malta and watched a small Maltese Navy gunboat circling around that ship 24 hours a day to keep guard so that no terrorists could get to that ship. Oftentimes, as we found with the U.S.S. *Cole*, we didn't have that kind of security from the host country.

So weapons of mass destruction—nuclear, chemical, and biological—continue to proliferate around the world into the hands of dictators and demagogues who might, in desperation, choose to oppose us and, worst of all, fall into the hands of terrorists.

We face new threats, such as cyberattacks on our command and control networks and our vulnerable civil infrastructure. Our military needs to think through these new defense challenges and architect the right force for our Nation for the new century. I will give the administration the time it needs to work through these issues as they present a new budget.

As a member of the Emerging Threats Subcommittee and Strategic Forces Subcommittee of the Senate Armed Services Committee, I fully appreciate the challenges that President Bush and Secretary Rumsfeld face as they try to rebuild our military and simultaneously set us on the right course for this new century.

It is not going to be an easy job. There are a lot of needs. We have a lot of ground to make up and a lot of new things to do. In the meantime, like Chairman WARNER, I expect a new administration will be requesting a supplemental. But that is not my decision to make. I am hopeful that will be the case.

There is no better way to understand the needs of our military than to get out of Washington and visit them. As I said, I salute the President for doing that. I went on the U.S.S. *Nassau*, and one of the sailors walked up to me and said: Senator, is there any reason why a member of the United States Navy like me who is an E2 cannot get sea pay? I am serving aboard ship, and everybody from E4 and above gets sea pay, and those of us at E1, E2, and E3 don't.

We are going to take care of that. That matter has already been brought to the attention of the chairman of the Armed Services Committee in the Senate as well as the relevant committees in the House of Representatives.

But it felt good to be back at sea. It felt good to be on board ship. It reminded me of my service aboard the U.S.S. *Navasota* during the Vietnam war. It didn't feel good enough to reenlist, but it was a great time. There were 13 members of the U.S. Navy and Marines on board from New Hampshire. We listened, had lunch, and we talked. They deserve our support. They deserve compensation commensurate with the rest of America.

From E1 to E3—the lowest pay grades in the Navy serving aboard that ship swabbing the decks and doing all the hard work—don't get sea pay, and those E4s and above do. That is wrong. We are going to take care of that.

All of our sailors face the same threat. They deal with the same personal issues while they are away from home and family. They have children to raise. They have things to do that they miss—all kinds of family things they miss while they are away while we ask them to do it. They shouldn't be on food stamps and should have a reasonable salary. They ought to be compensated fairly. We are going to take care of the sea pay with legislation this year so that those E1 and E3 sailors will be compensated.

I appreciate the military's current desire to hold out the prospect of sea pay as a reenlistment bonus. However, these sailors are paying the same price at sea as the senior sailors. To say you can serve your first elected tour of duty and not get it, but if you re-up, we will give to it to you, is simply wrong. We will find another incentive to get them to re-up. I think, frankly, for them to re-up, we should tell them we are going to appreciate you and we are going to pay you sea pay because you are away from your home and family.

In addition to some of the readiness problems and personnel issues we are dealing with now in the military, I think one of the biggest challenges Secretary Rumsfeld is going to face is space and how we utilize space. Of course, Secretary Rumsfeld understands that as well as anybody. He chaired the space commission, so-called, that was created in our Armed Services defense bill. I was proud to be the author of that language. One of the plain reasons is the U.S. economy is so strong that we should use our satellite capabilities to fuel our new information-based science. Satellites support Americans every day. I don't think we realize how important they are. They support our weather, help hunters and boaters navigate; they provide pagers and telephones to communicate with travelers anywhere on the surface of the Earth.

But we cannot stop there, however. We must also keep our promises to those who have already given a lifetime of service to this country.

Just as our soldiers, sailors, and airmen were there for us, protecting us—we must be there for our veterans and military retirees.

Therefore, I am introducing legislation today to eliminate the military survivor's benefit penalty.

Mr. President, this legislation will repeal the existing reduction in the Survivor Benefit Plan spouses currently suffer when they reach the age of 62.

Today, after years of paying heavy premiums for this optional benefit, survivors of military retirees receive 55 percent of their spouses service pay prior to age 62. However, once these spouses reach age 62, their benefits are drastically reduced to only 35 percent. The overwhelming majority of these beneficiaries are women. This reduction in benefits will have a devastating effect on their quality of life.

In addition to eliminating this reduction in benefits which retired military spouses incur when they turn 62,

spouses whose loved one passed away after their 62nd birthday will also receive full 55 percent.

Passage of this important legislation will bring the military Survivor Benefits Plan more in line with other Federal and civil servants employee health plans.

After a lifetime of sacrifice, we owe it to our military retirees to provide them with peace of mind that their spouse will be taken care of after their death.

Mr. President, I ask my colleagues to support our retirees and pass this legislation immediately.

One of the many important defense challenges President Bush and Secretary Rumsfeld face is protecting America's lead in space activities. One of the main reasons the U.S. economy is so strong is our use of satellite capabilities to fuel our new information-based society.

Satellites support Americans every day. For example, they support our weather forecasts, help hunters and boaters navigate, provide pagers and phones that can communicate with travelers anywhere on the surface of the earth, and allow farmers to check on the health of their fields.

Our soldiers, sailors, and airmen also rely on space assets. Accordingly, the utilization of space will also be at the forefront of our national security agenda during this century, and I will work to ensure that America expands its leadership in this military arena.

To help the nation better posture for that future challenge, I authored the provision in the FY2000 Defense Authorization Act that created a commission 2 years ago called the ''Commission to Assess National Security Space Management and Organization,'' more commonly known today as the Space Commission.

Coincidentally, the chairman chosen last year to lead that commission became our new Secretary of Defense—Donald Rumsfeld.

Last month, they finished their work, and I commend Secretary Rumsfeld, the commissioners, and the staff for their outstanding work, and for thoroughly pulling together a great deal of research and data.

The Commission's findings confirm my long-held view of the growing importance of space to the nation and my belief that space management and organization reforms are urgently needed as America's commercial, civil, and military reliance on space assets expands.

The Commission's recommendations lay the foundations for what I have often maintained—military space activities should evolve to the eventual creation of a separate Space Force.

The United States has shown the world the value of space in providing information superiority on the modern battlefield.

As we move into the new century, we need to: Defend our current space-based information superiority; be able to deny our adversaries that same capability (thorough programs I have long supported like KE–SAT and Clementine); and leverage the uniqueness of space to be able to rapidly project military force around the world (thorough programs I have long supported like Space Plane).

We need a strong advocate for space to fight for and justify these new space programs needed for the 21st century in competition with many other pressing military investment requirements.

Near-term management and organization reforms recommended by the Commission will begin to put in place the leadership and advocacy for space programs that have long been lacking.

Another of the many defense challenges President Bush and Secretary Rumsfeld face is protecting America from missile attack.

I salute the administration's commitment to deploying a robust missile defense for this nation. Many Americans don't realize that the United States does not have a defense against a missile attack today.

Meanwhile, for years, Russia has deployed various missile defenses around Moscow and other sites which has been ignored by ABM Treaty proponents. These missiles could carry weapons of mass destruction—a nuclear, chemical, or biological warhead that could wreak havoc on a U.S. city. We have a constitutional responsibility to defend America. Homeland defense from missile attack is essential.

With such a threat hanging over our leader's head, it is impossible to contemplate engaging globally in the best interest of the United States—no President would risk a U.S. city to come to the aid of an ally.

Worst yet, countries like China and North Korea continue to proliferate missile technology to rogue nations.

I am pleased that the President and his Cabinet have been so pro-active in explaining this important issue to our allies.

A U.S. missile defense system, both theater and national is not intended as a threat to any nation. It is intended to defend America, and we have a duty to deploy such a defense.

While I salute the military's efforts to develop a near-term missile-defense capability, I want to work with the administration to ensure we have a robust, multilayered architecture that includes the current land-based concept with sea-, air-, and space-based systems to eliminate this threat to U.S. cities and our deployed forces.

Today, President Bush visited the only NATO facility on U.S. soil at the Joint Forces Command at Norfolk, VA. President Bush watched an allied U.S.-NATO coordinated response to a simulated missile attack.

I understand the President commented ''Pretty exciting technology, and it's only going to get better.'' I agree that this technology is only going to get better. America needs to make a commitment to protect it's citizens from threats that come on a missile, including biological and chemical weapons.

I look forward to working with the new administration, President Bush and Secretary Rumsfeld, to rebuild our military and set the nation on the right course for the new century.

Let me assure the military, help has arrived.

Finally, continuing on the area of missile defense, this is a very important challenge faced by President Bush and Secretary Rumsfeld in protecting the United States. Over the last several years, I have been involved in so many debates on the floor, so many discussions. I know the Senator from Oklahoma has as well. We are trying to save a national missile defense program only to have it put off with some wordsmithing or delay. I salute President Bush's commitment to deploying a robust missile defense for this Nation. It is immoral not to do it.

I also salute, because it was his birthday a few days ago, President Reagan on his 90th birthday for being the visionary he was on this issue. It was Ronald Reagan who really convinced Gorbachev that we could have built that thing 20 years ago when, in fact, we couldn't. Because he convinced Gorbachev that we could and that it might be a threat to him, the Soviet Union essentially folded as the threat that it was to the world in the cold war for so long. Ronald Reagan knew this could be done. He was laughed at, still is to some extent on that issue. But 10, 15, 20 years from now, when we have this thing up and going and it is protecting our troops in the field, protecting our allies and protecting our own homeland, Ronald Reagan will get the credit he deserves so richly for coming up with that visionary promise of a missile defense system.

Russia has deployed various missile defenses around Moscow and other sites which have been ignored by the ABM Treaty proponents. These missiles could carry weapons of mass destruction, nuclear, chemical, and biological, that could wreak havoc on a U.S. city, and we have basically ignored it. We have a constitutional responsibility to defend America.

I can remember seeing little tapes of so-called focus groups where they would ask 15 or 20 people in a room what would happen if another nation, such as China or Iran or Iraq, fired a missile at the United States of America. All of them answered: We would shoot it down. All of them were wrong. We do not have the capability to shoot down such a missile, but we need that capability. We need the capability to shoot it down over the aggressor's homeland, not over ourselves. So that is where this missile defense system is so important.

I hear the criticisms: It won't work; it is too expensive; we don't need it.

The bottom line is, if we can defend America from any missile attack, whether it be accidental or deliberate

or whatever, we need to do it. That is our obligation. We have a constitutional responsibility to defend America. Homeland defense from missile attack is the moral thing to do. With such a threat hanging over our leader's head, it is impossible to contemplate engaging globally in the best interests of the United States. No President should risk a U.S. city to come to the aid of an ally.

And worst yet, China, North Korea, and other nations continue to proliferate missile technology. There is some really shocking documentation, both public as well as classified, that will tell us that this is a serious matter. I am pleased the President and Secretary of Defense and his Cabinet have been so proactive in explaining this important issue to our allies. I understand that Secretary Rumsfeld went to Europe, was very forceful to our allies, saying: You are free nations. You have the right to your views, but our view is we need to protect ourselves and to defend this system and build this system, and we are going to do it.

In closing, I will just say I look forward to working with President Bush, working with my colleagues on the Armed Services Committee to improve our readiness, to improve pay for our military and benefits, to cut all of the excessive operations throughout the world that are not really related to defense and get our military morale back. It is going to be exciting, and I look forward to being a part of it.

I ask unanimous consent to print the text of the legislation in the RECORD.

There being no objection, the bill was ordered printed in the RECORD, as follows:

S. 305

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Military Retirees Survivor Benefits Protection Act of 2001''.

SEC. 2. REPEAL OF REDUCTION IN SBP ANNUITIES AT AGE 62.

(a) COMPUTATION OF ANNUITY FOR A SPOUSE, FORMER SPOUSE, OR CHILD.—Subsection (a) of section 1451 of title 10, United States Code, is amended—

(1) in paragraph (1), by striking ''shall be determined as follows:'' and all that follows and inserting the following: ''shall be the amount equal to 55 percent of the base amount.''; and

(2) in paragraph (2), by striking ''shall be determined as follows:'' and all that follows and inserting the following: ''shall be the amount equal to a percentage of the base amount that is less than 55 percent and is determined under subsection (f).''.

(b) ANNUITIES FOR SURVIVORS OF CERTAIN PERSONS DYING DURING A PERIOD OF SPECIAL ELIGIBILITY FOR SBP.—Subsection (c)(1) of such section is amended by striking ''shall be determined as follows:'' and all that follows and inserting the following: ''shall be the amount equal to 55 percent of the retired pay to which the member or former member would have been entitled if the member or former member had been entitled to that pay based upon his years of active service when he died.''.

(c) REPEAL OF REQUIREMENT FOR REDUCTION.—Such section is further amended by striking subsection (d).

(d) REPEAL OF UNNECESSARY SUPPLEMENTAL SBP.—(1) Subchapter III of chapter 73 of title 10, United States Code, is repealed.

(2) The table of contents at the beginning of such chapter is amended by striking the item relating to subchapter III.

SEC. 3. EFFECTIVE DATE.

This Act and the amendments made by section 2 shall take effect on October 1, 2001, and shall apply with respect to months beginning on or after that date.

Mr. KYL. Mr. President, I thank the Senator from New Hampshire for his comments about the need for deployment of a national missile defense. I spoke to that subject this morning, when I talked about Secretary of Defense Donald Rumsfeld's remarks in Munich that were very well received by our allies. They had some concerns about the deployment of a national missile defense by the United States. But after his comments to them, they were very much reassured. While there still isn't the degree of support that we need and that we would like to have among our allies, I believe the consultations now occurring, and those that will occur in the future, primarily led by the Secretary of Defense, will bring our allies to the same conclusions that we have reached; namely, that we need to get on with it and that they can participate in this kind of assistance to the extent they want to as well. I appreciate the comments of the Senator from New Hampshire. I spoke to that issue this morning.

By Mrs. FEINSTEIN:

S. 307. A bill to provide grants to State educational agencies and local educational agencies for the provision of classroom-related technology training for elementary and secondary school teachers; to the Committee on Health, Education, Labor, and Pensions.

Mrs. FEINSTEIN. Mr. President, today Representative LOIS CAPPS and I are introducing legislation to help teachers use technology in their teaching, the Teacher Technology Training Act of 2001.

This bill has three major provisions:

It authorizes $100 million for state education departments to award grants to local public school districts on the basis of need to train teachers in how to use technology in the classroom.

It specifies that grants may be used to strengthen instruction and learning, provide professional development, and pay the costs of teacher training in using technology in the classroom.

It requires the Secretary of Education to evaluate the technology training programs for teachers developed by school districts within three years.

This bill is needed because teachers say they need to learn how to use computers and other technology in their teaching. A 1999 Education Week poll found that 27 percent of teachers have had no training in computers, 31 percent have had one to five hours, and 17 percent have had six to ten hours. This means that 75 percent of teachers have had less than ten hours of training in how to use computers. In a 1999 survey conducted by the U.S. Department of Education, only 23 percent of teachers said they felt ''well prepared'' to integrate educational technology into instruction. ''Most teachers want to learn, but they say it takes time and they need help,'' says Linda Roberts, Director of Educational Technology, U.S. Department of Education.

In many schools, the students know more about how to use computers than the teachers do. In one Kentucky school profiled by Inside Technology Training magazine, the students run the school's computer systems. The article quoted the school district's technology coordinator as saying that the students had ''long surpassed'' what the teachers could do and reported that one student had recently trained twenty teachers on software for Web page construction (''Fast Times at Kentucky High,'' Inside Technology training, June 1998).

In addition to helping teachers teach, technology proficiency is becoming crucial to survival. Most good jobs require experience using computers. Former U.S. Commerce Secretary William M. Daley has said, ''Opportunities are now dependent upon a person's ability to use computers and engage in using the Internet,'' CQ Weekly, ''Digital Haves and Have Nots,'' April 17, 1999.

The economy of California is a case in point as it shifts away from manufacturing and toward higher-skill service and technology industries. Employers are placing a high premium on the computer skills necessary for these positions. Students are better prepared when their teachers are well trained. We cannot educate students for the increasingly technological workplace without trained teachers.

We have made great efforts to make technology available to students in their classrooms. Eighty percent of California's schools have Internet access.

But computers are of little value if people do not know how to use them and in school, they can become diversions or entertainment, instead of learning tools without trained teachers.

If we expect teachers to be effective, we must give them up-to-date skills, knowledge, and tools. This includes training.

By introducing this bill, I am not suggesting that technology is a cure-all for the problems in our schools. Technology is one of many teaching and learning tools. It can bring some efficiencies to learning, for example, providing a new way to do math and spelling drills, making learning to write easier, providing easier access to information that without a computer is time-consuming and cumbersome to obtain.

We expect a great deal from our teachers and students. We must give them the resources they need. This bill is one step.

By Mrs. FEINSTEIN:

S. 308. A bill to award grants for school construction; to the Committee on Health, Education, Labor, and Pensions.

Mrs. FEINSTEIN. Mr. President, today, I am introducing the Excellence in Education Act of 2001.

The purpose of this bill is to 1. reduce the size of schools; 2. reduce the size of classes; and 3. bring accountability to the use of these funds. The bill would create a matching grant program to build new schools to meet the following size requirements:

For kindergarten through 5th grade, not more than 500 students, for grades 6 through 8, not more than 750 students and for grades 9 through 12, not more than 1,500 students.

For kindergarten through grade 6, not more than 20 students per teacher and for grades 7 through 12, not more than 28 students per teacher.

The bill authorizes $1 billion each year for the next five years for the U.S. Department of Education to award grants to local school districts. School districts would have to match federal funds with an equal amount. In addition to making the above reductions, school districts would be required to terminate social promotion, provide remedial education, and require that students be subject to state achievement standards in the core academic curriculum.

This bill will provide a new funding source for school districts or states to match to build new schools and reduce both school size and class size. There is no good estimate of how many schools would be needed to reduce schools and classes to the levels specified in the bill, but we all know that there are too many large schools and large classes in public education today.

The U.S. Department of Education estimates that we need to build 6,000 new schools just to meet enrollment growth projections. This estimate does not take into account the need to cut class and school sizes. Consequently, the need for the funds my bill would authorize is huge.

Why do we need this bill?

First, many of our schools are just too big, especially in urban areas. The ''shopping mall'' high school is all too common. Some schools have as many as 4,000 students. In fact, half of American high school students go to schools that have 1,500 students or more.

Equally serious is the fact that our classes are too big. Even though we have begun to reduce class sizes in the lower grades in California, it still has some of the largest class sizes in the United States.

Studies show that student achievement improves when school and class sizes are reduced. The Oakland, California, school district plans to open 10 new small schools in the next few years. The Oakland tribune explained it like this on October 18, 2000: ''Small schools are viewed as antidotes to huge, factory-like campuses commonplace in America's inner cities. Research has shown that small schools create intimate learning atmospheres for students and teachers.''

The U.S. Department of Education cites studies that list these benefits of small schools: students have a greater sense of belonging; fewer discipline problems occur; crime, violence and gang activity go down; alcohol and tobacco abuse decline; dropout rates fall and graduation rates rise; and student attendance increases.

The American Education Research Association says that the ideal high school size is between 600 and 900 students. Studies show that small schools have higher academic achievement, fewer discipline problems, lower dropout rates, higher levels of student participation, higher graduation rates (The School Administrator, October 1997). The nation's school administrators are calling for smaller, more personalized schools.

A Tennessee study called Project STAR placed 6,500 kindergartners in 330 classes of different sizes. The students stayed in small classes for four years and then returned to larger ones in the fourth grade. The test scores and behavior of students in the smaller classes were better than those of children in the larger classes. A similar 1997 study by Rand found that smaller classes benefit students from low-income families the most.

Teachers say that students in smaller classes pay better attention, ask more questions, and have fewer discipline problems. Smaller schools and smaller classes make a difference, it is clear.

California has some of the largest schools in the country; Los Angeles has some of the largest classes and schools in the world! Here are some examples in the Los Angeles area: Hawaiian Elementary, 1,365 students; South Gate Middle School, 4,442 students; Belmont High School, 4,874 students.

California also has some large classes, even though we have made great progress in reducing teacher-to-pupil ratios in the lower grades. Still today, many middle and high school English and math classes are very large, up to as many as 39 students.

The American public supports increased federal funding for school construction. The Rebuild American Coalition last year found that 82 percent of Americans favor federal spending for school construction, up from 74 percent in a 1998 National Education Association poll.

Every parent knows the importance of a small class in which the teacher can give individualized attention to a student. Every parent knows the importance of the sense of a community that can come with attending a small school. And every parent knows that big schools and big classes can be a stressful learning environment.

I hope my colleagues will join me today in passing this important education reform. I ask unanimous consent that the text of the bill and a summary be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 308

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Excellence in Education Act of 2001''.

SEC. 2. DEFINITIONS.

In this Act:

(1) CORE CURRICULUM.—The term ''core curriculum'' means curriculum in subjects such as reading and writing, language arts, mathematics, social sciences (including history), and science.

(2) ELEMENTARY SCHOOL; LOCAL EDUCATIONAL AGENCY; SECONDARY SCHOOL; SECRETARY.—The terms ''elementary school'', ''local educational agency'', ''secondary school'', and ''Secretary'' have the meanings given the terms in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801).

(3) PRACTICE OF SOCIAL PROMOTION.—The term ''practice of social promotion'' means a formal or informal practice of promoting a student from the grade for which the determination is made to the next grade when the student fails to meet State achievement standards in the core academic curriculum, unless the practice is consistent with the student's individualized education program under section 614(d) of the Individuals with Disabilities Education Act (20 U.S.C. 1414(d)).

(4) CONSTRUCTION.—

(A) IN GENERAL.—Subject to subparagraph (B), the term ''construction'' means—

(i) preparation of drawings and specifications for school facilities;

(ii) building new school facilities, or acquiring, remodeling, demolishing, renovating, improving, or repairing facilities to establish new school facilities; and

(iii) inspection and supervision of the construction of new school facilities.

(B) RULE.—An activity described in subparagraph (A) shall be considered to be construction only if the labor standards described in section 439 of the General Education Provisions Act (20 U.S.C. 1232b) are applied with respect to such activity.

(5) SCHOOL FACILITY.—The term ''school facility'' means a public structure suitable for use as a classroom, laboratory, library, media center, or related facility the primary purpose of which is the instruction of public elementary school or secondary school students. The term does not include an athletic stadium or any other structure or facility intended primarily for athletic exhibitions, contests, or games for which admission is charged to the general public.

SEC. 3. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to carry out this Act $1,000,000,000 for each of the fiscal years 2002 through 2006.

SEC. 4. PROGRAM AUTHORIZED.

The Secretary is authorized to award grants to local educational agencies to enable the local educational agencies to carry out the construction of new public elementary school and secondary school facilities.

SEC. 5. CONDITIONS FOR RECEIVING FUNDS.

In order to receive funds under this Act a local educational agency shall meet the following requirements:

(1) Reduce class and school sizes for public schools served by the local educational agency as follows:

(A) Limit class size to an average student-to-teacher ratio of 20 to 1, in classes serving kindergarten through grade 6 students, in the schools served by the agency.

(B) Limit class size to an average student-to-teacher ratio of 28 to 1, in classes serving grade 7 through grade 12 students, in the schools served by the agency.

(C) Limit the size of public elementary schools and secondary schools served by the agency to—

(i) not more than 500 students in the case of a school serving kindergarten through grade 5 students;

(ii) not more than 750 students in the case of a school serving grade 6 through grade 8 students; and

(iii) not more than 1,500 students in the case of a school serving grade 9 through grade 12 students.

(2) Terminate the practice of social promotion in the public schools served by the agency.

(3) Require that students be subject to State achievement standards in the core curriculum at key transition points, to be determined by the State, for all kindergarten through grade 12 students.

(4) Use tests and other indicators, such as grades and teacher evaluations, to assess student performance in meeting the State achievement standards, which tests shall be valid for the purpose of such assessment.

(5) Provide remedial education for students who fail to meet the State achievement standards, including tutoring, mentoring, summer programs, before-school programs, and after-school programs.

(6) Provide matching funds, with respect to the cost to be incurred in carrying out the activities for which the grant is awarded, from non-Federal sources in an amount equal to the Federal funds provided under the grant.

SEC. 6. APPLICATIONS.

(a) IN GENERAL.—Each local educational agency desiring to receive a grant under this Act shall submit an application to the Secretary at such time and in such manner as the Secretary may require.

(b) CONTENTS.—Each application shall contain—

(1) an assurance that the grant funds will be used in accordance with this Act;

(2) a brief description of the construction to be conducted;

(3) a cost estimate of the activities to be conducted; and

(4) a description of available non-Federal matching funds.

SUMMARY OF THE SCHOOL CONSTRUCTION GRANT BILL, THE EXCELLENCE IN EDUCATION ACT OF 2001

Funds authorized, purpose: Authorizes $5 billion over 5 years ($1 billion each year) for the U.S. Department of Education to award grants to local education agencies to construct new school facilities from fiscal year 2002 to 2006.

Eligibility. Local education agencies as defined in 14101 of the Elementary and Secondary Education Act of 1965 (public schools).

Use of funds: Local education agencies are authorized to use funds to construct new school facilities.

Conditions for receiving funds: As a condition of receiving funds, local education agencies are required to—

Reduce school and class sizes as follows:

Limit class size to: In the elementary grades to an average student-teacher ratio of 20 to one; in grades 7 through 12 to an average student-teacher ratio of 28 to one.

Limit school size to: Elementary schools (K–5): no more than 500 students; Middle schools (6–8): no more than 750 students; High schools (9–12): no more than 1,500 students.

Terminate the practice of social promotion.

Require that students be subject to state academic achievement standards, to be determined by the states, for all K–12 students in the core curriculum, defined as subjects such as reading and writing, language arts, mathematics, social sciences (including history); and science.

Test student achievement in meeting achievement standards periodically for advancement to the next grade, in at least three grades (such as the 4th, 8th and 12th grades), distributed evenly over the course of a student's education.

Provide remedial education for students who fail to meet academic achievement standards, including tutoring, mentoring, summer, before-school and after-school programs.

Provide matching funds from non-Federal sources in an amount equal to the Federal funds provided under the grant.

By Mrs. FEINSTEIN:

S. 309. A bill to amend the Elementary and Secondary Education Act of 1965 to specify the purposes for which funds provided under subpart 1 of part A of title I may be used; to the Committee on Health, Education, Labor, and Pensions.

Mrs. FEINSTEIN. Mr. President, today I am introducing a bill designed to better direct and refocus ESEA Title I funds on academic instruction. The goal of this bill, titled ''The Title I Integrity Act,'' is to target Title I funds on learning and to get ''more for our money'' from the largest Federal elementary-secondary education program.

Title I provides assistance to virtually every school district in the country for services to children attending schools with high concentrations of low-income students, from preschool through high school. It has been the ''anchor'' of Federal assistance to schools, since its origin in 1965. For Fiscal Year 2000, funding for Part A basic grants to school districts is almost $8 billion.

This bill would specify in law how Title I funds can and cannot be used by schools. It seeks to direct Title I funds to uses that improve academic achievement and help students meet state achievement standards.

The bill says that ''a local educational agency shall use funds . . . only to provide academic instruction and services directly related to the instruction of students in preschool through grade 12 to assist eligible children to improve their academic achievement and to meet achievement standards established by the State.''

Permitted uses include these: Interventions and corrective actions to improve student achievement; extending academic instruction beyond the normal school day and year, including summer school; the employment of teachers and other instructional personnel (including employee benefits); instructional services to pre-kindergarten children for the transition to kindergarten; the purchase of instructional resource such as books, materials, computers, and other instructional equipment and wiring to support instructional equipment; development and administration of curriculum, educational materials and assessments; and transportation of students to assist them in improving academic achievement.

Uses explicitly not permitted are these: The purchase or lease of privately-owned facilities; the purchase or provision of facilities maintenance, janitorial, gardening, or landscaping services or the payment of utility costs; the construction of facilities; acquisition of real property; food and refreshments; travel to and attendance at conferences or meetings; and the purchase or lease of vehicles.

Current law on Title I is much too vague. It says, ''A State or local educational agency shall use funds received under this part only to supplement the amount of funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds.''

The U.S. Department of Education has given states a guidance document that explains how Title I funds can currently be used. Permitted uses are for the following: instructional practices; counseling, mentoring; developing curricula; salaries; employee benefits; renting privately-owned facilities; janitorial services; utilities; mobile vans; training and professional development; equipment; interest on lease purchase agreements; travel and conferences; food and refreshments; insurance for vehicles; parent involvement activities.

Under this guidance document, only two uses are specifically prohibited: (1) construction or acquisition of real property; and (2) payment to parents to attend a meeting or training session or to reimburse a parent for salary lost due to attendance at ''parental involvement'' meeting.

My reason for introducing this bill is this: Our students are not learning; our schools are failing our children. We must use our limited federal dollars for the fundamental purpose of education: to help students learn.

Just this week I learned that a January 2001 study by Education Weekly, titled ''Quality Counts 2001: A Better Balance,'' brought more bad news about California's students. Here's what the report found:

In fourth grade reading, 20 percent of students are proficient and 52 percent are below the basic standard.

In eighth grade reading, 22 percent of students are proficient and 36 percent are below the basic standard.

Comparing California to other states, in how well fourth grade students read, California ranks 36 out of 39 states. In eight grade reading, California ranks 32 out of 36 states.

Nationally, the news is similarly distressing:

U.S. eighth graders are out-performed by their counterparts in math and science from Japan, Korea, Hong Kong and Singapore, Australia and Canada (Third International Math and Science Study, December 5, 2000). The 1999 study showed virtually no improvement for U.S. students over 1995.

American twelfth graders performed in mathematics better than students in only two countries, Cyprus and South Africa.

In writing, 75 percent of U.S. school children cannot compose a well-organized, coherent essay, concluded the National Assessment for Education Progress (NAEP) in September 1999.

While it is difficult to really ascertain exactly ow Title I funds are always being used, we do know of a few examples of uses that raise questions in my mind:

In Alabama, schools ''dipped into Title I to pay the electric bill and for janitorial services.'' Citizens' Commission on Civil Rights.

While most of Title I's $8 billion appear to be spent on instruction, the Los Angeles Times, in a March 12, 2000 editorial, said, ''About half that amount is wasted on unskilled though well-meaning teacher aides, who are often more baby-sitter than instructor.''

Title I has been used ''to pay for everything from playground supervisors and field trips to more time for nurses and counselors.'' San Diego Tribune, March 16, 2000.

California school officials have told my staff that Title I has been used for pay for clerical assistants in school administrative offices, payroll staff, truant officers, schoolyard duty personnel, school bus loading assistants, ''curriculum coordinators,'' ''compliance,'' attending conferences, and home visits.

It is time to put an end to the notion that Title I can be everything to everyone, that it can fund all the services that schools need. Federal funding is only seven percent of total funding for elementary and secondary education and Title I is even a smaller percentage of total support for public schools. We must get the most that we can educationally for our limited dollars.

It is time to better direct Title I funds to the true goal of education: to help students learn. This bill is one step toward that goal.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 309

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Title I Integrity Act of 2001''.

SEC. 2. LIMITATIONS ON FUNDS.

Subpart 1 of part A of title I (20 U.S.C. 6311 et seq.) is amended by inserting after section 1120B (20 U.S.C. 6323) the following:

''SEC. 1120C. LIMITATIONS ON FUNDS.

''(a) IN GENERAL.—Notwithstanding any other provision of this Act, a local educational agency shall use funds received under this subpart only to provide academic instruction and services directly related to the instruction of students in preschool through grade 12 to assist eligible children to improve their academic achievement and to meet achievement standards established by the State.

''(b) PERMISSIBLE AND PROHIBITED ACTIVITIES.—In this section, the term 'academic instruction'—

''(1) includes—

''(A) the implementation of instructional interventions and corrective actions to improve student achievement;

''(B) the extension of academic instruction beyond the normal school day and year, including during summer school;

''(C) the employment of teachers and other instructional personnel, including providing teachers and instructional personnel with employee benefits;

''(D) the provision of instructional services to pre-kindergarten children to prepare such children for the transition to kindergarten;

''(E) the purchase of instructional resources, such as books, materials, computers, other instructional equipment, and wiring to support instructional equipment;

''(F) the development and administration of curricula, educational materials, and assessments; and

''(G) the transportation of students to assist the students in improving academic achievement; and

''(2) does not include—

''(A) the purchase or lease of privately owned facilities;

''(B) the purchase or provision of facilities maintenance, gardening, landscaping, or janitorial services, or the payment of utility costs;

''(C) the construction of facilities;

''(D) the acquisition of real property;

''(E) the payment of costs for food and refreshments;

''(F) the payment of travel and attendance costs at conferences or other meetings; or

''(G) the purchase or lease of vehicles.''.

By Mr. KENNEDY (for himself and Mr. KERRY):

S. 310. A bill to designate the United States courthouse located at 1 Courthouse Way in Boston, Massachusetts, as the ''John Joseph Moakley United States Courthouse''; to the Committee on Environment and Public Works.

Mr. KENNEDY. Mr. President, it is a privilege to join my colleague, Senator KERRY, in introducing this legislation to name the U.S. courthouse in the city of Boston after a wonderful friend and an outstanding leader, Congressman, JOSEPH MOAKLEY, who announced yesterday that he will not be candidate for re-election next year because of a serious illness that has just been diagnosed.

Congressman MOAKLEY has served Massachusetts and the nation with great honor throughout his long and brilliant career in public service. Like the rest of my colleagues, I'm deeply saddened by JOE'S announcement yesterday.

As dean of our delegation, JOE'S leadership in Congress is invaluable and indispensable for the people of Massachusetts—and the whole nation too. He's a true giant in Congress, and I'm proud to serve with him.

JOE'S has been at the forefront of many great battles of national and international importance. No one is more effective in Congress on the front lines or behind the scenes. He has touched the hearts of all our people, and he's made a remarkable difference in their lives and hopes. He's a voice for the voiceless, and for all those who need our help the most. He champions the cause of hard-working families and the middle class—and all of us are proud to be there with him, on the front-lines in all these battles.

When I look back over the many years that JOE MOAKLEY has served in Congress, I think of the important progress we've achieved—the battles we've waged and won—for decent and affordable health care—for good education, so that more children can have a better start in life and a chance to go to colelge—for better jobs, greater opportunities, fairer wages, and safer working conditions—for a cleaner environment—for equal rights for women and an end to discrimination in the workplace—for civil rights at home and human rights in other lands. And above all, in countless nations around the world, JOE MOAKLEY is renowned for his extraordinary achievement in protecting and defending the fundamental human rights of all the people of El Salvador.

He has fought long and hard and well for funds to rebuild the Central Artery—to build the South Boston Piers Transitway—to clean up Boston Harbor—to modernize the Port of Boston—and to preserve Massachusetts' many historic sites—the old State House, the Old South Meeting House, the USS *Constitution*, Dorchester Heights, and Boston's historic marketplace, Faneuil Hall. JOE MOAKLEY'S efforts to protect and preserve these many sites guarantee that they'll be an important part of our state's history and heritage for many years to come.

And that's only the tip of the iceberg. Few, if any, Members of Congress have done so much for so many for so long.

When the chips are down, JOE MOAKLEY is always there when we need him most. If President Kennedy were here today, we all know what he'd day—he'd call JOE MOAKLEY a true profile in courage.

Thoughout his career, JOE MOAKLEY has worked brilliantly, effectively and tirelessly to promote the highest ideals of public service. He is an outstanding statesman, leader, and legislator. I commend him for his leadership, and I look forward to the early enactment of this legislation as a tribute to a man who has served the city of Boston, Congress, and the country so well.

By Mr. DOMENICI (for himself, Mr. DODD, Mr, COCHRAN, Mr. CLELAND, Mr. FRIST, Mr. KENNEDY, and Mr. HARKIN):

S. 311. A bill to amend the Elementary and Secondary Education Act of 1965 to provide for partnerships in character education: to the Committee on

Health, Education, Labor, and Pensions.

Mr. DOMENICI. Mr. President, this is an issue on which I have been working for 7 years; that is, character education in our schools, both public and private. The bill I sent to the desk has seven cosponsors from both parties. I ask other Senators who are interested in helping at the grassroots level in public schools and private schools, who want to bring Character Counts to their character education in their schools, that they might consider this bill. I would like to speak a little bit about character in our Nation and in our schools.

I rise today with my friend, Senator DODD, who is my principal cosponsor, although we now have Senators FRIST, KENNEDY, HARKIN, CLELAND, and COCHRAN. This bill is called the Strong Character for Strong Schools Act. It is not a very big program, and it does not interfere very much at all with the schools, but it does provide for money to be granted to public school systems, partnerships between State agencies and others, bringing character, or character kind of programs, into the schools.

Last month, I listened with great pleasure to President Bush's inaugural address. He basically ticked off the tenets of good character that underscore American life. The President's speech was clearly a message about character and the importance of character in American daily lives. In his speech, the President touched on many elements of good character. I found it especially telling when the President emphasized the necessity of teaching every child these principles and the duty of every citizen to uphold these very same principles.

I am going to quote a number of people. Let me quote Theodore Roosevelt, one of our great Presidents. He said:

Character, in the long run, is the decisive factor in the life of an individual and of our Nation.

What I have been principally involved in, in our State of New Mexico, is called Character Counts. Six pillars of character are promoted in the schools. Almost all of them use the same six pillars: Trustworthiness, respect, responsibility, fairness, caring, and citizenship.

I would submit that character truly does transcend time as well as religious, cultural, political, and socioeconomic barriers.

I believe President Bush's renewed focus on character sends a wonderful message to Americans, and will help those of us involved in character education reinvigorate our efforts to get communities and schools involved.

I say that because it was not too long ago, during the last Elementary and Secondary Education Act, ESEA, reauthorization, that Senators Nunn, DODD and I included a provision in the bill to fund pilot projects to increase character education.

Since then, the Department of Education has made $25 million in ''seed money'' grants available to 28 States to develop character education programs. Currently, there are 36 States that have either received Federal funding, or have enacted their own laws mandating or encouraging character education.

In New Mexico, over 230,000 kids and nearly 90 percent of our schools participate in some form of character education.

Most of New Mexico utilizes a wonderful character curriculum called ''Character Counts,'' which was established by Michael Josephson, a renowned ethicist from the Josephson Institute in California.

Character Counts emphasizes six pillars of good character: trustworthiness, respect, responsibility, fairness, caring, and citizenship. The point is that teachers like this approach. These six pillars are not based on any particular religion or philosophy. They merely represent the kind of values that everybody can agree are important for our children.

I first learned of Character Counts after reading about it in a nationally syndicated newspaper column. I subsequently, found out that one school in my State had decided to try the program, and that it seemed to be working.

Character Counts started in New Mexico in 1993 at the Bel Air Elementary School in Albuquerque. Bel Air had disciplinary problems, and teachers and the principal were looking for ways to address those problems. One of Bel Air's counselors, Mary Jane Aguilar, along with Don Whatley, a teacher, suggested that the school try a new approach, called Character Counts.

They took the six pillars, with training from the Josephson Institute, and began integrating them into the daily lives of their students. Within 6 months of integrating Character Counts into the daily curriculum at Bel Air, the teachers noticed that disciplinary episodes were fewer and that the students began to treat each other better.

After hearing of the success at Bel Air, I invited the mayor of Albuquerque in 1994 to join me in forming the Character Counts Leadership Council, to bring together community leaders, schools, teachers, parents, and students for the purpose of expanding Character Counts in Albuquerque and throughout the State. And after our initial efforts, I worked to establish Character Counts partnerships in other parts of the State, and the program spread quickly throughout New Mexico.

Since then, I have helped bring Character Counts to over 70 schools and communities in New Mexico. Places like Farmington, Santa Fe, Roswell, Portales, Carlsbad, Silver City, Hobbs and Las Cruces. And in even smaller communities like Espanola, Mountainair, Dexter, Hagerman, Lake Arthur, Artesia, Capitan, Carrizozo, Lovington, Eunice, Jal, Tatum, Alamogordo, Socorro, Deming, and Gallup.

As I travel around New Mexico, in virtually every town I have noticed school billboards with things like: ''The word for the month of May is 'citizenship.' Character Counts!'' It is everywhere in the schools in New Mexico and I am proud to be a part of the program.

Additionally, many of our communities now have adopted Character Counts in afterschool programs like the YMCA, Boys and Girls Clubs, and 4–H. So when kids leave the classroom for after-school activities, they are still being taught how to make decisions based on the six pillars.

I think what we are starting to see in New Mexico is the beginning of the Character Counts Generation—young people entering high school, who are bringing with them the lessons they have learned through Character Counts.

Mr. President, I could go on for quite some time talking about Character Counts in New Mexico. The bottom line is that I believe it is working in New Mexico and other parts of the country.

Consequently, I think we need to encourage more character education by providing a little more seed money for these worthwhile programs.

So today, Senator DODD and I are here to introduce a bill to accomplish just that.

The Strong Character for Strong Schools Act seeks to encourage the creation of character education programs at the State and local level by providing grants to eligible entities.

Grant recipients would use the funding to design and implement character education programs incorporating the following elements: caring, civic virtue and citizenship, justice and fairness, respect, responsibility, trustworthiness, and any other elements developed by the program.

''Eligible entities'' would include partnerships of, one, a State Educational Agency, SEA, and one or more school districts, two, an SEA, one or more school districts, and one or more nonprofit organizations, three, one or more school districts, or, four, a school district and a nonprofit organization. Nonprofit organizations could be institutions of higher education.

The program would be authorized at $50 million for fiscal year 2002 and such sums as may be necessary for each of the four succeeding fiscal years.

I also want to emphasize that our bill does not dictate to States which character education program to implement. Rather, the bill merely provides states general guidelines and allows them to adopt whatever principles or pillars they choose after consultation with their communities.

Hopefully, our renewed effort will bring together even more communities to ensure that character education is a part of every child's life. And with the successful passage of the legislation we

are introducing today, our new Secretary of Education, Rodney Paige, will be in a position to help make these programs a reality.

Thank you and I hope that my colleagues will support this effort.

Mr. President, I ask unanimous consent that a copy of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 311

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Strong Character for Strong Schools Act''.

SEC. 2. PARTNERSHIPS IN CHARACTER EDUCATION PROGRAM.

Section 10103 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8003) is amended to read as follows:

''SEC. 10103. PARTNERSHIPS IN CHARACTER EDUCATION PROGRAM.

''(a) PROGRAM AUTHORIZED.—

''(1) IN GENERAL.—The Secretary is authorized to award grants to eligible entities for the design and implementation of character education programs that incorporate the elements of character described in subsection (d), as well as other character elements identified by the eligible entities.

''(2) ELIGIBLE ENTITY.—The term 'eligible entity' means—

''(A) a State educational agency in partnership with 1 or more local educational agencies;

''(B) a State educational agency in partnership with—

''(i) one or more local educational agencies; and

''(ii) one or more nonprofit organizations or entities, including institutions of higher education;

''(C) a local educational agency or consortium of local educational agencies; or

''(D) a local educational agency in partnership with another nonprofit organization or entity, including institutions of higher education.

''(3) DURATION.—Each grant under this section shall be awarded for a period not to exceed 3 years, of which the eligible entity shall not use more than 1 year for planning and program design.

''(4) AMOUNT OF GRANTS FOR STATE EDUCATIONAL AGENCIES.—Subject to the availability of appropriations, the amount of grant made by the Secretary to a State educational agency in a partnership described in subparagraph (A) or (B) of paragraph (2), that submits an application under subsection (b) and that meets such requirements as the Secretary may establish under this section, shall not be less than $500,000.

''(b) APPLICATIONS.—

''(1) REQUIREMENT.—Each eligible entity desiring a grant under this section shall submit an application to the Secretary at such time and in such manner as the Secretary may require.

''(2) CONTENTS OF APPLICATION.—Each application submitted under this section shall include—

''(A) a description of any partnerships or collaborative efforts among the organizations and entities of the eligible entity;

''(B) a description of the goals and objectives of the program proposed by the eligible entity;

''(C) a description of activities that will be pursued and how those activities will contribute to meeting the goals and objectives described in subparagraph (B), including—

''(i) how parents, students (including students with physical and mental disabilities), and other members of the community, including members of private and nonprofit organizations, will be involved in the design and implementation of the program and how the eligible entity will work with the larger community to increase the reach and promise of the program;

''(ii) curriculum and instructional practices that will be used or developed;

''(iii) methods of teacher training and parent education that will be used or developed; and

''(iv) how the program will be linked to other efforts in the schools to improve student performance;

''(D) in the case of an eligible entity that is a State educational agency—

''(i) a description of how the State educational agency will provide technical and professional assistance to its local educational agency partners in the development and implementation of character education programs; and

''(ii) a description of how the State educational agency will assist other interested local educational agencies that are not members of the original partnership in designing and establishing character education programs;

''(E) a description of how the eligible entity will evaluate the success of its program—

''(i) based on the goals and objectives described in subparagraph (B); and

''(ii) in cooperation with the national evaluation conducted pursuant to subsection (c)(2)(B)(iii);

''(F) an assurance that the eligible entity annually will provide to the Secretary such information as may be required to determine the effectiveness of the program; and

''(G) any other information that the Secretary may require.

''(c) EVALUATION AND PROGRAM DEVELOPMENT.—

''(1) EVALUATION AND REPORTING.—

''(A) STATE AND LOCAL REPORTING AND EVALUATION.—Each eligible entity receiving a grant under this section shall submit to the Secretary a comprehensive evaluation of the program assisted under this section, including the impact on students (including students with physical and mental disabilities), teachers, administrators, parents, and others—

''(i) by the second year of the program; and

''(ii) not later than 1 year after completion of the grant period.

''(B) CONTRACTS FOR EVALUATION.—Each eligible entity receiving a grant under this section may contract with outside sources, including institutions of higher education, and private and nonprofit organizations, for purposes of evaluating its program and measuring the success of the program toward fostering in students the elements of character described in subsection (d).

''(2) NATIONAL RESEARCH, DISSEMINATION, AND EVALUATION.—

''(A) IN GENERAL.—The Secretary is authorized to make grants to, or enter into contracts or cooperative agreements with, State or local educational agencies, institutions of higher education, tribal organizations, or other public or private agencies or organizations to carry out research, development, dissemination, technical assistance, and evaluation activities that support or inform State and local character education programs. The Secretary shall reserve not more than 5 percent of the funds made available under this section to carry out this paragraph.

''(B) USES.—Funds made available under subparagraph (A) may be used—

''(i) to conduct research and development activities that focus on matters such as—

''(I) the effectiveness of instructional models for all students, including students with physical and mental disabilities;

''(II) materials and curricula that can be used by programs in character education;

''(III) models of professional development in character education; and

''(IV) the development of measures of effectiveness for character education programs which may include the factors described in paragraph (3);

''(ii) to provide technical assistance to State and local programs, particularly on matters of program evaluation;

''(iii) to conduct a national evaluation of State and local programs receiving funding under this section; and

''(iv) to compile and disseminate, through various approaches (such as a national clearinghouse)—

''(I) information on model character education programs;

''(II) character education materials and curricula;

''(III) research findings in the area of character education and character development; and

''(IV) any other information that will be useful to character education program participants, educators, parents, administrators, and others nationwide.

''(C) PRIORITY.—In carrying out national activities under this paragraph related to development, dissemination, and technical assistance, the Secretary shall seek to enter into partnerships with national, nonprofit character education organizations with expertise and successful experience in implementing local character education programs that have had an effective impact on schools, students (including students with disabilities), and teachers.

''(3) FACTORS.—Factors which may be considered in evaluating the success of programs funded under this section may include—

''(A) discipline issues;

''(B) student performance;

''(C) participation in extracurricular activities;

''(D) parental and community involvement;

''(E) faculty and administration involvement;

''(F) student and staff morale; and

''(G) overall improvements in school climate for all students, including students with physical and mental disabilities.

''(d) ELEMENTS OF CHARACTER.—

''(1) IN GENERAL.—Each eligible entity desiring funding under this section shall develop character education programs that incorporate the following elements of character:

''(A) Caring.

''(B) Civic virtue and citizenship.

''(C) Justice and fairness.

''(D) Respect.

''(E) Responsibility.

''(F) Trustworthiness.

''(G) Any other elements deemed appropriate by the members of the eligible entity.

''(2) ADDITIONAL ELEMENTS OF CHARACTER.—An eligible entity participating under this section may, after consultation with schools and communities served by the eligible entity, define additional elements of character that the eligible entity determines to be important to the schools and communities served by the eligible entity.

''(e) USE OF FUNDS BY STATE EDUCATIONAL AGENCY RECIPIENTS.—Of the total funds received in any fiscal year under this section by an eligible entity that is a State educational agency—

''(1) not more than 10 percent of such funds may be used for administrative purposes; and

''(2) the remainder of such funds may be used for—

''(A) collaborative initiatives with and between local educational agencies and schools;

''(B) the preparation or purchase of materials, and teacher training;

''(C) grants to local educational agencies, schools, or institutions of higher education; and

''(D) technical assistance and evaluation.

''(f) SELECTION OF GRANTEES.—

''(1) CRITERIA.—The Secretary shall select, through peer review, eligible entities to receive grants under this section on the basis of the quality of the applications submitted under subsection (b), taking into consideration such factors as—

''(A) the quality of the activities proposed to be conducted;

''(B) the extent to which the program fosters in students the elements of character described in subsection (d) and the potential for improved student performance;

''(C) the extent and ongoing nature of parental, student, and community involvement;

''(D) the quality of the plan for measuring and assessing success; and

''(E) the likelihood that the goals of the program will be realistically achieved.

''(2) DIVERSITY OF PROJECTS.—The Secretary shall approve applications under this section in a manner that ensures, to the extent practicable, that programs assisted under this section—

''(A) serve different areas of the Nation, including urban, suburban, and rural areas; and

''(B) serve schools that serve minorities, Native Americans, students of limited-English proficiency, disadvantaged students, and students with disabilities.

''(g) PARTICIPATION BY PRIVATE SCHOOL CHILDREN AND TEACHERS.—Grantees under this section shall provide, to the extent feasible and appropriate, for the participation of students and teachers in private elementary and secondary schools in programs and activities under this section.

''(h) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section, $50,000,000 for fiscal year 2002 and such sums as may be necessary for each of the 4 succeeding fiscal years.''.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, before the Senator from New Mexico leaves the floor, I ask permission to join as a cosponsor of this most important legislation. It appears to be bipartisan. We have the two leading Democrats on the Education Committee plus Republicans. It should be a bill that we can pass.

Mr. DOMENICI. I am grateful that the distinguished minority whip would join. We will be working together on this bill. I thank the Senator.

Mr. DODD. Mr. President, I rise to join my friend and colleague from New Mexico, Senator DOMENICI, in introducing the Strong Character for Strong Schools Act. Senator DOMENICI and I have worked together for many years on this important issue. We established the Partnerships in Character Education Pilot Project in 1994 and have worked regularly since then to commemorate National Character Counts Week. So, I am pleased that today we are introducing the Strong Character for Strong Schools Act to help expand States' and schools' ability to make character education a central part of every child's education.

Our schools may be built with the bricks of English, math and science, but character education certainly is the mortar. This initiative ensures that our children's character, as well as their minds, receives care and nurturing in our schools. Character education means teaching students about such qualities as caring, citizenship, fairness, respect, responsibility, trustworthiness, and other qualities that their community values.

Character education provides students a context within which to learn. If we view education simply as the imparting of knowledge to our children, then we will not only miss an opportunity, but will jeopardize our future. Character education isn't a separate subject, but part of a seamless garment of learning. For example, at Waterford High School, in Connecticut, as part of the character education program, math students designed a ramp for kids who use wheelchairs. The students learned about math, but also about caring.

Theodore Roosevelt said that ''[t]o educate a person's mind and not his character is to educate a menace.'' That may be, but I prefer Dr. Martin Luther King's exhortation that we judge each other not by the color of our skin, but by the content of our character.

A recent survey of high school students by the Character Counts Coalition found that during the preceding year, 71 percent cheated on an exam; 92 percent lied to their parents and 78 percent lied to a teacher; about 35 percent had stolen from a store; and 16 percent were drunk in school. This doesn't mean that these are bad kids, but it does mean that we need more character education.

We know that these programs work. Schools across the country that have adopted strong character education programs report better student performance, fewer discipline problems, and increased student involvement with the community. Children want direction—they want to be taught right from wrong. The American public wants character education in our schools, too. Studies show that about 90 percent of Americans support schools teaching character education.

Virtually all national education organizations are involved in promoting character education. Last June, the Connecticut Department of Education, on behalf of many State organizations, issued a Call to Action letter, outlining a program to improve the school climate in all Connecticut schools. And, the Connecticut Education Association has developed its own character education program that teaches kids about not bullying and other behaviors that can disrupt schools and make it difficult for children to learn.

As all education policy should be, character education is bi-partisan. When Senator DOMENICI and I introduced a resolution last Congress establishing National Character Counts Week, we had 57 co-sponsors, with broad support in both parties. And President Bush, in his education plan, calls for increased funding for character education.

Our children may be one-quarter of our population, but they definitely are 100 percent of our future. That's why this measure is so important—it provides a helping hand to our schools and communities to ensure that children's futures are bright and filled with opportunities and success. So, I am confident that not only are we doing the right thing here, but that we will see this bill become law along with other education reforms, this Congress.

Mr. CLELAND. Mr. President, when I was a boy growing up in Lithonia, GA, I was privileged to have accomplished and dedicated teachers who provided me with a strong foundation in the three R's. Thanks to their capable and committed efforts, I received an excellent education in reading, writing, and arithmetic. And thanks to their good example and their ability to teach through inspiration, I was also well versed in the fourth R, which I call ''respect.''

What my teachers demonstrated so effectively almost five decades ago is that character education is essential to any well-rounded system of education. We can work together to help ensure that all children in America will start school ready to learn. We can pool our efforts—parents, teachers, community leaders, and elected officials—to enable our students to be first in the world in scientific and academic achievement. But I believe the greatest gift and most effective tool we can give to our children is to instill in them, from the beginning, the values and beliefs which help mold their character. Character is the essential building block in each youngster's journey to become a responsible, moral adult. It is the gift my teachers gave me when they offered me a first-rate education which addressed not only matters of the head, but of the heart as well.

Thanks, in part, to the efforts of my distinguished colleagues, Senators DOMENICI and DODD, character education has spread into thousands of classrooms throughout this nation. In 1994, Senator DOMENICI with the support of Senators DODD and MIKULSKI offered a successful amendment to the Improving America's Schools Act which established, for the first time ever, a grant program in the Department of Education to enable State education agencies, in partnership with local education agencies, to develop character education programs. My State of Georgia was one of the first to receive funding under the Partnerships in Character Education Pilot Projects. Since its inception in 1995, this program has awarded more than $25 million to 37 States throughout the country. I am proud to join my colleagues today in introducing legislation to expand this worthy program which encourages schools and communities to develop and sustain character education programs of excellence.

It has been said that the character of a nation is only as strong as the character of its individual citizens. In illustration of this truth, I like to tell a true story which happened decades ago during the war in Korea. At that time, one of our generals was captured by the Communists. He was taken to an isolated prison camp and told that he had but a few minutes to write a letter to his family. The implication was that he was to be executed shortly. The general's letter was brief and to the point: ''Tell Bill,'' he wrote, ''the word is integrity.''

The word is indeed integrity. This following Monday, Presidents' Day, I will host a Summit on Character at the State Capitol in Georgia, which will be attended by State leaders from across the political and social spectrum. The purpose of the Summit is to rekindle the American spirit that motivated the Founders in constituting our nation and to inspire Georgians to develop the highest standards of character in themselves and in the youth of our State. Benjamin Franklin once said that ''The noblest question in the world is, What good may I do in it?'' The Character Summit in Georgia has this in common with the legislation we are introducing today: They both seek to encourage moral character and civic virtue in our children—America's most precious resource and the future of this great Nation.

By Mr. GRASSLEY (for himself, Mr. BAUCUS, Mr. ROBERTS, Mr. CONRAD, Mr. BROWNBACK, Mrs. LINCOLN, Mr. BURNS, Mr. CRAIG, Mr. LUGAR, Mr. ENZI, Mr. NELSON of Nebraska, and Mr. STEVENS):

S. 312. A bill to amend the Internal Revenue Code of 1986 to provide tax relief for farmers and fishermen, and for other purposes; to the Committee on Finance.

By Mr. GRASSLEY (for himself, Mr. BAUCUS, Mr. ROBERTS, Mrs. HUTCHISON, Mr. BURNS, Mr. BREAUX, Mr. HATCH, Mr. CRAIG, Mr. ALLARD, Mr. LUGAR, Mr. GRAMM, Mr. HAGEL, Mr. BUNNING, Mr. DEWINE, Mr. BOND, Mr. FITZGERALD, Mr. CONRAD, Mr. MURKOWSKI, Mr. STEVENS, Mr. KYL, Mr. BROWNBACK, and Mr. SESSIONS).

S. 313. A bill to amend the Internal Revenue Code of 1986 to provide for Farm, Fishing, and Ranch Risk Management Accounts, and for other purposes; to the Committee on Finance.

By Mr. GRASSLEY:

S. 314. A bill to amend the Internal Revenue Code of 1986 to provide declaratory judgement relief for section 521 cooperatives; to the Committee on Finance.

Mr. GRASSLEY. Mr. President, I would like to discuss legislation I'm offering today on behalf of myself and Senators BAUCUS, BROWNBACK, BURNS, LUGAR, ROBERTS, CRAIG, ENZI, and NELSON from Nebraska this afternoon. It will assist millions of farmers across the nation. I've named the bill the Tax Empowerment and Relief for Farmers and Fishermen Act, or what I will refer to as TERFF.

I'm a farmer, like my father was before me. I understand farming and how policy decisions from Washington impact hardworking farmers, like my son Robin. Before I ran for elected office and after I leave, God willing, I'll still be farming. There is little that I feel more strongly about than providing the agriculture community potential to survive and thrive. As far as I'm concerned, agriculture is my ''terf'' and as long as I'm in this town, I'll do all I can to serve my friends and neighbors in the agriculture community.

This legislation has already been adopted by the Senate multiple times. In the midst of a serious downturn in the agriculture economy, it seems to me we ought to be doing everything we can to help farmers, and this would provide significant assistance.

For example, my agriculture tax package will include:

The Farm, Fish, and Ranch Risk Management Accounts—these farmer saving accounts would allow farmers to contribute up to 20 percent of their income in an account, and deduct it in the same year. Farm accounts would be a very important risk management tool that will help farmers put away money when there's actual income, so that, in the bad times, there will be a safety net. This measure has strong bipartisan support and was actually sent to President Clinton, who vetoed it.

Farmers who participate in the Conservation Reserve Program CRP, are unnecessarily struggling during tax season because of a recent case pushed by the IRS. The latest 6th Circuit court's ruling treats CRP payments as farm income subject to the additional self employment tax rate of 15 percent.

Senator BROWNBACK has taken the lead on fixing this problem. This unfair tax not only ignores the intent of Congress in creating the CRP, it discourages farmers from using environmentally pro-active measures. At a time when farmers are struggling to regain their footing economically and do the right thing environmentally—it's important that Congress support them by upholding it promise on CRP.

Senator LUGAR has led the effort to expand the current program where companies can donate to food banks, so that farmers and restaurants can also donate surplus food directly to needy food banks. This will be a win for the farmers and a big win for people who depend on food bank assistance.

This was also part of the vetoed tax bill. When we passed income averaging for farmers a few years ago, we neglected to take into account the problem of running into the alternative minimum tax, which many farmers are facing now. My bill will fix this growing problem.

My bill expands opportunities for beginning farmers who are in need of low interest rate loans for capital purchases of farmland and equipment.

Current law permits state authorities to issue tax exempt bonds and to lend the proceeds from the sale of the bonds to beginning farmers and ranchers to finance the cost of acquiring land, buildings and equipment used in a farm or ranch operation.

Unfortunately, aggie bonds are subjected to a volume cap and must compete with big industrial projects for bond allocation. Aggie bonds share few similarities to industrial revenue bonds and should not be subjected to the volume cap established for industrial revenue bonds.

Insufficient allocation of funding due to the volume cap limits the effectiveness of this program. We can't stand by and allow the next generation of farmers to lose an opportunity to participate in farming because of competition with industry for reduced interest loan rates.

Recently the IRS determined that some cooperatives should be exposed to a regular corporate tax due to the fact that they are using organic value-added practices rather than manufactured value-added practices. This is unfair, and needs to be fixed.

And of course my package wouldn't be complete without a provision leveling the playing field for ethanol producers.

The Small Ethanol Producer Credit will allow small cooperative producers of ethanol to be able to receive the same tax benefits as large companies. This provision provides cooperatives the ability to elect to pass through small ethanol producer credits to its patrons.

The ''TERFF'' package will do more to reform taxes for the American farmer than any other measure in recent memory. I'll be urging my colleagues to strongly support this measure. It's a bill that should have the unanimous support it enjoyed last congress on the Senate floor. As sure as I'm chairman of the Finance Committee, I will push to have this package passed into law during the 107th Congress. Mr. President, I ask unanimous consent that the text of these three bills be printed in the RECORD.

There being no objection, the bills were ordered to be printed in the RECORD, as follows:

S. 312

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Tax Empowerment and Relief for Farmers and Fishermen (TERFF) Act''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

SEC. 2. FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) IN GENERAL.—Subpart C of part II of subchapter E of chapter 1 (relating to taxable year for which deductions taken) is amended by inserting after section 468B the following new section:

"SEC. 468C. FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNTS.

''(a) DEDUCTION ALLOWED.—In the case of an individual engaged in an eligible farming business or commercial fishing, there shall be allowed as a deduction for any taxable year the amount paid in cash by the taxpayer during the taxable year to a Farm, Fishing, and Ranch Risk Management Account (hereinafter referred to as the 'FFARRM Account').

''(b) LIMITATION.—

''(1) CONTRIBUTIONS.—The amount which a taxpayer may pay into the FFARRM Account for any taxable year shall not exceed 20 percent of so much of the taxable income of the taxpayer (determined without regard to this section) which is attributable (determined in the manner applicable under section 1301) to any eligible farming business or commercial fishing.

''(2) DISTRIBUTIONS.—Distributions from a FFARRM Account may not be used to purchase, lease, or finance any new fishing vessel, add capacity to any fishery, or otherwise contribute to the overcapitalization of any fishery. The Secretary of Commerce shall implement regulations to enforce this paragraph.

''(c) ELIGIBLE BUSINESSES.—For purposes of this section—

''(1) ELIGIBLE FARMING BUSINESS.—The term 'eligible farming business' means any farming business (as defined in section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

''(2) COMMERCIAL FISHING.—The term 'commercial fishing' has the meaning given such term by section (3) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802) but only if such fishing is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

''(d) FFARRM ACCOUNT.—For purposes of this section—

''(1) IN GENERAL.—The term 'FFARRM Account' means a trust created or organized in the United States for the exclusive benefit of the taxpayer, but only if the written governing instrument creating the trust meets the following requirements:

''(A) No contribution will be accepted for any taxable year in excess of the amount allowed as a deduction under subsection (a) for such year.

''(B) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section.

''(C) The assets of the trust consist entirely of cash or of obligations which have adequate stated interest (as defined in section 1274(c)(2)) and which pay such interest not less often than annually.

''(D) All income of the trust is distributed currently to the grantor.

''(E) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

''(2) ACCOUNT TAXED AS GRANTOR TRUST.—The grantor of a FFARRM Account shall be treated for purposes of this title as the owner of such Account and shall be subject to tax thereon in accordance with subpart E of part I of subchapter J of this chapter (relating to grantors and others treated as substantial owners).

''(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

''(1) IN GENERAL.—Except as provided in paragraph (2), there shall be includible in the gross income of the taxpayer for any taxable year—

''(A) any amount distributed from a FFARRM Account of the taxpayer during such taxable year, and

''(B) any deemed distribution under—

''(i) subsection (f)(1) (relating to deposits not distributed within 5 years),

''(ii) subsection (f)(2) (relating to cessation in eligible farming business), and

''(iii) subparagraph (B) or (C) of subsection (f)(3) (relating to prohibited transactions and pledging account as security).

''(2) EXCEPTIONS.—Paragraph (1)(A) shall not apply to—

''(A) any distribution to the extent attributable to income of the Account, and

''(B) the distribution of any contribution paid during a taxable year to a FFARRM Account to the extent that such contribution exceeds the limitation applicable under subsection (b) if requirements similar to the requirements of section 408(d)(4) are met.

For purposes of subparagraph (A), distributions shall be treated as first attributable to income and then to other amounts.

''(f) SPECIAL RULES.—

''(1) TAX ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

''(A) IN GENERAL.—If, at the close of any taxable year, there is a nonqualified balance in any FFARRM Account—

''(i) there shall be deemed distributed from such Account during such taxable year an amount equal to such balance, and

''(ii) the taxpayer's tax imposed by this chapter for such taxable year shall be increased by 10 percent of such deemed distribution.

The preceding sentence shall not apply if an amount equal to such nonqualified balance is distributed from such Account to the taxpayer before the due date (including extensions) for filing the return of tax imposed by this chapter for such year (or, if earlier, the date the taxpayer files such return for such year).

''(B) NONQUALIFIED BALANCE.—For purposes of subparagraph (A), the term 'nonqualified balance' means any balance in the Account on the last day of the taxable year which is attributable to amounts deposited in such Account before the 4th preceding taxable year.

''(C) ORDERING RULE.—For purposes of this paragraph, distributions from a FFARRM Account (other than distributions of current income) shall be treated as made from deposits in the order in which such deposits were made, beginning with the earliest deposits.

''(2) CESSATION IN ELIGIBLE BUSINESS.—At the close of the first disqualification period after a period for which the taxpayer was engaged in an eligible farming business or commercial fishing, there shall be deemed distributed from the FFARRM Account of the taxpayer an amount equal to the balance in such Account (if any) at the close of such disqualification period. For purposes of the preceding sentence, the term 'disqualification period' means any period of 2 consecutive taxable years for which the taxpayer is not engaged in an eligible farming business or commercial fishing.

''(3) CERTAIN RULES TO APPLY.—Rules similar to the following rules shall apply for purposes of this section:

''(A) Section 220(f)(8) (relating to treatment on death).

''(B) Section 408(e)(2) (relating to loss of exemption of account where individual engages in prohibited transaction).

''(C) Section 408(e)(4) (relating to effect of pledging account as security).

''(D) Section 408(g) (relating to community property laws).

''(E) Section 408(h) (relating to custodial accounts).

''(4) TIME WHEN PAYMENTS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a payment to a FFARRM Account on the last day of a taxable year if such payment is made on account of such taxable year and is made on or before the due date (without regard to extensions) for filing the return of tax for such taxable year.

''(5) INDIVIDUAL.—For purposes of this section, the term 'individual' shall not include an estate or trust.

''(6) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX.—The deduction allowable by reason of subsection (a) shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.

''(g) REPORTS.—The trustee of a FFARRM Account shall make such reports regarding such Account to the Secretary and to the person for whose benefit the Account is maintained with respect to contributions, distributions, and such other matters as the Secretary may require under regulations. The reports required by this subsection shall be filed at such time and in such manner and furnished to such persons at such time and in such manner as may be required by such regulations.''.

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) Subsection (a) of section 4973 (relating to tax on excess contributions to certain tax-favored accounts and annuities) is amended by striking ''or'' at the end of paragraph (3), by redesignating paragraph (4) as paragraph (5), and by inserting after paragraph (3) the following new paragraph:

''(4) a FFARRM Account (within the meaning of section 468C(d)), or''.

(2) Section 4973 is amended by adding at the end the following new subsection:

''(g) EXCESS CONTRIBUTIONS TO FFARRM ACCOUNTS.—For purposes of this section, in the case of a FFARRM Account (within the meaning of section 468C(d)), the term 'excess contributions' means the amount by which the amount contributed for the taxable year to the Account exceeds the amount which may be contributed to the Account under section 468C(b) for such taxable year. For purposes of this subsection, any contribution which is distributed out of the FFARRM Account in a distribution to which section 468C(e)(2)(B) applies shall be treated as an amount not contributed.''.

(3) The section heading for section 4973 is amended to read as follows:

"SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN ACCOUNTS, ANNUITIES, ETC.".

(4) The table of sections for chapter 43 is amended by striking the item relating to section 4973 and inserting the following new item:

''Sec. 4973. Excess contributions to certain accounts, annuities, etc.''.

(c) TAX ON PROHIBITED TRANSACTIONS.—

(1) Subsection (c) of section 4975 (relating to tax on prohibited transactions) is amended by adding at the end the following new paragraph:

''(6) SPECIAL RULE FOR FFARRM ACCOUNTS.—A person for whose benefit a FFARRM Account (within the meaning of section 468C(d)) is established shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a FFARRM Account by reason of the application of section 468C(f)(3)(A) to such account.''.

(2) Paragraph (1) of section 4975(e) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following new subparagraph:

''(E) a FFARRM Account described in section 468C(d),''.

(d) FAILURE TO PROVIDE REPORTS ON FFARRM ACCOUNTS.—Paragraph (2) of section 6693(a) (relating to failure to provide reports on certain tax-favored accounts or annuities) is amended by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), respectively, and by inserting after subparagraph (B) the following new subparagraph:

''(C) section 468C(g) (relating to FFARRM Accounts),''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart C of part II of subchapter E of chapter 1 is amended by inserting after the item relating to section 468B the following new item:

''Sec. 468C. Farm, Fishing and Ranch Risk Management Accounts.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 3. WRITTEN AGREEMENT RELATING TO EXCLUSION OF CERTAIN FARM RENTAL INCOME FROM NET EARNINGS FROM SELF-EMPLOYMENT.

(a) INTERNAL REVENUE CODE.—Section 1402(a)(1)(A) (relating to net earnings from self-employment) is amended by striking ''an arrangement'' and inserting ''a lease agreement''.

(b) SOCIAL SECURITY ACT.—Section 211(a)(1)(A) of the Social Security Act is amended by striking ''an arrangement'' and inserting ''a lease agreement''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 4. TREATMENT OF CONSERVATION RESERVE PROGRAM PAYMENTS AS RENTALS FROM REAL ESTATE.

(a) IN GENERAL.—Section 1402(a)(1) (defining net earnings from self-employment) is amended by inserting ''and including payments under section 1233(2) of the Food Security Act of 1985 (16 U.S.C. 3833(2))'' after ''crop shares''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made after December 31, 2001.

SEC. 5. EXEMPTION OF AGRICULTURAL BONDS FROM STATE VOLUME CAP.

(a) IN GENERAL.—Section 146(g) (relating to exception for certain bonds) is amended by striking ''and'' at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting '', and'', and by inserting after paragraph (4) the following new paragraph:

''(5) any qualified small issue bond described in section 144(a)(12)(B)(ii).''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after December 31, 2001.

SEC. 6. MODIFICATIONS TO SECTION 512(b)(13).

(a) IN GENERAL.—Paragraph (13) of section 512(b) is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following new paragraph:

''(E) PARAGRAPH TO APPLY ONLY TO EXCESS PAYMENTS.—

''(i) IN GENERAL.—Subparagraph (A) shall apply only to the portion of a specified payment received by the controlling organization that exceeds the amount which would have been paid if such payment met the requirements prescribed under section 482.

''(ii) ADDITION TO TAX FOR VALUATION MISSTATEMENTS.—The tax imposed by this chapter on the controlling organization shall be increased by an amount equal to 20 percent of such excess.''.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to payments received or accrued after December 31, 2000.

(2) PAYMENTS SUBJECT TO BINDING CONTRACT TRANSITION RULE.—If the amendments made by section 1041 of the Taxpayer Relief Act of 1997 did not apply to any amount received or accrued in the first 2 taxable years beginning on or after the date of the enactment of this Act under any contract described in subsection (b)(2) of such section, such amendments also shall not apply to amounts received or accrued under such contract before January 1, 2001.

SEC. 7. CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.

(a) IN GENERAL.—Subsection (e) of section 170 (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new paragraph:

''(7) SPECIAL RULE FOR CONTRIBUTIONS OF FOOD INVENTORY.—For purposes of this section—

''(A) CONTRIBUTIONS BY NON-CORPORATE TAXPAYERS.—In the case of a charitable contribution of food by a taxpayer, paragraph (3)(A) shall be applied without regard to whether or not the contribution is made by a corporation.

''(B) LIMIT ON REDUCTION.—In the case of a charitable contribution of food which is a qualified contribution (within the meaning of paragraph (3)(A), as modified by subparagraph (A) of this paragraph)—

''(i) paragraph (3)(B) shall not apply, and

''(ii) the reduction under paragraph (1)(A) for such contribution shall be no greater than the amount (if any) by which the amount of such contribution exceeds twice the basis of such food.

''(C) DETERMINATION OF BASIS.—For purposes of this paragraph, if a taxpayer uses the cash method of accounting, the basis of any qualified contribution of such taxpayer shall be deemed to be 50 percent of the fair market value of such contribution.

''(D) DETERMINATION OF FAIR MARKET VALUE.—In the case of a charitable contribution of food which is a qualified contribution (within the meaning of paragraph (3), as modified by subparagraphs (A) and (B) of this paragraph) and which, solely by reason of internal standards of the taxpayer, lack of market, or similar circumstances, or which is produced by the taxpayer exclusively for the purposes of transferring the food to an organization described in paragraph (3)(A), cannot or will not be sold, the fair market value of such contribution shall be determined—

''(i) without regard to such internal standards, such lack of market, such circumstances, or such exclusive purpose, and

''(ii) if applicable, by taking into account the price at which the same or similar food items are sold by the taxpayer at the time of the contribution (or, if not so sold at such time, in the recent past).

''(E) TERMINATION.—This paragraph shall not apply to any contribution made during any taxable year beginning after December 31, 2004.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

SEC. 8. INCOME AVERAGING FOR FARMERS AND FISHERMEN NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Section 55(c) (defining regular tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following new paragraph:

''(2) COORDINATION WITH INCOME AVERAGING FOR FARMERS AND FISHERMEN.—Solely for purposes of this section, section 1301 (relating to averaging of farm and fishing income) shall not apply in computing the regular tax.''.

(b) ALLOWING INCOME AVERAGING FOR FISHERMEN.—

(1) IN GENERAL.—Section 1301(a) is amended by striking ''farming business'' and inserting ''farming business or fishing business''.

(2) DEFINITION OF ELECTED FARM INCOME.—

(A) IN GENERAL.—Clause (i) of section 1301(b)(1)(A) is amended by inserting ''or fishing business'' before the semicolon.

(B) CONFORMING AMENDMENT.—Subparagraph (B) of section 1301(b)(1) is amended by inserting ''or fishing business'' after ''farming business'' both places it occurs.

(3) DEFINITION OF FISHING BUSINESS.—Section 1301(b) is amended by adding at the end the following new paragraph:

''(4) FISHING BUSINESS.—The term 'fishing business' means the conduct of commercial fishing as defined in section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 9. COOPERATIVE MARKETING INCLUDES VALUE-ADDED PROCESSING THROUGH ANIMALS.

(a) IN GENERAL.—Section 1388 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(k) COOPERATIVE MARKETING INCLUDES VALUE-ADDED PROCESSING THROUGH ANIMALS.—For purposes of section 521 and this subchapter, the term 'marketing the products of members or other producers' includes feeding the products of members or other producers to cattle, hogs, fish, chickens, or other animals and selling the resulting animals or animal products.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 10. DECLARATORY JUDGMENT RELIEF FOR SECTION 521 COOPERATIVES.

(a) IN GENERAL.—Section 7428(a)(1) (relating to declaratory judgments of tax exempt organizations) is amended by striking ''or'' at the end of subparagraph (B) and by adding at the end the following new subparagraph:

''(D) with respect to the initial qualification or continuing qualification of a cooperative as described in section 521(b) which is exempt from tax under section 521(a), or''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect

to pleadings filed after the date of the enactment of this Act but only with respect to determinations (or requests for determinations) made after January 1, 2001.

SEC. 11. SMALL ETHANOL PRODUCER CREDIT.

(a) ALLOCATION OF ALCOHOL FUELS CREDIT TO PATRONS OF A COOPERATIVE.—Section 40(g) (relating to alcohol used as fuel) is amended by adding at the end the following new paragraph:

''(6) ALLOCATION OF SMALL ETHANOL PRODUCER CREDIT TO PATRONS OF COOPERATIVE.—

''(A) ELECTION TO ALLOCATE.—

''(i) IN GENERAL.—In the case of a cooperative organization described in section 1381(a), any portion of the credit determined under subsection (a)(3) for the taxable year may, at the election of the organization, be apportioned pro rata among patrons of the organization on the basis of the quantity or value of business done with or for such patrons for the taxable year.

''(ii) FORM AND EFFECT OF ELECTION.—An election under clause (i) for any taxable year shall be made on a timely filed return for such year. Such election, once made, shall be irrevocable for such taxable year.

''(B) TREATMENT OF ORGANIZATIONS AND PATRONS.—The amount of the credit apportioned to patrons under subparagraph (A)—

''(i) shall not be included in the amount determined under subsection (a) with respect to the organization for the taxable year,

''(ii) shall be included in the amount determined under subsection (a) for the taxable year of each patron for which the patronage dividends for the taxable year described in subparagraph (A) are included in gross income, and

''(iii) shall be included in gross income of such patrons for the taxable year in the manner and to the extent provided in section 87.

''(C) SPECIAL RULES FOR DECREASE IN CREDITS FOR TAXABLE YEAR.—If the amount of the credit of a cooperative organization determined under subsection (a)(3) for a taxable year is less than the amount of such credit shown on the return of the cooperative organization for such year, an amount equal to the excess of—

''(i) such reduction, over

''(ii) the amount not apportioned to such patrons under subparagraph (A) for the taxable year,

shall be treated as an increase in tax imposed by this chapter on the organization. Such increase shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this subpart or subpart A, B, E, or G.''.

(b) IMPROVEMENTS TO SMALL ETHANOL PRODUCER CREDIT.—

(1) DEFINITION OF SMALL ETHANOL PRODUCER.—Section 40(g) (relating to definitions and special rules for eligible small ethanol producer credit) is amended by striking ''30,000,000'' each place it appears and inserting ''60,000,000''.

(2) SMALL ETHANOL PRODUCER CREDIT NOT A PASSIVE ACTIVITY CREDIT.—Clause (i) of section 469(d)(2)(A) is amended by striking ''subpart D'' and inserting ''subpart D, other than section 40(a)(3),''.

(3) ALLOWING CREDIT AGAINST MINIMUM TAX.—

(A) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) SPECIAL RULES FOR SMALL ETHANOL PRODUCER CREDIT.—

''(A) IN GENERAL.—In the case of the small ethanol producer credit—

''(i) this section and section 39 shall be applied separately with respect to the credit, and

''(ii) in applying paragraph (1) to the credit—

''(I) subparagraphs (A) and (B) thereof shall not apply, and

''(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the small ethanol producer credit).

''(B) SMALL ETHANOL PRODUCER CREDIT.—For purposes of this subsection, the term 'small ethanol producer credit' means the credit allowable under subsection (a) by reason of section 40(a)(3).''.

(B) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by striking ''(other'' and all that follows through ''credit)'' and inserting ''(other than the empowerment zone employment credit or the small ethanol producer credit)''.

(4) SMALL ETHANOL PRODUCER CREDIT NOT ADDED BACK TO INCOME UNDER SECTION 87.—Section 87 (relating to income inclusion of alcohol fuel credit) is amended to read as follows:

''SEC. 87. ALCOHOL FUEL CREDIT.

''Gross income includes an amount equal to the sum of—

''(1) the amount of the alcohol mixture credit determined with respect to the taxpayer for the taxable year under section 40(a)(1), and

''(2) the alcohol credit determined with respect to the taxpayer for the taxable year under section 40(a)(2).''.

(c) CONFORMING AMENDMENT.—Section 1388 (relating to definitions and special rules for cooperative organizations), as amended by section 9, is amended by adding at the end the following new subsection:

''(l) CROSS REFERENCE.—For provisions relating to the apportionment of the alcohol fuels credit between cooperative organizations and their patrons, see section 40(g)(6).''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 12. PAYMENT OF DIVIDENDS ON STOCK OF COOPERATIVES WITHOUT REDUCING PATRONAGE DIVIDENDS.

(a) IN GENERAL.—Subsection (a) of section 1388 (relating to patronage dividend defined) is amended by adding at the end the following new sentence: ''For purposes of paragraph (3), net earnings shall not be reduced by amounts paid during the year as dividends on capital stock or other proprietary capital interests of the organization to the extent that the articles of incorporation or bylaws of such organization or other contract with patrons provide that such dividends are in addition to amounts otherwise payable to patrons which are derived from business done with or for patrons during the taxable year.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions in taxable years beginning after the date of the enactment of this Act.

S. 313

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE.—This Act may be cited as the ''Farm, Fishing, and Ranch Risk Management Act''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) IN GENERAL.—Subpart C of part II of subchapter E of chapter 1 (relating to taxable year for which deductions taken) is amended by inserting after section 468B the following new section:

''SEC. 468C. FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNTS.

''(a) DEDUCTION ALLOWED.—In the case of an individual engaged in an eligible farming business or commercial fishing, there shall be allowed as a deduction for any taxable year the amount paid in cash by the taxpayer during the taxable year to a Farm, Fishing, and Ranch Risk Management Account (hereinafter referred to as the 'FFARRM Account').

''(b) LIMITATION.—

''(1) CONTRIBUTIONS.—The amount which a taxpayer may pay into the FFARRM Account for any taxable year shall not exceed 20 percent of so much of the taxable income of the taxpayer (determined without regard to this section) which is attributable (determined in the manner applicable under section 1301) to any eligible farming business or commercial fishing.

''(2) DISTRIBUTIONS.—Distributions from a FFARRM Account may not be used to purchase, lease, or finance any new fishing vessel, add capacity to any fishery, or otherwise contribute to the overcapitalization of any fishery. The Secretary of Commerce shall implement regulations to enforce this paragraph.

''(c) ELIGIBLE BUSINESSES.—For purposes of this section—

''(1) ELIGIBLE FARMING BUSINESS.—The term 'eligible farming business' means any farming business (as defined in section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

''(2) COMMERCIAL FISHING.—The term 'commercial fishing' has the meaning given such term by section (3) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802) but only if such fishing is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

''(d) FFARRM ACCOUNT.—For purposes of this section—

''(1) IN GENERAL.—The term 'FFARRM Account' means a trust created or organized in the United States for the exclusive benefit of the taxpayer, but only if the written governing instrument creating the trust meets the following requirements:

''(A) No contribution will be accepted for any taxable year in excess of the amount allowed as a deduction under subsection (a) for such year.

''(B) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section.

''(C) The assets of the trust consist entirely of cash or of obligations which have adequate stated interest (as defined in section 1274(c)(2)) and which pay such interest not less often than annually.

''(D) All income of the trust is distributed currently to the grantor.

''(E) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

''(2) ACCOUNT TAXED AS GRANTOR TRUST.—The grantor of a FFARRM Account shall be treated for purposes of this title as the owner of such Account and shall be subject to tax thereon in accordance with subpart E of part I of subchapter J of this chapter (relating to grantors and others treated as substantial owners).

''(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

''(1) IN GENERAL.—Except as provided in paragraph (2), there shall be includible in the gross income of the taxpayer for any taxable year—

''(A) any amount distributed from a FFARRM Account of the taxpayer during such taxable year, and

''(B) any deemed distribution under—

''(i) subsection (f)(1) (relating to deposits not distributed within 5 years),

''(ii) subsection (f)(2) (relating to cessation in eligible farming business), and

''(iii) subparagraph (B) or (C) of subsection (f)(3) (relating to prohibited transactions and pledging account as security).

''(2) EXCEPTIONS.—Paragraph (1)(A) shall not apply to—

''(A) any distribution to the extent attributable to income of the Account, and

''(B) the distribution of any contribution paid during a taxable year to a FFARRM Account to the extent that such contribution exceeds the limitation applicable under subsection (b) if requirements similar to the requirements of section 408(d)(4) are met.

For purposes of subparagraph (A), distributions shall be treated as first attributable to income and then to other amounts.

''(f) SPECIAL RULES.—

''(1) TAX ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

''(A) IN GENERAL.—If, at the close of any taxable year, there is a nonqualified balance in any FFARRM Account—

''(i) there shall be deemed distributed from such Account during such taxable year an amount equal to such balance, and

''(ii) the taxpayer's tax imposed by this chapter for such taxable year shall be increased by 10 percent of such deemed distribution.

The preceding sentence shall not apply if an amount equal to such nonqualified balance is distributed from such Account to the taxpayer before the due date (including extensions) for filing the return of tax imposed by this chapter for such year (or, if earlier, the date the taxpayer files such return for such year).

''(B) NONQUALIFIED BALANCE.—For purposes of subparagraph (A), the term 'nonqualified balance' means any balance in the Account on the last day of the taxable year which is attributable to amounts deposited in such Account before the 4th preceding taxable year.

''(C) ORDERING RULE.—For purposes of this paragraph, distributions from a FFARRM Account (other than distributions of current income) shall be treated as made from deposits in the order in which such deposits were made, beginning with the earliest deposits.

''(2) CESSATION IN ELIGIBLE BUSINESS.—At the close of the first disqualification period after a period for which the taxpayer was engaged in an eligible farming business or commercial fishing, there shall be deemed distributed from the FFARRM Account of the taxpayer an amount equal to the balance in such Account (if any) at the close of such disqualification period. For purposes of the preceding sentence, the term 'disqualification period' means any period of 2 consecutive taxable years for which the taxpayer is not engaged in an eligible farming business or commercial fishing.

''(3) CERTAIN RULES TO APPLY.—Rules similar to the following rules shall apply for purposes of this section:

''(A) Section 220(f)(8) (relating to treatment on death).

''(B) Section 408(e)(2) (relating to loss of exemption of account where individual engages in prohibited transaction).

''(C) Section 408(e)(4) (relating to effect of pledging account as security).

''(D) Section 408(g) (relating to community property laws).

''(E) Section 408(h) (relating to custodial accounts).

''(4) TIME WHEN PAYMENTS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a payment to a FFARRM Account on the last day of a taxable year if such payment is made on account of such taxable year and is made on or before the due date (without regard to extensions) for filing the return of tax for such taxable year.

''(5) INDIVIDUAL.—For purposes of this section, the term 'individual' shall not include an estate or trust.

''(6) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX.—The deduction allowable by reason of subsection (a) shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.

''(g) REPORTS.—The trustee of a FFARRM Account shall make such reports regarding such Account to the Secretary and to the person for whose benefit the Account is maintained with respect to contributions, distributions, and such other matters as the Secretary may require under regulations. The reports required by this subsection shall be filed at such time and in such manner and furnished to such persons at such time and in such manner as may be required by such regulations.''

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) Subsection (a) of section 4973 (relating to tax on excess contributions to certain tax-favored accounts and annuities) is amended by striking ''or'' at the end of paragraph (3), by redesignating paragraph (4) as paragraph (5), and by inserting after paragraph (3) the following new paragraph:

''(4) a FFARRM Account (within the meaning of section 468C(d)), or''.

(2) Section 4973 is amended by adding at the end the following new subsection:

''(g) EXCESS CONTRIBUTIONS TO FFARRM ACCOUNTS.—For purposes of this section, in the case of a FFARRM Account (within the meaning of section 468C(d)), the term 'excess contributions' means the amount by which the amount contributed for the taxable year to the Account exceeds the amount which may be contributed to the Account under section 468C(b) for such taxable year. For purposes of this subsection, any contribution which is distributed out of the FFARRM Account in a distribution to which section 468C(e)(2)(B) applies shall be treated as an amount not contributed.''

(3) The section heading for section 4973 is amended to read as follows:

''SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN ACCOUNTS, ANNUITIES, ETC.''

(4) The table of sections for chapter 43 is amended by striking the item relating to section 4973 and inserting the following new item:

''Sec. 4973. Excess contributions to certain accounts, annuities, etc.''

(c) TAX ON PROHIBITED TRANSACTIONS.—

(1) Subsection (c) of section 4975 (relating to tax on prohibited transactions) is amended by adding at the end the following new paragraph:

''(6) SPECIAL RULE FOR FFARRM ACCOUNTS.—A person for whose benefit a FFARRM Account (within the meaning of section 468C(d)) is established shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a FFARRM Account by reason of the application of section 468C(f)(3)(A) to such account.''

(2) Paragraph (1) of section 4975(e) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following new subparagraph:

''(E) a FFARRM Account described in section 468C(d),''.

(d) FAILURE TO PROVIDE REPORTS ON FFARRM ACCOUNTS.—Paragraph (2) of section 6693(a) (relating to failure to provide reports on certain tax-favored accounts or annuities) is amended by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), respectively, and by inserting after subparagraph (B) the following new subparagraph:

''(C) section 468C(g) (relating to FFARRM Accounts),''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart C of part II of subchapter E of chapter 1 is amended by inserting after the item relating to section 468B the following new item:

''Sec. 468C. Farm, Fishing and Ranch Risk Management Accounts.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

S. 314

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. DECLARATORY JUDGMENT RELIEF FOR SECTION 521 COOPERATIVES.

(a) IN GENERAL.—Section 7428(a)(1) of the Internal Revenue Code of 1986 (relating to declaratory judgments of tax exempt organizations) is amended by striking ''or'' at the end of subparagraph (B) and by adding at the end the following new subparagraph:

''(D) with respect to the initial qualification or continuing qualification of a cooperative as described in section 521(b) which is exempt from tax under section 521(a), or''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to pleadings filed after the date of the enactment of this Act but only with respect to determinations (or requests for determinations) made after January 1, 2001.

Mr. BURNS. Mr. President, I rise today to join Senator GRASSLEY and others to introduce the TERFF Act, Tax Empowerment and Relief for Farmers and Fisherman.

This bill includes several provisions providing tax relief that will help our nation's farmers.

First, this bill will create FFARRM, Farm, Fish and Ranch Risk Management, Accounts that will provide farmers, ranchers and fishermen with additional money management tools. Agricultural producers will be allowed to contribute up to 20 percent of their annual income into these accounts. The tax on this income will be deferred for up to five years or until the depositor withdraws the money.

The bill will amend the tax code to ensure that farm cash rents are not subject to an additional 15 percent self-employment tax. Additionally, the bill will ensure CRP, Conservation Reserve Program, payments are not subject to the same self-employment tax. I have also co-sponsored a similar CRP bill with Senator BROWNBACK from Kansas.

The bill will also enable States to expand opportunities for beginning farmers who are in need of low interest

loans for capital purchases of farmland and equipment.

The bill provides that interest, rent and royalty payment made by a subsidiary to a non-profit are not subject to a unrelated business income taxes. The bill provides a tax deduction to farmers and ranchers who donate food to hunger relief organizations.

The bill will correct a problem experienced by farmers who use income averaging by ensuring that farmers are not disqualified from using income averaging due to the alternative minimum tax, AMT, calculation.

The bill would reapply taxes on cooperatives using animal value-added practices in the same way as cooperatives using manufactured value-added practices. Furthermore, it would allow cooperative producers of ethanol to receive the same tax benefits as large corporations. The bill will also allow farmer cooperatives to use preferred stock to raise equity capital.

This bill will help our nation's farmers and ranchers. The agriculture sector of our nation's economy needs the relief.

Mr. ENZI. Mr. President, I rise to introduce legislation to address a concern of farmers in my State of Wyoming and throughout the United States. This legislation, which I am introducing with the distinguished chairman of the Finance Committee, Senator GRASSLEY, as well as the senior Senator from North Dakota, Mr. CONRAD, is designed to clarify a provision in the Internal Revenue Code and its accompanying regulations which has been broadly interpreted to impose self-employment (SE) taxes on rental income from real estate even though such income was generally designed to be exempt from SE taxes.

Under Section 1402(a)(1) of the Internal Revenue Code, rental income from real estate was only intended to be subject to the SE taxes when, one, the income is from an arrangement between an owner and lessee that, two, requires the lessee to produce agricultural or horticultural commodities on the land; and, three, there shall be material participation by the owner or tenant with respect to any such agricultural or horticultural commodities. The problem all goes back to ambiguity of the term ''arrangement'' in this section. This section has been interpreted to by the IRS to apply not only to the specific lease agreement itself, but also to other extraneous production or management arrangements between the owner and his lessee. Accordingly, the IRS has hit many small self-employed farmers with a tax penalty that they never expected and which was never envisioned when Congress wrote the section of the Internal Revenue Code in question.

The legislation I am introducing today clarifies this section by replacing the term ''arrangement'' with ''agreement,'' indicating that the lease agreement itself must specify the requisite responsibilities of the owner in order to be subject to the SE tax. As in so much of what we do here, a small change in words can have a dramatic impact on people's lives. By clarifying what I believe was intended by Congress all along, we will save numerous farmers the heartache and expense of litigating with the IRS over whether rental income from their real estate is subject to SE tax. This small change in the tax code will provide considerable tax relief to farmers in my home State of Wyoming and throughout the United States. I thank Chairman GRASSLEY for his support of this important legislation and I urge my colleagues to enact this important relief for America's family farmers.

By Mr. BROWNBACK (for himself, Mr. DORGAN, Mr. DASCHLE, Mr. LUGAR, Mr. LEVIN, Mr. ROBERTS, Mr. BURNS, Mr. JEFFORDS, Mr. BAUCUS, Mr. DEWINE, Mr. HARKIN, Mr. CRAIG, Mr. JOHNSON, Mr. LEAHY, Mr. BINGAMAN, and Mr. BOND):

S. 315. A bill to amend the Internal Revenue Code of 1986 to treat payments under the Conservation Reserve program as rentals from real estate; to the Committee on Finance.

Mr. BROWNBACK. Mr. President, I am speaking on a bill that I put in today, along with several cosponsors, regarding the Conservation Reserve Program Tax Fairness Act.

To be a farmer today, you really need to be an optimist—about the weather, about farm prices, about our rapidly changing economy. But one thing farmers should not have to worry about is being additionally taxed for participating in a conservation program.

I rise today to introduce the Conservation Reserve Program Tax Fairness Act of 2001. This bill would simply correct the tax treatment of one of our nation's most valuable conservation programs so that there is not a disincentive for farmers to be good stewards of the land.

I am joined in this effort by Senator DORGAN who has taken an active role on this issue last year and serves as the lead cosponsor of the bill this year. This bill is also co-sponsored by Senators DASCHLE, LUGAR, LEVIN, ROBERTS, BURNS, JEFFORDS, BAUCUS, DEWINE, HARKIN, CRAIG, JOHNSON, and LEAHY.

As you can see, Mr. President, this bill has the bipartisan support of many in the Senate because it is just common sense. In a time when the farm economy continues to suffer and conservation efforts are more important than ever, we should be doing everything we can to make conservation efforts more appealing, not less. And if there is one truth that is pretty evident here, it is that if you want less of something, than tax it. Well, Mr. President, I think we can all agree that we want more conservation, not less, and therefore, we need to correct this tax interpretation.

The Conservation Reserve Program, or CRP, has been a great success for this Nation. The program provides financial incentives for improving and preserving environmentally sensitive land, taking it out of production and enhancing its environmental benefit. The CRP program increases water quality, wildlife habitat and prevents soil erosion—all factors which have become even more important in light of recent concerns about nonpoint source pollution in our nation's waterways.

Specifically, this measure clarifies once and for all that CRP conservation payments from the Government are not subject to self-employment social security taxes—a rate of up to 15 percent of the payment amount. Currently, there is confusion over how CRP payments should be taxed owing to a recent court case in the 6th Circuit Court of Appeals. This case overturned a 1998 Tax Court ruling that CRP payments are not subject to Social Security taxes because they are a rental payment the Government makes in exchange for farmers taking environmentally sensitive land out of production. Since other rental payments are exempt from this additional tax, CRP payments were considered exempt as well.

As a result of this confusion, there is now a discrepancy between active farmers who take part in CRP, which are now subject to the tax because it is considered income, and landowners who do not farm but take part in CRP and are exempt from the tax. Clearly, this is not what Congress intended when it set up this program.

Furthermore, the new court ruling has inspired the IRS to aggressively seek back taxes on CRP payments, as far back as the 1996 tax year. That could amount to tens of thousands of dollars for farmers who are already struggling through economic hard times.

In my State of Kansas alone, $102.7 million in CRP payments were issued in 1999. Are we really going to tell farmers that this money—promised them for conservation purposes—will now be additionally taxed all the way back to 1996? This would amount to a disincentive for farmers to participate in environmental and conservation programs because they cannot trust that there won't be some hidden penalty down the road. Is that the message this body really wants to send?

This tax makes no sense. Since CRP land is not used for agricultural production, it should not be considered farm income—but rather rental/real estate income as the Tax Court originally ruled. CRP payments are different from traditional setaside programs because the program requires strict adherence to environmental standards. The farmer is contracting with the Government for an environmental benefit. Why on Earth would we choose to tax him for it?

We must also consider the state of the farm economy today. Agriculture

is one of the few industries in this country which has not been blessed with a prolonged booming economy. This is the worst possible time to burden farmers with additional taxes.

This bill received enthusiastic support in the last Congress. In fact, this measure was approved unanimously in the Senate last year as part of a larger tax bill, but, unfortunately, was not able to make its way into law. In addition to strong Senate support, this bill has the backing of numerous farm groups including: the National Corn Growers, National Wheat Growers, American Soybean and Cattlemen's Beef Associations—along with the National Farmer's Union and the American Farm Bureau.

My colleagues, one of the privileges we have as Members of the Senate is to be able to correct legislative wrongs that hurt our constituents. This may be a minor thing in the larger scheme of the tax debate, but it is of vital importance to our Nation's farmers. I urge you all to join me in this effort.

If I may summarize, this Conservation Reserve Program Tax Fairness Act of 2001 is to remove taxation on CRP and put it back to where it was when the program was first put forward. That program pays farmers to idle land to be able to build it up, conserve it, to be able to build wildlife up on these tracts of land. It has been very successful.

What has taken place or occurred is that the IRS has taken farmers to court and said they should be taxed for self-employment income for CRP payments, which was never the intent of Congress when it passed that. That was not to take place. Yet the lower court in that one circuit ruled that that is, indeed, correct and that they should be taxed a self-employment tax on that income.

Today Senators DORGAN, ROBERTS, and myself held a press conference introducing this bill to clarify this issue and to remove the self-employment tax on CRP payments. I think this is a key provision. I hope we are able to move forward on it.

Senator GRASSLEY, chairman of the Finance Committee, is supporting us in this effort, and he put it in an overall farm tax relief package. At this time, when we have so much difficulty in the farming economy, it is important to clarify that we are not going to tax people in a situation that they should not be taxed in and where it was never intended for them to be taxed.

This bill previously passed the Senate last year. It has strong bipartisan support. The list of original cosponsors is as follows: Senators DASCHLE, LUGAR, LEVIN, ROBERTS, BURNS, JEFFORDS, BAUCUS, DEWINE, HARKIN, CRAIG, JOHNSON, LEAHY, and BINGAMAN. I hope more will join us as well. I hope this not only clears the Senate this year, but gets through to the President.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 315

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Conservation Reserve Program Tax Fairness Act of 2001''.

SEC. 2. TREATMENT OF CONSERVATION RESERVE PROGRAM PAYMENTS AS RENTALS FROM REAL ESTATE.

(a) IN GENERAL.—Section 1402(a)(1) of the Internal Revenue Code of 1986 (defining net earnings from self-employment) is amended by inserting ''and including payments under section 1233(2) of the Food Security Act of 1985 (16 U.S.C. 3833(2))'' after ''crop shares''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made before, on, or after the date of the enactment of this Act.

Mr. DORGAN. Mr. President, I am pleased to join Senator BROWNBACK and a number of our colleagues today in introducing the Conservation Reserve Program Tax Fairness Act of 2001. This much-needed legislation would clarify that Conservation Reserve Program payments received by farmers are treated for tax purposes as rental payments from real estate not subject to self-employment taxes.

For over a decade, many farmers have agreed to take out of farm production environmentally-sensitive lands and place them in the Conservation Reserve Program (CRP) for an extended period. In return, these farmers receive an annual rental payment from the Commodity Credit Corporation of the U.S. Department of Agriculture.

Over the past several years, the IRS has waged an aggressive campaign to try to re-characterize CRP rental payments as net earnings from self-employment and subject to self-employment taxes. I believe that the IRS's position here is dead-wrong.

North Dakota has about 3.3 million acres with $109 million in rental payments in the CRP program. The IRS's position means that farmers in North Dakota could be mailed a tax bill from the IRS for more than $16 million in added federal taxes this year alone. A typical North Dakota farmer with 160 acres in CRP would have a CRP payment of $5,280 and would owe nearly $800 in self-employment taxes because of the IRS's ill-advised position. To make matters worse, if the IRS pursues back taxes on returns filed by farmers in past years, the amount of taxes owed by individual farmers could amount to thousands of dollars.

I believe that it is absolutely ludicrous for the IRS to load up farmers with an added tax burden at the very time that our nation's family farmers are struggling with high fuel costs and record high fertilizer prices while commodity prices are at record low levels. Given these circumstances, where are the nation's family farmers supposed to come up with the $231 million in additional taxes the IRS's interpretation of CRP rental payments imposes on them?

In our judgment, the Congress never intended this tax result. In fact, the U.S. Tax Court understood this very point, when it ruled in 1998 that the IRS's interpretation of CRP payments was improper and that CRP payments are properly treated by farmers as rental payments and, thus, not subject to self-employment taxes. Regrettably, the U.S. Tax Court's ruling was later reversed by a federal appellate court as the IRS continues to litigate the matter.

We think that most of our colleagues understand that the current IRS position is not what Congress intended, nor is it supportable in law in our judgment. That's probably why, for example, the Senate unanimously agreed to an amendment I offered to the marriage penalty reduction bill last summer that included language to clarify the proper tax treatment of CRP payments as rentals not subject to self-employment taxes. However, my amendment with its CRP language and other amendments were stripped from the final version of that bill and this critical CRP change was not included in any other tax bills signed into law by the President in the last Congress.

With the legislation we introduce today, Congress can tell the IRS that its mistaken effort to treat CRP payments as net earnings from self-employment will not be allowed to stand. I, along with the other cosponsors, urge you to support this change by cosponsoring our bill and working with us to get it added to any major tax legislation passed by Congress this year.

Mr. BURNS. Mr. President, I rise today to join Senator BROWNBACK and others to introduce the CRP, Conservation Reserve Program Tax Fairness Act. This bill will clarify Congressional intent that the CRP was not intended to be subject to self employment social security taxes.

In a 1999 decision, the 6th Circuit Court of Appeals concluded that CRP payments could no longer be treated as real estate rental income a status that would make those payments exempt from social security taxes.

The CRP provides financial incentives for improving and preserving environmentally sensitive land—taking it out of production and enhancing its environmental benefit. The CRP program increases water quality, wildlife habitat and prevents soil erosion—all factors which have become even more important in light of recent concerns about nonpoint source pollution in our nation's waterways.

This case overturned a 1998 Tax Court ruling that CRP payments are not subject to social security taxes because they are a rental payment the government makes in exchange for farmers taking environmentally sensitive land out of production. Since other rental payments are exempt from this additional tax, CRP payments were considered exempt as well.

As a result of this confusion, there is now a discrepancy between active farmers who take part in CRP—which are now subject to the tax because it is considered income—and landowners who do not farm but take part in CRP and are exempt from the tax. Clearly, this is not what Congress intended when it set up this program.

This bill will allow farmers and ranchers the ability to rest assured once and for all that conservation payments made by the government will not be subject to the high tax rate imposed by social security self-employment—a rate of 15 percent of the payment—in future years. As a result, working farmers will enjoy the same status as non-farm landowners in this program which encourages conservation of land, water and wildlife.

By Mr. MCCONNELL (for himself, Mr. GREGG, Mr. FRIST, Mr. MILLER, Mr. LOTT, Mr. DEWINE, Mr. ENZI, Mr. HUTCHINSON, Mr. SESSIONS, and Mr. CARPER):

S. 316. A bill to provide for teacher liability protection; to the Committee on the Judiciary.

Mr. MCCONNELL. Mr. President, today I rise to introduce, with my colleagues Senators GREGG, FRIST, MILLER, LOTT, DEWINE, ENZI, HUTCHINSON, SESSIONS, and CARPER, The Paul D. Coverdell Teacher Liability Protection Act. This important legislation extends protections from frivolous lawsuits to teachers, principals, administrators, and other education professionals who are acting within the scope of their professional responsibilities.

The Teacher Liability Protection Act builds upon the good work Congress began in 1997 when it enacted the Volunteer Protection Act. As you may recall, the Volunteer Protection Act provides liability protections to individuals serving their communities as volunteers. After bringing several volunteer protection amendments to the floor throughout the 1990's and introducing the Volunteer Protection Act during the 104th Congress, I was honored to work with our colleague, Senator Paul Coverdell, to steer this measure through the 105th Congress and have it enacted in 1997.

Now, we need to extend similar liability protections to our nation's teachers, principals, and education professionals who are responsible for the safety of our children when they are at school.

Everyone agrees that providing a safe, orderly environment is a critical component of ensuring that every child is able to reach their full academic potential. Teachers who are unable to maintain order in the classroom cannot reasonably be expected to share their knowledge with their pupils, whether it be in math, science, or literature. Disruptive, rowdy, and sometimes violent students not only threaten the immediate safety of their classmates, they threaten the very future of our children by denying them the opportunity to learn.

Unfortunately, teachers, principals, and other education officials share an impediment in their efforts to ensure that students can learn in a safe, orderly learning environment: the fear of lawsuits. All too often, these hard-working professionals find their reasonable actions to instill discipline and maintain order are questioned and second guessed by opportunistic trial lawyers.

Today's teachers will tell you that the threat of litigation is in the back of their minds and forces them at times to act in a manner which might not be in the best interests of their students. A 1999 survey of secondary school principals found that 25 percent of the respondents were involved in lawsuits or out-of-court settlements in the previous two years—an amazing 270 percent increase from only ten years earlier. The same survey found that 20 percent of principals spent 5–10 hours a week in meetings or documenting events in an effort to avoid litigation. This is time that our educators should spend counseling students, developing curriculum, and maintaining order—not fending off frivolous lawsuits.

The legislation is structured similarly to the Volunteer Protection Act of 1997 and is nearly identical to teacher protection legislation introduced by Paul Coverdell (S. 1721) in the 106th Congress. Simply put, the bill extends a national standard to protect from liability those teachers, principals, and education professionals who act in a reasonable manner to maintain order in the classroom. It does not preempt those States that have already taken action to address this problem and it allows any state legislature that disagrees with these strong protections to opt out at any time. Since this bill builds on Sen. Coverdell's fine work, my colleagues and I thought it would be highly appropriate that it bear his name.

At the same time, it is important to note that this legislation is not a ''carte blanche'' for that minuscule minority of school officials who abuse their authority. The bill does not protect those teachers who engage in ''willful misconduct, gross negligence, reckless misconduct, or a conscious flagrant indifference to the rights or safety'' of a student. Nor does the bill preclude schools or local law enforcement entities from taking criminal, civil, or administrative actions against a teacher who acts improperly. Rather, the bill is simply designed to protect those teachers, principals, and educational professionals who act responsibly from frivolous lawsuits.

From a historical context, this is not new ground for our colleagues in the Senate. During the 106th Congress, Senator Coverdell sucessfully included his legislation in the Senate's verison of the ESEA Reauthorization bill. Unfortunately, as we all know, efforts to reauthorize the ESEA stalled on the Senate floor. It is now appropriate for the Senate to revisit this issue, and I hope give its full endorsement.

I look forward to working with my fellow original co- sponsors and the rest of the Senate to see that these important protections are enacted into law on behalf of America's hard working and dedicated teachers.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 316

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. TEACHER LIABILITY PROTECTION.

The Elementary and Secondary Education Act of 1965 (20 U.S.C 6301 et seq.) is amended by adding at the end the following:

''TITLE XV—TEACHER LIABILITY PROTECTION

''SEC. 15001. SHORT TITLE.

''This title may be cited as the 'Paul D. Coverdell Teacher Liability Protection Act of 2001'.

''SEC. 15002. FINDINGS AND PURPOSE.

''(a) FINDINGS.—Congress makes the following findings:

''(1) The ability of teachers, principals and other school professionals to teach, inspire and shape the intellect of our Nation's elementary and secondary school students is deterred and hindered by frivolous lawsuits and litigation.

''(2) Each year more and more teachers, principals and other school professionals face lawsuits for actions undertaken as part of their duties to provide millions of school children quality educational opportunities.

''(3) Too many teachers, principals and other school professionals face increasingly severe and random acts of violence in the classroom and in schools.

''(4) Providing teachers, principals and other school professionals a safe and secure environment is an important part of the effort to improve and expand educational opportunities.

''(5) Clarifying and limiting the liability of teachers, principals and other school professionals who undertake reasonable actions to maintain order, discipline and an appropriate educational environment is an appropriate subject of Federal legislation because—

''(A) the scope of the problems created by the legitimate fears of teachers, principals and other school professionals about frivolous, arbitrary or capricious lawsuits against teachers is of national importance; and

''(B) millions of children and their families across the Nation depend on teachers, principals and other school professionals for the intellectual development of children.

''(b) PURPOSE.—The purpose of this title is to provide teachers, principals and other school professionals the tools they need to undertake reasonable actions to maintain order, discipline and an appropriate educational environment.

''SEC. 15003. PREEMPTION AND ELECTION OF STATE NONAPPLICABILITY.

''(a) PREEMPTION.—This title preempts the laws of any State to the extent that such laws are inconsistent with this title, except that this title shall not preempt any State law that provides additional protection from liability relating to teachers.

''(b) ELECTION OF STATE REGARDING NONAPPLICABILITY.—This title shall not apply to any civil action in a State court against a teacher with respect to claims arising within that State if such State enacts a statute in

accordance with State requirements for enacting legislation—

''(1) citing the authority of this subsection;

''(2) declaring the election of such State that this title shall not apply, as of a date certain, to such civil action in the State; and

''(3) containing no other provisions.

''SEC. 15004. LIMITATION ON LIABILITY FOR TEACHERS.

''(a) LIABILITY PROTECTION FOR TEACHERS.—Except as provided in subsections (b) and (c), no teacher in a school shall be liable for harm caused by an act or omission of the teacher on behalf of the school if—

''(1) the teacher was acting within the scope of the teacher's employment or responsibilities related to providing educational services;

''(2) the actions of the teacher were carried out in conformity with local, State, and Federal laws, rules and regulations in furtherance of efforts to control, discipline, expel, or suspend a student or maintain order or control in the classroom or school;

''(3) if appropriate or required, the teacher was properly licensed, certified, or authorized by the appropriate authorities for the activities or practice in the State in which the harm occurred, where the activities were or practice was undertaken within the scope of the teacher's responsibilities;

''(4) the harm was not caused by willful or criminal misconduct, gross negligence, reckless misconduct, or a conscious, flagrant indifference to the rights or safety of the individual harmed by the teacher; and

''(5) the harm was not caused by the teacher operating a motor vehicle, vessel, aircraft, or other vehicle for which the State requires the operator or the owner of the vehicle, craft, or vessel to—

''(A) possess an operator's license; or

''(B) maintain insurance.

''(b) CONCERNING RESPONSIBILITY OF TEACHERS TO SCHOOLS AND GOVERNMENTAL ENTITIES.—Nothing in this section shall be construed to affect any civil action brought by any school or any governmental entity against any teacher of such school.

''(c) EXCEPTIONS TO TEACHER LIABILITY PROTECTION.—If the laws of a State limit teacher liability subject to one or more of the following conditions, such conditions shall not be construed as inconsistent with this section:

''(1) A State law that requires a school or governmental entity to adhere to risk management procedures, including mandatory training of teachers.

''(2) A State law that makes the school or governmental entity liable for the acts or omissions of its teachers to the same extent as an employer is liable for the acts or omissions of its employees.

''(3) A State law that makes a limitation of liability inapplicable if the civil action was brought by an officer of a State or local government pursuant to State or local law.

''(d) LIMITATION ON PUNITIVE DAMAGES BASED ON THE ACTIONS OF TEACHERS.—

''(1) GENERAL RULE.—Punitive damages may not be awarded against a teacher in an action brought for harm based on the action or omission of a teacher acting within the scope of the teacher's responsibilities to a school or governmental entity unless the claimant establishes by clear and convincing evidence that the harm was proximately caused by an action or omission of such teacher which constitutes willful or criminal misconduct, or a conscious, flagrant indifference to the rights or safety of the individual harmed.

''(2) CONSTRUCTION.—Paragraph (1) does not create a cause of action for punitive damages and does not preempt or supersede any Federal or State law to the extent that such law would further limit the award of punitive damages.

''(e) EXCEPTIONS TO LIMITATIONS ON LIABILITY.—

''(1) IN GENERAL.—The limitations on the liability of a teacher under this title shall not apply to any misconduct that—

''(A) constitutes a crime of violence (as that term is defined in section 16 of title 18, United States Code) or act of international terrorism (as that term is defined in section 2331 of title 18, United States Code) for which the defendant has been convicted in any court;

''(B) involves a sexual offense, as defined by applicable State law, for which the defendant has been convicted in any court;

''(C) involves misconduct for which the defendant has been found to have violated a Federal or State civil rights law; or

''(D) where the defendant was under the influence (as determined pursuant to applicable State law) of intoxicating alcohol or any drug at the time of the misconduct.

''(2) RULE OF CONSTRUCTION.—Nothing in this subsection shall be construed to effect subsection (a)(3) or (d).

''SEC. 15005. LIABILITY FOR NONECONOMIC LOSS.

''(a) GENERAL RULE.—In any civil action against a teacher, based on an action or omission of a teacher acting within the scope of the teacher's responsibilities to a school or governmental entity, the liability of the teacher for noneconomic loss shall be determined in accordance with subsection (b).

''(b) AMOUNT OF LIABILITY.—

''(1) IN GENERAL.—Each defendant who is a teacher, shall be liable only for the amount of noneconomic loss allocated to that defendant in direct proportion to the percentage of responsibility of that defendant (determined in accordance with paragraph (2)) for the harm to the claimant with respect to which that defendant is liable. The court shall render a separate judgment against each defendant in an amount determined pursuant to the preceding sentence.

''(2) PERCENTAGE OF RESPONSIBILITY.—For purposes of determining the amount of noneconomic loss allocated to a defendant who is a teacher under this section, the trier of fact shall determine the percentage of responsibility of each person responsible for the claimant's harm, whether or not such person is a party to the action.

''SEC. 15006. DEFINITIONS.

For purposes of this title:

''(1) ECONOMIC LOSS.—The term 'economic loss' means any pecuniary loss resulting from harm (including the loss of earnings or other benefits related to employment, medical expense loss, replacement services loss, loss due to death, burial costs, and loss of business or employment opportunities) to the extent recovery for such loss is allowed under applicable State law.

''(2) HARM.—The term 'harm' includes physical, nonphysical, economic, and noneconomic losses.

''(3) NONECONOMIC LOSSES.—The term 'noneconomic losses' means losses for physical and emotional pain, suffering, inconvenience, physical impairment, mental anguish, disfigurement, loss of enjoyment of life, loss of society and companionship, loss of consortium (other than loss of domestic service), hedonic damages, injury to reputation and all other nonpecuniary losses of any kind or nature.

''(4) SCHOOL.—The term 'school' means a public or private kindergarten, a public or private elementary school or secondary school (as defined in section 14101, or a home school.

''(5) STATE.—The term 'State' means each of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, any other territory or possession of the United States, or any political subdivision of any such State, territory, or possession.

''(6) TEACHER.—The term 'teacher' means a teacher, instructor, principal, administrator, or other educational professional that works in a school.

''SEC. 15007. EFFECTIVE DATE.

''(a) IN GENERAL.—This title shall take effect 90 days after the date of the enactment of the Paul D. Coverdell Teacher Liability Protection Act of 2001.

''(b) APPLICATION.—This title applies to any claim for harm caused by an act or omission of a teacher if that claim is filed on or after the effective date of the Paul D. Coverdell Teacher Liability Protection Act of 2001, without regard to whether the harm that is the subject of the claim or the conduct that caused the harm occurred before such effective date.''.

Mr. MILLER. Mr. President, today I add my support to the Teacher Liability Protection Act, a bill first introduced by my predecessor Senator Paul Coverdell. Like him, and like my colleagues with whom I introduce this bill today, I firmly believe in the promise that the education of our children provides. An important part of fulfilling that promise is ensuring that our classrooms are a secure place in which to learn. And, as a result, teachers and principals are called upon every day to maintain order in our schools. In doing so, they should not be subject to frivolous lawsuits. Nor should the fear of such litigation prevent educators from acting reasonably and quickly in this regard.

The bill we introduce today seeks to eliminate that fear and to reassure educators that they can and should perform this necessary part of their job without hesitation. The bill provides limited immunity for teachers, principals, and other education professionals for any reasonable actions they take in an effort to discipline students or maintain order in the classroom. In addition, it limits the availability of punitive damages and damages for noneconomic loss in those suits that do proceed.

I also think that it is important to discuss what this bill does not do. It does not prevent proper accountability for teachers and principals who act intentionally, or even recklessly. Nor does it protect them if they violate state or federal law. Finally, this bill recognizes the authority of states on this issue by allowing states the ability to opt out of its provisions and leaving untouched any state law that provides greater immunity from liability. In sum, this bill provides an important and necessary baseline of protection for teachers and principals who are on the front line of our national struggle to improve education, and to fulfill the promise of our children's future.

I believe this Congress has a unique opportunity to improve education in our country. I hope that my colleagues will give this bill careful consideration, and support it as an important part of that effort.

Mr. GREGG. Mr. President, I rise today to join my colleague, MITCH MCCONNELL, in introducing the Paul Coverdell Teacher Liability Protection Act of 2001.

Senator Coverdell, recognizing the value of those individuals who sacrifice their time, money and energy to serve others, was a true leader in protecting both volunteers and teachers. In 1997, he successfully ushered the Volunteer Protection Act through Congress. Today, as a result of Senator Coverdell's efforts, volunteers can generously give their time and services without the threat of frivolous lawsuits.

Last year I joined Senator Coverdell in offering a teacher amendment during floor consideration of the Elementary and Secondary Education Act, ESEA. That amendment contained several provisions impacting teachers, but the bulk of the amendment was the Teacher Liability Protection Act. I am pleased to say that this amendment was passed by the Senate by a vote of 97 to 0, and a nearly identical measure was passed by the House by a vote of 358 to 67. The overwhelming support that this amendment received during the 106th Congress clearly illustrates the bipartisan nature of this initiative. Although Congress did not complete work on ESEA before the end of the session, I am very optimistic that the new President will sign into law an education reform bill this year and that bill will include the Paul Coverdell Teacher Liability Protection Act.

Our nation's public schools have become more violent, and teachers do not feel safe in their own classrooms. Today, more than half our nation's school teachers have been verbally abused, 16 percent have been threatened with injury and 7 percent have been physically attacked. Parents and students alike report that the behavior of some students completely interferes with the learning of others. As our schools have increasingly felt the effects of violence, drug use and a breakdown of discipline, it is necessary for teachers to use reasonable means to maintain order, discipline and a positive educational environment. However, teachers continuously find themselves the targets of frivolous lawsuits when they are forced to restore order in the classroom. Our nation's educators need to feel free to appropriately and swiftly discipline disruptive, unruly and unmanageable students to ensure the safety and education of all the children under their supervision.

Currently, unless a teacher is fortunate enough to work in a state that has liability laws that protect teachers, many teachers are hesitant to take action or intervene for fear of a lawsuit. This legislation would help to correct this sad situation.

The Paul Coverdell Teacher Liability Protection Act was modeled after the Volunteer Protection Act of 1997 and several state liability laws. The purpose of this legislation is to protect teachers from frivolous law suits when attempting to remove a disruptive or belligerent student from a classroom.

Specifically, it provides limited civil liability immunity for teachers and principals who engage in reasonable acts to maintain order and preserve a safe and educational environment in their classrooms and schools. The bill is narrowly crafted to focus on protecting reasonable acts that fall within the scope of a teacher's responsibilities in providing education services. The bill does not protect teachers who engage in wanton and willful acts of misconduct, criminal acts or violations of state and federal civil rights laws. The Teacher Liability Protection Act simply protects teachers and other education professionals from liability for harm caused to an individual by reasonable acts carried out in accordance with local, state and federal laws, as well as rules and regulations for controlling, disciplining, expelling or suspending a student from a classroom or school. Additionally, this legislation stipulates that punitive damages may not be awarded against a teacher unless the claimant establishes by clear and convincing evidence that harm was caused by an action that constituted willful or criminal misconduct, or a conscious, flagrant indifference to the rights or safety of the individual harmed.

Furthermore, it is important to note that this legislation does not, in any way, supercede any state law that provides teachers with greater immunity from liability. Moreover, states can opt out of the provisions of this bill by passing state legislation exempting them from the Teacher Liability Protection Act.

I conclude by saying that we have a unique opportunity this year to improve our nation's public schools, and we should start with protecting its teachers. As you know, teachers are our most precious resource in the classroom, and to continue to place them at risk in their jobs, and not give them the protection they so desperately need is a shame. It is high time that we recognize teachers and principals for who they are; professionals that go to great lengths to help our children learn. Creating a safe-zone in which they are not subject to being dragged through the courts for ensuring the safety and education of the students in their classrooms should be a priority as we undertake education reform in the 107th Congress. That is why I stand here today to join Senator MCCONNEL in empowering our nation's teachers to take back control of our classrooms and create an environment where they can teach and their students can learn.

By Mr. DASCHLE (for himself, Mr. HARKIN, Mr. DODD, Mr. KENNEDY, Mr. BIDEN, Mr. BINGAMAN, Mrs. CLINTON, Mr. DURBIN, Mr. INOUYE, Mr. KERRY, Mr. LEAHY, Ms. MIKULSKI, Mrs. MURRAY, Mr. ROCKEFELLER, Mr. SARBANES, Mr. SCHUMER, and Mr. CORZINE):

S. 318. A bill to prohibit discrimination on the basis of genetic information with respect to health insurance; to the Committee on Health, Education, Labor, and Pensions.

Mr. DASCHLE. Mr. President, yesterday we read the first news accounts of the first analysis ever of the human genetic code—what some have called ''the blueprint of human life'' itself. Today, Senators KENNEDY, HARKIN, DODD, and I are introducing a bill to make sure this stunning new knowledge is used to help Americans, not hurt them. Our bill is called the ''Genetic Nondiscrimination in Health Insurance and Employment Act.'' It says simply that genetic information may not be used to discriminate against Americans in health insurance or employment. An identical measure will be introduced tomorrow in the House by more than 150 Republican and Democratic cosponsors.

The genetic revolution has the potential to dramatically improve health care. Genetic technology can greatly improve our ability to treat and even cure now-incurable illnesses. Genetic tests can tell whether a person is at risk of developing certain diseases years before symptoms appear, giving her either peace of mind—or critical time to reduce her risks. But the scientific and commercial value of the human genome project will be seriously undermined if people refuse to take genetic tests because they fear the results may be used against them.

That is not just our opinion. That warning has been sounded repeatedly by the two men who understand genetic testing better than anyone in the world—the scientists in charge of the two teams that mapped the human genome. Dr. Craig Venter and Dr. Francis Collins. At a White House ceremony last June where Doctors Venter and Collins unveiled the sequencing of the human genome, they warned that our laws were not keeping pace with science and urged Congress to pass strong federal protections against genetic discrimination. As Dr. Collins put it: ''If we needed a wake-up call, isn't today the wake-up call?''

The question now is: Are we going to heed that warning? Or, are we going to turn a deaf ear? This bill is the test. It has four major components. First, it forbids employers from using genetic information to decide who to hire or fire, and other terms and conditions of employment. Second, it forbids insurers from using genetic information to deny or restrict coverage, or raise premiums. Third, it prevents disclosure of identifiable genetic information to health insurers, health insurance data banks, employers—and anyone else who has no legitimate need for the information. Finally, if these basic rights are violated, our bill gives victims of genetic discrimination the right to hold the violator accountable in court.

It's been nearly three years since we first introduced this bill. Back then, some people said there was no need for these protections because there was no proof that genetic discrimination ever actually occurs. We got another wake-up call last Friday, when the Equal Employment Opportunity Commission went to court to challenge genetic testing by an employer. The EEOC has asked the court to order the Burlington Northern Santa Fe Railroad to end its alleged policy of requiring employees who claim work-related injuries related to carpel tunnel syndrome to undergo genetic testing—or lose their jobs.

The Burlington Northern case marks the first time the EEOC has ever brought a genetic discrimination in court. But it is not the first case of genetic discrimination we've heard about in this Senate. Last July, the Senate Health, Education, Labor, and Pensions Committee held a hearing specifically on genetic discrimination in employment and what, if anything, the Senate should do about it. I testified at that hearing about a social worker who made the mistake of telling her coworkers that she had been the primary care-giver for her mother, who had died of Huntington's disease. Despite her own good health and her long history of outstanding performance reviews, she was fired. Why? Because there is a chance she might one day develop the same disease that killed her mother.

I also testified about a 40-year-old mother of two young children who agreed to participate in a genetic research study. She tested positive for BRAC1, the gene implicated in breast and ovarian cancer. After undergoing preventive surgery to remove her breast and ovaries to minimize the risk of cancer, she lost the insurance she received from her job. Then she lost her job. She, too, had a history of good work evaluations. Now she says she will never again participate in any health studies, and she will not allow her children to be tested.

While genetic discrimination may be relatively rare now, experts say that's only because genetic tests are still relatively rare. As testing becomes more affordable, and more common, experts tell us, the incidence of discrimination is likely to increase dramatically.

How many more times do we need to hear about lives that have been shattered by someone's misuse of genetic information before we say clearly: ''In America, you cannot discriminate against people because of their genetic makeup. Period.''

This is a matter that effects every one of us. We all have flaws in our genes.

With rare exceptions, genetic tests can't confirm if we will ever develop a particular disease. All they can tell us is that we might some day develop the disease. Or we might not. Is it fair for employers to use genetic information in deciding who to hire and who to fire?

More than 10 years ago, we passed the Americans with Disabilities Act. We agreed then that, in this country, you can't discriminate against someone because of a disability. Can we really believe now that employers and insurers ought to be allowed to discriminate against someone because he or she might someday develop a disability illness?

Last week, three insurance companies in England admitted for the first time that they test for Huntington's disease, a progressive and incurable neurological disorder. One insurer also admitted it uses experimental tests for breast and ovarian cancer and Alzheimer's disease.

Do we have to wait until insurers in this country start using genetic screening routinely before we set some reasonable legal guidelines for genetic tests? How many more wake-up calls do we need?

Last summer, shortly after he and Francis and Collins unveiled the sequencing of the human genome, Craig Venter wrote me a letter. In it, he warned that genetic discrimination ''is not a theoretical concern. Today, people who know they may be at risk for a genetic disease are foregoing diagnostic tests for fear they will lose their job or their health insurance.'' As a result, he said, ''the incentives for new discoveries and treatments based on our newly acquired genomic information are diminished, and the promising new era in medicine is delayed.''

There are some who say strong federal protections are not needed because a number of states have already passed bills to prevent genetic discrimination. They're right about one thing: many states have passed laws. I'm proud to report that South Dakota became the latest last Friday when it adopted legislation to curb the collection of a person's genetic information without informed consent. In all, 37 states have passed bills regarding genetic discrimination in health insurance, and 22 states have laws regarding genetic discrimination in the workplace.

Those laws represent progress. And they offer some protection. The problem with the current patchwork of state laws is that it contains major loopholes. For example: some states protect only DNA and RNA. Other states extend protection to family history data and other medical information that could offer some genetic clues. In addition, because of federal exemptions, state laws offer no protections to the one-in-three Americans who get their health insurance through their employer.

Others say this bill is not needed because the Americans with Disabilities Act already prohibits discrimination based on disability. The problem with that theory is: it's never been tested. The Burlington Northern case represents that first time a genetic discrimination suit has been brought specifically on the grounds that it violates the ADA. Maybe the court will decide that the ADA does cover genetic discrimination. Maybe it will decide that it doesn't. Either way, a definitive answer could take years. What is the harm of us acting now to say clearly that genetic discrimination will not be tolerated in America? What is the worst thing that could happen? That we end up with two laws, each protecting the same fundamental principle?

Last year, then-President Clinton signed an executive order banning genetic discrimination in federal employment. Our bill seeks merely to extend the same protections to private workplaces and insurers. The principles in our bill are supported by both Dr. Craig Venter and Dr. Francis Collins. They are also supported by the federal Advisory Committee on Genetic Testing, the Equal Employment Opportunity Commission and the departments of Labor, Justice, and Health and Human Services. More important, they are supported by a strong majority of the America people.

At the beginning of our nation's history, Thomas Jefferson wrote, ''laws and discoveries must go hand in hand with the progress of the human mind. As . . . new discoveries are made . . . institutions must advance also to keep pace with the times.''

Our new knowledge about the genetic blueprint has the potential to dramatically improve our health and the quality of our lives. However, if we don't respond to the wake-up call now, this new knowledge also has the potential to destroy lives. We simply cannot afford to take one step forward in science, while taking two steps backwards in civil rights!

The legislation we offer today will enable us to move forward in a way that will benefit—and protect—all Americans. I thank my colleagues—Senators KENNEDY, DODD, and HARKIN—for all their help in this endeavor. I also thank our colleagues in the House—particularly Congresswoman LOUISE SLAUGHTER, for her tireless effort to move our companion bill to the floor in that chamber. And I urge my colleagues to join us in answering the wake-up call now so that we can make sure the genetic revolution—which has been largely financed with American tax dollars—helps people—instead of hurting them.

Mr. HARKIN. Mr. President, I am pleased to introduce the ''Genetic Nondiscrimination in Health Insurance and Employment Act'' with Senator DASCHLE, Senator DODD, Senator KENNEDY, and other colleagues. This bill would bring our nondiscrimination policies into the 21st century.

Genetic discrimination is a terribly important issue and one that I have been following for quite some time now. My interest started in the late 1980s when I was first involved in the effort to fund the Human Genome Project at NIH. Looking back over the past ten years, this was one of the best investments our country has ever made. The advances in the study of the human gene are mind-boggling. Last

year, the Human Genome Project and Celera Genomics announced that scientists had mapped the entire human genome. Just yesterday, these same scientists reported the probable number of human genes at 30,000 to 40,000 (only twice as many genes as your run-of-the-mill roundworm).

The impact of these discoveries will go far beyond the laboratory. The mapping of the human genome will mean enormous gains in science and the provision of health care. The identification of a number of disease-related genes has already provided scientists with important new tools for understanding the underlying mechanisms for many illnesses. And genomic technologies have the potential to lead to better diagnosis and treatment, and, ultimately, the prevention and cure of many diseases and disabilities.

However, without genetic discrimination protections, people will be deterred from using genetic technologies that detect and prevent the onset of life-threatening diseases.

Discrimination in health insurance and employment, and the fear of potential discrimination, threaten our ability to conduct the very research we need to understand, treat, and prevent genetic disease. Moreover, discrimination—and the fear of discrimination—threaten our ability to use new genetic technologies to improve human health. As a result, our rapid, scientific progress could be rendered meaningless for the every day American.

Let me give you just a few examples:

In the early 1970's some insurance companies denied coverage and some employers denied jobs to African-Americans who were identified as carriers for sickle-cell anemia, even though they were healthy and would never develop the disease.

More recently, in a survey of people in families with genetic disorders, 22 percent indicated that they, or a member of their family, had been refused health insurance on the basis of their genetic information.

And a number of researchers have been unable to get individuals to participate in cancer genetics research. Fear of discrimination is cited as the reason why.

But this is more than just about numbers and anonymous individuals, it's about real people—including my own family. As many of you know, both my sisters died from breast cancer. And other members of my family might be at risk. Should I counsel them to get tested for the BRCA1 and BRCA2 mutations? Should I counsel them to disclose our family history to their health care providers?

Right now, I'm torn. I know that if my family is to have access to the best available interventions and preventive care, they should get tested, and they should disclose our family's medical history to their physicians. But, conversely, if they are to get any health care at all, they must have access to health insurance. Without strong protections against discrimination, access to health insurance is currently in question.

In 1995, I introduced an amendment during the mark-up of the Health Insurance Portability and Accountability Act. My amendment clarified that group health plans could not establish eligibility, continuation, enrollment, or contribution requirements based on genetic information. The amendment became part of the manager's package that went to the floor, and it ultimately became law.

HIPAA is a good first step. We should be proud of that legislation. Yet if our goal is to ensure that individuals have access to health insurance coverage and to employment opportunities—regardless of their genetic makeup—we must ensure that they are protected against discrimination on the basis of their genetic makeup.

Our proposed legislation offers such protections. Let me describe them in brief:

First, this legislation prohibits insurers and employers from discriminating on the basis of protected genetic information. It is essential to prohibit discrimination both at work and in health insurance coverage. If we only prohibit discrimination in the insurance context, employers who are worried about future increased medical costs or increased sick time will simply not hire individuals who have a genetic predisposition to a particular disease.

Second, under our proposal, health insurance companies are prohibited from disclosing genetic information to other insurance companies, industry-wide data banks, and employers. If we really want to prevent discrimination, we should not let genetic information get into the wrong hands in the first place.

Finally, if protections against genetic discrimination are to have teeth, we must include strong penalties and remedies to deter employers and insurers from discriminating in the first place.

This bill will ensure that every American will enjoy the latest advances in scientific research and health care delivery, without fear of retribution on the basis of their sensitive genetic information. All of us should be concerned about this issue, because all of us have genetic information that could be used against us. As we move into the new millennium, everyone should enjoy the benefits of 21st century technologies—and not be harmed by 21st century discrimination.

I applaud the commitment of my fellow co-sponsors on this important issue and look forward to working with my colleagues on both sides of the aisle to pass federal legislation that will prohibit genetic discrimination in the workplace and in health insurance.

Mr. DODD. Mr. President, over the past decade the science of identifying genetic markers for diseases has evolved at an astonishing pace. For an increasing number of Americans, science fiction has become reality—their doctors can now scan their unique genetic blueprints and predict the likelihood of their developing diseases like cancer, Alzheimer's or Parkinson's.

Armed with this knowledge, individuals and families can make informed decisions about their health care including, in some cases, even taking steps to prevent the disease or to detect and treat it early. Unfortunately, however, phenomenal advances in our knowledge about genetics have outpaced the protections currently provided in law. Thus, the potential also exists for this information to be used by health insurers or employers to deny health coverage or job opportunities.

And, in fact, recent events have catapulted the issue of genetic discrimination from a potential concern to a devastating reality. Just this week, the U.S. Equal Employment Opportunity Commission filed a lawsuit against an employer for requiring genetic testing of employees who file injury claims. Additionally, a recent survey of over 2,000 companies conducted by the American Management Association showed that 18.1 percent of companies require genetic or medical family history data from employees or job applicants. According to the same survey, 26.1 percent of the companies that require genetic or family medical history tests use the results of those tests in hiring decisions.

We know that Federal and State laws currently offer only a patchwork of protections against the misuse of genetic information. While the Health Insurance Portability and Accountability Act of 1996 took important first steps toward prohibiting genetic discrimination in health insurance, it left large gaps. For example, it does not prohibit insurers from requiring genetic testing or from disclosing genetic information and offers no protection at all for people who must buy their insurance in the individual market. And, while several States, including Connecticut, have enacted legislation prohibiting health insurance discrimination, these laws can not protect the 51 million individuals in employer-sponsored ''self-funded'' health plans. Additionally, few States have chosen to address the issues of employment discrimination or the separate issue of the privacy of genetic records.

I know from personal experience that this issue is not a partisan one. Four years ago, I joined Senator DOMENICI in introducing one of the first bills on this critical topic, addressing both insurance and employment discrimination. And two years ago, along with many of my Democrat colleagues, I joined Senator SNOWE in supporting strong legislation protecting patients from genetic discrimination in insurance.

Today I am pleased to join my colleagues, Senator DASCHLE, Senator HARKIN and Senator KENNEDY in introducing comprehensive legislation to

safeguard the privacy of genetic information and prohibit health insurance or employment discrimination based on genetic information. Specifically, this legislation would prohibit health insurers from discriminating based on genetic predisposition to an illness or condition and would prevent insurers from requiring applicants for health insurance to submit to genetic testing. This bill would also address concerns about employment discrimination by preventing employers from firing or refusing to hire individuals who may be susceptible to a genetic condition. Finally, this legislation holds employers and insurers accountable by imposing strong penalties those who violate these provisions.

Three years ago, in a visit to Yale University's Genetic Testing Center I had the opportunity to glimpse cutting edge uses of that technology. I also had the opportunity, however, to hear the fears expressed by the patients at the center. On that visit I met with Keith Hall, who has been a patient at Yale for several years—since he was first diagnosed with Tuberous Sclerosis, a genetic disease that causes tumors of the brain, kidney and other organs, and sometimes mental retardation. Keith worries about what would happen to his insurance if he ever had to switch jobs.

I also met with Ashley Przybylski, an 11-year-old girl from Oxford, CT. Ashley suffers from a genetic nutritional disorder that can cause seizures and brain damage. While currently the family's insurance covers the exorbitant cost of the medication that keeps her healthy—$33,000 a year—Ashley faces the prospect of being denied coverage when she gets older.

While we as a Nation welcome these scientific achievements, it is critical we ensure that they be applied for the purposes of preventing or treating disease, rather than for denying health insurance or employment to individuals. This issue is too important to ignore for yet another year. Each day that passes more individuals suffer discrimination. Each day that we fail to act, more families will be forced to make decisions about genetic testing based, not on their health care needs, but on fear.

I pledge my commitment to ensuring that continued progress in science is matched by progress in creating protections against discrimination and establishing fundamental rights to privacy. I'd like to again thank my colleagues, Senator DASCHLE, Senator KENNEDY and Senator HARKIN for joining me in introducing this legislation.

Mr. KENNEDY. Mr. President, this week, scientists announced the completion of a task that once seemed unimaginable—deciphering the entire DNA sequence of the human genetic code. This amazing accomplishment is likely to affect the 21st century as profoundly as the invention of the computer or the splitting of the atom affected the 20th century.

These new discoveries bring remarkable new opportunities for improving health care. But they also carry the danger that genetic information will be used—not to improve the lives of Americans—but as a basis for discrimination. Discrimination on the basis of a person's genetic traits—such as those associated with cancer, Huntington's disease, or sickle cell anemia—is as unacceptable as discrimination on the basis of gender, race, or religion. No American should be denied health insurance or fired from a job based on the results of a genetic test.

People need access to genetic testing, in order to seek treatments to extend and improve their lives. Yet, the vast potential of genetic knowledge to improve health care will go unfulfilled, if patients fear that information about their genetic characteristics will be used as the basis for discrimination. Congress has a responsibility to guarantee that private medical information remains private, and that genetic information cannot be used for improper purposes.

The Genetic Non-Discrimination in Health Insurance and Employment Act guarantees these protections. It gives the American people the protections they need and deserve against genetic discrimination. It prohibits employers from using genetic information to discriminate in the workplace in hiring, promotion, pay or other workplace rights and privileges. And it gives victims of genetic discrimination the right to seek remedies through legal action.

In too many cases today the promise of genetic research is being squandered, because patients rightly fear that information about their genes will be used against them in the workplace or in health insurance. Study after study reports that the vast majority of Americans are concerned about taking a genetic test, for fear that employers will have access to the information. The Journal of the American Medical Association reported that 57 percent of women at risk for breast or ovarian cancer had refused to take a genetic test that could have identified their risk for cancer and assisted them in receiving medical treatment to prevent the onset of these diseases because they feared reprisals for doing so. Tragically, the vast potential of genetic knowledge to improve health care will go unfulfilled if patients fear that information about their genetic characteristics will be used as the basis for job discrimination or other prejudices.

And that fear is clearly well-founded. Genetic discrimination is a real and frightening problem, and it is happening right now. Last Saturday reports of mandatory genetic testing of employees made headline news—and the testing was being conducted by one of the largest railroads in this country. One employee was informed by the railroad that he would be fired for refusing to submit to the genetic testing.

This is just the tip of the iceberg of what is becoming a routine and pervasive employer practice as genetic testing becomes more accessible and economical. Today, employers and insurers often require and use this information to deny health coverage, refuse a promotion, or reject a job applicant—all in the absence of any symptoms of disease. According to a 1995 study by Georgetown University, people have been required to provide information about genetic diseases, disabilities, or family medical history on job applications and have been denied jobs or have lost jobs because of a family genetic condition.

Moreover, a recent survey by the American Management Association of over 2,000 companies showed that more than 18 percent of companies require genetic tests or data on family medical history from employees or job applicants. According to the same survey, more than 26 percent of the companies that require this information use it in hiring decisions.

Experts in genetics are virtually unanimous in calling for strong protections to prevent this misuse and abuse of science. The Department of Health and Human Services' advisory panel on genetic testing—consisting of experts in law, science, medicine and business—recommended unambiguously that ''Federal legislation should be enacted to prohibit discrimination in employment and health insurance based on genetic information.'' Dr. Craig Venter, the president of Celera Genomics, who led the privately-financed aspect of the gene sequencing research, has spoken of the ''immediate threat . . . [of] genetic discrimination. . . . [H]uman rights and civil rights law will have to be updated to include this new class of diagnosed person. At this stage, one can only imagine the future potential of abuse,'' he said.

With time, the potential for genetic discrimination will only grow stronger and federal legislation to establish minimum protections is needed to ensure that advances in research and technology are not used to discriminate against workers. Without strong protections guaranteeing that private medical information remains private and that genetic information can not be used for improper purposes, we will squander the unprecedented opportunities presented by these new discoveries, and the health and welfare of large numbers of our fellow citizens will be put at risk.

I commend our leader, Senator DASCHLE, for introducing this important legislation that will give the American people the protections against genetic discrimination they need and deserve. The Genetic Non-Discrimination in Health Insurance and Employment Act will prohibit insurers from denying or abridging health care coverage on the basis of genetic test results. It will protect employees from discrimination on the basis of their unalterable genetic inheritance. The Act safeguards Americans' private genetic information from

unauthorized disclosures to employers, banks, and others who should not have access to this most sensitive of personal information. And, because a right without a remedy is no right at all, this important measure would provide persons who have suffered genetic discrimination in either arena with the right to seek redress through legal action. I urge my colleagues to join Senator DASCHLE and me in supporting the Genetic Non-Discrimination in Health Insurance and Employment Act.

By Mr. MCCAIN (for himself, Mr. HOLLINGS, and Mrs. HUTCHISON):

S. 319. A bill to amend title 49, United States Code, to ensure that air carriers meet their obligations under the Airline Customer Service Agreement, and provide improved passenger service in order to meet public convenience and necessity; to the Committee on Commerce, Science, and Transportation.

Mr. MCCAIN. Mr. President, this morning the Commerce Committee heard testimony from the Department of Transportation Inspector General on the airlines' efforts to meet their voluntary Airline Customer Service Commitment. The IG reported that the airlines had made progress in their customer service areas. He also noted that the airlines were deficient in many areas of their commitment. The IG recommended that Congress take some measures to ensure that the airlines continue to make progress on the passenger service front.

To that end, I am introducing the Airline Customer Service Improvement Act, along with Senators HOLLINGS, HUTCHISON, and WYDEN.

This bill implements the recommendations set forth by the Inspector General in his final report. Specifically, the bill requires each air carrier to incorporate the voluntary Airline Customer Service Commitment into its contract of carriage. In addition, the bill requires each air carrier to specifically disclose information recommended by Mr. Mead, such as the on-time performance rates of specific flights and the airlines' policy with respect to overnight accommodations.

The bill also directs the Department of Transportation to raise the compensation required for passengers involuntarily bumped from a flight. This regulation has not been updated in more than 20 years.

The bill also directs the Department of Transportation to change the way it calculates lost and mishandled baggage statistics, so that these statistics will more accurately represent the problems that passengers face.

Finally, consistent with the IG's recommendations, the bill requires the airlines to report on their efforts to establish targets for reducing the number of chronically-delayed and canceled flights, and establishing a system passengers may use to determine if their flight has been delayed or canceled.

In short, this legislation does not seek to legislate good customer service. This legislation seeks to provide the airlines and the Department of Transportation with the incentives to ensure that good customer service remains high on everyone's priority list.

Let me make clear that this bill is just one small step towards fixing the system. This bill does not begin to address the many problems facing the airline industry. Capacity, congestion, antiquated air traffic control systems, and labor all have had detrimental effects on our system and, consequently, customer service. The Commerce Committee will continue to explore ways to improve the efficiency of our aviation system. We will all need to work together to fix the multitude of problems that airline customers face everyday.

I look forward to working together with my fellow Senators on this and other ways to address the needs of our aviation system.

I ask unanimous consent that the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 319

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Airline Customer Service Improvement Act''.

SEC. 2. FINDINGS.

The Congress finds the following:

(1) The Inspector General of the Department of Transportation has found that the airlines' voluntary commitment to better service, set forth in the Airline Customer Service Commitment, has resulted in positive changes in how air travelers are treated.

(2) While the Inspector General's Final report noted that the voluntary effort has produced benefits faster than a legislative or regulatory mandate, which could have taken years to implement, the Inspector General has recommended additional changes that require legislation and regulations.

(3) The Airline Customer Service Commitment has prompted the airlines to address consumer concerns in many areas, ranging from providing information more accurately on delays to explaining that lower fares may be available through the Internet.

(4) The airlines were cooperative with, and responsive to, many of the suggestions the Inspector General made in the interim report last year.

(5) The Inspector General has determined that, while there has been significant progress in improving airline customer service, certain areas covered by the Airline Customer Service Commitment are in need of significant clarification and improvement and, where appropriate, enforcement action.

SEC. 3. DEPARTMENT OF TRANSPORTATION TO DEVOTE GREATER RESOURCES TO AIRLINE PASSENGER CONSUMER PROTECTION.

(a) IN GENERAL.—The Secretary of Transportation shall increase the resources of the Department of Transportation allocated to providing—

(1) airline passenger consumer protection and related services; and

(2) oversight and enforcement of laws and regulations within the jurisdiction of the Department that provide protection for air travelers.

(b) REPORT.—Within 60 days after the date of enactment of this Act, the Secretary shall report to the Senate Committee on Commerce, Science, and Transportation and the House Committee on Transportation and Infrastructure measures taken by the Secretary to carry out subsection (a), together with a request for additional funds or measures, if necessary, to carry out that subsection fully.

SEC. 4. AIRLINE CUSTOMER SERVICE COMMITMENT.

(a) IN GENERAL.—Chapter 417 of title 49, United States Code, is amended by adding at the end the following:

''SUBCHAPTER IV. AIRLINE CUSTOMER SERVICE

''§ 41781. Airline customer service requirements

''(a) IN GENERAL.—Within 60 days after the date of enactment of the Airline Customer Service Improvement Act, each large air carrier shall incorporate the provisions of the Airline Customer Service Commitment executed by the Air Transport Association and 14 of its member airlines on June 17, 1999, in its contract of carriage.

''(b) ADDITIONAL OBLIGATIONS.—Within 60 days after the date of enactment of the Airline Customer Service Improvement Act, each large air carrier shall institute the following practices:

''(1) Include fares available at the air carrier's ticket offices and airport ticket service counters when quoting the lowest fare available to passengers.

''(2) Notify customers that lower fares may be available through other distribution systems, including Internet websites.

''(3) Provide, no later than the 5th day of each month, the air carrier's on-time performance rate for each scheduled flight for the most recently-ended month for which data is available through its Internet website.

''(4) Disclose, without being requested, the on-time performance and cancellation rate for a chronically-delayed or canceled flight whenever a customer makes a reservation or purchases a ticket on such a flight.

''(5) Establish a plan with respect to passengers who must unexpectedly remain overnight during a trip due to flight delays, cancellations, or diversions.

''(6) Tell all passengers on a flight what the air carrier is required to pay passengers involuntarily denied boarding before making offers to passengers to induce them voluntarily to relinquish seats.

''(c) COMPLIANCE ASSURANCE.—

''(1) AIR CARRIER FUNCTIONS.—Each large air carrier also shall—

''(A) establish a customer service quality assurance and performance measurement system within 90 days after the date of enactment of the Airline Customer Service Improvement Act;

''(B) establish an internal audit process to measure compliance with the commitments and its customer service plan within 90 days after the date of enactment of the Airline Customer Service Improvement Act; and

''(C) cooperate fully with any Department of Transportation audit of its customer service quality assurance system or review of its internal audit.

''(2) DOT FUNCTIONS.—The Secretary of Transportation shall—

''(A) monitor compliance by large air carriers with the requirements of this section and take such action under subpart IV of this title as may necessary to enforce compliance with this section under subpart IV of this title;

''(B) monitor air carrier customer service quality assurance and performance measurement systems to ensure that air carriers are meeting fully their airline passenger service commitments; and

''(C) review the internal audits conducted by air carriers of their air carrier customer service quality assurance and performance measurement systems.

''(d) DEFINITIONS.—In this section—

''(1) LARGE AIR CARRIER.—The term 'large air carrier' means an air carrier holding a certificate issued under section 41102 that—

''(A) operates aircraft designed to have a maximum passenger capacity of more than 60 seats or a maximum payload capacity of more than 18,000 pounds; or

''(B) conducts operations where one or both terminals of a flight stage are outside the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands.

''(2) CHRONICALLY DELAYED OR CANCELED.—A flight shall be considered to be chronically-delayed or canceled if at least 40 percent of the flight's departures are delayed for at least 15 minutes or at least 40 percent of the flights are canceled.''.

(b) ENFORCEMENT.—Section 46301(a)(7) of title 49, United States Code, is amended by striking ''40112 or 41727'' and inserting ''40112, 41727, or 41781''.

(c) CONFORMING AMENDMENT.—The chapter analysis for chapter 417 of title 49, United States Code, is amended by adding at the end the following:

''SUBCHAPTER IV. AIRLINE CUSTOMER SERVICE

''41781. Airline customer service requirements''.

SEC. 5. OTHER SERVICE-ENHANCING IMPROVEMENTS.

(a) IN GENERAL.—Within 90 days after the date of enactment of this Act, each large air carrier (as defined in section 41781(d)(1)) shall—

(1) establish realistic targets for reducing chronically-delayed and canceled flights;

(2) establish a system passengers may use before departing for the airport to determine whether there is a lengthy flight delay or whether a flight has been canceled;

(3) develop and implement a system for tracking and documenting the amount of time between the receipt of a passenger's claim for missing baggage and the delivery of the baggage to the passenger, including the time taken by a courier or other delivery service to deliver found baggage to the passenger;

(4) monitor and report its efforts to improve services provided to passengers with disabilities and special needs, including services provided at airports such as check-in, passenger security screening (particularly for passengers who use wheelchairs), boarding, and disembarkation;

(5) clarify terminology used to advise passengers of unscheduled delays or interruptions in service, such as ''extended period of time'' and ''emergency'', in order better to inform passengers about what they can expect during on-board delays;

(6) ensure that comprehensive passenger service contingency plans are properly maintained and that the plans, and any changes to those plans, are coordinated with local airport authorities and the Federal Aviation Administration;

(7) ensure that master airport flight information display monitors contain accurate, up-to-date flight information and that the information is consistent with that shown on the carrier's flight information display monitors;

(8) establish a toll-free telephone number that a passenger may use to check on the status of checked baggage that was not delivered on arrival at the passenger's destination;

(9) if it maintains a domestic code-share arrangement with another air carrier, conclude an agreement under which it will conduct an annual audit of that air carrier's compliance with the other air carrier's airline customer service commitment; and

(10) if it has a frequent flyer program, make available to the public a comprehensive report of frequent flyer redemption information in their customer literature and annual reports, including information on the percentage of successful redemption of frequent flyer awards and the number of seats available for such awards in the air carrier's top 100 origin and destination markets.

(b) INITIAL RESPONSE REPORTS.—

(1) AIR CARRIERS.—Within 90 days after the date of enactment of this Act, each large air carrier shall report to the Secretary of Transportation on its implementation of the obligations imposed on it by this Act.

(2) SECRETARY.—Within 270 days after the date of enactment of this Act, the Secretary of Transportation shall report to the Congress on the implementation by large air carriers of the obligations imposed on them by this Act, together with such additional findings and recommendations for additional legislative or regulatory action as the Secretary deems appropriate.

SEC. 6. IMPROVED DOT STATISTICS.

(a) MISSING BAGGAGE.—In calculating and reporting the rate of mishandled baggage for air carriers, the Department of Transportation shall not take into account passengers who do not check any baggage.

(b) CHRONICALLY DELAYED OR CANCELED FLIGHTS.—The Office of Aviation Enforcement and Proceedings of the Department of Transportation in coordination with the Bureau of Transportation Statistics of the Department of Transportation, shall include a table in the Air Travel Consumer Report that shows flights chronically delayed by 15 minutes or more and flights canceled 40 percent or more for 3 consecutive months or more.

SEC. 7. DOT REGULATIONS ON BUMPING.

(a) UNIFORM CHECK-IN DEADLINE.—The Secretary of Transportation shall initiate a rulemaking within 30 days after the date of enactment of this Act to amend the Department of Transportation's Regulations to establish a uniform check-in deadline and to require air carriers to disclose, both in their contracts of carriage and on ticket jackets, their policies on how those deadlines apply to passengers making connections.

(b) BUMPED PASSENGER COMPENSATION.—The Secretary of Transportation shall initiate a rulemaking within 30 days after the date of enactment of this Act to amend the Department of Transportation's Regulation (14 C.F.R. 250.5) governing the amount of denied boarding compensation for passengers denied boarding involuntarily to increase the maximum amount thereof.

(c) CLARIFY CERTAIN TERMS.—The Secretary of Transportation shall clarify the terms ''any undue or unreasonable preference or advantage'' and ''unjust or unreasonable prejudice or disadvantage'', as used in section 250.3 of the Department of Transportation's Regulations (14 C.F.R. 250.3), for purposes of air carrier priority rules or criteria for passengers denied boarding involuntarily.

Mr. HOLLINGS. Mr. President, I join with Senator MCCAIN in co-sponsoring the Airline Customer Service Improvement Act. The Commerce Committee has spent a great deal of time seeking ways to hold the air carriers accountable for their service and to force them to do a better job. Deregulation was supposed to make the carriers compete for our business, but it has failed. We now have hundreds of markets with no competition, and without competition, you get no service. Carriers have treated consumers like cattle in a stockyard, and that must end.

It is time to stand up for all travelers and demand basic information, and to expect service if we are paying the high fares.

The Commerce Committee has held three hearings, enlisted the Department of Transportation's Inspector General, and experienced the lack of service, first hand. It is not complicated, but it does take a commitment from the industry to hire more people and give them the tools to tell consumers what is going on or why a flight is canceled or delayed. Flights delayed 30, 40 percent of the time, according to DOT statistics, or canceled that often, should be eliminated or schedules changed.

Telling people truthfully what is happening, providing basic necessities when flights are delayed for hours on end like they were in Detroit in January 1999, is not hard.

The chairman and I have waited patiently to proceed with legislation in anticipation of a final report by the Department of Transportation's Inspector General, Ken Mead. The report, released Monday, is a blueprint for change. Mr. Mead and his staff, David Dobbs, Lexi Stefani, Brian Dettleback, and Scott Morris, worked long and hard to find the best way to make improvements in service.

The report notes that reducing delays is a tough problem, requiring funding and industry action. We have an air transportation system in crisis, from every angle, nonetheless that is no excuse for poor service. There are more people flying, more planes landing, an increase in delays (up 33% since 1995), a critical shortage of runways, and airlines able to dictate the price and quality of service offered in many markets without regard to competition. Delays will continue to plague the system, but the carriers know this, and their Customer Service Commitments were done in light of known problems. We will work with the industry on many facets of expanding capacity, but it is their job to improve service.

The carriers all to often want to cite the government as the reason for their problems. I do not buy that. These carriers have more data than virtually any industry, and make educated guesses on pricing and scheduling every day. They know the likelihood of delays. Even weather, which is unpredictable on a daily basis, is something they can anticipate. I know right now we will have thunderstorms this summer, and snow storms next winter. How will the carriers treat people during those times? I know my flight is likely to be delayed—the reasons may vary, but the process by which you tell people basic information should not be hard. Some of the carriers have attempted improvements. At a hearing last June, one carrier demonstrated a

new automatic system that more quickly tells people what to expect. Another carrier has ''chariots'' that set up temporary service counters during emergency periods. An ad this past weekend touted ways to electronically tell passengers that a flight is late. These are a start, but there is a long road to go.

The Air Transport Association last month announced a number of initiatives on ways to reduce delays. The ATA called on the President to hire a 1000 more controllers, use satellites to track planes and to redesign our airspace—all actions that could increase capacity. I support those initiatives, but we had better tell the Administration not to reduce the FAA's budget by hundreds of millions of dollars, which they apparently are considering.

The Senate is going to spend the time to increase competition, to improve service, and to put back the notion of the public's needs as a priority.

By Mr. GRASSLEY (for himself, Mr. KENNEDY, Mr. JEFFORDS, Mr. BAUCUS, Ms. SNOWE, Mr. ROCKEFELLER, Mr. DASCHLE, Mr. BREAUX, Mr. CONRAD, Mr. GRAHAM, Mr. BINGAMAN, Mr. KERRY, Mr. TORRICELLI, Mrs. LINCOLN, Mr. AKAKA, Mr. BAYH, Mr. BIDEN, Mrs. BOXER, Mr. BYRD, Mr. CHAFEE, Mr. CLELAND, Mrs. CLINTON, Ms. COLLINS, Mr. CORZINE, Mr. CRAPO, Mr. DAYTON, Mr. DEWINE, Mr. DODD, Mr. DOMENICI, Mr. DORGAN, Mr. DURBIN, Mr. EDWARDS, Mrs. FEINSTEIN, Mr. FRIST, Mr. HARKIN, Mr. HELMS, Mr. INOUYE, Mr. JOHNSON, Mr. KOHL, Mrs. LANDRIEU, Mr. LEAHY, Mr. LEVIN, Mr. LIEBERMAN, Mr. LUGAR, Ms. MIKULSKI, Mrs. MURRAY, Mr. NELSON of Florida, Mr. REED, Mr. REID, Mr. ROBERTS, Mr. SANTORUM, Mr. SARBANES, Mr. SCHUMER, Mr. SMITH of Oregon, Mr. THOMAS, Mr. THURMOND, Mr. WARNER, and Mr. WELLSTONE):

S. 321. A bill to amend title XIX of the Social Security Act to provide families of disabled children with the opportunity to purchase coverage under the medicaid program for such children, and for other purposes; to the Committee on Finance.

Mr. GRASSLEY. Mr. President, it is with great pleasure that I announce the introduction of the Family Opportunity Act of 2001. I pledge my commitment to working with Senator KENNEDY and others in a bi-partisan, bicameral way for the passage of the Family Opportunity Act this year.

We have a common-sense bill. Our bill is pro-family because it keeps families together. It's pro-work because it lets parents work without losing their children's health care. It's pro-taxpayer because it lets people earn money and help pay their own way for Medicaid coverage.

Why is this legislation so necessary? As a parent, your main objective in life is to provide for your child to the best of your ability. Our federal government takes this goal and turns it upside down for the parents of children with special health care needs. The government forces these parents to choose between family income and their children's health care. That's a terrible choice.

Families have to remain in poverty just to keep Medicaid. Obviously this affects entire families, not just the child with the health care needs. The story of an Iowan family illustrates this point. Daniel, the 18-year-old son of Melissa Arnold, can't work part-time for fear of jeopardizing his brother's Medicaid coverage.

I know of another family whose son was paralyzed after a diving accident. The family exhausted $1 million of private insurance. Then they had to pay $1,500 a day on their own just to keep their son alive. Yet another family has a 4-year-old son who functions at an infant's level. This little boy takes anti-seizure medication that costs about $150 every two weeks. His nutritional supplement is $10 a day. He'll always wear diapers. All of those costs come out of his parents' pocket.

Most families just can't afford those costs.

Why is Medicaid so desirable? It's critical to the well-being of children with multiple medical needs. Medicaid covers services that are difficult to find in private health plans. A child with a severe disability may need special medical equipment or physical therapy on a regular basis just in order to be able to eat.

Our bill creates a state option to allow working parents who have a child with a disability to keep working and to still have access to Medicaid for their child. Parents would pay for Medicaid coverage on a sliding scale. No one would have to become impoverished or stay impoverished to secure Medicaid for a child.

The legislation recognizes a universal truth. Everybody wants to use their talents to the fullest potential, and every parent wants to provide as much as possible for his or her children. The government shouldn't get in the way. I look forward to working with my colleagues for passage of the Family Opportunity Act this year.

Mr. KENNEDY. Mr. President, it is an honor to once again join my colleague Senator Chuck GRASSLEY in introducing the Family Opportunity Act of 2001—the hallmark of which is to remove the health care barriers for children with disabilities that so often prevent families from staying together and staying employed.

Despite the extraordinary growth and prosperity the country is enjoying today, families of disabled and special needs children continue to struggle to keep their families together, live independently and become fully contributing members of their communities.

More than 8 percent of children in this country have significant disabilities, many of whom do not have access to critical health services they need to maintain and prevent deterioration of their health status. To get needed health services for their children, families are being forced to become poor, stay poor, put their children in out of home placements, or simply give up custody of their children—all so that their children can qualify for the comprehensive health coverage available under Medicaid.

In a recent survey of 20 states, families of special needs children report they are turning down jobs, turning down raises, turning down overtime, and are unable to save money for the future of their children and family —so that their child can stay eligible for Medicaid through the Social Security Income (SSI) Program.

Today we are reintroducing legislation intended to close the health care gap for the Nation's most vulnerable population, and enable families of disabled children in this country to be equal partners in the American dream.

In the words of President George W. Bush in his ''New Freedom Initiative'', ''Too many Americans with disabilities remain trapped in bureaucracies of dependence, and are denied the access necessary for success—and we need to tear down these barriers''.

The Family Opportunity Act of 2001 will tear down the unfair barriers to needed health care that so many disabled and special needs children are being denied.

It will make health insurance coverage more widely available for children with significant disabilities, through opportunities to buy-in to Medicaid at an affordable rate.

It will allow states to develop a demonstration program to provide a medicaid buy-in for children with potentially significant disabilities who without needed health services will become severely disabled.

States will have more flexibility to offer disabled children needed health services at home and in their communities.

It will establish Family to Family Information Centers in each state to help families with special needs children.

The passage of the Work Incentives Improvement Act of 1999 showed the commitment of this Nation to ensure that people with disabilities have the right to lead independent and productive lives without giving up their health care. It is now time for Congress to show that same commitment to our country's children with disabilities and their families.

I look forward to working with all members of Congress to move this legislation forward and give disabled children and their families across the country a better opportunity to fulfill their dreams and fully participate in the social and economic mainstream of our Nation.

By Mr. COCHRAN (for himself, Mr. FRIST, and Mr. LEAHY):

S.J. Res. 5. A joint resolution providing for the appointment of Walter E. Massey as a citizen regent of the Board of Regents of the Smithsonian Institution; to the Committee on Rules and Administration.

Mr. COCHRAN. Mr. President, today I am introducing a Senate joint resolution appointing a citizen regent to the Board of Regents of the Smithsonian Institution. I am pleased that my fellow Smithsonian Institution Regents, the Senator from Tennessee, Mr. FRIST, and the Senator from Vermont, Mr. LEAHY, are cosponsors.

At its meeting on January 22, 2001, the Smithsonian Institution Board of Regents recommended Dr. Walter E. Massey for appointment to the Smithsonian Institution Board of Regents.

I ask unanimous consent that the biography of the nominee and the text of the joint resolution be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S.J. RES. 5

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. APPOINTMENT OF CITIZEN REGENT OF THE BOARD OF REGENTS OF THE SMITHSONIAN INSTITUTION.

(a) IN GENERAL.—In accordance with section 5581 of the Revised Statutes (20 U.S.C. 43), the vacancy on the Board of Regents of the Smithsonian Institution, in the class other than Members of Congress, occurring by reason of the expiration of the term of Frank A. Shrontz of Washington on May 4, 2000, is filled by the appointment of Walter E. Massey of Georgia.

(b) TERM.—The appointment is for a term of 6 years beginning on the date of enactment of this joint resolution.

BIOGRAPHY

Massey, Walter Eugene, physicist, science foundation administrator; b. Hattiesburg, Miss., Apr. 5, 1938; s. Almor and Essie (Nelson) M.; m. Shirley Streeter, Oct. 25, 1969; children: Keith Anthony, Eric Eugene. BS, Morehouse Coll., 1958; MA, Washington U., St. Louis, 1966, PhD, 1966. Physicist Argonne (Ill.) Nat. Lab., 1966–68; asst. prof. physics U. Ill., Urbana, 1968–70; assoc. prof. Brown U., Providence, 1970–75, prof., dean of Coll., 1975–79; prof. physics U. Chgo., 1979–93; dir. Argonne Nat. Lab., 1979–84; v.p. for rsch. and for Argonne Nat. Lab. U. Chgo., 1984–91; dir. NSF, Washington, 1991–93; sr. v.p. acad. affairs U. Calif. System, 1993–95; pres. Morehouse Coll., Atlanta, 1995—; mem. NSB, 1978–84; cons. NAS, 1973–76. A scientist and educator for the past 30 years, with significant influence in higher education (especially science and math education) and in educational administration, Walter Massey has done extensive research in the study of quantum liquids and solids. In 1966, while a physics professor at the University of Chicago, he was instrumental in the founding of the Argonne National Laboratory for the University, where he served as director from 1979–84. He was responsible for budget planning and allocations and programmatic oversight of the three national laboratories managed by the University of California from 1993–95. He is currently the ninth president of Morehouse College, the nation's only historical black, four-year liberal arts college for men. Contbr. articles on sci. edn. in secondary schs. and in theory of quantum fluids to profl. jours. Bd. fellows Brown U., 1980–90, Mus. Sci. and Industry, Chgo., 1980–89, Ill. Math. and Sci. Acad., 1985–88; bd. dirs. Urban League R.I., 1973–75. NAS fellow, 1961, NDEA fellow, 1959–60, AAAS fellow, 1962. Mem. AAAS (bd. dirs. 1981–85, pres.-elect 1987–88, pres. 1988–89, chmn. 1989–90), Am. Phys. Soc. (councillor-at-large 1980–83, v.p. 1990), Sigma Xi. Office: Morehouse Coll 830 Westview Dr SW Atlanta GA 30314–3773.

ADDITIONAL COSPONSORS

S. 8

At the request of Mr. DASCHLE, the names of the Senator from Maryland (Mr. SARBANES) and the Senator from Michigan (Mr. LEVIN) were added as cosponsors of S. 8, a bill to improve the economic security of workers, and for other purposes.

S. 11

At the request of Mrs. HUTCHISON, the names of the Senator from New Hampshire (Mr. SMITH), the Senator from West Virginia (Mr. BYRD), and the Senator from Colorado (Mr. ALLARD) were added as cosponsors of S. 11, a bill to amend the Internal Revenue Code of 1986 to eliminate the marriage penalty by providing that the income tax rate bracket amounts, and the amount of the standard deduction, for joint returns shall be twice the amounts applicable to unmarried individuals, and for other purposes.

S. 19

At the request of Mr. DASCHLE, the names of the Senator from Minnesota (Mr. WELLSTONE) and the Senator from Maryland (Mr. SARBANES) were added as cosponsors of S. 19, a bill to protect the civil rights of all Americans, and for other purposes.

S. 29

At the request of Mr. BOND, the names of the Senator from New Hampshire (Mr. SMITH) and the Senator from Hawaii (Mr. INOUYE) were added as cosponsors of S. 29, a bill to amend the Internal Revenue Code of 1986 to allow a deduction for 100 percent of the health insurance costs of self-employed individuals.

S. 39

At the request of Mr. STEVENS, the names of the Senator from Hawaii (Mr. INOUYE), the Senator from Georgia (Mr. CLELAND), the Senator from Nevada (Mr. REID), the Senator from New Mexico (Mr. BINGAMAN), the Senator from Delaware (Mr. BIDEN), and the Senator from South Carolina (Mr. THURMOND) were added as cosponsors of S. 39, a bill to provide a national medal for public safety officers who act with extraordinary valor above and beyond the call of duty, and for other purposes.

S. 60

At the request of Mr. BYRD, the names of the Senator from West Virginia (Mr. ROCKEFELLER), the Senator from Indiana (Mr. BAYH), and the Senator from Pennsylvania (Mr. SANTORUM) were added as cosponsors of S. 60, a bill to authorize the Department of Energy programs to develop and implement an accelerated research and development program for advanced clean coal technologies for use in coal-based electricity generating facilities and to amend the Internal Revenue Code of 1986 to provide financial incentives to encourage the retrofitting, repowering, or replacement of coal-based electicity generating facilities to protect the environment and improve efficiency and encourage the early commercial application of advanced clean coal technologies, so as to allow coal to help meet the growing need of the United States for the generation of reliable and affordable electricity.

S. 77

At the request of Mr. DASCHLE, the names of the Senator from Washington (Mrs. MURRAY), the Senator from California (Mrs. BOXER), the Senator from Connecticut (Mr. DODD), and the Senator from New York (Mrs. CLINTON) were added as cosponsors of S. 77, a bill to amend the Fair Labor Standards Act of 1938 to provide more effective remedies to victims of discrimination in the payment of wages on the basis of sex, and for other purposes.

S. 123

At the request of Mrs. FEINSTEIN, the names of the Senator from Montana (Mr. BAUCUS) and the Senator from Washington (Mrs. MURRAY) were added as cosponsors of S. 123, a bill to amend the Higher Education Act of 1965 to extend loan forgiveness for certain loans to Head Start teachers.

S. 126

At the request of Mr. CLELAND, the names of the Senator from Connecticut (Mr. DODD) and the Senator from Wisconsin (Mr. FEINGOLD) were added as cosponsors of S. 126, a bill to authorize the President to present a gold medal on behalf of Congress to former President Jimmy Carter and his wife Rosalynn Carter in recognition of their service to the Nation.

S. 128

At the request of Mr. JOHNSON, the name of the Senator from Colorado (Mr. ALLARD) was added as a cosponsor of S. 128, a bill to amend the Federal Deposit Insurance Act to require periodic cost of living adjustments to the maximum amount of deposit insurance available under that Act, and for other purposes.

S. 131

At the request of Mr. JOHNSON, the names of the Senator from New Mexico (Mr. BINGAMAN) and the Senator from Oklahoma (Mr. INHOFE) were added as cosponsors of S. 131, a bill to amend title 38, United States Code, to modify the annual determination of the rate of the basic benefit of active duty educational assistance under the Montgomery GI Bill, and for other purposes.

S. 135

At the request of Mrs. FEINSTEIN, the name of the Senator from Vermont (Mr. LEAHY) was added as a cosponsor of S. 135, a bill to amend title XVIII of