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Legislative Bulletin……………………………….………May 4, 2005

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Summary of the Bills Under Consideration Today:

Total Number of New Government Programs: 1

Total Cost of Discretionary Authorizations: Estimated at $9.8 billion over six years

Effect on Revenue: $0

Total Change in Mandatory Spending: Reduces net mandatory spending by zero in FY2006, by $200 million over the FY2006-FY2010 period, and by $2.5 billion over the FY2006-FY2015 period.

Total New State & Local Government Mandates: At least 1

Total New Private Sector Mandates: At least 3

Number of *Bills* Without Committee Reports: 0

Number of *Reported* Bills that Don't Cite Specific Clauses of Constitutional Authority: 0

H.R. 1082 — To designate the facility of the United States Postal Service located at 120 East Illinois Avenue in Vinita, Oklahoma, as the "Francis C. Goodpaster Post Office Building" — *as introduced* (*Boren*)

Order of Business: The bill is scheduled to be considered on Wednesday, May 4th, under a motion to suspend the rules and pass the bill.

Summary: H.R. 1082 designates the facility of the United States Postal Service located at 120 East Illinois Avenue in Vinita, Oklahoma, as the "Francis C. Goodpaster Post Office Building"

Additional Information: According to the bill sponsor, Francis Goodpastor served the city of Vanita, Oklahoma for 36 years as an employee of the post office being named in his honor. Included in his time at the post office, Goodpastor served as the Post Master for nine years. Additionally, Goodpastor served one term in the Oklahoma State House of Representatives.

Committee Action: On March 3, 2005, the bill was introduced and referred to the House Government Reform Committee, which considered it and reported it to the full House by unanimous consent on April 13, 2005.

Cost to Taxpayers: The only costs associated with a postal facility renaming are those for sign and map changes, none of which significantly affect the federal budget.

Does the Bill Expand the Size and Scope of the Federal Government?: No.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Constitutional Authority: Although no committee report citing constitutional authority is available, Article I, Section 8, Clause 7 of the Constitution grants Congress the authority to "establish Post Offices and post Roads."

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H.R. 1542 — Honorable Judge George N. Leighton Post Office Building Designation Act — *as Introduced (Frank)*

Order of Business: The bill is scheduled for consideration on April 4, under a motion to suspend the rules and pass the bill.

Summary: H.R. 1542 would designate the facility of the United States Postal Service located at 695 Pleasant Street in New Bedford, Massachusetts, as the "Honorable Judge George N. Leighton Post Office Building."

Additional Information: Retired federal Judge George N. Leighton was born in New Bedford, Massachusetts, to parents that emigrated from the Cape Verde Islands. Judge Leighton attended elementary school in New Bedford and Cape Cod but left school during his seventh grade year to work on an oil tanker. He continued his education on his own and ultimately worked his way through Howard University in Washington, D.C., where he graduated magna cum laude. Judge Leighton returned to Massachusetts to attend the Harvard University School of Law, but interrupted his studies to serve in the military during World War II, where he was awarded the Bronze Star. He returned to Harvard and earned his law degree in 1946.

His accomplishments and honors include election as a Judge of the Circuit Court of Cook County, IL, in 1964 and assignment as the first African-American to sit as Justice for the U.S. Court of Appeals in Illinois' First District in 1969. President Gerald Ford appointed Judge Leighton to the United States District Court for the Northern District of Illinois in 1976 and he served until 1987. Judge Leighton was also a professor at the John Marshall Law School from 1977 to 2004.

Committee Action: H.R. 1542 was introduced on April 12, 2005, and referred to the Committee on Government Reform. The bill was considered and reported out by the full committee by unanimous consent on April 13, 2005.

Cost to Taxpayers: A CBO score of H.R. 1542 is unavailable, but the only costs associated with a post office renaming are those for sign and map changes, none of which significantly affect the federal budget.

Does the Bill Expand the Size and Scope of the Federal Government?: No.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Constitutional Authority: Although no committee report citing constitutional authority is available, Article I, Section 8, Clause 7 of the Constitution grants Congress the authority to establish Post Offices and post Roads.

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H.R. 1185—Federal Deposit Insurance Reform Act (Bachus)

Order of Business: The bill is scheduled to be considered on Wednesday, May 4th, subject to an open rule, with one motion to recommit with or without instructions. Under an open rule, amendments do not have to be filed in advance. In a separate document, the RSC will provide information about any known amendments.

This bill is essentially identical to:

- H.R. 522 from the 108th Congress, which passed by a vote of 411-11 on April 2, 2003: http://clerk.house.gov/evs/2003/roll098.xml; and
- H.R. 3717 from the 107th Congress, which passed by a vote of 408-18 on May 22, 2002: http://clerk.house.gov/evs/2002/roll190.xml.

Summary: H.R. 1185 would make the following changes to federal deposit insurance:

- Increases the standard maximum deposit insurance limit from $100,000 to $130,000, and indexes it every five years for inflation beginning on April 1, 2007 (future inflation adjustments would take place on the first day of the appropriate calendar year). This new coverage level is doubled for certain retirement accounts to $260,000 (and subsequently adjusted for inflation). **Note: The Administration and Federal Reserve Chairman Greenspan have opposed these provisions (see Administration Position below)**.

- Merges the two insurance funds through which federal deposit insurance is provided, the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF), into a new Deposit Insurance Fund (DIF).

- Prohibits an insured depository institution that is not well capitalized or adequately capitalized (defined in the bill) from accepting employee benefit plan deposits. The Federal Deposit Insurance Corporation (FDIC) would have to provide pass-through deposit insurance for the deposits of any employee benefit plan.

- Increases the insurance coverage amount for in-state municipal deposits to the lesser of $2 million or "the sum of the standard maximum deposit insurance amount and 80 percent of the amount of any deposits in excess of the standard maximum deposit insurance amount." States could not prevent depository institutions from accepting or municipal depositors from making such covered deposits.

- Allows the FDIC to charge risk-based premium assessments, but provides that no depository institution could be barred from the lowest-risk category solely because of its size. Eliminates the existing restrictions on the FDIC's authority to levy assessments on any institution above amounts needed to achieve and maintain the existing ratio (of reserves to estimated insured deposits) of 1.25%.

- Provides for a 50% discount in the assessment rate for deposits attributable to "lifeline" deposit accounts (accounts aimed at helping poor communities with limited financial resources) and repeals the requirement that credits for such accounts be funded from congressional appropriations.

- Authorizes the FDIC to set the ratio of reserves to estimated insured deposits in the DIF within a range of 1.15% to 1.40% (using certain named factors), replacing the 1.25% "hard target" mandated by current law.

- Directs the FDIC to collect information from all appropriate sources in determining risk of losses to the DIF, without imposing additional record-keeping requirements on insured depository institutions.

- Provides for refunds, credits, and dividends for the return of excess assessments that insured depository institutions have made and/or whenever the DIF's level is considered strong and the financial and economic outlook is considered favorable.

Dividends would be provided to depository institutions whenever the upper limit of the designated reserve ratio (1.40%) is exceeded. When the DIF exceeds 1.35% and is less than or equal to 1.4%, the FDIC would have to provide a cash dividend equal to one-half the difference between the actual fund balance and the fund balance required to maintain a reserve ratio of 1.35%.

- Provides federally chartered credit unions with parity in general standard maximum deposit insurance coverage, coverage for retirement accounts, and municipal deposits.

- Requires the FDIC to develop a "Deposit Insurance Fund Restoration Plan" when reserve ratios fall below or are projected within six months to fall below designated levels. The goal would be to restore the DIF's reserve ratio to the minimum amount within ten years.

- Directs the Comptroller General to report to Congress on the effectiveness of the FDIC's organizational structure and directs the FDIC to report to Congress on the feasibility of:
  --establishing a voluntary deposit insurance system for deposits in excess of the maximum amount of deposit insurance for any depositor;
  --privatizing all deposit insurance at insured depository institutions and insured credit unions; and
  --using actual domestic deposits rather than estimated insured deposits in calculating reserve ratios.

- Directs the FDIC to conduct a bi-annual survey on efforts by insured depository institutions to bring the "unbanked" into the conventional finance system and report its findings and recommendations to Congress.

Additional Background: The FDIC, which insures deposits in banks and thrift institutions for up to $100,000 per account, was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. The FDIC reports that since the start of FDIC insurance on January 1, 1934, "no depositor has lost a single cent" of insured funds as a result of a bank or thrift institution failure.

To read more about the FDIC, visit this webpage:
http://www.fdic.gov/about/learn/symbol/index.html

Committee Action: On March 17, 2005, the Financial Service's Committee's Subcommittee on Financial Institutions and Consumer Credit held a hearing on H.R. 1185. On April 27, 2005, the full Committee marked up and by voice vote ordered the bill reported to the full House.

Administration Position: A Statement of Administration Policy (SAP) remains unavailable for H.R. 1185. However, the SAP for H.R. 3717 in the 107th Congress (which had an identical text to H.R. 522 in the 108th Congress) expressed general Administration support for the reforms included in the legislation. However, **the Administration opposed the increase**

in FDIC coverage limits and indexing the limits for inflation. Federal Reserve Chairman Alan Greenspan testified before the Senate Banking Committee on February 26, 2003, stating **"the Board opposes any increase in coverage."** At the same hearing, a representative from the Treasury Department stated, **"The Administration strongly opposes any increases in deposit insurance coverage limits."**

The SAP explained this opposition in further detail:

> The Administration, however, strongly opposes those provisions of H.R. 3717 that would raise deposit insurance coverage limits. The interests of depositors will not be served by an increase in deposit insurance coverage limits. The average saver would derive no financial benefit from increased coverage limits. The small fraction of savers with substantial deposits may obtain as much coverage as desired at minimal inconvenience by placing deposits at multiple institutions. An increase in coverage limits would neither enhance competition among depository institutions in general nor make the nation's community banks more competitive in raising funds.
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> Increased coverage limits would also expose taxpayers to additional risk while providing no benefit to the overwhelming majority of Americans. Higher coverage limits would mean greater off-balance sheet contingent liabilities of the Government and weaker market discipline, exposing the insurance fund and taxpayers to increased risk of loss.

To read the SAP from the 107th Congress, which has not been updated since then, visit this webpage:
http://www.whitehouse.gov/omb/legislative/sap/107-2/HR3717-h.html

Cost to Taxpayers: CBO estimates that H.R. 1185 would reduce net mandatory spending by zero in FY2006, by $200 million over the FY2006-FY2010 period, and by $2.5 billion over the FY2006-FY2015 period.

The Budget Committee noted that this bill would not violate the Congressional Budget Act.

Does the Bill Expand the Size and Scope of the Federal Government?: No.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: Yes, as follows:

State and Local Government: States could not prevent depository institutions from accepting or municipal depositors from making insured, in-state municipal deposits. [This would apparently pre-empt New York State laws that limit savings banks and savings and loan associations from accepting municipal deposits.]

Private Sector: Most depository institutions would have to pay higher premiums for federal deposit insurance (mainly because of the higher amount covered per account). CBO estimates that depository institutions would pay about $1.1 billion more in net premiums in fiscal years 2007 through 2011, relative to current law. The incremental cost to the industry would depend, in part, on how the FDIC uses its new discretion under the bill to set premium rates.

CBO expects that the FDIC would begin to collect premiums from banks and savings associations that are not required to pay premiums under current law.

Because H.R. 1185 also would increase the coverage of insured accounts for federally insured credit unions, those credit unions would have to contribute more to the National Credit Union Insurance Fund. CBO estimates that those additional contributions would total about $100 million over the 2006-2010 period.

The bill also would prohibit depository institutions that are not well or adequately capitalized from accepting deposits for employee benefit plans.

Constitutional Authority: The Financial Services Committee, in House Report 109-67, cites constitutional authority in Article 1, Section 8, Clause 1 (relating to the general welfare of the United States) and Clause 3 (relating to the power to regulate interstate commerce).

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H.R. 366 — Vocational and Technical Education for the Future Act (Castle)

Order of Business: The bill is scheduled for consideration on Wednesday, May 4, subject to a structured rule (H.Res. 254), with three amendments made in order, as well as one motion to recommit with or without instructions. The amendments are summarized below.

Summary: H.R. 366 would amend and expand the Carl D. Perkins Vocational and Technical Education Act of 1998 (VTE) and reauthorize and revise secondary and postsecondary vocational education programs through fiscal year 2012.

H.R. 366 would repeal title II, the Tech-Prep Education Act, of the VTE and merge funding for Tech-Prep programs with the vocational education state grant program. A "hold-harmless" provision would ensure that states receive the same amount of funding for Tech-Prep programs in fiscal year 2006 as they did in the previous year, and Tech-Prep would be added to the list of local uses for the state grant program reserve fund.

Vocational education programs provide occupational preparation mostly at the high school level and at less-than-four-year postsecondary institutions, such as community colleges. These programs are aimed mainly at the majority of high school students who do not go on to earn bachelor's degrees. According to CBO, although VTE provides specific federal assistance for secondary and postsecondary vocational education, these funds account for a small percentage of the total spent on vocational education in the United States.

Additional Information: H.R. 366:

- Allows vocational and technical education (VTE) to include programs that culminate in a baccalaureate degree and not just those which have an associate's degree as the highest degree attainable. The definition of VTE is further updated to allow VTE to “include the provision of skills or courses necessary to enroll in a sequence of courses.” This will allow students to take a sequence of courses that “provides, at the postsecondary level, for a 1–year certificate, an associate degree, or industry recognized credential.”

- Includes funding for Tech-Prep education programs as part of the funding for basic Perkins grants to States for VTE (currently funded separately under title II, which is repealed by this Act).
- Prohibits construing the Act to authorize federal mandates for state or local curricula or payment of any costs not paid for under the Act.
- Prohibits requiring a state to have academic and VTE content or student academic and VTE achievement standards approved or certified by the Federal government to receive assistance under the Act.
- Updates the hold-harmless provision in current law to ensure that each state receives at least as much as the state received in FY 2004 under the basic state grant and the previous stand-alone Tech-Prep program, and ensures that states will have available at least as much state leadership funds as in 2004.
- Requires both local and state reports to: (1) disaggregate data for each of the indicators of performance for the categories of students enumerated under ESEA-IA as amended by NCLBA; and (2) identify and quantify disparities or gaps in performance between any category of students and the performance of all students served by the local recipient or state agency.
- Directs the Secretary to appoint an independent advisory council to advise on, and analyze findings and recommendations resulting from, a national program assessment. Also authorizes the Secretary to award new incentive grants to eligible agencies for exemplary performance in carrying out VTE programs under the Act.
- Increases VTE grant amounts for Guam, American Samoa, and the Commonwealth of the Mariana Islands, and directs the Secretary to make a grant to the Republic of Palau.
- Requires state plans to cover a six-year period, instead of a five-year period.
- Revises the hearing and state plan development process to include charter school authorizers and organizers, parents, students, and community organizations.
- Includes institutions of higher education in state plan development, but removes a requirement for representatives of special populations.
- Directs the state agency to use the local adjusted levels of performance in reviewing local evaluations to determine if a program improvement plan is required and technical assistance is necessary. Authorizes the state agency to sanction local recipients and make alternative arrangements in specified circumstances.
- Eliminates a special rule for redistribution of funds, which allowed unused funds from a previous year to be returned to the agency to be reallocated the next year.
- Revises requirements for local plans for VTE programs to include: (1) comprehensive professional development of personnel; and (2) activities to prepare special populations, including single parents and displaced homemakers, for high-skill, high-wage occupations.
- Allows equitable participation of private school students in vocational and technical education programs (similar to No Child Left Behind Act and the House-passed Individuals with Disabilities Education Act).

History of Federal Vocational Education Funding:
Prior to 1963, federal vocational education funding was generally focused on occupations relating to national defense, beginning with the Smith-Hughes Act of 1917. In 1963, the Vocational Education Act was signed into law. Five years later, the Vocational Education Amendments of 1968 modified the existing vocational education programs. The Amendments also established a National Advisory Council on Vocational Education and provided funding for collecting and disseminating information about programs administered by the Commissioner of Education.

In 1984, the Vocational Education Act was renamed the Carl D. Perkins Vocational Education Act (Perkins I, P.L. 98-524). While continuing federal support for vocational education, it established programs emphasizing the acquisition of job skills through both vocational and technical education. The Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 (Perkins II, P.L. 101-392) made several revisions to the 1984 Act. Notably, the act created the tech-prep program designed to coordinate secondary and postsecondary vocational education activities into a coherent sequence of courses. The law also provided up to 25% of funds for state programs and required that at least 75% of funds be allocated to local recipients. The law also required states to develop and implement performance standards and measures (e.g., program completion and job placement) to assess gains in learning and in program performance.

President Clinton signed into law the Carl D. Perkins Vocational and Applied Technology Education Amendments of 1998 (**Perkins III**). Perkins III, funded at $1.328 billion in FY2004, provides **specific** federal assistance for secondary and postsecondary vocational education, although these funds account for a small percentage of the total spent on vocational education in the United States.

Amendments Made in Order under the Rule (H.Res. 254):

1. Castle #3: Provides that funding for Tech-Prep activities are held harmless (set at last year's funding level) to the amount that was appropriated to the Tech-Prep in FY05 (instead of "not less than" the previous level, which allows for an increase) in order to reinforce the consolidation of the Tech-Prep program with the Basic State Grant program. (15 minutes)

2. Wu #1: Allows states, as part of their state leadership activities, to use funds designed to facilitate the transition of vocational and career education students into baccalaureate degree programs. It would expand the allowed use of those funds. It provides that funds could be used for: statewide articulation agreements between career and technical schools and colleges and universities; dual and concurrent enrollment programs; academic and financial aid counseling; and other initiatives to encourage the pursuit of a baccalaureate degree, including those relating to geography and affecting special populations. (15 minutes)

3. Millender-McDonald #8: Provides that local funds may be used for programs that assist in the training of automotive technicians in diesel retrofitting, hybrid, hydrogen, and alternative fuel automotive technologies. It would expand the allowed use of local funds. (15 minutes)

Administration Policy: Although a Statement of Administration Policy is not yet available, in its FY06 budget request, the Bush Administration proposed the elimination of all dedicated federal funding for vocational education. According to the budget request, federal funding for vocational education would still be available through a new high school initiative being proposed by the Administration, the High School Intervention Initiative (HSII). The President proposed HSII would be funded at $1.2 billion for FY2006.

Possible Conservative Concerns:

- In the OMB publication *Major Savings and Reforms in the President's 2006 Budget*, the following statements are made regarding vocational education:
    - The Vocational Education State Grants program was rated "ineffective because it has produced little or no evidence of improved outcomes for students despite decades of increasing Federal investment," using the Administration's Program Assessment Rating Tool (PART).
    - The National Assessment of Vocational Education found "no evidence that high school vocational courses themselves contribute to academic achievement or college enrollment."
    - While the Tech Prep program was repealed in this bill, the funding level in the underlying bill was not decreased accordingly. The Administration's PART found "that the program could not demonstrate results based on a series of national evaluations indicating that the program provides no measurable advantage for high school students in terms of high school completion, postsecondary enrollment, and academic achievement." In addition, Tech-Prep would be added to the list of local uses for the state grant program reserve fund.

Committee Action: H.R. 366 was introduced on January 26, 2005, and referred to the Committee on Education and the Workforce. The bill was reported out by the full Committee on March 17, 2005, by voice vote (H. Rept. 109-25).

Cost to Taxpayers: H.R. 366 would authorize appropriations of $1.335 billion for fiscal year 2006 (a small increase over the FY05 appropriated level of $1.333 billion) and CBO estimates that it would authorize $9.8 billion for fiscal years 2006 through 2012. The bill itself specifies the FY06 $1.335 billion authorization funding level, but sets "such sums as necessary" for FY07 through FY11, which would be automatically extended for one year under the General Education Provision Act (GEPA). According to CBO, assuming the "appropriation of the necessary funds, the resulting outlays would total $40 million for 2006 and $8.0 billion over the seven-year period.

When the Perkins Vocational and Technical Education Act was last reauthorized under in 1998, "such sums" were authorized for FY99 through 2004. The actual appropriation for FY99 was $1.15 billion.

Does the Bill Expand the Size and Scope of the Federal Government?: Yes, as described above, the bill creates new incentive grants and a new independent advisory council, expands the eligibility of VTE programs, increases grant amounts to territories. The bill also eliminates the Tech-Prep Education Act (though not the funding) and removes other requirements on states and localities.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No. According to the Committee Report, "H.R. 366 contains no private-sector or intergovernmental mandates (as defined in UMRA), and its costs to state, local, or tribal governments would result from complying with conditions of federal assistance."

Constitutional Authority: The Committee Report (H. Rept. 109-25) cited authority for this legislation under Article I, Section 8, Clause 1 (the power to collect revenue for the general welfare) of the Constitution.

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