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APPROVED

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THE WHITE HOUSE

ACTION

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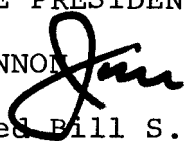
Last Day: October 13, 1976

October 12, 1976

Statement
issued 10/13/76

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON



SUBJECT: Enrolled Bill S. 2657 -
Education Amendments of 1976

TSAR reviewed
10/13

This is to present for your action S. 2657, Education
Amendments of 1976.

Background

S. 2657 is an omnibus education bill which amends and extends the Higher Education Act of 1965, the Vocational Education Act of 1963, and numerous other education programs and authorities, some of which expired on September 30, 1976. The bill extends most higher education programs through 1979 and vocational education programs through 1977. All of the programs provided for in S. 2657 are currently covered by the Continuing Resolution.

S. 2657 incorporates many of the provisions recommended by the Administration, but also includes amendments which will greatly increase the complexity and cost of administering Federal education programs.

The Administration's proposals were designed to:

- Provide higher education student assistance through direct aid rather than through institutionally-based programs.
- Curb fraud and abuse in higher education student assistance programs.
- Eliminate unnecessary higher education programs



- Reform Impact Aid to provide funding only for "A" children and special categories.
- Simply extend the Emergency School Aid legislation with expanded discretionary authority.
- Consolidate vocational education programs and include them as a title under the proposed Financial Assistance for Elementary and Secondary Education (block grant) Act.
- Provide for reasonable authorization levels.

While sharing some of the objectives of the Administration's bill, S. 2657 differs in its approach in that it:

- Imposes significantly increased Federal requirements on higher and vocational education programs.
- Requires the Administration to fund programs that neither the Congress nor the Administration have sought to fund in recent years.
- Establishes several new categories of programs and authorizes funding levels substantially in excess of those proposed by the Administration.

Additional discussion of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A. The Conference Report was approved by the House by a vote of 312-93 and by a 67-15 vote in the Senate.

Budget Impact

Authorization Levels. Authorizations under current law for 1976 are \$7.2 billion. Authorization levels in the bill total \$6.6 billion in 1977, \$8.2 billion in 1978 and \$8.4 billion in 1979.

OMB believes that outlays from Congressional appropriations will be about \$188 million more than your budget in fiscal year 1977, about \$1.1 billion more in 1978 and \$1.6 billion more in 1979.

HEW points out that, of the increase of \$1.6 billion in 1979 outlays, over \$600 million would be incurred under the Continuing Resolution, regardless of action on this bill. This amount reflects current programs which the Administration proposed to terminate, but which are, nevertheless, covered by the Continuing Resolution. HEW further believes that the incremental outlay effect of S. 2657 in 1979 is lower in terms of probable Congressional action. OMB, however, believes that their estimates reflect a realistic assessment of future Congressional action based upon previous Congressional appropriations in this area.

Arguments for Approval

1. The guaranteed student loan provisions. The Congress has accepted Administration recommendations that should help curb fraud and abuse in this program. Also, partial acceptance of the Administration's request to raise the amount graduate students may borrow should assist students in high cost graduate programs. Incentives to increase State participation in the loan program were added.
2. The vocational education provisions have moved substantially in the direction of consolidation of programs recommended by the Administration. While not all the Administration sought, this bill contains important first steps in consolidation and simplification of vocational education programs and represents a good base for further consolidation.
3. The degree of Congressional support for this bill is evidenced by the votes of both the Senate and the House.
4. The bulk of the technical amendments to the Education Amendments of 1974 which the Administration recommended are incorporated in this bill.
5. Notwithstanding the significant authorization levels in this bill, traditionally there has been a gap between actual appropriations and authorization levels.

Arguments in Favor of Disapproval

1. The Basic Educational Opportunity Grants provisions could increase the cost of the fully funded program in fiscal year 1978 from the currently estimated \$1.8 billion to \$2.5 billion. If the \$1800 maximum award proposal was adopted and the Administration proposed a basic grant funding level of \$1.8 billion, which would fully fund the basic grant program with a \$1400 maximum award, but not at \$1800, the lowest income students would have their awards reduced by an average of over \$100. This would occur because more funding would have to be diverted to a larger number of middle-income and upper middle-income students. The Administration has always supported a fully-funded basic grants program. However, this provision will require appropriations far in excess of those currently available or projected for higher education student assistance programs. This may require a reassessment of the full funding policy.
2. The funding trigger for higher education is expected to force appropriations for programs that the Congress has not funded for several years, of \$150 million in 1978 and \$215 million in 1979. Furthermore, if the assumption is made that a policy of full funding of basic grants is adopted, and that funding levels for other programs follow recent trends, then in combination with the trigger, the higher education budget (excluding the guaranteed loan program) would exceed \$4.0 billion in 1978. This compares to an Administration request for higher education of \$1.9 billion for 1977.
3. Several of the changes made in the guaranteed student loan program can be implemented administratively, without changes in current law. Furthermore, there are provisions that will make the program significantly more complex and difficult to administer.
4. Notwithstanding, the consolidations contained in the vocational education programs, this bill establishes new categorical programs and imposes planning and other burdensome administrative requirements that negate the positive effects of the consolidations.

5. The bill mandates restrictive administrative structures and procedures, including the creation of new programs and bureaucracies; hold-harmless provisions which delay reform under programs consolidated under the Education Amendments of 1974; maintenance of effort provisions; new advisory bodies which duplicate the responsibilities of the National Council for Educational Research in the National Institute of Education; and 16 new narrow categorical programs which seriously detract from your efforts to move program decisions toward State and local education agencies and away from Washington bureaucracies. In addition, the bill adds more complex provisions that will impose administrative burdens on both the administering agencies and grant recipients.

Agency Recommendations

The Department of Health, Education, and Welfare, and the Department of Labor recommend approval. The Department of Justice and the Veterans Administration defer to the Department of Health, Education, and Welfare. OMB recommends disapproval.

Staff Recommendations

Approval

Max Friedersdorf

Jeanne Holm - "The Vocational-Education Amendments to increase the state sensitivity to the issue of sex bias and sex stereotyping in vocational education provisions are important to increasing vocational-education opportunities for women."

Bill Seidman

Disapproval

CEA (Greenspan) - "We agree with OMB assessment of S.2657 both because of its budgetary impact and its inconsistency with previous Administration initiatives."

Counsel's Office (Kilberg)

I recommend approval because the positive factors of S. 2657 outweigh the negative ones. In fact, the increase of the Basic Educational Opportunity Grant ceiling from \$1400 to \$1800, which OMB identifies as one of the two most objectionable facets of S. 2657, could be a positive one in view of your commitment to ease the financial burden on middle-class families sending a child to college. Over 150,000 families with incomes above \$15,000 are expected to be made eligible for Basic grants by such an increase in the maximum grant, and raising the maximum grant to \$1800 does not commit the Administration to full-funding of the BEOG program at that level.

The legislation takes positive and needed steps to reduce the incidence of student and institutional abuse of Federal student assistance programs. Many of these changes, particularly in the Guaranteed Student Loan program, were Administration initiatives.

Small but positive steps are taken in S. 2657 to increase the State's role in higher education. Incentives for State creation and continuance of Guaranteed Student Loan agencies are included as well as an experimental program to consolidate at the State level the application process of State and Federal student grant programs.

Principally as a result of Al Quie's efforts, significant steps toward consolidation are achieved in the Vocational Education section of S. 2657. Three State programs and three federally administered programs, each separately authorized, would replace ten existing Federal and State programs. The concepts of consolidation and Block grants were accepted in a limited fashion, but this could be the first step in winning Congressional approval of your Block Grant proposals for elementary and secondary education. The worst elements of S. 2657 are readily susceptible to corrective legislation in the next Congress, and the proposed signing statement (Tab C) announces your intention to offer legislation to perfect S. 2657.

Decision

Sign S. 2657 at Tab B.

Approve signing statement at Tab C which has been cleared by Doug Smith.

Approve MS Disapprove _____

Veto S. 2657 and sign Memorandum of Disapproval at Tab D which has been cleared by Doug Smith.

THE WHITE HOUSE
WASHINGTON

Committee reports

1 + Rept 94-1232

2

5 Rept 94-882

are on my desk.

Ron



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 8 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2657 - Education Amendments
of 1976
Sponsor - Sen. Pell (D) Rhode Island

Last Day for Action

October 13, 1976 - Wednesday

Purpose

Extends and makes major revisions in the Higher Education and Vocational Education Acts, the Basic Education Opportunity Grant (BEOG), Guaranteed Student Loan (GSL), and other education programs.

Agency Recommendations

Office of Management and Budget	Disapproval (Memorandum of disapproval attached)
Department of Health, Education, and Welfare	Approval
Department of Labor	Approval
Department of Justice	Defers to HEW
Veterans Administration	Defers to HEW
Department of the Treasury	No recommendation

Discussion

S. 2657 is an omnibus education bill which amends and extends the Higher Education Act of 1965, the Vocational Education Act of 1963, and numerous other education programs and authorities, some of which expired on September 30, 1976. The bill extends most higher education programs through 1979 and vocational education programs through 1977. All of the programs provided for in S. 2657 are currently covered by the Continuing Resolution. This bill is the congressional response to major Administration initiatives for reform of education programs.

S. 2657 incorporates many of the provisions recommended by the Administration, but also includes amendments which will greatly increase the complexity and cost of administering Federal education programs.

The Administration's proposals were designed to:

- provide higher education student assistance through direct aid rather than through institutionally based programs,
- curb fraud and abuse in higher education student assistance programs,
- eliminate unnecessary higher education programs,
- reform Impact Aid to provide funding only for "A" children and special categories,
- simply extend the Emergency School Aid legislation with expanded discretionary authority,
- consolidate vocational education programs and include them as a title under the proposed Financial Assistance for Elementary and Secondary Education (block grant) Act,
- provide for reasonable authorization levels.

While sharing some of the objectives of the Administration's bill, S. 2657 differs in its approach in that it:

- imposes significantly increased Federal requirements on higher and vocational education programs,
- requires the Administration to fund programs that neither the Congress nor the Administration have sought to fund in recent years,
- establishes several new categories of programs, and authorizes funding levels substantially in excess of those proposed by the Administration.

A comparison of the major provisions of S. 2657 with current law is set forth below. A more detailed summary is included as an attachment to the enrolled bill letter from HEW. The Conference Report was approved by the House by a vote of 312-93 and by a 67-15 vote in the Senate.

Major Provisions

Higher Education Provisions

Basic Educational Opportunity Grants. Under current law, grants up to \$1,400 are awarded to students attending eligible higher education institutions after deducting the amount the family is expected to contribute and other funds available to the student. The grant can be no more than one half the cost of attending school. The expected family contribution is based on the family's adjusted gross income minus employment and subsistence expenses, as well as some asset deductions, such as home equity. Current law also requires that no funds can be spent for basic grants until appropriations for Supplemental Educational Opportunity Grants, College Work Study and National Direct Student Loans, all campus-based programs, reach \$653 million.

The Administration proposed to eliminate the minimal funding requirements for the campus-based programs, change the formula so that half of need rather than half of cost would be the basis for computing the basic grant, include 50% of veterans education benefits in determining student resources, and change the formula for reducing awards when the appropriation is less than required for full funding so that awards would be more intensively targeted on low income students. None of these changes is included in S. 2657.

S. 2657 increases the maximum basic grant award to \$1,800, effective in fiscal year 1978. It also provides more generous offsets by allowing the deduction of elementary and secondary education expenses of dependents in determining expected family contributions.

New funding "trigger". The enrolled bill establishes a funding trigger mechanism effective in fiscal years 1978 and 1979 only. The trigger provides that when the combined appropriations available for fiscal year 1978 for Basic Educational Opportunity Grants, Supplemental Educational Opportunity Grants, College Work Study and National Direct Student Loans exceed \$2.8 billion (\$3.1 billion in 1979), funds must be appropriated for the following programs:

-- Title I: community service, continuing education, lifelong learning,

-- Title VII: loans for the construction, reconstruction, and renovation of academic facilities,

-- Title X: establishment and expansion of community colleges.

The Administration has not requested funds for the programs involved in the funding trigger and Congress has appropriated only an average of \$15 million annually for these program areas over the last four to five years. Furthermore, the Administration has consistently maintained that these institutional assistance programs are ineffective relative to direct student assistance, are a State and local responsibility, and cannot be justified on the basis of any pressing national priority.

Guaranteed Student Loan Program. Under current law, the Office of Education guarantees loans to students at eligible institutions and reinsures loans guaranteed by State and nonprofit agencies at 80% of the amount defaulted by student borrowers. Undergraduates can borrow up to \$7,500 and graduates may borrow up to \$10,000.

S. 2657 provides for changes in the Guaranteed Student Loan program in order to induce greater lender participation, provide incentives for States to establish their own guarantee agencies which would be reinsured by the Federal Government, and to make more loan capital available to students. These objectives are consistent with prior Administration proposals.

Among the provisions aimed at achieving these objectives are:

-- New State or private nonprofit guarantee agencies will be reinsured by the Federal Government at 100% during the first five years of operation.

-- State or nonprofit private agencies, if they enter into a supplemental agreement with the Commissioner of Education, will be reinsured by the Federal Government according to their default rate experience in any given year. In this way, good State default rate performances are rewarded.

-- The supplemental agreement, which is a condition of higher reinsurance rates, would require State and private guarantee agencies to (1) authorize higher individual and aggregate loan limits; (2) insure all insurable loans at 100%; (3) provide for the insurance of loans to part-time students; (4) insure loans to its own residents going to out-of-State schools; (5) provide the same conditions on eligible residential institutions as are now in the direct Federal student loan insurance program.

-- The general limits for the guarantee program are increased for graduate or professional students who may borrow up to \$5,000 per year, with the aggregate loan amounts for such students increased to \$15,000 (including undergraduate loans).

Anti-fraud and abuse provisions. In addition to the provisions designed to make the direct Federal guarantee and Federal reinsurance programs work more effectively, there are a number of provisions designed to reduce defaults and to curb fraud and abuse generally in the student assistance programs.

With respect to defaults, the provisions dealing with reinsurance rates tied to guarantee agency performance are designed to reduce the overall default rate. Other provisions designed to reduce abuse or fraud include the following:

-- Guaranteed student loans shall not be dischargeable in bankruptcy until five years after the start of the repayment period, except in cases of unusual hardship as determined by the courts.

-- Any school lender that has a default rate of 15% or more for two consecutive years is excluded from participation, as is any school that employs or uses commissioned salesmen to promote the availability of the loan program at that school.

-- Home-study schools are excluded as lenders, as are lenders whose primary function is the making or holding of guaranteed loans.

-- Criminal penalties are provided for embezzlement, misapplication, theft, or obtaining by fraud of funds, assets or other property provided or insured under the guaranteed loan authority.

-- The existing statutory authority under the GSLP to limit, suspend, or terminate the eligibility of institutions for violating or failing to carry out the provisions of law or regulations issued thereunder is now extended to apply to all student aid programs.

Liberalization of eligibility. Another general characteristic of S. 2657 is the inclusion of middle income students in needs-based programs traditionally intended for low income and disadvantaged students. The effect of raising the maximum BEOG award ceiling to \$1,800 is to increase participation of students from families making more than \$15,000 by more than 150,000, or more than 150% of the number of such families expected to participate under the current maximum award ceiling of \$1,400.

In the guaranteed loan program, under current law, students from families whose adjusted gross income is less than \$15,000 automatically qualify for a Federal interest subsidy while in school. S. 2657 raises the automatic income eligibility limit for interest subsidy to \$25,000. This could cover families with unadjusted incomes of \$30,000 or more. Moreover, amendments to the Special Programs for Students from Disadvantaged Backgrounds (TRIO) specifically authorize the Commissioner to permit students from "other than low-income families, not to exceed one-third of the total served," to participate. The Administration opposed all of these changes.

Other Higher Education Programs. S. 2657 extends a number of categorical institutional assistance and campus-based student assistance programs that the Administration had sought to eliminate. For example, the Administration requested repeal of authorities for the Veterans' Cost-of-Instruction program, the National Direct Student Loan program and the Supplemental Educational Opportunity Grant program. This bill extends those programs at annual authorization levels approaching \$900 million. The Administration requested the extension of the College Work-Study program at an annual level of \$250 million. Instead, S. 2657 authorizes funding levels starting at \$450 million in 1977 and rising to \$720 million in 1982.

S. 2657 also establishes several new categorical programs. These include, among others, a new "lifelong learning" program which has been added to the community services and continuing education grant programs administered by the Office of Education (OE), and new special categorical

authorities in the existing Special Programs for Students from Disadvantaged Backgrounds (TRIO) in order to provide Federal funds for service learning centers at post-secondary institutions and educational information centers.

The Administration opposed these new categorical programs.

Vocational Education

Under current law, vocational education programs include formula grants to States and several categorical programs. The Administration, in its fiscal year 1977 budget, proposed to consolidate all vocational education programs into one block grant and to include them as a title in the Financial Assistance for Elementary and Secondary Education Act. S. 2657 provides for two consolidations--one for all funds which go to the States and another for the categorical programs. However, State matching requirements are still included, set-asides are maintained, and several new categorical programs are added.

Other Program and Administrative Provisions

The bill extends several other elementary and secondary education programs and contains several relatively minor provisions that either extend or create new activities. Among the extended programs are the National Institute of Education, the Fund for Improvement of Postsecondary Education, and the Emergency School Aid Act.

The bill also provides for the amendment of Title IX (Prohibition of Sex Discrimination) to insure that Father-Son/Mother-Daughter activities are not precluded, provided there are opportunities for reasonably comparable activities for students of the other sex. This follows the Administration's initiative in this regard. In addition, the bill eliminates from Title IX applicability beauty pageant scholarship winners and Girls State/Boys State activities.

The enrolled bill contains numerous new restrictions on the Executive Branch in the administration of education programs. They include the following:

- mandated collection of data,
- mandated surveys regarding teacher availability and sex discrimination,

-- mandated evaluations of certain programs, and

-- maintenance of effort for most nonpostsecondary education formula grant programs on either a per pupil or aggregate basis.

S. 2657 also imposes new requirements on institutions of higher education to carry out information dissemination activities concerning financial assistance to prospective or enrolled students, and requires institutions that undertake these activities to designate an employee or group of employees to be available on a full-time basis to assist students to obtain such information.

Budget Impact

Authorization levels. Authorization levels in the bill total \$6.6 billion in 1977, \$8.2 billion in 1978 and \$8.4 billion in 1979. Authorizations under current law for 1976 are \$7.2 billion.

Possible effect upon the budget. The attached tables illustrate the authorization levels in current law and S. 2657, and OMB estimates of outlay increases over the Administration's program for fiscal years 1977 through 1979. OMB believes that outlays from congressional appropriations will be about \$188 million more than your budget in fiscal year 1977, about \$1.1 billion more in 1978 and \$1.6 billion more in 1979.

HEW points out that, of the increase of \$1.6 billion in 1979 outlays, over \$600 million would be incurred under the Continuing Resolution, regardless of action on this bill. This amount reflects current programs which the Administration proposed to terminate, but which are, nevertheless, covered by the Continuing Resolution. HEW further believes that the incremental outlay effect of S. 2657 in 1979 is lower in terms of probable Congressional action. OMB, however, believes that these estimates reflect a realistic assessment of future Congressional action based upon previous Congressional appropriations in this area.

Arguments in Favor of Approval

1. The guaranteed student loan provisions. The Congress has accepted Administration recommendations that should help curb fraud and abuse in this program. Also, partial acceptance of the Administration's request to

raise the amount graduate students may borrow should assist students in high cost graduate programs.

2. The vocational education provisions have moved substantially in the direction of consolidation of programs recommended by the Administration. While not all the Administration sought, this bill contains important first steps in consolidation and simplification of vocational education programs and represents a good base for further consolidation.

3. The degree of congressional support for this bill is evidenced by the votes of both the Senate and the House.

4. The bulk of the technical amendments to the Education Amendments of 1974 which the Administration recommended are incorporated in this bill.

5. Notwithstanding the significant authorization levels in this bill, there traditionally has been a gap between actual appropriations and authorization levels.

Arguments in Favor of Disapproval

1. The basic opportunity grants provisions could increase the cost of the fully funded program in fiscal year 1978 from the currently estimated \$1.8 billion to \$2.5 billion. In addition, if the Administration proposed a 1978 basic grant level of \$1.8 billion--consistent with full funding under current law, but not under the \$1,800 maximum award level--the lowest-income students would have their awards reduced by an average of over \$100. This would occur because more funding would have to be diverted to a larger number of middle-income and upper middle-income students. The Administration has always supported a fully-funded basic grants program. However, this provision will require appropriations far in excess of those currently available or projected for higher education student assistance programs. This may require a reassessment of the full funding policy.

2. The funding trigger for higher education is expected to force appropriations for programs that the Congress has not funded for several years, of \$150 million in 1978 and \$215 million in 1979. Furthermore, if the assumption is made that a policy of full funding of basic grants is adopted, and that funding levels for other programs follow recent trends, then in combination with the trigger,

the higher education budget (excluding the guaranteed loan program) would exceed \$4.0 billion in 1978. This compares to an Administration request for higher education of \$1.9 billion for 1977.

3. Several of the changes made in the guaranteed student loan program can be implemented administratively, without changes in current law. Furthermore, there are provisions that will make the program significantly more complex and difficult to administer. In addition, there is little evidence that proposals designed to create incentives for lenders and guarantee agencies will necessarily result in greater lender and guarantee agency participation and effectiveness.

4. Notwithstanding the consolidations contained in the vocational education programs, this bill establishes new categorical programs and imposes planning and other burdensome administrative requirements that negate the positive effects of the consolidations.

5. The budgetary impact of S. 2657 is significant. Expected outlays will be increased by about \$188 million in 1977, approximately \$1.1 billion in 1978, and about \$1.6 billion in 1979. You have indicated your desire to balance the Federal budget by 1979. Appropriations which would result from enactment of S. 2657 could seriously jeopardize that objective. If all authorizations carried full appropriations, outlays would exceed your budget by \$522 million in 1977, \$3,106 million in 1978, and \$4,627 million in 1979.

6. The bill mandates restrictive administrative structures and procedures, including the creation of new programs and bureaucracies; hold-harmless provisions which delay reform under programs consolidated under the Education Amendments of 1974; maintenance of effort provisions; new advisory bodies which duplicate the responsibilities of the National Council for Educational Research in the National Institute of Education; and 16 new narrow categorical programs which seriously detract from your efforts to move program decisions toward State and local education agencies and away from Washington bureaucracies. In addition, the bill adds more complex provisions that will impose administrative burdens on both the administering agencies and grant recipients.

Conclusion. Notwithstanding the positive changes incorporated in S. 2657, the decision which must be made is whether the two most objectionable features of the bill, i.e., the change in the basic educational opportunity grant program and the imposition of the funding trigger, are sufficiently objectionable to warrant your withholding your approval from the bill.

Recommendations

HEW recommends approval. The Department believes that the positive aspects of the bill, such as the consolidation of the vocational education program and the provisions designed to reduce fraud and abuse in student assistance programs outweigh its disadvantages. The disadvantages include authorizations for some programs in excess of the appropriate or necessary level and establishment of arbitrary fund level requirements.

Concerning the budget impact of S. 2657, the Department states:

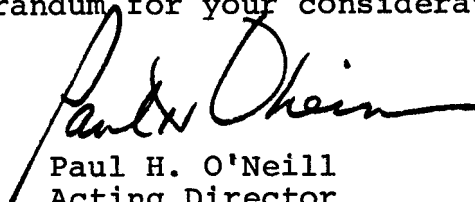
"The increase in the maximum basic grant award to \$1800 and the increase in the family income limitation for interest subsidies under the Guaranteed Student Loan Program will make it much more difficult to arrive at a budget for the Education Division within currently expected levels. While we are still in the process of reevaluating our budget request for FY 1978, it seems likely that to fund basic grants even at the \$1400 level in that year and to meet other required increases, an adjustment of approximately \$500-\$600 million would be required in the Department's request for the Education Division, to be made up of reductions in other education programs and/or an overall increase in the Department's request for education."

The Department notes that it is unlikely that a greater degree of vocational education consolidation will be achieved in the near future and that many of the Administration's proposals in S. 2657 "may fall by the wayside" if the next Congress must again take up the extension of these programs.

* * * * *

We disagree with HEW's assessment of the potential impact of S. 2657. In our judgment, the enrolled bill would adversely affect the Administration's higher education strategy, would place undue pressures on the budget and would offer very few net programmatic advantages over current law. We believe your public disapproval and the reasons therefor can influence the 95th Congress in shaping new legislation in this area. We also believe that many of the positive aspects of S. 2657 can be implemented without changes in current law.

Accordingly, we recommend disapproval of S. 2657 and have attached a draft memorandum for your consideration.



Paul H. O'Neill
Acting Director

Enclosures

Analysis of Authorizations in Education Amendments of 1976 (S. 2657)

(Dollars in millions, fiscal years)

Program	S. 2657		
	1976	1977	1978
Basic Opportunity Grants	1,526	1,712	2,553
Other Student Assistance	1,079	1,112	1,235
Other Higher Education	2,921	2,354	2,419
Vocational Education	1,011	719	1,089
Other Programs	702	753	895
Totals	7,239	6,650	8,191

S. 2657	
1978	1979
2,553	2,683
1,235	1,268
2,419	2,518
1,089	1,290
895	642

Estimated Costs of S. 2657 Based on Likely Congressional Action^{1/}

(Dollars in millions, fiscal years)

Program	1977		1978		1979	
	BA	BO	BA	BO	BA	BO
Higher Education	3,517	3,147	3,758	3,707	4,390	4,275
		+53		+896		+1,336
Vocational Education	618	610	695	660	735	690
		+50		+100		+130
Other	362	325	398	360	438	400
		+85		+105		+140
Totals	4,497	4,082	4,851	4,727	5,563	5,365
		+188		+1,101		+1,606

^{1/} BA=Budget Authority
BO=Budget Outlays

D

STATEMENT BY THE PRESIDENT

I have approved S. 2657, the Education Amendments of 1976. I have done so with some reluctance because parts of the legislation are unwise and others contain authorization levels which we cannot realistically expect to meet. I have signed the legislation, however, because of the positive elements it contains and because most of its worst elements are readily susceptible to corrective legislation in the next session of Congress.

S. 2657 makes a number of positive changes to our education laws. I applaud the steps taken toward program consolidation in the Vocational Education Amendments. This is fully consistent with my broader effort to achieve consolidation of educational programs. I hope the incentives provided in this bill to increase State participation in the Guaranteed Student Loan program will fulfill their potential, and that the experimental program which consolidates at the State level, the student application process of the Federal Basic Educational Opportunity Grant program with that of similar State grant programs will demonstrate the merit of returning such responsibilities to the State and local level.

Numerous Administration initiatives designed to curb fraud and abuse in student assistance programs, particularly the Guaranteed Student Loan program, were adopted. Other needed Administration recommendations to reduce sex-stereotyping in vocational education programs were also adopted.

However, I particularly regret the inclusion of the so-called trigger mechanism which operates to divert funds from student assistance to clearly undesirable forms of institutional assistance, which the Congress itself has not recently funded in a substantial way.

In raising the maximum Basic Educational Opportunity Grant from \$1400 to \$1800, effective in the 1978-79 school year, the Congress may well have continued its penchant for promising more than we can responsibly provide. I am committed to the basic grant program, but I could not at this time reasonably expect that in two years we could fully fund this program at the new level.

There are other features in the bill which, I believe, are objectionable and which should be changed.

Although it is generally the practice of Congress to consider and pass major educational legislation only when the previous authorizing legislation terminates, I would ask that such not be the case with this legislation. S. 2657 has serious deficiencies. I intend to forward to the first session of the 95th Congress for their consideration and action major revisions to this bill, especially in the area of higher education, and I ask the support of those who participated in the development of S. 2657 to assist in its improvement.

MEMORANDUM OF DISAPPROVAL

I am withholding my approval of S. 2657, the Education Amendments of 1976.

In my opinion, this bill is irresponsible in three respects: First, it would authorize appropriations of over \$23 billion over the next three years. This represents an excessive burden upon the American taxpayer. Second, this bill creates 16 new categorical programs for a multiplicity of purposes. Furthermore, these new programs create unreasonable complexities and impose unnecessary administrative burdens upon the Department of Health, Education, and Welfare as well as upon the Nation's institutions of higher education and State and local governments. Third, and most importantly, the Congress has altered the major Federal assistance program for post-secondary students -- the basic educational opportunity grant program -- in a way that would reduce awards for low income, disadvantaged students. Under current and foreseeable funding levels, lower income students would receive awards which average \$100 less than presently allowed as a direct result of the changes made by the Congress in this bill.

By not signing this bill, I am indicating that the current laws governing our higher education and vocational education programs, as imperfect as those laws may be, are preferable to the changes incorporated in S. 2657.

Let me emphasize that I am dedicated to the appropriate Federal role in support of higher and vocational education. However, this bill, by altering the Basic Opportunity Grants

program at the expense of its intended recipients -- students from poor and working poor families, by authorizing excessive appropriations, by creating new categorical programs, by imposing additional administrative burdens, does not meet the Nation's educational needs.

Under these circumstances, I cannot approve these amendments.

THE WHITE HOUSE,

Department of Justice
Washington, D.C. 20530

October 8, 1976

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined facsimiles of enrolled bills, H.R. 5546, the proposed "Health Professions Education Assistance Act of 1976," and S. 2657, the proposed "Education Amendments of 1976."

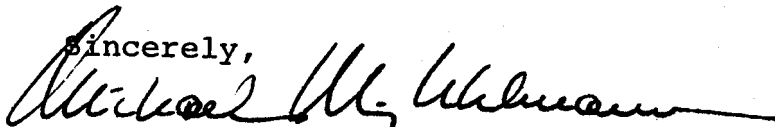
With respect to H.R. 5546, we have been asked to direct our attention to section 601 of the bill and proposed section 771(b)(3) in section 502 of the bill. Section 601 would make a number of amendments to the Immigration and Nationality Act concerning the admission of foreign medical graduates. The section 601 amendments present no significant legal problems.

Such is not the case, however, with proposed section 771(b)(3) of title VII of the Public Health Service Act which would require medical schools, as a condition to receiving grant funds, to set aside certain student positions for qualified United States citizens who are students in foreign medical schools. These students would be identified by the Secretary of Health, Education and Welfare.

Proposed section 771(b)(3) is almost certain to generate litigation--litigation to which the United States will be a party. Indeed, it is ironic that this same Congress, within two days, also enacted section 408 of S. 2657, proposed Education Amendments of 1976, which would amend the General Education Provisions Act to make it unlawful for the Secretary to defer or limit any Federal education financial assistance on the basis of a school's failure to comply with student admission quotas.

In spite of this Department's view that proposed section 771(b)(3) is unwise and unsound, we defer to the Department of Health, Education, and Welfare on the question whether H.R. 5546 should receive Executive approval. We also defer to that Department on the question whether S. 2657 should receive Executive approval.

Sincerely,



Michael M. Uhlmann
Assistant Attorney General

