

House Committee on Education and Workforce and its Subcommittee on Postsecondary Education, Training and Life-Long Learning.

COMMITTEE ON EDUCATION AND THE WORKFORCE, HOUSE OF REPRESENTATIVES, RAYBURN HOUSE OFFICE BUILDING,

Washington, DC, November 8, 1999.

Hon. BILL ARCHER,

Chairman, House Ways and Means Committee, Longworth House Office Building, Washington, DC.,

Hon. TOM BLILEY,

Chairman, House Commerce Committee, Rayburn House Office Building, Washington, DC.,

Hon. DICK ARMEY,

Majority Leader, House of Representatives, the Capitol, Washington, DC.

Hon. CHARLES RANGEL,

Ranking Minority Member, House Ways and Means Committee, Longworth House Office Building, Washington, DC.

Hon. JOHN DINGELL,

Ranking Minority Member, House Commerce Committee, Ford House Office Building, Washington, DC.

DEAR CONFEREES, We are writing to clear up some misinformation regarding Section 409 of H.R. 1180, the Work Incentives Improvement Act.

At issue is a provision that was added to H.R. 1180 that would update the index on which lender returns are based in the Federal Family Education Loan Program (FFELP). Last year, as we reauthorized the Higher Education Act of 1965, the Committee became concerned that the 91-day Treasury bill, which is the index used for the last 25 years to determine the interest rate on guaranteed student loans, was becoming an out of date tool for determining lender yields. T-bill based payments made sense when the loan program was conceived. However, financial markets have evolved, and most lenders now fund their portfolios using more commonly traded instruments such as commercial paper (CP) or London interbank offered rate (LIBOR) rates.

While the Committee was willing to explore other mechanisms for determining lender yields during reauthorization, the complexity of the issue required us to form a study group, made up of a broad range of stakeholders in the program, to determine the financial instrument that would be most efficient and cost effective. Unfortunately, the study group failed to reach consensus on an appropriate alternative index. To date, the only proposal that has been put forth came from the lending community. The provision in Section 409 is based on that recommendation.

We are seriously concerned that, in an attempt to stall this important change, some are spreading a set of contrived "what if" numbers, which are not based on sound assumptions or supportable data. The facts, are as follows.

Changing the FFELP index for lender yields will not cost the federal government money. CBO scoring shows that this provision will actually save the government \$20 million in reduced payments to lenders. These are savings that will help to pay for benefits provided for disabled workers under H.R. 1180.

Changing the index won't create a windfall for lenders. The fact of the matter is that had this change been in effect over the last 10 years, lender return would have been slightly lower than the returns that were earned using the current T-Bill based index.

Changing the index will not drive smaller lenders or community banks from the program. In fact, in a letter to Senator Lott

dated November 3, 1999, the Independent Community Bankers of America (a trade association that exclusively represents this nation's community banks) raised the index change, stating that it "maximizes community banker participation in the program."

This provision will not cost students a dime. It in no way affects the interest rates paid by students.

The bottom line is that changing the index for determining lender yields for the FFEL program is sound policy, and it enjoys the bipartisan support of our Committee leadership. It will increase the efficiency and stability of the program. By basing the index on a private sector funding mechanism such as commercial paper, lenders can more easily borrow money from the private sector and fund more student loans. This change simply ensures that student loans will be readily available for all students.

In closing, we urge you to maintain Section 409 in conference. If you have any question, please do not hesitate to contact us or have your staff call George Conant (Majority) at ext. 5-6558, or Maryellen Ardouny (Minority) at ext. 6-2068.

Sincerely,

BILL GOODLING,  
Chairman, Committee  
on Education and  
the Workforce.

HOWARD P. "BUCK"  
MCKEON,  
Chairman, Sub-  
committee on Post-  
secondary Edu-  
cation, Training and  
Life-Long Learning.

BILL CLAY,  
Ranking Member,  
Committee on Edu-  
cation and the  
Workforce.

MATTHEW G. MARTINEZ,  
Ranking Member, Sub-  
committee on Post-  
secondary Edu-  
cation, Training and  
Life-Long Learning.

#### THE CHARTER BOAT INDUSTRY

#### HON. DONNA MC CHRISTENSEN

OF THE VIRGIN ISLANDS

IN THE HOUSE OF REPRESENTATIVES

Friday, November 19, 1999

Mrs. CHRISTENSEN. Mr. Speaker, I rise today to introduce a bill to help to revitalize the charter boat industry in my district by giving charter boat operators the ability to compete against their competitors in the neighboring non-U.S. jurisdictions. In the almost three years that I have served as the elected representative of the people of the U.S. Virgin Islands in the House of Representatives, there have been few other issues that have generated more passion and concern among the Virgin Islands business community than this one.

Mr. Speaker, the Passenger Vessel Safety Act, which was enacted on December 20, 1993, made several changes to the laws for passenger vessels. One such change, which required uninspected vessels weighing less than 100 gross tons to carry not more than 6 passengers, has had a significant negative impact on the charter boat industry, as well as the overall economy of my district. The limitation of only six passengers for uninspected vessels has resulted in virtually all vessels,

which are able to carry more than 6 passengers, leaving U.S. Virgin Islands waters and relocating to the nearby British Virgin Islands.

According to Virgin Islands charter boat industry officials, approximately one third of all charters on crewed yachts carry more than six passengers and less than twelve. Just about all of this type of business has relocated to other areas, primarily the British Virgin Islands which is located only 12 miles from St. Thomas. Additionally, it is estimated that each charter yacht and their clientele spend over \$500,000 annually.

Because the international standards for the inspection of passenger vessels only apply to vessels that carry more than 12 passengers, foreign registered vessels cannot comply with U.S. laws and enter U.S.V.I. waters carrying more than six passengers. Guests who might otherwise enjoy visiting the U.S.V.I. while chartering in the BVI are not able to visit us if their charter numbers more than six passengers.

Mr. Speaker, enactment of this bill is important to the Virgin Islands because of its potential to help revitalize our currently stagnant economy. As recently as 1988, U.S.V.I. marine businesses generated more than \$85 million in revenue. But that figure has dropped to less than \$15 million today, because of the decline in the industry due to the change in law.

I urge my colleagues to join me in supporting this bill which is vitally important to the economy of the U.S. Virgin Islands, due to its heavy dependence on tourism.

#### THE ISSUE IS PROTECTING THE RULE OF LAW

#### HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, November 18, 1999

Mr. CONYERS. Mr. Speaker, today I am pleased to submit for the RECORD a memorandum on the importance of the rule of law in our constitutional democracy written by Professor Harold Norris. Widely regarded as one of our Nation's foremost constitutional law experts, Professor Norris is an emeritus professor of constitutional law at the Detroit College of Law at Michigan State University. A man of honor and great integrity, Professor Norris shaped the careers of many of Michigan's foremost attorneys and members of the State and Federal judiciary. Throughout his long life, Professor Norris has been an indefatigable defender of the Bill of Rights and the equality under law of all persons. Among his many accomplishments was the pivotal role he played in the writing of Michigan's revised State constitution in 1963. Professor Norris has provided insight on constitutional issues throughout my congressional career, most recently during the impeachment proceedings against President Clinton. Professor Norris' commitment to the spirit of our Constitution and the Bill of Rights and his zealous defense of our civil liberties should be heeded by all Americans.

[From the Bradenton Herald, Oct. 19, 1998]

THE ISSUE IS PROTECTING THE RULE OF LAW

(By Professor Harold Norris)

On two separate occasions, the American people have decided that William Jefferson