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ABSTRACT

The Hearing of the Committee on Health, Education, Labor, and Pensions of the U.S. Senate, held February 11, 1999, contains opening statements by Senators Jeffords, Hutchinson, Hagel, Sessions, Kennedy, Dodd, and Murray; prepared statements by educators, school board personnel, and a state representative; and additional material on education budget proposals and federal funding for education. (DFR)

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S. HRG. 106–31

EDUCATION BUDGET PROPOSALS

HEARING

OF THE

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

ON

INVESTING IN OUR NATION'S FUTURE: PERSPECTIVES ON FEDERAL FUNDING FOR EDUCATION

FEBRUARY 11, 1999

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THURSDAY, FEBRUARY 11, 1999

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The committee met, pursuant to notice, at 8:50 a.m., in room SD-430, Dirksen Senate Office Building, Hon. James M. Jeffords (chairman of the committee) presiding.

Present: Senators Jeffords, Hutchinson, Hagel, Sessions, Kennedy, Dodd, and Murray.

OPENING STATEMENT OF SENATOR JEFFORDS

The CHAIRMAN. The hearing of the Health, Education, Labor, and Pensions Committee will come to order.

Good morning and welcome. Today we will have the opportunity to hear from three panels of witnesses who will offer their perspectives on funding for programs that are designed to address the vital educational needs of our Nation's children. There is no task that we can undertake that is of greater importance to the future of our Nation.

These panels also reflect the education accomplishments of this committee during the 105th Congress. It is a record of bipartisan accomplishment, shared by many of the people in this room, that we can and should be proud of.

We began with the reauthorization of IDEA, continued our efforts with the enactment of the Workforce Investment Act and the Carl D. Perkins Vocational-Technical Education Act Amendments, moved on to the Reading Excellence Act and concluded with enactment of the Higher Education Amendments of 1998. In all, this committee was responsible for the enactment of 11 education bills. It is my hope and my expectation that we will continue this record of rising above partisan differences and joining together to address our children's educational needs.

But the real purpose of today's panel is not to reflect upon the past but look to the future. This is an opportunity to renew, with vigor, our commitment to seeing that these programs are adequately funded. The 3.5 percent increase proposed by the administration does not reflect the challenges we face.

Let me be blunt. I think President Clinton's budget shortchanges education. Too often, the administration seems more interested in dreaming up new programs than honoring old commitments.

As many of you know, one of my first legislative tasks when I arrived in Congress in 1975 was to work on Federal legislation guaranteeing a free and appropriation education for disabled children. At that time, we made a pledge to parents and educators across this Nation that we would cover 40 percent of the excess costs incurred by State and local governments to fulfill these Federal requirements.

Although we have made progress over the past 3 years, the Federal Government has not fulfilled its promise. As Senator Gregg has noted, we are not even close. My second priority is to ensure that students who seek to pursue their personal dream of post-secondary education have the opportunity to do so.

Seven years ago, I worked to create the National Early Awareness Intervention Scholarship and Partnership Program which was last year reauthorized in the Higher Education Act as the GEAR-UP Program. I applaud the administration's support for this effort and look forward to working to see that disadvantaged children understand that college is attainable if they will commit themselves academically. But knowing that financial aid resources are available will be of little help if the financial aid resources are inadequate.

Finally, I want to reiterate my strong commitment to adult education, vocational education and learning. Our international competitors have been leaders in making the important link between education and work. The United States is just now beginning to understand this essential connection. Presently, American employers spend over $200 billion a year in remedial education and training for their employees. Our future depends upon ensuring that every one of our citizens is able to fully participate in the benefits of our unparalleled economic growth.

Budget Committee Chairman Domenici is absolutely right to call for a dramatic increase—nearly $40 billion over 5 years—in education spending. I want to unequivocally State my support for this proposal. Let me outline three things that I will strive to accomplish with these funds during this budget cycle.

First, we must increase the maximum Pell Grant by $400 for fiscal year 2000 and strive for continued growth in the remaining 4 fiscal years. This increase in funding will make college more affordable for millions of students and their families.

Second, we must double our commitment to IDEA over the next 5 years. This increased funding will help many of our Nation's most vulnerable children and allow local schools to invest their own resources in local efforts at educational innovation.

And third, we must strengthen our commitment to adult and vocational education and resolve to empower students and teachers to attain their full potential in the classroom.

I look forward to hearing from our witnesses today and working with each of you to persuade my colleagues in the House and Senate to join me in this effort.

Senator Murray, I understand you represent the Democrats this morning. Please proceed.

Opening Statement of Senator Murray

Senator Murray. Only for about 6 more minutes, Mr. Chairman.

Thank you very much, Mr. Chairman, for holding this very important hearing today on one of the most important issues that face families every, single morning when they get up and send their kids off to school—wanting to know that they will get the best education possible no matter who they are, where they come from, or what the family background is. Our democracy and the continuance of this democracy really demands it.

I was delighted to hear your statement and to know that Senator Domenici is going to join us in pushing for stronger education funding. Most of the people I talk with are absolutely shocked that only 1.6 percent of the Federal budget goes to funding for education. I think most Americans believe we should allocate that as a much higher priority, and I think they will join us in our efforts to do that.

As a member of the Budget Committee and the Appropriations Committee, I am committed to increasing the funding for education as much as possible. I know the administration submitted a budget that was balanced, and they have in the past supported us as we have tried to increase funding for education, and I am sure in the end of this budget battle will be hand-in-hand with us as we try to improve upon many of the programs that you have discussed.

I am looking forward to hearing from the witnesses today. I think they will be able to give us first-hand stories of why this is so important to them in their own districts and their own communities and what a difference it makes.

Thank you very much for this opportunity. I look forward to the hearing.

The CHAIRMAN. Thank you.

I am going to allow members, contrary to our usual procedure, to make brief opening statements at this time, because the impeachment proceedings will begin, and I will continue on.

Senator Hutchinson?

OPENING STATEMENT OF SENATOR HUTCHINSON

Senator HUTCHINSON. Thank you, Mr. Chairman.

I think I would just respectfully disagree with my chairman as far as dramatic increases in education funding. We are all for education, and I think funding is going to be very important, but I do not believe that huge increases on the Federal level will solve underlying problems in education in this country.

I think we need to look very closely at our priorities and how we are spending what we are already devoting to education. One of the troubling aspects to me as I look at the President's budget is that while there is a small increase in overall education spending—the amount going to Pell Grants, for instance—for the poorest students in our country in higher education, we see an overall decrease in the amount devoted to Pell Grants.

In States like Arkansas, where we have many school districts dependent upon impact aid because of the large amount of Federal land in our national forests, we see a dramatic decrease in funding for impact aid.

So I am very troubled, and at the same time, I think we are creating nine new programs in the President's budget. So I think we need to closely examine the priorities. I think the ideas of Ed-Flex, the ideas of Dollars to the Classroom, where we take a lot of the Federal bureaucracy and ineffective programs and ensure greater flexibility for local school districts to control that money, is a better approach.

So I also look forward to the testimony today. We are all committed to improving education in this country and looking at how we can do that in the most effective way.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Dodd?

OPENING STATEMENT OF SENATOR DODD

Senator DODD. Thank you very much, Mr. Chairman.

I remember 6 years ago, when we started our one percent initiative, Senator Jeffords, the chairman, and I tried to encourage getting our funding levels up. I think it was under the Nixon administration that there was the best performance of our Federal Government in regard to education that we have ever seen by any administration, probably ever, at least in this century, but certainly in the last 50 or 60 years.

It is disappointing, as you have pointed out and Senator Murray has pointed out, that such a small percentage of our budget is committed to something that is so critical to the success of our country.

Let me quickly say—and I sense what our friend and colleague from Arkansas is saying—that I do not disagree with this notion that somehow, money is the only answer. I think the school districts—in fact, we are in one right now where a lot of money gets spent—but I can also tell you that we have had a bad record on educational performance. So it is not axiomatic that if you spend $1 on education, you are going to get better performance, and I think it is important that those of us who are strong advocates for additional resources make that statement, because it is not credible to say otherwise.

But it would also be wrong in my view not to understand that there are real needs out there. The child who is trying to learn in a classroom that is falling apart, where there are 30 to 35 students in the room, because local communities and areas have a terrible time trying to stretch those dollars, also has a need.

So we need to try to get our priorities straight and see to it that we make these investments that the country is going to have to make, making sure that students and teachers have access to the incredible technology that is changing so dramatically. When you have students reading history books that were written when Ronald Reagan was President, that seems like only a short time ago to those of us who are here, but for a student trying to learn today, that is going back almost 20 years to 1981. That is not healthy in the 21st century.

So there are very specific needs out there that can only be met by additional investments in the educational needs of our students. We have got to try to strike that balance.

My colleague from Arkansas also mentioned the Pell Grant Program. One of our problems is the economy has been so good that we overbudgeted for the needs based on what the qualifications were in that area. So in a sense, this is a testimony to success and how well things are going. We can adjust, I think, some of those dollars to see that more people might be able to qualify, because it is still expensive, and costs seem to be going up at State schools and community colleges all across the country.

Mr. Chairman, I am pleased that you have a history of being concerned about these issues that goes back to the days when you and I were first elected to the House of Representatives. As I have often said, you carry on a great tradition here of the two previous chairs of this committee, your own predecessor, Senator Stafford, and Senator Pell. It is really a wonderful tradition that you carry on in terms of providing some national leadership on an issue that is so important to people regardless of ideology and politics in this country. There is a fundamental understanding that the generation of students now starting out on their educational careers is going to have to be the best-prepared we have ever produced in this country, and it is that challenge that is going to require resources.

So I will end on the note I began on—it would be foolish to suggest that it is strictly a question of how big a check you write as to whether or not you are going to get the kind of education output that all of us would like to have.

So I look forward to working with you, Mr. Chairman.

[The prepared statement of Senator Dodd follows:]

PREPARED STATEMENT OF SENATOR DODD

I am pleased that you have called this hearing this morning to examine education funding issues.

Mr. Chairman, I can remember it was just over 6 years ago that you and I began a major push to increase education funding—in our 1 Percent for Education Initiative. We called for and passed a resolution stating it was the intent of the Senate to put an additional 1 percent of the Federal budget into education until we reached fully 10 percent of the budget dedicated to improving our schools in 2004.

I would say in many ways we have come a long way in the past few years with broad increases in education funding. Federal discretionary education funding totaled $23 billion in fiscal year 1996 and rose to $33.5 billion in the current fiscal year—an increase of 46 percent. These increases are particularly impressive when one considers the major cuts proposed in these programs during several of these years.

However, we are nowhere near the goals we outlined for the U.S. Senate or where we need to be for our schools and children across the country.

There are many who argue that money does not matter. I would agree that improving our schools and meeting our educational needs is not just about money—there must be a commitment to comprehensive reform, high standards for all students, teacher quality and strong parental involvement.

But money matters—it matters to the students who stand in line waiting for computer time, who try to learn in classes of 30, 35 or more students, who attend schools with broken heaters, leaking roofs and inadequate libraries, who try to learn out of history books that were published when Ronald Reagon was President, or who struggle to meet the rising costs of college. Money is what makes improvement possible in all these areas.

Clearly, a real investment in education is not cheap. But what is much more expensive is not making this investment in our children and our own future. When a child fails in school, we all pay the cost—the cost of increased welfare dependence, increased involvement with the criminal justice system, more teen pregnancy and lower educational achievement in the next generation. We also lose out in terms of the overall competitiveness of our economy and productivity of our workforce. The statistics are clear when it comes to education, we can pay now or pay later.

Mr. Chairman, this is an opportune time to revisit these issues as the reconsideration of our budget priorities in light of the Federal surplus is likely. I would argue that perhaps it is time to resuscitate our 1 percent for education initiative and work to better reflect the priorities of American families in the budget of their Federal Government.

The American system of free public education is the foundation of our modern democracy. At its best, education has brought diverse people together, rewarded hard work, gilded the path of opportunity for millions of young people who have followed the rules and made the grade, and strengthened the Nation as a whole. Let's make sure this, the promise of education, is fulfilled for all students and for all of us.

I look forward to today's testimony.

The CHAIRMAN. Thank you, Senator Dodd.

Senator Hagel.

OPENING STATEMENT OF SENATOR HAGEL

Senator HAGEL. Mr. Chairman, thank you.

I do have a prepared statement that I will submit for the record.

I wish to acknowledge again your leadership, Mr. Chairman, and pick up on a point that you made, which is a cogent focus point that resolves around the fact that this administration each year comes up with new programs and new ideas, yet the programs that work and are so effective and that have such an impact on our communities do not get funded adequately and seem to get a second tier of attention. I speak specifically of impact aid.

I am constantly torn between amusement and bemusement as to why we continue every year to be presented with a budget on education that cuts impact aid. These are the same people down at the White House and across our Government who are quite distraught that we cannot recruit people for the military, and the quality of life is deteriorating for the military. And what do they do? They short-circuit the funding process to educate the military's children.

It makes little sense to me, and I hope we can bring some sanity and some reasonable focus to this. I am proud today to have some of the witnesses and guests who will appear before this committee from Nebraska, which I hope to have the privilege of introducing to you, Mr. Chairman, when that time comes.

So again, I subscribe to your point and think we have a remarkable opportunity as we debate some of the great issues of our time on education this year as we move forward to reauthorize some of the major education funding programs.

Thank you.

The CHAIRMAN. Thank you, Senator Hagel.

[The prepared statement of Senator Hagel follows:]

Prepared Statement of Senator Hagel

Good morning, Mr. Chairman. Thank you for holding this timely hearing. Our children are our future. Their future is education. That is why I'm disappointed by President Clinton's proposed fiscal year 2000 education budget. This administration's education proposals have become ritualized and predictable.

As he has done every year of his administration, the President has once again trotted out a series of new poll-tested, feel-good education programs. He has also proposed to increase by 3.7 percent the Department of Education's budget. As you will recall, this is the same President who said 3 years ago in a State of the Union Speech that the "era of big government is over." This is not to suggest that Congress should cut Federal education spending or ignore the problems in our education system.

We need to redefine the Federal Government's role in education so that it becomes a partner to the States, local school districts and teachers. We also need to do more to promote parental involvement in education, ensure that more education dollars are spent in the classroom—not an administration or bureaucracy—and to meet our commitment to programs for which the Federal Government is responsible.

It is on this last point that the President has been especially dishonest. I don't understand, and certainly can't explain to Nebraskans, the reasons why the President and the Department of Education continually recommend under-funding special education and cutting the Impact Aid programs while proposing huge increases for "add-on" programs such as class size reduction, after-school programs and technology.

The President's proposal to cut Impact Aid funding by $128 million is especially troubling. The President talks about the need to improve military retention, recruitment, and readiness. Yet, he recommends cutting the legs out from under this education program which is important to military families and to the future of our military. This is wrong. That's why I have asked John Deegan, Superintendent of the Bellevue, NE public school system and chief executive officer of the Military Impacted School Association to testify today on the negative impact these cuts will have on schools around the country.

I am looking forward to hearing from our witnesses. I am interested to hear more about the impact of the Administration's budget recommendations on our schools and our educators.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Sessions.

Opening Statement of Senator Sessions

Senator SESSIONS. Thank you, Mr. Chairman.

I have taught in a public school, and my wife taught for a number of years. Our children, for the vast majority of their careers, attended public schools, and we have been involved in PTA and things like that.

I would just say this. We need to make sure that the money we spend gets as close to those schools, as close to the people who know our children's names, with the least amount of regulations and strings so they can use it to teach children with.

In my opinion, there is a magic moment that occurs, and everything we do exists for that moment, and that is when there is a connection between a child and a teacher, and learning occurs. Nothing else—bureaucracies and programs— is the critical event. The critical event is in that classroom, and we are spending billions and billions of dollars, and each system has different problems. Some systems need one thing, others do not.

I think it is a mistake for us to try to draft regulations in Washington that would somehow be applicable and helpful to every school system in America. That is the fundamental principle that strikes me that we have learned in the last number of years, and I thought we were moving in that direction.

The Ed-Flex bill that came out of this committee is a movement, not a radical movement, but a step in that direction, and now I understand we are having some opposition to that, which is a great disappointment after it cleared this committee so overwhelmingly.

So I think that that is what we have got to do. On textbooks, it does not matter if you have a brand new $500 textbook if the child will not read it, and the teacher cannot motivate or something is awry there. Maybe it is home, maybe it is other things, but those are the pressures on our teachers. They have children who are not as ready to learn as they were in the past, and that puts increased pressure on them.

I am inclined to think that the 700 or so education programs that are in existence now need to be reanalyzed, many of them eliminated or consolidated, and as much money and funds as possible sent to the States. I have checked the numbers, and every year, this Congress is increasing funding for education, and I think it is good that we can do that, but we also know it only represents 7 percent of State funding, and historically and rightly, it is the States who have the responsibility for educating children.

Thank you, Mr. Chairman, for your leadership, and I am honored to be on your committee.

The CHAIRMAN. Thank you. We are happy to have you.

Let me now introduce the first panel, and as I introduce you, why don't the three of you come up?

TheHonorable Albert J. Perry is a State Representative in the Vermont General Assembly. Admiral, it is good to have you here. For the past 6 years, Albert Perry has served as a State Representative in the Vermont General Assembly, where he sits on the Ways and Means Committee. Representative Perry served in the Navy Submarine Service for 30 years, the last 3 of which he served as commander of a nuclear attack submarine. Over this past year, he has become actively involved in issues surrounding the delivery of special education in the State of Vermont.

The next witness is Paul Marchand, who is director of the National Government Affairs Office of ARC and also serves as chair of the Consortium for Citizens with Disabilities. He is a former special education teacher and the parent of a son who profited from an individualized education plan under IDEA.

Our third witness is H. Allen Gilbert. Mr. Gilbert is a member of the Worcester School Board and first vice president of the Vermont School Board Association. He has worked as a journalist and an educator, and his freelance articles on education have appeared in The Boston Globe, the Miami Herald, Vermont Life, and the Rutland Herald.

We are pleased to have all of you here.

Admiral, please proceed.

STATEMENTS OF ALBERT J. PERRY, RICHFORD, VT, STATE REPRESENTATIVE, VERMONT GENERAL ASSEMBLY; PAUL MARCHAND, CO-CHAIR, EDUCATION TASK FORCE, CONSORTIUM FOR CITIZENS WITH DISABILITIES; AND H. ALLEN GILBERT, MEMBER, WORCESTER SCHOOL BOARD, WORCESTER, VT

Mr. PERRY. Thank you very much, Mr. Chairman, and good morning, members of the committee.

It is a privilege for me to be asked to testify before this committee. I live in Richford, VT. I am a State Representative, as you know, and I represent four towns—Bakersfield, Berkshire, Enosburgh and Richford.

The purpose of my testimony is to comment on special education costs and financing of those costs in my home town, my school district, and the State of Vermont, and to point out the consequences of the continuing large shortfall in Federal funding for a federally-mandated program.

In my remarks today, I would like to give you a brief background on my part of the country and our special education circumstances. I will address some cost factors and the consequences of the Federal funding shortfall, and my bottom line is to recommend that you either increase this funding to match the mandate, or decrease the mandate to match the funding.

In the past year, I was asked by our local school board in Richford to see what could be done about the continuing rising costs of special education and the relative inability of our local school boards to control these costs. Since then, I have learned a great deal about this subject, but I admit I still have a lot more to learn. But what I do know, and I know this reliably, is that the cost shift consequences of continued underfunding has a significant adverse impact on local education quality.

Northeast Franklin County is rural, mostly moderate to low-income, with 20 to 25 percent of the population eligible for food stamps and 10 to 15 percent of the population receiving Aid to Needy Families with Children. It is not a prosperous area, and we have more than the average number of special education-eligible students.

The special education population in our area is about 15 percent of the total school population. In 1997, there were just over 1,700 students in our public schools; 269 of those were eligible for special education services. The cost of providing that special education service along with other regular education services to these students was 26 percent of the total K through 12 public education budget for our five towns.

The State of Vermont recently passed a milestone education bill known as Act 60, and in doing so, the State of Vermont has increased its share of funding special education programs from below 40 percent to 60 percent in the current year. That is good news—however, not every town is average, and not every town can benefit equally. Some towns, including my home town, realize an annual cost increase for special education of 10 to 40 percent, the result of students moving or students now requiring these special services.

The consequent average total cost of educating a special education student in Vermont is now about $16,000. That is $10,000 for special education services on top of $6,000 for the regular education. However, if the student happens to require extraordinary care, the average cost in Vermont can rise to $25,000 per year, and those extraordinary students in my district, who number seven in total, are averaging a cost of $34,000 per year. So in Vermont, we are spending $7,000 per pupil on the average, but for these students in my district, we may be spending as much as $34,000 per year.

During fiscal year99, the Federal Government is financing about 8 percent of this total special education cost in Vermont. Over the previous 7 years, it varied between 4 and 7 percent.. This is a Federal shortfall, as I see it, of 32 percent of the total since the law as originally intended provided for 40 percent of the total cost to be funded by the Federal Government—that is, the total average U.S. cost.

This 32 percent shortfall amounts to a $33 million shortfall for the State of Vermont, and I would like to put that number in perspective for you. In terms of revenue, $33 million is about 4 percent of our general fund—4 percent of our general fund. It is about 8 percent of our State's education grand list value, which is the property tax base. It is 20 percent of our State sales tax revenue, and it is more than half, or between 9 and 10 cents per gallon, of our State's gasoline tax revenue. It is real money in Vermont, and in terms of spending, it represents over 4 percent of our spending on public education total. It represents by comparison about the same as what we are spending total in Vermont for State public safety, more than what we are spending on commerce and community development, about the same as what we are spending to protect and regulate the use of natural resources and the environment, and about the same as the total State aid for 25,000 miles of State highways and the maintenance of those highways and the repair of the bridges on them.

It is real impact, this $33 million shortfall this year, but it is not just this year. It has been happening.

Besides this obvious trade-off, there are other unintended consequences. We are spending 20 percent of our total education dollar on 10 percent of our public school students. Less than 80 percent, therefore, is going to the other 90 percent. In addition, we have not the means—and we do not have the benefit of the 1997 IDEA changes yet—to adequately control costs and cost growth. Just last year, the State of Vermont cost growth in this program area was 11 percent over the pervious year.

The result of all this is a continuing cost squeeze on all other education programs, and sometimes, noneducation programs.

We continue to spend more and more on special education, so we are continuing to be able to spend less and less on the rest of our education programs. As much as we value education, Vermonters are like anybody else. They want to get value for the dollar. And if the education budget keeps going up, sooner or later, it gets defeated in the local town meetings.

The unfortunate and I am sure unintended major consequences of this continuing unfunded mandate, or underfunded mandate, is an underfunding of other education programs that are just as important. I am here today expressing my own personal opinion and my own beliefs, but these opinions and beliefs are based on discussions with school board members, superintendents and other people directly involved in the delivery and financing of these services in Vermont, as well as ordinary citizens. These ordinary citizens are unable to understand why, if a program is so important as to have a Federal mandate, so little of it is funded by the Federal Government. Our citizens do not question the need for special education; they do question the cost-effectiveness and the cost fairness of this mandate.

Sooner or later, these unintended consequences have adverse effects on the quality of our education, and that is happening. I am sure you do not intend that to happen, but it does happen, it is happening, it has been happening, and it will continue to happen as long as local school districts have to make up for all or part of your lack of funding for the mandate.

I understand as a member of the Vermont legislature how difficult it is to add spending of less than one percent for any program in any given year. I am not here pretending that you have an easy task to increase the budget for special education, but I hope your task is easier than it would be if the Federal Government had not mandated these services. So in closing, I will ask you to please take action this year and in the years to come that will result in fully funding the Federal share of this important program or that will result in relaxing the mandate so we can continue to provide special education services to those who need them most without detracting from other important State and local programs.

Members of the committee and Mr. Chairman, we cannot continue with the high costs and the high rates of growth in these costs and the low Federal participation in funding this Federal mandate. We either need more from you in terms of funds or less from you in terms of cost-mandated requirements. I hope you will carefully consider these options and take action that will help us all.

Thank you for the opportunity to testify. I will be glad to attempt to answer any questions you may have.

The CHAIRMAN. Thank you very much.

[The prepared statement of Mr. Perry follows:]

PREPARED STATEMENT OF ALBERT J. PERRY

Good morning, ladies and gentlemen. It is a privilege for me to be asked to testify before this committee. My name is Albert Perry. I live in Richford, Vermont. I am a state representative in the Vermont General Assembly, and I represent in the assembly four Northeast Franklin County towns; the towns of Bakersfield, Berkshire, Enosburgh, and Richford.

The purpose of my testimony is to comment on special education costs and financing of those costs in my hometown, my school district and the state of Vermont and to point out the consequences of the continuing large shortfall in the federal funding for special education.

In my remarks today, I would like to: 1) give you a brief background of my part of the country and the special education circumstances in our area; 2) address several cost factors and the consequences of the federal funding shortfall; and 3) recommend action to correct fundamental problems of continuing to fund a mandate from the federal government while the federal government does not live up to its stated part of the bargain.

By way of background, I was born and raised in Richford, Vermont and after graduating from high school, joined the U.S. Navy, attended college on a naval scholarship; I stayed in the navy for 30 years as an active duty officer, most of that time in submarines and 3½ years as commander of a nuclear attack submarine. Following my retirement from the naval service and six years in the private sector here in the Washington D.C. area, I returned to my hometown and was elected state representative for the four-town district. I am just beginning my seventh year in this office.

Just this past year, I was asked by our local school board in Richford to see what could be done about the continuing rising cost of special education and a relative inability of local school boards to control those costs. Since that request, I have learned a great deal about this subject. I still have a great deal more to learn, but what I know reliably now is that the cost shift consequences of underfunding from either the state or the federal government or both have significant adverse impact on local education quality.

Richford is a small town of 2,200 population in the Missisquoi River Valley on the western slopes of the Green Mountains at the Canadian Border. It is historically a mill town and still one-third of our jobs are in the local grain elevator and a vinyl siding factory. It is in the very northeast corner of Franklin County, which is a rural county, with 15 municipalities, the largest of which is about 7,000 population. Franklin County is the foremost agricultural production county in the state of Vermont, with a great deal of good quality dairy farming. There are four supervisory union school districts in Franklin County. Richford and the other three towns that I represent are in the Franklin Northeast Supervisory Union. The economy of this area is a mixture of agriculture, forestry, commercial and industrial. Our unemployment rate ranges from low—three to four percent in the Champlain Valley—to high—eight to ten percent in Richford and other towns along the Canadian border.

Northeast Franklin County is rural, mostly moderate to low income, with 20 to 25 percent of the population eligible for food stamps and 10 to 15 percent of the population receiving Aid to Needy Families with Children. It is not a prosperous area, and we have more than the average number of special education eligible students.

The special education population in our area is about 15 percent of the total school population. Special education funding, over and above the average per-pupil funding, is about 15 percent of the budget throughout the district, but in some towns, it is 20 or 25 percent. In 1997, there were just over 1,700 students in the public schools in this five-town supervisory union, and 269 of those were eligible for special education services. That's 15.6 percent of our total K–12 population, and the cost of providing that special education, along with other regular education services to those special education students was about 26 percent of the total K-12 budget for those five towns.

The state of Vermont has recently passed a milestone education funding bill known as Act 60, and in doing so, state funding for special education has been increased from about 40 percent of the total cost in fiscal year 1998 to about 60 percent of the total cost during the current school year. From the standpoint of the average local school district, that is good news. However, not every town is average. Some towns, including my hometown, may experience an annual cost increase for special education services of anywhere from 10 to 40 percent as a result of students moving from another town who require special education services, or students who already live in the town now require special education services. To put this in a cost perspective, the average per-pupil cost of public education, not counting special education services, is about $6,000.00 per year. The average special education cost per pupil is about $10,000.00 per pupil per year, and the consequent average total cost of educating a special education eligible student in Vermont is about $16,000.00. However, if the special education student requires extraordinary services, for instance if the student is physically disabled or is visually impaired or is deaf, etc., the average cost in Vermont rises to $25,000.00 per year, over and above any regular education services. In our five-town supervisory union, the average cost for our seven extraordinary special education students is $34,000.00 per year. I mention these numbers to point out both the magnitude of the costs and the fact that there is quite a large variation from the average, depending upon the town and the circumstances.

Now I would like to paint the picture in Vermont overall. Vermont has approximately 105,000 public school students in grades K-12. Approximately 12,000 of these students are eligible for and receiving special education services. Delivering these services to this population takes over 20 percent of the total K-12 resources for the state of Vermont. Over the past several years, from 1990 to 1997, federal share of this total funding for special education has ranged from a low of four percent to a high of seven percent. During that same period, state funding has ranged from a low of 39 percent to a high of 50 percent. The local school districts have financed 45 to 57 percent of the total costs of these programs during that seven-year period.

During the current fiscal year, FY99, 32 percent of eligible special education costs are being paid by local school districts, the average state funding is about 60 percent, and the federal government is financing about 8 percent of the total. This is a federal shortfall of about 32 percent if one accepts the stated intention of the original federal law of funding 40 percent of the total average cost of special education services. The dollar value of this federal shortfall (in Vermont) in this fiscal year is about $33 million. Now, $33 million, that's million with an M, may not seem like a lot of money in comparison with the federal budget, but in Vermont, that's a lot of money. I would like to put this $33 million shortfall in a Vermont perspective.

First, in terms of revenue, $33 million is about four percent of our general fund. It's about 8 percent of our state's education grand list value. By the way, our statewide property tax rate for education is $1.11. $33 million would be just a little under the revenue generated by one cent of our five-cent sales tax in Vermont. $33 million would be between and nine and 10 cents on our state gasoline tax, and $33 million averages out to about $100.00 per Vermont taxpayer per year. Second, in terms of spending in Vermont, $33 million is about 4 percent of our total annual K-12 public education spending, and I will come back to that point. Spending on some other state and local programs is offered for comparison as follows: $31 million this year for Vermont public safety expenditures; $23 million for commerce and community development; $32 million this year to regulate and protect the use of our natural resources and the environment; and $35 million this year to maintain and repair roads and bridges on our 25,000 miles of town highways

I hope you will agree that in Vermont, a $30 million-plus annual shortfall in federal aid for special education represents real money that cannot be spent on other important programs. I suppose what I have just pointed out is fairly obvious and doesn't require a journey to Washington for anyone to discover or appreciate it. But I hope you will understand that there are other unintended consequences. First, we are spending more than 20 percent of our total education dollar on 10 percent of our public school students. Accordingly, we are spending less than 80 percent on 90 percent of our students. Second, the cost growth for special education services continues at a very high rate between 8 and 10 percent per year. From last year to this year, the increase was 11 percent. By comparison, the cost growth for total education spending is about 5 percent per year. The result is a continuing cost squeeze on the nonspecial education programs.

We continue to spend more and more on special education and so we are continuing to be able to spend less on other education program within the total education dollar. In Vermont, our school budgets are decided by a vote of the people in each town's school district. Most districts have a Town Meeting, usually in March, always in the spring, to decide on the amount and the content of the education budget. As much as we value education, Vermont citizens are like citizens all over the United States; they want to control cost, and double-digit increases in one element of the budget, such as special education, will not justify in double-digit increases in the total budget. As a result, there is a continuing squeeze on everything else in order to finance special education. There is little flexibility as to the mandate, and there is virtually no flexibility as to how much of it is funded by the federal or state government. As a result, local school districts pick up the slack.

The unfortunate, and I'm sure unintended major consequence of this continuing underfunded mandate is an underfunding of other education programs that are just as important. I am here today to express my own opinion and my own beliefs, but these opinions and beliefs are based on discussions with school board members, superintendents and other people directly involved in the delivery and financing of special education services in Vermont as well as many ordinary citizens who are unable to understand why if a program is so important as to have a federal mandate, so little of it is funded by the federal government.

Our citizens do not question the need for special education. Our citizens do question the cost effectiveness and the cost fairness of this mandate. Although local school boards do have some degree of control over special education service costs, they do not have any control over whether or not an eligible student is provided appropriate special education services or whether or not an extraordinary needs student will move into their district.

I am sure that you can appreciate the significance of this problem in a school district with a $2 million budget, $500,000.00 of which is special education of yet another new special education requirement which costs an additional $50,000.00 to $150,000.00 per year. Local school districts do not go into long-term debt in order to finance annual operating costs. If our costs go up five percent this year, that usually means that the taxes go up five percent. And, as you will appreciate, there are only so many years of five percent per year tax increases before the voters say no. In order to avoid this standoff with the voters, responsible school boards will do their darndest to keep the budget at a reasonable level, but when certain cost elements are mandated, the flexibility and the cutting is in the non special education part of the budget. Sooner or later that has unintended but adverse consequences on the quality of the education available to the large majority, if not all the students in those schools. I am sure that you do not intend that to happen, but it does happen. It is happening. It has been happening, and it will continue to happen as long as local school districts have to make up for all or part of your lack of funding.

Before closing, I would like to give you my appreciation of the magnitude of the challenge that you face. The total annual cost in the U.S. of special services mandated by federal law is about $50 billion—$50 billion. A forty percent federal intended share of that is $20 billion. The current federal actual funding is less than $5 billion, and the current federal shortfall is around $15 billion. $15 billion is under one percent of the total federal spending budget for this year. I understand, as a member of the Vermont Legislature, how difficult it is to add spending of one percent of the total budget for any program in any given year. I also understand that it is even harder to trade off one percent for another one percent. So I am not here pretending that you have an easy task to sell an increase in special education funding by the federal government. But, I hope your task is easier than it would be if the federal government did not mandate these services. So I would ask you to please take action this year and in the years to come that will result in fully funding the federal share of this important program, or that will result in relaxing some of the mandate so we can continue to provide special education services to those who need them most without detracting from other important state and local programs.

We cannot continue with the high costs and the high rates of growth in these costs and low federal participation in funding this federal mandate. We either need more from you in terms of funding or less from you in terms of mandated costs. I hope you will consider carefully both of those options and take action that will help us all.

Thank you for the opportunity to testify before your committee. I will be glad to attempt to answer any questions you may have.

Senator HUTCHINSON. Mr. Chairman, I apologize for interrupting what I think is very good and very important testimony, and I know we have other panels, and many who have travelled distances to be here to testify. But I think I should put you on notice that I do intend to object to our extending beyond 10 a.m. The Leader's office has indicated that committees should not be meeting during the impeachment deliberations. Members of this committee who will be speaking this morning I think deserve to be heard, and those deliberations are important. Not everyone has announced his or her intentions on how they plan to vote on the Articles of Impeachment.

So I would hope we could hear from as many as possible, but I do not think it is appropriate or right that the committee continue to meet while the Senate is in session for the impeachment trial, and because the issues being discussed this morning are so important, I think every member of the committee should have the opportunity to be here for that testimony.

I wanted to make that observation to the chairman.

The CHAIRMAN. Thank you.

Senator KENNEDY. Mr. Chairman.

The CHAIRMAN. Yes, Senator Kennedy.

Senator KENNEDY. Just so we understand the rule, the fact is it does not go into effect until 2 hours after the Senate goes in; so under the Senate rule, we can sit as a committee until noon. So you cannot object until noon, in any event, because we do not go in until 10, and it is 2 hours after we go in.

So I agree with the policy, and I also want to say that I apologize for not being here earlier. We were over in Land and Water for a longstanding meeting at 8 o'clock this morning, so I was late arriving here. But the chair has tried to accommodate and spoke to me yesterday about holding this hearing earlier and earlier, and I do have some concerns just about the preparation for these hearings now, as we are dealing with a lot of different matters, and I do regret that aspect of it. But the fact remains that just in terms of the rule, there cannot really be an objection until noon.

Senator HUTCHINSON. Well, Senator, certainly, the rule being the rule, that is as it may be, but I can certainly still raise the objection, and I intend to. I think it is inappropriate——

The CHAIRMAN. Well, why don't we proceed immediately to the testimony of our witnesses?

Senator HUTCHINSON. Because I wanted the opportunity to make it as clear as possible.

The CHAIRMAN. Thank you. I believe you have made your intentions clear.

Mr. Marchand.

Mr. MARCHAND. Good morning, Mr. Chairman and members of the committee. I will attempt to summarize my statement and hopefully be brief.

I am pleased to represent the Consortium for Citizens with Disabilities' Education Task Force, a group of 40 national organizations that deal with disability policy and special education policy. We represent all the types of disabilities, the various professions in the disabilities, advocates, parents and providers.

CCD played a role in the enactment of Public Law 94-142 in 1975, and we have worked valiantly over the years to try to secure full funding for this law.

As you mentioned, Mr. Chairman, I am a former special education teacher in Massachusetts; I am the parent of a son who has now graduated from high school and who was a special education student.

Before 94-142 passed, I directed a child development program in the State of Rhode Island for children with multiple and severe disabilities who were rejected by public schools prior to the law, and that program was held in a 75-year-old wooden firetrap abandoned school. That was what we got.

I was here when 94-142 was passed, and I remember vividly, Mr. Chairman, you speaking eloquently in 1975 in committee on the progressive Vermont education policies that helped lead to the passage of 94-142, and I also recollect Senator Kennedy as a chief cosponsor of S. 6 when that legislation became the Senate bill to create the special ed program.

The IDEA money promise has clearly never been met—that is history; we know it. It has not mattered whether it is a Republican or a Democrat sitting in the White House. It has not mattered whether or not the Democrats or the Republicans control the Congress. The bottom line is we have never delivered on the fiscal promise. And despite almost doubling the IDEA money in the past 3 years, primarily thanks to Republican leadership, we are still at only 12 percent of the 40 percent goal, and we do have a long way to go.

Before getting into the money issues, I would like to say a few other things. First and foremost, IDEA works. Nearly 6 million students with mental or physical disabilities profit from this law every day. Yet too many parents have to fight constantly to protect and secure their children's educational rights.

Second, IDEA saves money. The vast majority of students with disabilities leave school prepared for higher education, real jobs and less dependency. IDEA has saved taxpayers billions of dollars already by preventing unwarranted, inappropriate and very costly institutionalization.

Third, IDEA is not an unfunded mandate. Regardless of Federal funding, States have a constitutional obligation to educate all children with disabilities. State and local school systems must educate all students—and "all" means all—regardless of Federal funding.

Fourth, school systems are hurting, and the Federal Government must step in to do more. Fully funding IDEA would help all students, not just those with disabilities. Conversely, increasing funding for general education would help students with disabilities.

Fifth, IDEA is fragile despite a quarter-century of achievement. The law is woefully underfunded. Certain forces seek to undermine it, to weaken it, to repeal it. Although politicians at each level of government and school officials feel the heat, it is students with disabilities and their families who bear the brunt of these attacks.

Sixth and finally, IDEA has always received bipartisan support, and that bipartisan support needs to be maintained. Disability follows no political persuasion, economic condition, religion, race, or any other factor. We plead that this bipartisanship be maintained.

When looking at the IDEA budget from the President's budget, our community has no choice but to look at the overall budget in regard to disability, and as is usually the case, the reviews are mixed. Some programs do okay. Some program proposals have tremendous potential, while others are greatly disappointing. The President's 2000 budget is the same. There are disasters in HUD for disability programs in housing. There is not a dime of new money. The IDEA State grant is a tremendous disappointment because of the limits on the funding. And there are other programs that are frozen or cut, and we believe that freezing programs cuts those programs.

On the flip side, there is great promise in the President's long-term care initiative, in the Workforce Investment Act proposal sponsored by Senators Jeffords and Kennedy, which is in the budget, and there are IDEA components that are also well-funded. We have recommendations for how these programs need to be adjusted.

At least half a billion dollars, as the Republicans have done for the last 3 years, should be maintained in the State grant programs. The Preschool and Part C Early Infant Program should grow like Head Start grows. That is where kids with disabilities get their head start, from the IDEA infant programs, and they should grow accordingly.

And it makes no sense, when we have a great teacher shortage in our Nation and unqualified teachers teaching children with disabilities, that the President asks for no money for personnel development. It just makes no sense.

In closing, Mr. Chairman, I would like to leave you with two points. One, this Congress should do no harm. It should not erode the rights of children with disabilities, and it should give the 1997 Amendments which you so skillfully drafted a chance to be properly implemented. And finally, we need to increase the money. The Federal Government needs to come up with its full commitment as soon as possible so that all children can learn and thrive.

I appreciate this opportunity to testify, Mr. Chairman.

The CHAIRMAN. Thank you.

[The prepared statement of Mr. Marchand follows:]

PREPARED STATEMENT OF PAUL MARCHAND

Mr. Chairman and Members of the Committee, I am pleased to testify on behalf of the Education Task Force of the Consortium for Citizens with Disabilities. The Task Force is comprised of over 40 national organizations representing children with all types of disabilities, their parents and advocates, special educators, related services personnel, and providers. CCD has been involved in federal special education policy since the development of P.L. 94-142 in 1975. In addition to our involvement in every reauthorization of IDEA, CCD has pursued increased federal funding for IDEA on an annual basis throughout its history.

For background purposes, I am a former special education teacher in Massachusetts, the father of a now adult son who profited from an IEP under IDEA as a student with a learning disability educated in Maryland's public schools, and as a long-time disability public policy professional who was there in 1975 when the 94th Congress wrote and passed P.L. 94-142. I do remember three freshmen Congressmen, Representatives Jeffords, Harkin, and Dodd, who cast historic votes in support of the right to a free, appropriate education, as of course did Senator Kennedy, a lead sponsor of S. 6 in the U.S. Senate.

As you and we are keenly aware, the Federal government continues to fall far short of its fiscal promise to schools and its students with disabilities. The legislative history is clear. It hasn't mattered whether there is a Republican or a Democrat in the White House. Until the last three years, it hasn't mattered which party is in control of the U.S. Congress. IDEA's funding history has never come close to the promise. Despite a doubling of funding in the last three years, spearheaded principally by the Republican leadership, IDEA state grant funding is only 12 percent of the excess cost, far less than half-way to the promise of 40 percent excess cost Federal reimbursement.

Before discussing funding issues in greater depth, CCD would like to make several points. First and foremost, IDEA works! Nearly six million students with mental or physical disabilities profit from the law every day. Yet, too many parents have to fight constantly to protect and secure their child's educational rights. Second, IDEA saves money. The vast majority of students with disabilities leave school prepared for higher education, real jobs or less dependency. IDEA has saved taxpayers billions of dollars by preventing unwarranted, inappropriate, and very costly institutionalization over 25 years. Third, IDEA is not an unfunded mandate. Regardless of federal funding, states have a constitutional obligation to educate all children with disabilities. States and school systems must educate all students. All means all, regardless of the Federal funding. Fourth, school systems are hurting and the Federal government must step in to help more. Fully funding IDEA would help all students, not just those with disabilities. Conversely, increased funding for general education programs will help children with disabilities. Fifth, IDEA is fragile, despite its quarter century of achievement. The law is woefully underfunded, certain forces seek to undermine it, weaken it and repeal it. Although politicians at each level of government and school officials feel the heat, it is students with disabilities and their families who bear the brunt of those attacks. Sixth and finally, IDEA has always received bipartisan support and that bipartisanship must be maintained. Disability follows no political persuasion, economic condition, religion, race, or any other factor. CCD pleads that this bipartisanship be maintained. Now to the funding issues. Before focusing on IDEA funding, it is important from the CCD viewpoint to look at the President's budget request from a more universal perspective. People with disabilities depend on various Federal programs and benefits to survive, be educated and trained, and become and stay productive taxpayers. Key disability programs are found in the Social Security Administration, the Departments of Education, Health and Human Services, Labor, Housing and Urban Development, Veterans Affairs, Transportation, and others. Depending on the type of disability, the severity of the disability, the age of onset, current life status, the availability of family supports and numerous other factors, many people depend on federally funded programs and benefits at certain points in their lives. Others, especially those with the most severe disabilities, are basically dependent on government for basic survival their entire lives. Most Federal policy is aimed at eliminating dependency and fostering independence. This committee, through its championing of the Americans with Disabilities Act, IDEA, the Rehabilitation Act, the Workforce Investment Act, the Developmental Disabilities Act, the Technology Assistance Act, the Maternal and Child Health Program, various mental health authorities, and many other statutes, takes a primary role in authorizing that assistance.

As CCD analyzes the FY 2000 Administration proposal, there is a mixed reaction. This is not unusual. Clearly on the negative side, the IDEA request is very disappointing. This disappointment is somewhat offset by the President's proposed increases in other education areas. Many other disability programs are frozen at current levels. A few are actually cut.

The worst dilemma is in the HUD budget, where no increase is sought for disability housing programs. This is most problematic, since we know that hundreds of thousands of people with disabilities are on waiting lists for affordable, accessible community-based housing. The jury is still out on the President's Social Security proposal. CCD is concerned that the Social Security Disability programs be protected from harm, that disability benefits not be cut or terminated, and that they be modernized. There are not enough details available yet to fully assess the Administration's or the Republican leadership's Social Security proposals. We remain very wary that the disability aspects of Social Security are not getting the attention they deserve.

CCD gives the Clinton Administration great credit for putting long term care, a key disability policy issue, on the map. We applaud the President for his leadership in this area. Similarly, the Administration's support for the Jeffords-Kennedy Work Incentive Improvement Act is appreciated, almost as much, but not quite as much, as we applaud the lead sponsors of this vital bill. The Long Term Care and Work Incentive Improvement proposals would help hundreds of thousands of people with disabilities lead better lives.

In regards to the President's specific proposals for IDEA funding for FY 2000, again the review is mixed. An increase of one-tenth of one percent for the Part B Basic State Grant is most disappointing. It does not nearly meet the annual cost-of-living increase nor does it factor additional children who will qualify for special education. CCD recommends the Congress increase this funding by at least a half billion dollars, staying the course set by Congress over the last three years.

It is important to remember two important changes to IDEA made in 1997 to assist states and local school systems. First, now that the "trigger" has been surpassed, local school authorities can use up to 20 percent of IDEA funding for general education purposes. Thus, for every additional dollar appropriated, 20 cents is available to shore up general education programs. Second, the Congress is nearing the second "trigger" which initiates the new IDEA funding formula. An appropriation increase of $615 million to the Part B State Grant Program will trigger the new formula. One final point regarding IDEA Part B funding. CCD is concerned with the Administration's tactic of an "advance appropriation" of almost $2 billion of IDEA funding. Although we understand the concept behind this budgetary maneuver, we are apprehensive about the long-term impact of this strategy on IDEA funding.

President Clinton's budget would increase IDEA's two early childhood programs, the Section 619 Preschool Program, and the Part C Early Intervention Program for Infants and Toddlers by 7.6 percent and 5.4 percent, respectively. While this is an appreciated increase, CCD has always described these two programs as the Head Start equivalent for young children with disabilities. Historically, IDEA's "Head

Start" programs have been increased at levels significantly below the actual Head Start Program. This year, the Head Start request reflects a 12 percent increase, essentially double the IDEA program increase. The IDEA "Head Start" programs and the actual Head Start Program each serve approximately 800,000 children. The IDEA programs are currently funded at $744 million, while the Head Start Program is now funded at $4.7 billion. CCD urges the Congress to achieve "appropriation parity," increasing IDEA's early childhood programs at least at the same level of increase given the Head Start Program.

Finally, in regards to IDEA's Part D discretionary programs, again our reaction is mixed. CCD strongly supports the proposed increases in the Parent Training Program, the State Improvement Grant, and the new Primary Education Intervention Program. We are very concerned with level funding for the Personnel Preparation Program and the Technical Assistance and Dissemination Program. Acute shortages of special education teachers and related personnel in many states are well documented. Too many special education students are being served by poorly trained and uncertified personnel. Many teachers and special education administrators who entered the field approximately two decades ago when P.L. 94-142 was enacted and implemented are now reaching retirement age. Who will replace them? Much of today's controversy surrounding special education concerns regular class teachers who are not trained or supported to appropriately educate students with disabilities. Instead of removing "disruptive" students with disabilities to segregated settings, these educators deserve and must receive in-service training to learn how to deal appropriately with children with disabilities in their classrooms. It is obvious to us that the enormous pre-service and in-service training needs in special education cannot be met by a frozen budget. CCD recommends a minimum 10 percent increase in the Personnel Preparation Program. IDEA's Technical Assistance and Dissemination Program also warrants at least a 10 percent increase. With the anticipated release of the final regulation to implement the 1997 amendments to IDEA, it is vital that the Department of Education provide more technical assistance to states, local school systems, parents, and all other parties involved in IDEA. It is very clear to CCD that there is still widespread misinformation and disinformation about the new provisions in IDEA. Massive training initiatives are imperative if the new law is to be implemented effectively and efficiently. That cannot be accomplished without significant increased funding.

IDEA's other discretionary authorities, Research and Innovation and Technology and Media Services, frozen in the Administration's budget proposal, deserve at least a cost-of-living increase to maintain current effort.

In closing, Mr. Chairman, CCD wishes to leave you with several important messages. One concerns program accountability and enforcement of IDEA. In the past three years, school systems have received almost $2 billion additional dollars under IDEA. CCD questions where this money went. We have dozens of questions. Here are a few. Did teachers get trained? Were classroom aides hired to support the teachers? Are the children learning better? Have school systems put in place the required positive behavior intervention programs to better address discipline and disruption issues? Have drop-out rates decreased? Are more students graduating with real diplomas? Do students leaving school all have a transition plan to best prepare them for adult life?

In regards to Federal enforcement, CCD continues to be concerned with how the U.S. Department of Education will monitor and enforce the new amendments. We agree with the Department that technical assistance and training were more important than most monitoring activities this past year as everyone attempted to learn about and properly implement the new law. It is now time, however, to refocus efforts on monitoring and enforcement. The Congress provided the Department new and important tools to enforce the law. The Department must not let more time slip past before they reinvigorate their monitoring and enforcement efforts. CCD recognizes that three monitoring teams cannot cover 50 states and approximately 16,000 local school systems. States know they won't see a Federal special education official but once every four years on a monitoring visit. In addition to providing more staff to the Office of Special Education Programs to carry out their monitoring and enforcement responsibilities, this committee ought to do more oversight of the Department's oversight activities to make sure states and schools are in compliance and that students are learning. We further recommend that the committee press the Department to use the new tools available to them to more effectively enforce IDEA.

CCD also recognizes that the continuing debate over education will most likely center this year on the reauthorization of the Elementary and Secondary Education Act. In these discussions, we hope that disability interests will be allowed to participate. Much is at stake. We believe that improvements in general education will help students with disabilities. We know that most administrators and general education teachers need and desire training in special education. To fail in this endeavor will result in continued discomfort with and attacks against students with disabilities. We urge this committee to explore how ESEA can assist in the training and retraining of all education personnel about disability.

The debate on social promotion must consider its impact on students with disabilities. How will the elimination of social promotion affect those students with mental impairments whose very disabilities will result in not being able to stay on track academically with their non-disabled peers? Will this policy result in more segregated placements for certain types of students with disabilities? How will the new policy affect implementation of the long-standing "least restrictive environment" provision of IDEA?

In concept lower class sizes should spur student learning. However, that would be unlikely for a student with a disability in a classroom with an untrained teacher. Smaller class sizes mean more teachers and more classrooms. Students with certain types of disabilities, such as mental retardation, have an almost impossible opportunity to access regular classrooms now. Given the pressures to reduce class size, their opportunities may shrink more.

Finally, Mr. Chairman, CCD sincerely hopes that every Senator and every Member of the House recognizes that there are equally, if not more important, issues within IDEA than money. Indeed, many parents live in fear today that some Members of Congress and some school authorities are on a path to erode or eliminate the rights protections under IDEA. For those parents whose children with significant disabilities pose tremendous challenges every day at home and in school, a strong message from this Congress that IDEA is secure and will not be weakened would be the best possible news. For them, a $100 or $1,000 per child increase in Federal funding is totally meaningless, if their child ends up totally segregated in school or suspended or expelled. Thus CCD hopes Congress will send two messages to these parents and students this year. First, the Congress will do no harm and will not erode any of the due process rights in IDEA. Second, the Congress will provide increased funding so that every student will be able to learn and thrive in our nation's schools.

Thank you very much for allowing CCD to present this testimony. We are greatly indebted to the members of this committee for their unflagging support for IDEA and other disabilities program benefits.

The CHAIRMAN. Let me interrupt briefly to hopefully satisfy Senator Hutchinson's concerns. We will listen to all of the witnesses before questioning. All members will have the right to submit questions in writing. Those who desire to stay and ask their questions in person will be able to do so. That way, we will be able to hear from all the witness before 10 o'clock, and we will offer questions after that.

Mr. Gilbert.

Mr. GILBERT. Mr. Chairman, members of the committee, I am honored to be here, and I am honored to be part of this country's public education system.

I have been on my local school board for 7 years, I have served on regional boards, and I am an officer in my State school board association. I talk with a lot of school board members, a lot of teachers, a lot of administrators, and a lot of parents, many of whom are frustrated with what appears to be higher and higher expectations placed on the public schools while resources are scarce. The financial burden usually comes to rest with local districts, many of whom are hardpressed to fund even basic programs for children.

Unfortunately, special education has come to embody this frustration. While there is acceptance of the basic rightness of a free and appropriate education for all children, there is cynicism of the Federal Government's role as a partner in helping to serve all children. This is largely, I believe, the result of underfunding of the Federal Government's commitment to special needs children—from a promised 40 percent to somewhere between 5 percent and, gratefully, with the recent increase, we are up to about 10 percent, I believe.

The result of the underfunding, as Representative Perry has said, has been a cost-shift onto States and from States onto local districts. Last year, approximately one-quarter of my elementary school's budget was for special education programs. Our special education population was about 12 percent. Last year, our local district covered slightly the majority, 55 percent, of special education costs.

Vermont has changed its school funding system, and this year, the State will pay a larger share of the cost. But every dollar that is needed, from either State or local coffers, to cover special education is a dollar that is not being used for music programs or a modest foreign language program or technology. These are programs that would benefit all children and would, I feel, help us help children perform better and meet high academic standards.

At budget time, school board members often feel they are taking from one group of students to be able to provide necessary services to others. It is a harsh choice that we are asked to make and also to defend before our voters at town meetings. It does not feel right, especially if we are continually asked to raise test scores and to set the bar a little bit higher.

We need the Federal Government as a strong partner in K-12 education funding. Currently, the Federal Government is perceived as a rather demanding partner rather than one desiring to provide a fair share of the resources we need to help the children in our schools.

The Federal Government is also perceived as a partner that does not keep promises. The lack of commitment to meet the 40 percent funding target for special education is used more often than any other statistic to illustrate this point.

I feel all this could change if you could see your way to meet this commitment to fund 40 percent of special education costs. I am sure perceptions would change instantly. It would signal the beginning of a new education partnership, and it would not go unnoticed. It would do much to provide us, local schools, with resources to carry forward on many of the initiatives we are trying to undertake to improve our schools.

There is, however, another step you must take if you increase special education funds. You must address the "supplanting" issue, where we as local districts are restricted in how we can redirect to other education programs local dollars freed up by additional Federal aid. It is my understanding that under current regulations, you could send us millions of dollars more for special education, and we would have to spend a large percentage of those new dollars on more special education programs whether those programs are really needed or not.

If you do not address the supplanting issue, I fear that an effort to help us could instead turn into even more frustration. School boards around the country have routinely called for full 40 percent Federal funding of special education, and if, all of a sudden, new money came, and there were strings attached to it that it could only be used to increase special education programs, I think it would be seen as a real frustrating thing.

Thank you for the opportunity to address you at what I hope is a really propitious time for public education funding in this country. Education continues to be at the top of public opinion polls as an issue with the public, and it does look like the ink on the budget is black instead of red, which is a great thing, so I am hoping that we will be able to follow the lead of some of your suggestions, Senator Jeffords, and beef up support.

The CHAIRMAN. Thank you very much.

[The prepared statement of Mr. Gilbert follows:]

PREPARED STATEMENT OF ALLEN GILBERT

My name is Allen Gilber. I am a school board member and parent from Worcester, VT.

I have been on my local school board for seven years. I've also served on regional boards and am an officer with the Vermont School Boards Association. I talk with many school board members, teachers, administrators, and parents—many of whom are frustrated with what appear to be higher and higher expectations placed on public schools while resources are scarce. The financial burden usually comes to rest with local districts, many of which are hard-pressed to fund even basic programs for children.

Special education has come to embody this frustration. While there is acceptance of the basic rightness of a free and appropriate education for all children, there is cynicism of the Federal Government's role as a partner in helping serve all children. This is the result of underfunding of the Federal Government's commitment to special needs children—from a promised 40 percent to somewhere between 5 percent to the current—and I note, gratefully, the recent increase 10 percent.

The result has been a cost shift onto States, and from States onto local districts. Last year approximately one-fourth of my elementary school's budget was for special education programs. Our special education population was about 12 percent. Our local district covered the majority—55 percent of special education costs.

Vermont has changed its school funding system, and this year the State will pay a larger share of special education expenses. But every dollar that is needed—from state or local coffers—to cover special ed expenses is a dollar Us is not being used for music programs, or a modest foreign language program, or technology. These are programs that would benefit all children, and would—I feel—help us help children perform better and meet high academic standards.

At budget time, school board members often feel they are taking from one group of students to be able to provide necessary services to others. It is a harsh choice we we asked to make. It doesn't feel right—especially if we are continually asked to raise test scores and set the bar a bit higher.

We need the Federal Government as a strong partner in K–12 education funding. Currently, you are perceived as a rather demanding partner rather than one desiring to provide a fair share of the resources we need to help the children in our schools. The Federal Government is also perceived as a partner that doesn't keep promises, The lack of commitment to meet the 40 percent funding target for special education is used more often than any other statistic to illustrate this problem.

I feel all this could change if you could see your way to meet this commitment—to fund 40 percent of special education costs. Perceptions, I am sure, would change instantly. It would signal the beginning of a new education partnership. It would not go unnoticed—and it would do much to provide us, local schools, with resources to carry forward on many of the initiatives we are trying to undertake to improve our schools.

Another step you must undertake if you increase special education funds: You must address the "supplanting" issue, where we as local districts are restricted in how we can redirect to other education programs local dollars "freed up" by additional Federal aid. It is my understanding that under current regulations you could send us millions of dollars more for special education—and we would have to spend a large percentage of these new dollars on more special education programs, whether these programs are needed or not. My experience has been schools are currently providing services required by special education statutes and regulations. We want to do this, and we are legally bound to do so. I know in my district we are routinely reminded by our special education director about our legal responsibilities. We meet with him to review appropriate education service levels.

If you do not address the supplanting issue, I fear an effort to help us could instead turn into more frustration. School boards around the country, and the National School Boards Association, have routinely called for full (40 percent) Federal funding of special education. They believe this will free up substantial local funds to undertake school reform initiatives and expand academic opportunities. We could decide how dollars could best, and most effectively, be spent in our schools—for smaller classes, for more professional development. The flexibility would help tremendously.

There will be extreme disappointment, however, if a large influx of new money can be used for, mainly, only more special education programs. The Federal Government will once more be seen as an overbearing partner that can't be trusted.

Thank you for the opportunity to address you at what may very well be a propitious time for public education. We know opinion polls show consistently that education is the American public's No. 1 concern, and we hear that the ink in the Federal budget is now black and not red—which presents some wonderful opportunities to do important things for our children.

The CHAIRMAN. If the first panel will step aside, I will ask the second panel to come forward.

The Leader asked the chairmen of committees to try to proceed on a dual track. That means that we are supposed to have hearings and committee meetings in the morning in order to proceed with legislative business notwithstanding the problems created by the impeachment process.

Many of our witnesses have traveled long distances to get here today, and it would not be convenient for them or for us to ask them to come back again. So I hope the method I am outlining is satisfactory.

Now, Senator Hagel, I believe you have a witness on this panel.

Senator HAGEL. Well, that sounds a little judicial, especially in light of current activities that have consumed this city the last few weeks. I prefer to say a "guest," Mr. Chairman, rather than a "witness." He might get up and leave, Mr. Chairman, if I refer to him as a witness. [Laughter.]

The CHAIRMAN. Yes, I am sorry. I am sorry for the choice of words. We have gotten too tied up in the process.

Senator HAGEL. Well, it has permeated the entire thought process of all of us, but I think we will shortly drive a stake through the heart of this beast called "impeachment" and move on.

Mr. Chairman, Dr. John Deegan is a friend and a very respected school administrator and scholar. He is presently the superintendent of the Bellevue Public School System south of Omaha. That school system is about 45 percent impacted because of the fact that Bellevue is the home of the Strategic Command of the United States Air Force, once known as the home of SAC, or Strategic Air Command. So we have had over the years a rather significant issue here, and Dr. Deegan with his associates has been a real leader in this effort. I might add that not only is it a problem and an issue for our military, but for Indian reservations and all Federal lands that the Federal Government has possession of. As everybody know, it takes the land off the local tax rolls, and we suffer the consequences.

But in light of that, I am very proud to introduce Dr. Deegan.

Mr. DEEGAN. Thank you, Senator Hagel.

The CHAIRMAN. Welcome, Dr. Deegan. It is a pleasure to have you with us.

The next member of this panel is Betsy Brand. Ms. Brand currently serves as co-executive director of the American Youth Policy Forum. She has more than 20 years of experience in the fields of vocational and adult education. From 1989 to 1993, Ms. Brand served as assistant secretary of the Office of Vocational and Adult Education at the Department of Education.

I understand that Mr. Packer's daughter was in an accident last night, and our thoughts are with him. He will be represented today by Edward Kealy, executive director of the Committee for Education Funding.

Our final member of this panel is Dunbar Brooks. Mr. Brooks is board president of the Baltimore County Public Schools. He serves as chief demographer of the Baltimore Metropolitan Council and is an executive committee member of the Maryland Association of Boards of Education.

Dr. Deegan, it is a pleasure to have you with us. Please proceed with your statement.

STATEMENTS OF JOHN F. DEEGAN, SUPERINTENDENT, BELLEVUE PUBLIC SCHOOL SYSTEM, BELLEVUE, NE; BETSY BRAND, CO-DIRECTOR, AMERICAN YOUTH POLICY FORUM; EDWARD KEALY, EXECUTIVE DIRECTOR, COMMITTEE FOR EDUCATION FUNDING; AND DUNBAR BROOKS, TOWSON, MD, BOARD PRESIDENT, BALTIMORE COUNTY PUBLIC SCHOOLS, ON BEHALF OF THE NATIONAL SCHOOL BOARDS ASSOCIATION

Mr. DEEGAN. Thank you, Mr. Chairman. I might put in a plug for what allowed me to be here today, and that is the National Defense Education Act of the 1960's. I grew up in Iowa, in a family of 11 brothers and sisters. My dad died when I was 13, and I had nowhere to go but to try to borrow the money to go to school. I owe the Federal Government a great debt, and when you talk about student loans, I think I have paid back more than my share of whatever that loan was at that time, which gave me the opportunity to be here today. So I think that that is a very important Federal program.

The program I am here to talk about today is, of course, impact aid. I look at the panel, and I feel like I am with friends, because everybody on this panel is touched by the impact aid program. Whether it be low-rent housing, civil service workers, Indian lands or military children, it is a very, very important Federal program. It is kind of the original Federal program for education. It started, of course, in 1950, and it was a very important program. After President Truman signed it, he was the last President to actually advance a budget and say we want to support that program.

They always play the game with Congress—they leave it to you to do the heavy lifting and get that program together, and President Clinton is no different. I am not sure where he gets his advice relative to this program, but you would think that somebody, some day, as commander-in-chief of the United States military, would step forward and say: This is an important program. My staff does not need to cut that program.

It is a little bit like paying your home taxes or making your house payment. You do not sit around the house and talk about putting in a new pool, a deck, or buying a new car if you cannot pay the house payment and take care of the utility payment. That is really all that impact aid is. It is the Federal Government's obligation to make sure that when there are taxes taken off the tax rolls there, and when there are children impacted, the Federal Government is going to look out for that program. It is probably the model education program.

If you really want to grab hold of what we should do in education, impact aid is the program. The dollars are appropriated by Congress, sent to the Department and sent right out to the local school district. The local school board can decide how to spend those dollars, and we really use them the best way we can to try to make them work the best we can for the children.

There is not a huge bureaucracy in between. There are a lot of complaints and concerns at times with the Department of Education delaying payments, and we continue to work on that, but at times, it seems their data tabulations or the data work is difficult. But we do continue to try to make sure those dollars get out to those children as soon as possible. Any delay in those dollars, of course, costs the districts interest as well.

So we think it is an excellent program that works very well. We want you to continue to work real hard on the program. At times, we feel insulted by the action of this budget that proposes a $128 million cut. We want class size reduced, too. We want our technology, too. We want our kids to have a good program as well. So to say we are going to take money from the military children or from Indian children and turn around and give it to other children in the United States just does not seem fair. We would like to see that turned around by this committee and by this Congress. Traditionally, they have, but the one thing you will find if you look at the reference sheet I have provided relative to appropriations is that generally, we use all of our energy and all of our effort to get back to where we started. That is not where we should be in impact aid.

The program should start with a good base and model what the Federal obligation is, look back to what the original intent of the law was. All it really said was that it was a match between locals and Federal. At that time, the Federal Government was going to put up half of whatever the national average cost per pupil was, and today, that would equal about $6,000. And the $3,000 that would be paid for a child living on Federal property amounts today to about $2,000. So in essence, these children are being shortchanged on their dollars.

Also, for the military "B" child, the child who lives off-base, we still have a base and the commissary, the VX, and the Soldiers and Sailors Benefits Act—those children also suffer because $1 per day is all we are giving to educate them.

So we think it is a program that needs a lot of attention, a lot of support. Today, I have brought along with me an example of a family that receives those program dollars. We have Cynthia Bolle and her daughter Brianna, a fourth-grader, A.J. Bolle, a seventh-grader, and Jesse Bolle, an eleventh-grader in our school system. This is what the program is all about. It is nothing magical, there is nothing special—it is just making sure they get a good education very day.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Dr. Deegan.

[The prepared statement of Mr. Deegan follows:]

NATIONAL Military Impacted Schools Association
"Supporting the educational needs of military families"

CHAMPIONS FOR CHILDREN

2009 Franklin Street • Bellevue, Nebraska 68005-5062
Telephone: (800) 291-6472 • Fax: (402) 291-7982
www.esu3.k12.ne.us/districts/bellevue/misa/misahome.html

Position Paper

Military Readiness: The "New Military"
By Dr. John F. Deegan
CEO, Military Impacted Schools Association

Actions of the federal government are having a great impact on the readiness of military personnel and military families. The federal government has structured a new way to reorganize for efficiency and a way to operate a military force through a "global reach" philosophy.

The Department of Defense supports over 70,000 military dependents in DoD schools overseas and in sixteen DoD schools in the United States. There are also over 500,000 children of military personnel served in local public schools in the United States that need support from DoD. All of the school districts that serve military dependents are greatly affected by perstempo, deployment, privatization of housing, and most efficient organization studies. Congress is beginning to support the military dependents attending local school districts in the United States by providing $35 million a year to DoD to distribute to local schools. The Department of Defense needs to begin to plan for this in their overall budget request to Congress.

The "new military" is an "ALL VOLUNTEER" force which makes recruitment, retention, readiness and morale very important issues to everyone in this nation. In the "new military," quality of life for military families is a key factor in readiness.

These issues have a direct impact on military children – it is all about uncertainty, separation from family and their children's educational opportunities.

In the past, military families followed the military member to Europe, Asia, or any base in the United States. Now, due to the drawdown and realignment, the "new military" family is at one military location while the husband or wife deploys for long periods of time all over the world.

Because the "new military" activity changes how military personnel and their families are affected, we need to see a "new direction" from the Department of Defense in supporting these military families. Also, the local school district serving a military installation needs to play a "new role" in supporting the Department of Defense and the "new military."

If the Department of Defense wants to positively affect recruitment, readiness, retention and morale, they need to recognize the "new role" being played by the local school districts serving the children of the military. The Department of Defense can't take for granted that the Department of Education or local states will be there to do what is necessary to build a quality force and support the "new military."

The Department of Defense is deeply concerned about the tremendous shortage of pilots and highly skilled people and recruiting quotas not being met. Therefore, they must take preventative measures now because these problems are but the "tip of the iceberg."

Children of career military personnel also choose military service. The pool of the future military is the sons and daughters of today's military. How we treat the children of military personnel today will set in motion the kind of military force of the future. It will be hard to attract an "ALL VOLUNTEER" force when a child has grown up experiencing parents on long deployments and a high perstempo without local support for that child's family, and the child's educational needs not being met.

Local school districts in the United States are eager to become a partner with DoD in supporting our "new military." Local military commanders need to work with local school officials on forging a partnership for community understanding and support. The Department of Defense needs to work with local schools supporting military children – "the most valuable resource of the present day military." Military children have unique needs due to their parent's unusual jobs and expectations as they defend this nation – their children deserve our support.

Local commanders need to communicate the unique needs of the children of military families through the chain of command so that the service Chief's can better articulate to the Secretary of Defense the areas where DoD can assist in supporting the needs of <u>all</u> military children -- whether in the United States or overseas.

This is not an issue of Impact Aid from the Department of Education which addresses the in-lieu of tax issue of local school districts in the United States. These schools are attempting to offer a comparable educational program and the federal government has an obligation to support the best tax service. The Department of Defense and others involved need to help local schools with needs well beyond the tax issues. The Department of Defense and local commanders need to work with local schools in supporting the needs of military children affected by the "new military." The Department of Defense needs to help forge a new "partnership" between DoD and local schools serving all military children so that military personnel can be ready to accept the readiness needs of DoD.

The Department or Defense needs to take positive steps to show our appreciation for this "new military" so as to provide for military readiness and the quality of life necessary to maintain an "ALL VOLUNTEER" force.

CHAIRMAN OF THE JOINT CHIEFS OF STAFF
WASHINGTON, D.C. 20318-9999

20 November 1998

John F. Deegan, Ed.D.
Chief Executive Officer
National Military Impacted
Schools Association
2009 Franklin Street
Bellevue, Nebraska 68005-5062

Dear Dr. Deegan,

Many thanks for taking the time to write and the kind words about Carolyn and my attendance at the recent "Serving the Military Child" conference. Your position paper, "Military Readiness: The 'New Military'" is appreciated and I will certainly share it with others in DOD. Military and civilian organizations need to remain vigilant in their efforts to address the unique needs of military children. Your diligence and that of your colleagues in communicating appropriate action and cooperation are vitally important.

With best wishes for every future endeavor,

Sincerely,

Henry H Shelton

HENRY H. SHELTON
Chairman
of the Joint Chiefs of Staff

Title VIII of PL 103-382
Impact Aid

	Funding According to Impact Aid Law	Actual Current Funding
"A" student (parent lives and works on federal installation) Law: 1/2 of the national per pupil average--$6,000	$3,000	$2,000
"B" student (parent works on federal installation) Law: 1/2 of the "A" student payment	$1,500	$200

Title VIII of PL 103-382
Impact Aid
Appropriations

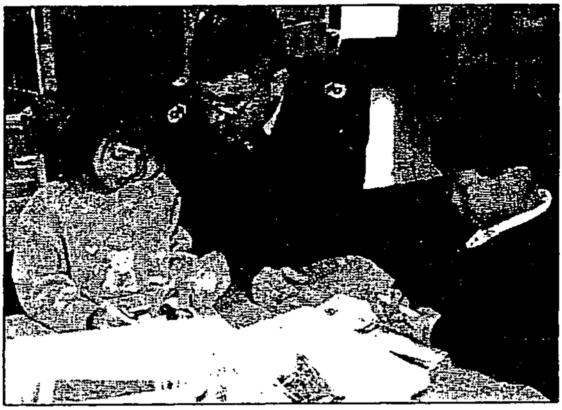
	FY'81	FY'98	FY'99	Pres. FY'00 Prop	House FY'00 Markup	Senate FY'00 Markup	MISA/NAFIS FY'00 Goals
Section 8003(b) --basic support	$705m	$662m	704m	$684m			$754m
Section 8003(d) --special education		50m	50m	40m			50m
Section 8003(f) --heavily impacted		62m	70m	0			77m
Section 8002 --federal property	20m	24m	28m	0			43m
Section 8007 --repair/renovation	0m	7m	7m	7m			10m
Section 8008 (bldgs. owned by DoEd)	0m	3m	5m	5m			6m
TOTAL	$725m	$808m	$864m	$736m			$940m

54-667 99 - 2

History of
Impact Aid Appropriations

FY'51	$29,080,788
FY'52	$51,570,000
FY'53	$60,500,000
FY'54	$72,350,000
FY'55	$75,000,000
FY'56	$90,000,000
FY'57	$113,050,000
FY'58	$127,000,000
FY'59	$157,362,000
FY'60	$186,300,000
FY'61	$217,300,000
FY'62	$247,000,000
FY'63	$283,322,000
FY'64	$320,000,000
FY'65	$332,000,000
FY'66	$388,000,000
FY'67	$416,200,000
FY'68	$406,355,000
FY'69	$505,900,000
FY'70	$507,700,000
FY'71	$536,068,000
FY'72	$592,580,000
FY'73	$535,495,000
FY'74	$574,416,000
FY'75	$636,016,000
FY'76	$730,000,000
FY'77	$776,000,000
FY'78	$775,000,000
FY'79	$786,100,000
FY'80	$772,000,000
FY'81	$706,750,000
FY'82	$441,776,532
FY'83	$467,020,879
FY'84	$555,000,000
FY'85	$665,000,000
FY'86	$634,405,000
FY'87	$685,000,000
FY'88	$685,498,000
FY'89	$709,396,000
FY'90	$717,354,000
FY'91	$740,708,000
FY'92	$743,708,000
FY'93	$738,250,000
FY'94	$786,300,000
FY'95	$728,000,000
FY'96	$693,000,000
FY'97	$730,000,000
FY'98	$808,000,000
FY'99	$864,000,000

Our military defends our nation . . .



. . . their children deserve a quality education.

Photo by Staff Sgt. Shelley Larche

Captain Wayne Kelm, 23rd Bomb Squadron, is welcomed home from his deployment to Diego Garica by his daughter Laura Dec. 24.

Christmas at home

A B-52 touches down on a runway against the afternoon sun at the Minot Air Force Base Thursday. The bomber is one of four which returned to Minot Thursday after being deployed in November to participate in Operation Desert Fox.

Mission accomplished

Photo by Tony [illegible]

Air Force Capt. Sean Coveney is greeted by his wife, Tiffini, Sunday in a hangar at Offutt Air Force Base upon his return from Southwest Asia, where he and other Offutt personnel participated in the "Desert Fox" mission in Iraq. Offutt personnel were scheduled to return a day earlier but were delayed a day because of inclement weather.

Offutt Homecoming

PHIL JOHNSON/THE WORLD-HERALD

Air Force Capt. Jeff Compton greets his son, Sean, 4, upon returning Sunday to Offutt Air Force Base from the Persian Gulf and Operation Desert Fox. About 40 members of the Air Combat Command's 55th Wing returned from the region Sunday. Their trip was delayed Saturday by snow and wind.

Story in Midlands, Page 9

12-26-98

Home for the holidays

An unidentified crew member walks away from a B-52 bomber after returning to Minot Air Force Base Thursday afternoon. The four bombers were part of the seven aircraft and about 50 crew members sent to the Persian Gulf from the local base three weeks ago for airstrikes against Iraq.

Photo by SrA. Tara Tertin

Capt. Steve Rice, 38th RS navigator greets his son Cale, 3, as wife Kimberly and son Aram, 6, welcome him home from Operation Desert Fox.

LESLIE SMITH

Deployments part of military life, but it's still tough on families

Holidays spent deploying to parts unknown always have been rough on both the military member and loved ones left at home, especially when the deployment is to a combat zone.

The recent deployments in support of actions against the government of Iraq are no exception. These "on again, off again" deployments left many families in near chaos this past holiday season.

I know of at least two units from two separate services that were left guessing until the last moment where they would celebrate the holiday season.

In November, after President Clinton aborted airstrikes against Iraq at the last minute, a newspaper in Tucson, Ariz., carried a front-page story about one of the flying squadrons deploying to support the strikes.

A few days later, as I offered words of encouragement to a friend whose husband would be involved, I found that the unit was on its way home.

While it is normal to have bags packed and plans made for a contingency situation, it is unusual to experience a situation in which the loved one returns home so quickly after good-byes have been said.

Again, this time just days before Christmas, Iraq's Saddam Hussein refused cooperation with U.N. Special Commission inspectors. This time, the inspectors left, and bombs fell on Iraq.

Meanwhile, families braced for deployment of their loved ones yet again. Some actually left, while others were put through the preparations only to find it was another false alarm.

Because rapid, short-notice, frequent deployments have become standard operating procedure in the military these past few years, Family Support Center offices have developed a number of services to assist those left on the home front.

These include checklists for how to prepare the children for the spouse's departure, tips for staying in touch with loved ones who are away and how to prepare for the loved one's return.

There is no checklist, however, for the recent roller coaster ride with Saddam.

One Marine told me his unit was set to leave right after Christmas. Fortunately, he said, the deployment was called off at the last minute.

Another Air Force spouse whose husband was set to deploy twice within the weeks surrounding the holidays told me her family celebrated Christmas early — only to find the deployment was again canceled at the last minute. Despite the near-constant state of upheaval, her attitude remains optimistic.

"The yo-yo games are not fun. Still, I suppose I have to weigh what is worse, him here or gone. I am happy he did not deploy," she said. "We would have been much worse off if he had."

Short-notice deployments are part of military life. Most families understand this. Although we all would rather have our families intact, it is a tremendous adjustment to prepare for a long absence — particularly an open-ended one. Switching gears midstream also is tough, especially when it appears unnecessary.

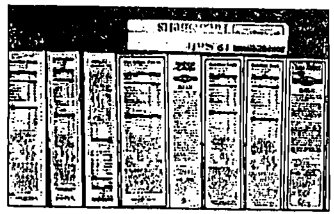
It appears that the administration has no frame of reference for the process military families go through when a combat deployment is imminent. Military families will remain necessarily at the end of the whip in this game of "crack the whip" while those in Washington do what they deem right.

In their thoughts and consideration of what is necessary, our civilian leaders must remember the people they are affecting and communicate effectively what can be expected. This is a lesson learned from this last round with Saddam. □

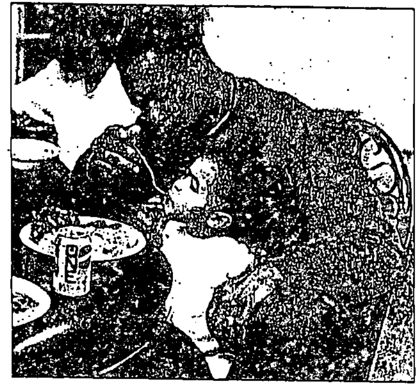
Leslie Smith is an Air Force brat, veteran, wife and author. Her e-mail address is

1/25/99

'It appears that the administration has no frame of reference for the process military families go through when a combat deployment is imminent.'



Quick foods help in dinner preparation.



Left, Turner helps Ari eat dinner. Bottom, Andi, Tony and Andre finish eating the meal the 13-year-old prepared.

Life:

Families learn to cope with change

Navy life: Mothers are heading to sea

By Tammy Ragonese
Golden Eagle Staff Writer

For hundreds of years in the military, the wife has stayed home caring for the children, balancing careers and keeping the home fires burning.

The military is changing. These changes are evident in the fact that women are now leaving behind their families to do what was once thought of as only a man's job.

The husband is now staying home. Andre Turner can testify to this role reversal. He is one of many men that have taken on the additional role of "Mom".

While his wife, AT3 Michele Turner attached to VFA-22 is serving and protecting our country miles away, Andre Turner is here running the house, working full-time and caring for their four children, Andre 14; Tony 12; Andreana 5; and Arianna 2.

"When my wife joined, women weren't allowed on the ships. I thought she would only be gone for little things, maybe two weeks," said Turner. "I never imagined she would be gone for as long as six months."

Being gone for six months requires a lot of preparation for any family. Turner had to learn jobs his wife normally did. The Turners began their role reversal months before Michelle actually boarded the ship.

"I would take over small roles at a time like grocery shopping. I don't like browsing or waiting in line. I just pick what I have to get and go," said Turner. "Learning to shop was the first transition and then once I established that as a habit, I would get in a rotation of where I had to cook. We also taught our boys to cook."

Preparing the children for mom's absence required communication at each age level.

"We had lots of talks. The boys are older and understand what's going on more than the girls. I tell the girls that Mom's at work. Her office is on the ocean," said Turner. "We email everyday to keep connected. I try to teach them all independence without being too independent."

Many couples/parents find a symbol or routine of counting down the days until the family can be whole again. Turner counts the days in the number of care packages sent and left to be sent. The children count the days left in the number of allowances they receive.

"I tell the kids Mom will be home on Tony's birthday. This gives them a picture they can visualize," said Turner.

In addition to this being the first cruise, the Turners have been faced with the extra stress of the threat of war in the Middle East.

"I explain her safety to the children and reassure them and myself at the same time," said Turner.

Caring for children and running a household offers many challenges as well as rewards. One challenge that immediately comes to mind for Turner is housework.

"The most difficult for me is cleaning house. I didn't know it was a 24

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hour a day job," said Turner. "When Michele is home, I just did my part. When you have the whole load, I now see why she complains. I give all the housewives and domestic engineers all the credit in the world that can keep a good house because it's tough."

The rewards outweigh the challenges just by being together as a family.

"Having to be full-time mom and dad is a chance for me and my kids to connect in a way that I only thought was possible on television," said Turner.

Turner feels having to be both parents to sons and daughters is more difficult for the girls for the simple fact that he is male.

"I don't think I can show them how to be really sensitive like their mom can which is natural for females. Even though I try to be in touch with their feelings, that's not part of me to be sensitive in that way. That part is harder for the girls," said Turner.

A typical day for Turner and his children begins at 6:30 a.m. There's the usual hustle and bustle of eating breakfast, fixing hair and getting dressed. Then the boys are off to school, the girls to a daycare provider and Turner to work at the main gym as a Sports Coordinator.

After school, the boys do homework, the girls are picked up and dropped off at home while Turner goes back to work. Before Turner arrives home from work, Andre starts dinner. Then it is family time and email time before baths and bed.

"The boys are a great help," said Turner. "It's definitely a team effort."

Turner has touched many lives through his dedication and knowledge as a volunteer coach whether it's basketball, baseball or football. However, coaching is something he has to set aside during his wife's absence.

"I love to coach the older kids because I feel I have lots of information to give them. I have found through experience that coaching and babysitting at the same time doesn't work," said Turner. "It's not so much a sacrifice as it is reorganizing my priorities. I'm going to coach my five year old daughter in pee wee basketball. Coaching can be associated with life. I use the same philosophies in sports that I do in life. It all ties in. I tell my kids they have all the tools and abilities to go as far as they want. There's nothing holding them back but them.

"In our house, a cuss word is "can't". Whatever you think is right, so if you think you can't, then you can't but if you think you can, then you can."

There are times when only Mom will do. In those times, Turner reassures his children the best he can and lets them know he misses her too.

"I also miss the fact that she's not there to give the kids the other side, that sensitive side. To explain things from her view so they get information from both sides to make decisions," said Turner.

"I miss her and her cooking," said Tony.

"I just miss her altogether," said Andre.

Turner feels that three important factors have helped him to keep things running as smoothly as possible while his wife is gone. That is organization, communication and a tight, close knit family.

Although Turner misses his wife tremendously, he realizes that this opportunity of role reversal has strengthened his relationship with his children as well as his wife. He offers advice to other fathers.

"I think that all men with children should spend just a few weeks alone with their kids and give their wives a vacation. This will allow you to see where your wife is coming from and a chance to really bond with your children. Don't cheat; honestly try it," said Turner. "I think men will have a different perspective. God knows I do!"

B-52 bombers from Minot Air Force Base involved in Iraq airstrike

By ELOISE OGDEN
and KEN CRITES
Staff Writers

MINOT AIR FORCE BASE — Seven B-52 bombers and their crew members from Minot Air Force Base are among the dozen or more B-52s conducting air strikes in Iraq.

The seven bombers and about 50 people were deployed to Southwest Asia on Dec. 7, said Col. Tim Youngbluth, vice commander of the 5th Bomb Wing at Minot AFB. The group includes two crew chiefs for each plane. Crew chiefs maintain the planes. No other ground support people were deployed. Wing Commander Col. Greg Power did not accompany the Minot group.

"We are confident the B-52s and their crews will come through safely," Youngbluth said. He noted that the bombers with their conventional cruise missiles can stand off 500 to 600 miles to launch their strikes.

At an outdoor news conference across from the air base's main gate Wednesday evening, Youngbluth said at this point there is no indication that any additional aircraft or crews will

Photo by Stephen Goffe of the Daily News

Col. Tim Youngbluth, vice commander of the 5th Bomb Wing, talks to the media outside of Minot Air Force Base Wednesday evening.

be called up for "Desert Fox" as the operation is known. "But, that could change," he added.

"We're doing the best to support the families and provide communication for the deployed members and work with them if they need any spare parts," Youngbluth said, in an interview Wednesday afternoon, shortly after President Clinton's announcement that he had ordered the air strikes on Iraq.

"Right now the planes are in good shape and doing a good job for us," Youngbluth said.

This is the second time in

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five weeks that Minot's B-52s and people have been deployed because of the crisis in the Middle East.

In mid-November, several Minot B-52s and crew members got orders for deployment to Southwest Asia for possible air strikes in Iraq. They remained at Fairchild AFB in Washington for several days waiting for final orders. The orders were canceled and the Minot group returned home in time for Thanksgiving.

Initially, the bombers and crews sent to Southwest Asia early this month were to replace B-52s and crews from Barksdale AFB in Louisiana that have been in that area since November. The planes and crews from Barksdale — the only other B-52 base in the country — have apparently remained to also take part in Desert Fox.

Youngbluth said Minot base people taking part in the operation will be doing the same job that they routinely train for at Minot.

"Actually, the training that we do every day here at Minot replicates as much as possible what we can do in wartime conditions," Youngbluth said. "To the crews it (the wartime conditions) is the same thing."

Whether it's training or wartime conditions, the procedure for the crews includes going through mission planning, defensive countermeasures and the timing. Once in the planes and in flight, if ordered, the crews will release their weapons and return home.

"It's the same operation ... different tactics," Youngbluth said. "They do this for a living, and the crews at Minot are very good at it."

The base's family support system is assisting family members of the B-52 crews in the Gulf and for about 147 people serving in other areas of the world, Youngbluth said.

Youngbluth said there are 50 Minot AFB people in the forward area, within range of the Persian Gulf. He would not comment on where the exact position of the bombers, though.

"I can't be specific about their location," he said. In past operations, however, the B-52s have staged missions out of the British Island of Diego Garcia in the Indian Ocean in Southwest Asia.

Base officials said they are not sure how long the B-52s and base people will be gone.

12/17/98

Offutt troops return home from Desert Fox

by **TSgt. Will Ackerman**
55th Wing Public Affairs

1/8/99

About 35 Offutt troops who participated in Operation Desert Fox returned home Sunday and were greeted by bitter cold winter temperatures and the warm embraces of family members.

Two crews from the 38th and 343rd Reconnaissance Squadrons, originally scheduled to return Saturday, arrived from Royal Air Force Mildenhall, England, after being delayed because of severe winter weather in the United States.

"We wanted to bring them back Saturday but everywhere we looked had snow, ice or freezing rain," said Brig. Gen. Ron Sams, 55th Wing commander. "It was better to leave them overseas and bring them back Sunday."

The crews, part of a force of more than 75 aircraft and 3,900 people from Air Combat Command, were sent to the gulf region prior to the holidays in response to Iraq's refusal to allow United Nation's weapons inspectors to accomplish their mission of inspecting for weapons of mass destruction.

The Offutt aircrew's mission was to protect the attack aircraft going in to hit the targets in Iraq.

"We collected data and provided it to the guys in the cockpits and on the ground so they could perform their mission," said Lt. Col. Dutch Van Denburg, 343rd Reconnaisance Squadron electronic warfare officer. "We wanted to keep them safe.

"My rush came when the last package (aircraft) came out of Iraq; then I knew everyone was coming home safe."

Training was a key to their success, Van Denburg said.

"Offutt's been there (Arabian Gulf) almost 10 years," he said. Most of the aircrew are experienced, know the threat, environment and the adversary. "We were well trained."

Van Denburg said crews worked long hours.

"Between the two RC-135 crews, we provided around the clock coverage and supported almost every manned strike package during Desert Fox," he said. "Our two crews logged more than 80 hours flight time in four and a half days."

According to Van Denburg, Offutt aircrews wouldn't have succeeded without support from other wing agencies.

"The maintenance, support and intelligence people did an incredible job," he said. "We had a 100 percent success rate on our launches. It was the finest team effort I've ever seen."

> "It was the finest team effort I've ever seen."
>
> — Lt. Col. Dutch Van Denburg
> *343rd Reconnaisance Squadron*

According to Secretary of Defense William S. Cohen, the fact that Desert Fox was accomplished without American casualties is a tribute to the talent of the nation's military.

"Our success reflects the quality of the men and women in our force ... our troops performed brilliantly," Cohen said. "They worked as a team that was dedicated to its mission, dedicated to supporting each other and dedicated to fulfilling America's responsibilities in the world."

General Sams echoed the sentiment.

"They are well trained and did an absolute outstanding job," Sams said. "I'm very proud of them and happy they are home safe."

The aircrews will have about a week off to catch up on Christmas and other important family responsibilities, Van-Denburg said.

"It's good to be back at Offutt," he said. He plans to kiss his children, pay the bills and take his dog for a walk.

Families were pleased to have their loved ones home.

"I'm excited he's home," said Kristi Compton, wife of Capt. Jeff Compton, 38th Reconnaisance Squadron aircraft commander, who was waiting with her children Ryan, 7, Erin, 5, and Sean, 4.

"It's a big-time relief he's home," she said. "Now we can celebrate our Christmas together."

U.S. Air Force senior Chief praises troop's enthusiasim

by **CMSAF Eric W. Benken**
U.S. Air Force

On the eve of Christmas, I had the privilege of traveling to Southwest Asia with Secretary of Defense William S. Cohen and his wife, Janet; members of Congress; Gen. Anthony C. Zinni, U.S. Central Command commander in chief; other military leaders; and several entertainers from the United Service Organization.

We visited with service members from all four services in Saudi Arabia, Kuwait and the USS Enterprise not long after the operations of Desert Fox were suspended.

I came back to the states amazed at the tremendous enthusiasm and self-confidence displayed by all our forces.

That confidence is the result of their superb training, their outstanding leadership and their determination to accomplish the mission. But it also has to do with the high spirits our soldiers, sailors, airmen and Marines exhibit, no matter what the circumstances.

They all pulled together to make Desert Fox a big success. But they've been doing that kind of thing since the days of Desert Shield before the Gulf War. Sen. Daniel K. Inouye of Hawaii and Rep. John P. Murtha of Pennsylvania voiced broad support for our forces in the region and what they do every day of the year.

Secretary Cohen announced plans for future pay raises and retirement improvements that will be part of the president's budget request for fiscal year 2000. The secretary's announcement was met with thunderous applause from the troops everywhere we went.

This is just one more example of Secretary Cohen's support for the joint chiefs and their resolve to improve compensation. And the USO show, which included such stars as Carole King and Mary Chapin Carpenter, was exciting and something that went a long way to bringing a slice of home to the desert.

The troops really enjoyed that. It's important to me that those members of our forces deployed throughout the world know that their extended family – the U.S. Air Force, indeed all of the Department of Defense, as well as the American people -- knows they are there and that what they're doing is noticed and appreciated.

They are outstanding Americans doing great things for our great Air Force and our great nation.

Offutt Welcomes Staff Home From Middle East

1/4/99

BY JEFFREY ROBB
WORLD-HERALD STAFF WRITER

About 40 members of Offutt Air Force Base's 55th Wing returned to bitter Nebraska cold Sunday after serving in the heat of armed conflict in the Middle East.

Despite the cold, waiting families offered warm hugs and big smiles upon seeing their loved ones come home. The Offutt personnel's return trip was moved from Saturday because of snow and wind.

"Boy, it sure did get chilly here," Maj. Sean McCool said upon reaching his wife and three children in an Offutt hangar. "When we left, it was still in the 50s."

The Air Force personnel were stationed in the Persian Gulf region in recent weeks and months as the United States mobilized against Iraq. Some left Offutt to join Operation Desert Fox, a four-day campaign of airstrikes, only days before Christmas.

About 130 Offutt electronics and surveillance specialists and support personnel remain in the Middle East.

Brig. Gen. Ronald Sams, commander of the 55th Wing, said Offutt staff on Saturday tried to find a place to divert the return flight, which had a layover in England, but encountered only weather roadblocks.

"Every place we looked had either snow or ice or freezing rain," Sams said.

Sams had handshakes and words of praise for his returning staff, many of whom worked 12-hour days over the last few months. "They did what they were trained to do," he said, "and did it extremely well."

With Operation Desert Fox behind them, the Offutt personnel were looking forward to a belated Christmas with their families.

The McCool children told their father about their Christmas gifts. McCool, in turn, said he couldn't wait to open his own presents.

"Daddy's going to be very busy when he gets home, with all the new toys to look at," said McCool's wife, Michelle.

Kristi Compton was on hand with her three children to greet her husband, Capt. Jeff Compton. Kristi Compton said the family planned to open presents Sunday.

GF crews ready for action

Lee Hulteng, KRT

• Routine work, not current crisis, puts base personnel in Persian Gulf

Herald Staff and Wire Reports

Officials from the Grand Forks Air Force Base said Wednesday no base personnel are in the Persian Gulf region specifically for the current military operation.

"We have a regular rotation of aircraft throughout the world, and that has not stepped up because of this," said Capt. Manning Brown, chief of public affairs for the base.

"We are just standing vigilant and should we be called, we are ready to go."

He did not say how many KC-135 tankers from Grand Forks are in the gulf region.

"They're routinely being deployed in and out," he said.

Seven B-52 bombers and about 50 crew members from the Minot Air Force Base were in the Persian Gulf region on Wednesday.

The bombers left Minot on Dec. 7 to relieve B-52s from another base that had been in the region since November, base officials said.

12/17/98

INFORMATION FOR LIFE

Four B-52 bombers return to Minot Air Force Base

By KEN CRITES
Staff Writer

MINOT AIR FORCE BASE — There were smiles all over the place on the flightline here Thursday afternoon as four big B-52 bombers returned to their roost at the base — just in time for Christmas.

The four bombers were part of the seven aircraft and about 50 crew members sent to tha Persian Gulf from the local base three weeks ago for airstrikes against Iraq in response to that country's refusal to cooperata with United Nations weapons inspectors.

The rest of the bombers and their crews are scheduled to return to Minot at a later date.

In addition to family members of the air crews, there was also some big brass on hand to greet the returning flyers. Col. Greg Power, commander of the 5th Bomb Wing, said "It's great to have them back. We're getting a lot of practice in deploying and redeploying. This time they deployed and actually went into combat and they did a great job.

"The guys and gals who did the flying are the heroes in my book, but the families who stayed behind in support of them are also heroes. Because of that support, my folks could concentrate on the job they had to do and they did it splendidly..." the colonel said.

Families of the returning flyers were also obviously happy to have their loved ones home again. One young lady said she had been married just a short time ago to one of the men and they had been looking forward to their first Christmas together.

"This is all new to me. He received the word (of the deployment) one night and was gone the next night. I had no idea of what to expect after my husband left. It was tough, but now he's back in time for Christmas," she said with a big smile.

It was bone-chilling on the ramp, but the crews didn't seem to mind it too much. One said he was glad to be back. "The kids

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wanted me back for Christmas."

Several of the youngsters brought to the flightline to greet the returning aircraft carried small American flags and seemed to be having a good time.

A crew chief on one of the bombers, Staff Sgt. James Fisher said it was a pretty good trip. "Things went smoothly. We knew what we had to do and we got the job done."

Capt. Wayne Kelm, a B-52 pilot had praise for the support troops. "Maintenance did a great job and kept everything going. They gave use outstanding support."

Power was asked if anything special had been done to get the bombers and crews back to Minot in time for Christmas. He replied, "We figured we might be able to get our birds home in time if we could only work out a refueling schedule."

The effort was successful.

GF base personnel deployed

In response to the bombing missions against Iraq, troops are being deployed from Grand Forks Air Force Base.

About seven KC-135R refueling tankers with roughly 140 people were to fly out Thursday night to support Operation Desert Fox.

Capt. Manning Brown said about 20 of those personnel would go to McConnell Air Force Base in Kansas, while the rest would go to southwest Asia. He said the length of the mission was "open-ended."

— Jeff Beach

12/18/98

The CHAIRMAN. Ms. Brand.

Ms. BRAND. Thank you, Chairman Jeffords.

It is a pleasure to be before the committee today to talk to you about funding for education programs. I am co-director of the American Youth Policy Forum, which is a nonprofit, nonpartisan organization that provides professional development on education training and youth programs to national policymakers, including a number of congressional staff on your committee.

I do not think there is any secret about the connection between education, vocational technical education, career preparation and employment and income levels. I have included a lot of statistics in my testimony about that. They are all available in this publication called "The Forgotten Half" put out by our organization, and I am going to skip right to the reason why I think funding for vocational technical education and career preparation programs are so important.

The Perkins Act initiated wide-scale reform in vocational technical education over the years. With limited dollars, vocational technical education educators have revamped their outdated programs and created new career prep programs that include sequenced courses that are articulated to community colleges; they have increased the graduation requirements and set higher expectations for students; they have brought involvement of business in new and more meaningful ways.

Frankly, if I had to say so, the reforms in vocational technical education are really the reforms we are looking for in secondary schools. It does not demand the respect and esteem that I think it deserves, but the changes have brought about remarkable outcomes in many high schools across the United States.

When all the components of reformed vocational technical education are present, we see dramatic results, and schools are literally transformed.

I want to take a few minutes to describe three types of models that are funded under the Perkins Act that have had these dramatic results. The first is the Tech Prep Program authorized in the Perkins Act. Tech Prep relies on an integrated curriculum beginning in high school, connecting with the 13th and 14th year in a community or technical college. Courses are taught using applied and contextual pedagogies, which makes the academic material more meaningful and relevant for the students.

Tech Prep has often been cited as a reason for keeping kids in schools and increasing participation in postsecondary education. One of the most successful examples of Tech Prep is a program run in Seattle with the Boeing Company. I have put some details of that model in my testimony, but to me the most important element and factor of success is that the Boeing Company has hired 100 students from that Tech Prep Program over the last 4 years; they all hold associate degrees after graduating from college.

A different model and part of the voc tech network is High Schools That Work, created by the Southern Regional Education Board and Gene Bottoms. The High Schools That Work network is quite complex, over 800 high schools. It is based on the belief that in the right environment, any student can learn to challenging academic requirements. The initiative targets high school students who have seldom been challenged to meet these high academic standards. They have two major goals—raising math, science and communications technical achievements of students to the average level and above, and they have been successful; and to blend the traditional content of college prep material with vocational technical education studies.

A recent field trip we took to a high school in Sussex County, DE showed that SAT scores increased from 789 to 876 over a period of 3 years by using this High Schools That Work model.

The third model I want to mention is career academies. Many of you are familiar with the American Express Career Academy and some of the other health career academies. Academies are small learning communities where students and teachers stay together for 3 or 4 years. They combine a college prep curriculum with a career theme, and they embody strong partnerships with employers. We have seen academies produce students who are able to enter prestigious 4-year universities, and at one school we visited, 100 percent of the students from the academy attended 4-year ivy league schools.

What makes these programs special? There are many elements in there. They have a clear vision. The staff is committed to what the program is all about. They provide professional development. They have found ways to increase and encourage technology integrated into the classroom. They see the students as individuals, and they teach that way. They have thrown out the 50-minute block scheduling. They have completely changed the way the high schools operate. This is what the Perkins Act has brought about.

I believe it needs increased funding, and I would like to see additional funding over the years for this program.

There are a couple of other important programs that I would just like to take a few minutes to mention. One is the Adult Education Act. I have to say that I am very pleased by the increases in the Adult Education Act over the years. I believe that that program should continue to receive funding particularly for the Family Literacy and Work-Based Literacy Programs that it funds.

I also believe the GEAR-UP Program is important, and Senator Jeffords, I commend you for your leadership in creating the precursor of that, the National Early Intervention Scholarship and Partner Program. Student aid does no good if these kids do not have the academic credits to get into college, and they have got to be prepared to those high levels.

One final comment, that as you consider funding programs like the 21st Century Learning Centers, you look at ways to connect those programs to youth development programs that are funded in the Department of Labor's budget. I do not agree that the programs should just be funded; I believe they must be proven to be effective before they are funded. And I think that making those programs work together and work in concert will increase the effectiveness of both.

Thank you.

The CHAIRMAN. Thank you very much, Ms. Brand.

[The prepared statement of Ms. Brand follows:]

Prepared Statement of Betsy Brand

Mr. Chairman, Members of the Committee. I am Betsy Brand, Co-Director of the American Youth Policy Forum, a non-profit non-partisan organization that provides professional development opportunities to policymakers working on education, career preparation and youth issues at the national, state and local levels. Previously, I served as the Assistant Secretary for Vocational and Adult Education in the Bush Administration. Thank you for the opportunity to appear before you today to discuss funding for America's education programs.

Twenty years of difficult budget policy has brought the Congress to the unique position of considering the FY 2000 budget with a budget surplus on both the short and longer term horizons. This truly provides you with a unique opportunity to address some education programs that have operated in the context of severe budget limitations for as long as many of us can remember.

In my time with you today I would like to discuss why part of the hard-earned budget surplus should be invested in vocational-technical education and career preparation programs. I do so, Mr. Chairman, with the knowledge that the mere fact of a budget surplus must not lead the Congress to resort to the practices of the Sixties and Seventies of funding education programs that, as we know now in hindsight, were not always effective.

As this Committee well knows, federal education programs promoting career and technical education underwent fundamental change over the past twenty years. The programs of the Seventies and early Eighties were replaced or restructured so as to better focus on preparing America's youth for the challenges of a high technology future. Today, thanks to the hard work of this Committee and thousands of professionals working in the field, we have federal programs that have proven their effectiveness and worth. Our challenge now is to invest the additional funds these programs need to meet the needs of youth who are facing unprecedented change in our economy. Viewed from this perspective, the same explosion in information technology that is credited by many as a principal cause of our current prosperity, also has created a pressing need to increase funding to prepare youth for this same emerging information-based economy.

VALUE OF EDUCATION AND CAREER PREPARATION

It is no secret that an individual's earning power increases with educational achievement, and it is well known that more years of schooling equate to a greater chance of being employed. Over an individual's lifetime, the difference between higher levels of educational attainment and wage rates can be staggering. According to the U.S. Census Bureau, lifetime earnings for year-round, full-time male workers: is approximately $1.38 million with less than a high school degree; is just over $1.5 million with a high school diploma; is $2 million with an associate's degree; and is approximately $2.3 million with a bachelor's degree, almost a million dollars more than the dropout.

Looking at education levels through another lens, the yearly median real income of a young family by highest level of educational attainment shows that: a family headed by a dropout will earn only $15,000; a family headed by a high school graduate will earn $25,940; a family headed by one with some college will earn $32,054; and a family headed by a college graduate will earn $53,200 (source: Halperin, Forgotten Half Revisited, 1998).

My colleague at the American Youth Policy Forum, Dr. Sam Halperin, has assembled additional data in the Forgotten Half Revisited, which should be of interest to the Committee, and is attached to my testimony.

Employment status is also profoundly affected by the level of educational attainment. Youth 16-24 years old that drop out of high school have an unemployment rate of 50.5 percent. For the high school graduate cohort, the unemployment rate drops to 25.7 percent, and for youth with some postsecondary education, the unemployment rate is 17.1 percent (source: Current Population Survey 1997). Given that our national unemployment rate is now 4.3 percent, the numbers regarding youth unemployment, and especially for dropouts, are truly shocking.

It is clear that the number of years of schooling makes a significant difference to overall earnings and labor market participation. But just being in school longer does not guarantee success in the labor market, nor does it mean that graduates have the skills needed by today's competitive workplaces. Schools must work more closely with employers to better understand their needs as well as the available jobs of the future.

The release of the Report of the Secretary's Commission on Achieving Necessary Skills or SCANS (U.S. Department of Labor) in 1991, which outlined the broad areas of competencies desired by employers, helped employers communicate a consistent message about the skill needs of prospective employees. SCANS outlined three general areas of skills needed in today's jobs: (1) basic academic skills including reading, writing, mathematics, and communication; (2) thinking skills, including, problem solving, decision making and knowing how to learn; and (3) personal qualities, such as self-management, and honesty.

SCANS helped to highlight the importance of employability skills for work, but it is the economy that has highlighted the need for students to be prepared for increasingly technical jobs that require postsecondary education.

In 1983, 31 percent of all jobs required education beyond high school.

In 2005, it is projected that 51 percent of all jobs will require education beyond high school.

Also, while jobs requiring a baccalaureate degree and above represented one in five jobs in 1996, nearly one in three new jobs created between 1996 and 2001 will require a BA or higher degree (U.S. Bureau of Labor Statistics).

RESPONSE OF VOCATIONAL-TECHNICAL EDUCATION TO THE NEEDS OF THE LABOR MARKET

Vocational-technical education became more responsive to employers by beefing up academics, creating programs to teach the SCANS skills, eliminating irrelevant programs and replacing them with ones in which job demand was strong or projected to grow. The reauthorization of the Carl D. Perkins Vocational and Applied Technology Education Act in 1990 reinforced these reform-minded practices and later helped to spawn programs now known as School to Work or School to Career.

The Perkins reauthorization in 1990 included many of the reform strategies that have had a major impact on secondary schools this decade. Of greatest importance was the focus on the integration of academic and vocational-technical curriculum so that students receive higher levels of math, science, and English. The focus on integration of curriculum led to applied, contextual, project-based, hands-on learning which had the effect of engaging a large number of students who were disenchanted with abstract and theoretical courses in high school. The Perkins Act also had a strong focus on preparing students for careers, not just for jobs, and pushed for stronger partnerships with business and industry. Lastly, the Perkins Act created the Tech Prep—Associate Degree program, aimed at "the neglected majority" of students who were neither involved in college prep nor remedial classes, to encourage these students to pursue postsecondary studies in technical fields.

In its recent reauthorization of the Perkins Act (1998), the Congress continued these major themes and significantly strengthened performance and accountability measures. Other changes to the legislation strengthened guidance and counseling provisions, and increased the focus on educational technology and professional development. Tech Prep was also significantly enhanced by creating a new demonstration program to allow Tech Prep programs to be located on community college campuses.

The Perkins Act has initiated wide-scale reform in vocational-technical education. Over the years, and with limited dollars, vocational-technical educators have revamped their outdated programs, they have created new career preparation programs that include sequenced courses and that are articulated to community colleges, they have increased the requirements for graduation and set higher expectations for students, and they have involved businesses in new, more meaningful practices.

Frankly, the reforms undertaken by vocational-technical education have been very dramatic and have shown remarkable outcomes for many schools. When all of the components of reformed vocational-technical education are in place, schools are literally transformed. Vocational-technical education can provide a roadmap for all educators interested in turning around low performing schools.

I would like to take a few minutes to describe three unique approaches to vocational-technical education and career preparation that have shown great success.

Tech Prep—Associate Degree Program. Based on the model outlined by Dr. Dale Parnell when he was at the American Association of Community Colleges, Tech Prep programs were begun by communities in the late 1980's. Congress authorized the program for the first time in 1990, providing small grants to education agencies and community colleges to create meaningful partnerships with the goal of increasing academic performance by the average student. Tech Prep relies on an integrated curriculum, beginning in high school and continuing through grades 13 and 14 in a community or technical college. Courses are taught using applied or contextual pedagogies, which makes academic material more relevant and meaningful, especially as it is linked to real world problems or projects. Tech Prep has often been cited as the reason for reduced dropout rates and increased participation in postsecondary education. A recent report by Mathematica (1998) showed that the proportion of Tech Prep students who entered postsecondary education rose from 50 to 58 percent, and that the proportion of those entering a four-year college rose from 20 to 36 percent (from 1993-1995).

Students frequently have access to work-based learning opportunities, and teachers often are able to spend time in the private sector as part of Tech Prep programs. The Tech Prep program has also, in many states and communities, served as the foundation for school to work efforts as well. It is now estimated that 70 percent of school districts participate in a Tech Prep program.

A very successful example of a Tech Prep program is the one administered by the Seattle Public Schools, The Boeing Company and local community colleges in the Puget Sound, WA area. This program allows high school students to learn manufacturing skills through paid internships while earning college credits, and it combines a high school and community college competency-based curriculum leading to an associate degree. The success of the program is clear: Boeing has hired more than 100 students from the program since 1996. As part of the Tech Prep program, Boeing also encourages teachers from the high schools and community colleges to spend a paid summer internship at the company. According to teachers who have participated, the experiences at Boeing have helped them enrich their curriculum, stay abreast of industry trends, use more flexible teaching styles, and work collaboratively in teams.

2. A different model that has emerged as part of vocational-technical reform under the Perkins Act is the "High Schools That Work" model, created by Gene Bottoms of the Southern Regional Education Board. High Schools That Work (HSTW) is the nation's first large-scale effort to engage state, district, and school leaders and teachers in partnership with students, parents, and the community to improve the way all high school students are prepared for work and further education. HSTW is based on the belief that, in the right school environment, most students can learn complex academic and technical concepts. The initiative targets high school students who seldom are challenged to meet high academic standards. HSTW began with 28 sites in 13 states in 1987 and has since grown to more than 800 sites in 22 states.

HSTW has two major goals: (1) to raise the math, science, communication, problem-solving, and technical achievement of more students to the national average and above; and (2) to blend the essential content of traditional college-prep—math, science, and language arts—with quality vocational-technical studies by using applied and integrated curricula. HSTW also believe in professional development and in organizing the school into block scheduling to permit more in-depth study of subjects, particularly math and science.

A recent field trip by the American Youth Policy Forum to Sussex Technical High School in Georgetown, Delaware, a HSTW, showed a high school that had shifted from a shared-time vocational facility with many outdated programs, to a full-day magnet high school with career preparation in the fields of Health and Human Services, Industrial and Engineering Technologies, Business Technology, and Automotive Technologies. The school has a waiting list and continues to attract students and parents.

The latest round of assessments for 12th graders at Sussex Tech in 1996 showed significant increases in reading from a score of 262 to 272; in math from 276 to 289; and in science from 275 to 281. The median combined SAT score at Sussex Tech also increased from 789 in 1993 to 876 in 1996.

Sussex Tech compiles other data to demonstrate its performance: the attendance rate is 95%; the dropout rate is less than 2%; the school has the lowest rate of serious disciplinary infractions of any high school in Delaware; enrollment in college-prep math has soared; and the number of students entering postsecondary education has increased from 26% in 1990 to 64% in 1996.

Career Academies. Begun as isolated models in the 1980's, career academies gained strength and popularity in the 1990's. Today, there are approximately one thousand career academies in the U.S. (Stern, Dayton, Raby, University of California at Berkeley, Dec. 1998). Career academies share three characteristics: (1) they are small learning communities, with a cluster of students who have some of the same academic and vocational teachers for several years; (2) they combine a college-preparatory curriculum with a career theme; and (3) they embody partnerships with employers.

Another recent site visit of the American Youth Policy Forum to the Bergen County Technical Schools, New Jersey, which has seven career academies on one campus, demonstrated the elements of academy success. Each academy was run independently with a small group of students and faculty. Students have demanding course requirements over the four years, but schedules are tailored to meet their individual learning needs. Seniors are required for graduation to serve an internship and produce an exhibition or presentation on their work. At the Academy for the Advancement of Science and Technology, almost every senior attends a four- year college or university, including some of the most select schools in the nation.

National evaluations of career academies indicate that most students perform significantly better in attendance, credits earned, grades, likelihood of staying in school, as well as increased postsecondary enrollment rates.

These three models succeed for several reasons: they have a clear vision and purpose and their goals are clearly stated. The programs are designed to help the student learn, not to conform to an outdated 50-minute class structure. They have high academic standards, and help the students with difficult material. They are linked to the private sector and understand the needs of the employer. They have up-to-date technology, often at a significant cost that allows them to be responsive to the private sector and to train students to industry standards. The teachers are well prepared and understand variable teaching and learning styles and how to integrate technology into the lesson plan. Teachers work collaboratively to develop integrated lesson plans, they support the same learning objectives, and they do all they can as a team to support their students. The leadership of the school sets a clear vision and then empowers the staff to act. The community as a whole is supportive of what the faculty, students, and parents agree to try out by way of innovation.

These three models have also supported and been enhanced by the School to Work Opportunities Act, enacted in 1994. The emphasis on partnerships with the private sector and the opportunities for work-based learning have been very important in moving the field forward. There will always be a challenge in finding employers willing and able to participate in school to work programs, but the principles of linking studies to the real world and of preparing students for work is solid and cannot be disputed. Efforts should be made to enhance existing programs, especially through the Elementary and Secondary Education Act, which will be before your Committee this year. Additional funding for the Perkins Act, especially for Tech Prep, will help to keep these School to Work efforts underway.

Why, you ask, this long description of vocational-technical education programs? Because, I believe that if you are going to fund programs, they should be effective, and I hope I have shown you this with a few examples. The Perkins Act has been effective in causing significant reform in secondary and postsecondary institutions and deserves to be funded at much higher levels. In preparing for this appearance, I looked back at funding levels for the Perkins Act, and found the following:

Appropriations for the Carl Perkins Act:
1989—$ 918 million
1990—$ 936 million
1991—$1.010 billion
1992—$1.155 billion
1993—$1.176 billion
1994—$1.183 billion
1995—$1.110 billion
1996—$1.087 billion
1997—$1.139 billion
1998—$1.147 billion
1999—$1.154 billion
2000 request—$1.163 billion

As you can see, the Perkins Act has not received any sizeable increases for almost a decade. This is at a time when the nation and our business leaders have been calling for a better-prepared, more skilled workforce. This is at a time when employers in the information and manufacturing technology fields cannot find qualified technical workers to fill vacant positions.

The Perkins Act has not received increases during a time when high school reform is one of the most critical items we must address. We know that the traditional high school model does not fit with our society and our kids today. High schools need to be engaged with the community and the business sector; smaller, more intimate groups of students and teachers are needed to build a sense of community and shared goals; 50 minute class periods should be abandoned, in order to create meaningful learning, and all students need to be prepared to enter the world of work following some postsecondary education.

The Perkins Act has not received increases at a time when technology has taken over our lives, yet recent studies show that most teachers feel unprepared to use technology in their class nor do they know how to integrate it into their lesson plans.

It is time to increase funding for the Perkins Act. I strongly urge you to increase funds for the basic state grants, for Tech Prep, and for National Programs.

OTHER VALUABLE PROGRAMS

The Perkins Act is not the only program that should receive increased funding, although it is the one I have spent most of my time discussing. I am pleased that the Clinton Administration has recommended increases in the Adult Education Act over the past several years and that they have requested another increase this year. I would urge you to fund the Adult Education Act at the level requested and continue to provide sizeable increases over the next several years.

I would also agree with the Administration's request to fund the GEAR UP program. Research shows that preparing disadvantaged children for a future in post-secondary education takes more than completing student financial aid forms in junior or senior year of high school. It is critical that these children be given appropriate guidance and take the academic courses that will allow them to enter the college of their choice. This early intervention is critical, and I commend Chairman Jeffords for his insight into this matter with the National Early Intervention Scholarship and Partnership Program, the antecedent of the GEAR UP program.

Finally, I would say a word about funding for out of school and disadvantaged youth. While I certainly support increases in funds for school-based programs, we must not forget the number of students that have left school or are at risk of leaving school. Funds must be made available to programs that reach these children. In addition, it is important that as Congress consider increasing funds for education and youth programs, that they find ways to link these two systems together. Perpetuating a distinct youth development system and a distinct public education system that do not work collaboratively will not serve our children in the long run.

The proposal to increase funds for the 21st Century Community Learning Centers has a great deal of merit. However, at least at first glance, most of the funding for after-school and summer programs seems to be funneled through the public education system, without much input from the youth development system. While the after-school dollars can help provide remediation for many children, more of what doesn't work already may not help our children. These programs should be designed not only to add value to academic studies in creative and innovative ways, they should assist in the development of our youth through service learning, leadership opportunities and work experiences. I would urge the Committee to consider how the proposed increases for the 21st Century Learning Centers are to be used and to keep the needs of out of school youth and the field of youth development in mind.

In closing, Mr. Chairman, thank you for the opportunity to be here today. Please let me also thank you and Senator Kennedy for your continuing dedication to America's youth and your interest in these important education programs.

I would be pleased to respond to any questions you may have.

BAD NEWS

Educational attainment continues to be heavily influenced by family income. High school graduation rates for those in the lowest family income quartile are 25 percent lower than for those in the top quartile, while those in the top income quartile may be as much as ten times more likely to earn a college degree than those in the bottom quartile. (Barton, 1997)

Despite a strong economy and generally rising educational attainment, the full- and part-time employment rates of 16-24 year-olds in 1997 were one to three percentage points lower than in 1989. Minority youth had full-time employment rates 20 to 30 percentage points below their white counterparts.

In March 1997, more than one-quarter of out-of-school youth, although working full-time, were earning less than the poverty line income standard for a four-person family. Young men under age 25 were earning about one-third less (inflation-adjusted) than their counterparts were earning a generation earlier; young women 16.5 percent less.

Except for children living in families headed by four-year college graduates, poverty rates for children were higher in 1997 than in 1989.

Home ownership among young families fell from 49 percent in 1980 to 38 percent in the 1990s.

The number of incarcerated young men under age 25 doubled between 1986 and 1995. Ten percent of all 20-29 year-old males were either in jail, in prison, on probation or on parole.

Of the four million births annually, one in eight is to a teenager; one in four to an unmarried mother; one in four to a mother with less than a high school education; one in three to a mother living in poverty. (Zill, 1992)

Among teenage mothers ages 15-17, those who are unmarried tripled from 23 percent in 1950 to 84 percent in 1996. Older unmarried teen births (ages 18-19) increased eightfold, from nine percent in 1950 to 71 percent in 1996.

The rate of teen (15-19 years) deaths by accident, homicide and suicide rose between 1985 and 1995 from 63 to 65 per 100,000. (Kids Count, 1998)

The juvenile violent crime arrest rate (ages 10-17) rose from 305 to 507 per 100,000 between 1985 and 1995. (Kids Count, 1998)

The teen birth rate (per 1,000 females ages 15-17) rose from 31 to 36 between 1985 and 1995. (Kids Count, 1998)

The percentage of families with children headed by a single parent rose from 22 to 26 between 1985 and 1995. (Kids Count, 1998) Black children are three times as likely as whites to live in a single-parent family.

BETTER (AND MIXED) NEWS*

The percentage of Americans age 16 or over who completed a high school diploma or GED rose from 28.3 percent in 1990 to 31.4 percent in 1997, while those earning a bachelor's degree or higher rose from 17.4 to 20.7 percent.

The nation's annual dropout rate for youth age 16 or over fell from 9.5 percent in 1985 to six percent in 1991, then rose again to 7.3 percent in 1996. The Forgotten Half (those adults with 12 grades of schooling or less) fell from 51.2 percent in 1990 to 48.2 percent in 1997. The "dropout pool" — 18-24 year-olds who did not graduate from high school and who are not currently enrolled in school — still exceeds 3.1 million, or one of every eight persons in this age group.

Among 16-24 year-olds, those beginning a postsecondary education program leading to a degree rose from 35.5 percent in 1983 to 47.4 percent in 1996, a one-third increase in only 13 years. The high school graduating class of 1996 enrolled in two- and four-year colleges at a record 67 percent.

However, among 25-29 year-olds, graduation rates varied widely: half of all Asians had earned a bachelor's degree, one in three whites, one in seven blacks, and only one in ten Latinos. Overall, only 32 percent of this age group had earned a bachelor's or higher degree.

Parents' educational levels rose sharply from 1970 to 1990: The percentage of fathers with less than a high school education declined from 43 to 19; mothers with less than a 12th grade education fell from 38 to 17 percent. Fathers with a bachelor's degree or higher rose from 13 to 23 percent. (Condition of Education 1997)

African American students today are almost as likely to earn a high school diploma as are white students. The percentage of blacks ages 25-29 who completed high school rose from 58.8 percent in 1971 to 86 percent in 1996. But only 42.5 percent of graduates earned an educational credential beyond high school within ten years of their graduation, compared with 52.7 percent of whites. (Nettles, 1997)

Annual earnings for African Americans who earned associate's, bachelor's and advanced degrees were comparable to whites, but those with only a high school diploma earned less than their white counterparts.

* Unless otherwise indicated, these data derive from tabulations of the Center for Labor Market Studies, Northeastern University. See Sources at the end of Chapter One.

The CHAIRMAN. Mr. Kealy.

Mr. KEALY. Thank you, Mr. Chairman.

As you indicated, my name is Edward Kealy, and I am the executive director of the Committee for Education Funding. Joel Packer, our president, was scheduled to testify, and he was looking forward to that very much, and we hope that his daughter, who had an accident this morning, will recover and be all right.

Let me begin, Mr. Chairman, by recognizing the outstanding efforts that you and Senator Kennedy and other members of this committee have made to assure education funding was a priority in the last three fiscal years. We are particularly appreciative of the strong bipartisan support for increased investment in education programs, and we look forward to continuing to work with you to make that move into the future.

I want to briefly look at what we believe is a strong need for a significant increases in education investment as well as express our concern with the modest increase in the President's budget of only 3.7 percent for education this year.

Education has enjoyed an increase of $10 billion over the last 3 years, but that has primarily gone to restore cuts enacted earlier. It did provide some growth, but we have to put that in a larger context, and the larger context is that over the last 15 years, deficit reduction has forced cuts in Federal education funding both as a share of the total Federal budget and as a share of total support for education.

The Federal share of elementary and secondary education declined from 11.9 percent to 7.6 percent between 1980 and 1998. The Federal share of higher education expenditures declined from 18 percent to 14.6 percent over the same period.

Just as an example, the Pell Grant Program for student aid, the major program for higher education aid for disadvantaged students, is only about 75 percent of what it was in 1980. Campus-based aid programs have also suffered a decline in their value at that level.

At the same time, going into the 21st century, education is facing record-level enrollments, more students with special needs, teacher shortages, overcrowded school facilities, the challenge of getting access to technology, and the need for more opportunities for post-secondary education.

When looked at as a percentage of total Federal spending, education funding has declined from 1980, when the Department of Education was 2.5 percent of all Federal spending to now, even with the increases in recent years, only 2 percent. So simply to restore the previous level of funding in the budget in 1980 would require about $8.8 billion for education.

What we see here is that as the number of students and their needs and the challenge for schools have grown, the Federal investment has not kept pace. That is why we are asking this year that you and the committee carry forward the momentum from the last several years and provide at least a 15 percent increase in Federal aid in this year and in the years to come.

The American public agrees with that. We know the latest polls from just this year indicate that when Americans are asked where they would spend additional Federal resources, particularly Federal surplus resources, the number one area is education. And it makes sense because it has paid off. It has paid off in a better-educated, more productive work force, the expansion of the middle class; it has paid off in the technological achievements we see revolutionizing our daily lives, and it has paid off in test scores. The recent NAEP test scores have just come out, indicating that we are seeing improvement in grades four, eight and twelve in reading and other areas.

We are concerned, though, that the President's budget does not provide an adequate increase to meet these kinds of needs. We do support the new initiative the President has recommended, but we urge you to also continue your support for the core programs that your committee has jurisdiction over, programs that are frozen or cut in the budget, such as the IDEA State grants, vocational education, campus-based student aid and other areas.

We would also like to see the Pell Grant maximum increase—you just reauthorized that program—to be at $4,800 this year; the budget would only be at $3,250.

We also think it is important that we consider what is limiting education investment. One thing is budget restraints, budget caps, that have been important for deficit reduction, but they are going to require a cut of $10 billion in all discretionary spending this year. That will pit defense, medical research and education against each other as priorities of the American people and of this Congress. We ask you to work with Senator Stevens, who has asked to raise those caps, and make sure there are adequate resources in the budget for education.

I will stop there, Senator. Thank you for the opportunity to testify.

The CHAIRMAN. Thank you very much.

The CHAIRMAN. Mr. Brooks.

Mr. BROOKS. Thank you, Mr. Chairman.

First, as part of the local school board, we salute your leadership in providing for the Nation's school children. I am here to represent the Baltimore County Public School District, which serves more than 100,000 students and surrounds but does not include Baltimore City. It is the 25th-largest school district in America.

I am also here on behalf of the National School Boards Association and the 95,000 local school board members who are the sort of "citizen governors" of our public schools who are elected or appointed.

In Baltimore County, we are working very hard to raise student achievement because we have a very aggressive Maryland School Performance Program; but we face many hurdles tied directly to Federal programs and particularly to the level of funding to adequately serve our students.

First, as you have heard before, special education costs in Baltimore County are skyrocketing. We have 13,000 special education students. Our current local cost of special education-related services is $70 million and 11 percent of our budget. The Federal Government provides $7.5 million of that $70 million, about 10 percent of our costs.

Clearly, the Federal Government has not met its commitment to fund the 40 percent of the excess cost of the special education mandate, and I urge the committee to keep that promise to our special needs students.

We also see a great need to reduce class size. If you look in our folder, we provide professional development. In Baltimore County, we are implementing a plan for smaller classes in grades one through three for reading instruction. The Federal class size reduction initiatives will help make this a reality, and in the future, we will need to have that program expanded.

Targeted professional development for our teachers is vital for programs to advance student achievement. We have instituted an exciting teacher-mentor program which is in your package, which helps teachers in our lowest-performing schools. In 1 year, the mentor schools where we have these mentor teachers have increased standardized test scores by 26 percent. It is now a model for the State of Maryland.

With increased Federal support, we will be able to expand this program to help additional schools. Reaching high standards is our priority, and Title I has been a vital resource for improving speed in achievement in our schools. Since the 1994 ESEA reauthorzation, all but one of our Title I schools have shown increased performance as gauged by the Maryland School Performance Program. We have also been able to implement proven research-based school reforms like Reading Roots and Reach for Reading, but with increased Federal Title I funds, we could add 15 additional schools just above the 50 percent poverty mark.

Finally, Baltimore County has a crisis in its school facilities. A new assessment here of our elementary schools found many of our schools with heating, plumbing and electrical system problems with a remaining life-expectancy of zero to 4 years. The price is $243 million.

If we look at our middle and high schools, the price will range from $200 to $225 million on top of the $243 million. And even though our Governor, Paris Glendening, and Lieutenant Governor, Kathleen Kennedy Townsend, have pledged to give to our State of Maryland over $1 billion in school construction and renovation funds, State and local funds are not sufficient to meet the need as we look across 24 school districts.

Nationwide, our public schools need an estimated $200 billion to modernize and build schools. Federal support is essential to deal with massive modernization. Now is the time to invest in our children and their public schools.

Last year, you did give us much-needed increases in special education, technology infrastructure, reading instruction, teacher preparation, but I am deeply disappointed by the administration's current budget, which increases education funding by only 3.7 percent. While I support the President's call to invest in school modernization and after-school programs and teacher preparation and class size, we have much more to do.

I am very disappointed with the lack of resources for Title I, Title VI and other core programs. If we are going to meet the high standards, and if we are going to have strong accountability measures, we are going to have to close the gaps and look for more help from the Federal Government. The real question is: If not, now, then when? If not now, when the American public is demanding that education is priority number one, then when? If not now, when we have a projected surplus of $2.6 trillion over the next 10 years, then when?

In my principal job, I work for the metropolitan transportation planning agency in Baltimore, and I will soon see the results of a partnership that was struck last year among State, Federal and local leaders with the transportation bill, TEA-21. With that act, Congress provided nearly a 40 percent increase over the previous transportation act and protected those funds from other discretionary programs. If we as a country can do this for our roads, we should be able to do it for our schools, because they are the road to our future.

I ask that you consider these critical issues, and I urge you to make our schoolchildren priority number one.

Thank you.

[The prepared statement of Mr. Brooks follows:]

TESTIMONY

on behalf of

THE NATIONAL SCHOOL BOARDS ASSOCIATION

on

Fiscal Year 2000 Education Budget

before the

Committee on Health, Education, Labor and Pensions

430 Dirksen Senate Office Building

Washington, D.C.

February 11, 1999

by

Dunbar Brooks
Board President
Baltimore County Public Schools
Towson, Maryland

·NSBA·

Excellence and Equity in Public Education through School Board Leadership

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- Michael A. Resnick
  Associate
  Executive Director

National School Boards Association
1680 Duke Street • Alexandria, Virginia 22314-3493 • (703) 838-6722 • FAX (703) 683-7590 • http://www.nsba.org

I. Introduction

Good morning, my name is Dunbar Brooks, and I am the president of the Board of Education of Baltimore County Public Schools. I am here on behalf of the Baltimore County Public School District, which serves more than 100,000 children in the areas surrounding, but not including, Baltimore City. I am also here on behalf of the National School Boards Association and the 95,000 local school board members who are the elected and appointed citizen governors of our public schools.

I would like to thank you, the members of this Committee, for your outstanding leadership and the significant strides that you have made over the past several years to meet the growing needs of our nation's public schoolchildren. But from my experience at the local level, now is definitely not the time to rest on our laurels. In Baltimore County and in the 15,000 local school districts nationwide, we face dramatic challenges—record enrollments, more children with special needs, teacher shortages, and crumbling schools and outdated facilities. At the same time our schools need to institute innovative programs to ensure that all students achieve high standards to succeed in a mobile and globally competitive society. Meeting these challenges requires a true partnership among the local, state, and federal levels of government.

II. Baltimore County Schools and Schools Nationwide Face Challenges

In Baltimore County we are working hard to raise student achievement levels to meet tough new state standards. But we face many hurdles impacted directly by federal programs—and particularly by the level of program funding.

Special education costs in Baltimore County have skyrocketed. The current local costs of special education and related services is $70 million—11 percent of our operating budget. The federal government provides only $7.5 million or about ten percent of our costs. (See Attachment 1.) In two reports, the Economic Policy Institute determined that each year the rising costs of special education absorb 38 cents of every new tax dollar raised for our schools. Clearly, the federal government has not met its commitment to fund 40 percent of the excess costs of the special education mandate. While we truly support the objectives of the federal law, the failure of the federal government to support its commitment is a heavy mandate on our schools. It hamstrings our ability to make program and financial decisions to raise the quality of education for all children.

We also see the great need to reduce class size and provide professional development. Baltimore County is implementing a plan for smaller classes in grades one through three for reading instruction. The federal class-size reduction initiatives will help make this a reality and, in the future, will help us expand this important program. (See Attachment 2.) However, targeted professional development is vital for these programs to advance student achievement. We have instituted an exciting "Teacher Mentor Program" to help teachers in our lowest performing schools. In just one year, mentor schools increased standardized test scores by 26 percent. (See Attachment 3.) With increased federal support, we will be able to expand this program to help additional schools.

Reaching high standards is our priority and Title I has been a vital resource for improving student achievement in our schools. All of our Title I schools have more than 50 percent of students in poverty and are using their funds for schoolwide programs. Since the 1994 ESEA reauthorization, all but one of our Title I schools have shown increased performance as measured by the Maryland School Performance Assessment Program (MSPAP). We have also been able to implement proven research-based school reform programs like *Reading Roots* and *Reach for Reading*. (See Attachment 4.) With increased federal Title I resources, we would be able to expand these efforts to currently unserved eligible students in 15 additional schools just above the 50 percent poverty mark.

Finally, Baltimore County has a crisis in its school facilities. A new assessment of our elementary schools indicates that many schools have heating, plumbing, and electrical systems with a remaining life expectancy of zero to four years. They will cost $243 million to repair. Many of these schools have multiple systems ready to fail. State and local funds are not sufficient to meet that need. (See Attachment 5.) Nationwide, our public schools need an estimated $200 billion to modernize and build schools. Federal support is essential to dealing with this massive modernization challenge. The American public understands this. According to a new poll conducted by the Luntz Research Companies, 82 percent of Americans favor giving states supplemental federal spending for school construction.

III. Now is the Time to Invest in Our Children and Their Public Schools

Again, I applaud this Congress and the Clinton Administration for making strides over the past few years to meet these challenges. Last year we saw much-needed increases in special education, technology infrastructure funding, reading instruction, teacher preparation and class-size reduction. **But I am deeply disappointed by the Administration's current budget proposal that increases education funding only 3.7 percent.** While I support the president's call to invest in school modernization, after-school programs, teacher preparation, and class-size reduction—we need to do much more. I am particularly disappointed with the lack of resources for special education, Title I, Title VI, and other core programs.

If we are going to meet high standards, and we should; if we are going to have strong local accountability measures, and we should; if we are going to close the gap and ensure that all public school students excel, then we need a partner at the federal level in order to solidly invest in our children.

And the real question is, if not now, then when? If not now, when the American public is *demanding* that education is priority number one, then when? If not now, when we have a projected surplus of $2.6 trillion over ten years, then when?

In my principal job, I work for the metropolitan transportation planning agency in Baltimore, and I will soon see the results of a partnership that was struck last year among local, state, and federal leaders with the transportation bill, TEA-21. With that act, Congress provided nearly a 40 percent increase over the previous transportation act and protected most of those funds from use by other discretionary programs. If we as a country can do that for our roads, we should be able to do so much more for our children and their public schools.

I am not asking for the federal government to fund what does not work, but I am asking for what we know does work. We know that smaller classes and well-prepared teachers make a difference. We know that there are proven models of school reform that can be replicated. We know that wisely integrated technology into instruction improves student achievement. We know that extended learning time is critical. We know that our students need safe and modern facilities to succeed.

As this committee and this Congress consider these crucial issues, I urge you to make our public schoolchildren priority number one. Invest in our country's future—our children.

Thank you for this opportunity to testify.

Attachment 1

BALTIMORE COUNTY PUBLIC SCHOOLS

Office of Special Education

Towson, MD 21204

Marjorie M. Rofel, Director *ESS Building, Suite 209* *887-4909, 3660*

To: George Poff

From: Margie Rofel

Re: Special Education Costs and Needs

The Baltimore County Public Schools serves approximately 13,000 students with disabilities in 160 schools. Baltimore County has seen a significant increase in students with disabilities related to behavior. The number of students with autism has doubled over the last two years. In the same time period the numbers of students requiring special education and related services who are seriously emotionally disturbed and other health impaired (ADHD) has grown by 400 students. Students with the above noted disabilities typically require small student/teacher ratios as well as multiple related services, such as, crisis intervention, individual and group counseling, nursing services, and occupational and speech therapies. The current local cost of providing special education and related services for these students exceeds 70 million dollars. From FY 96 to FY 98, for students receiving special education services there was a 23% increase in the cost per student. For FY99 BCPS received approximately 7.5 million in federal special education funds.

Even with a local budget of 70 million dollars we struggle to provide the necessary number of special education teachers and assistants to meet the needs of our 13,000 students. The impact of educating students with disabilities in less restrictive environments has increased the need for special education teachers. As our numbers of students with disabilities related to behavior increases and resources are allocated accordingly, students with learning disabilities included in their neighborhood schools receives fewer necessary supports. Hence we need funds to enable us to hire additional special education teachers. Given the shortage of well-trained special educators we need funds to work in partnership with institutes of higher education to create unique and practical certification programs.

Last but not least we need additional funding to support accessibility in our schools. With the many needs of aging building, adequate funding is not available to support timely implementation with our accessibility plans. The BCPS would welcome assistance with implementation of our Comprehensive Schedule for Accessibility Modifications.

Attachment 2

Baltimore County Public Schools

Department of Elementary Curriculum & Instruction
6901 Charles Street
Towson Maryland 21204
Roberta G. Bukovsky, Director
(410) 887-4039
Fax: (410) 825-9060

Class Size Reduction Plan for Primary Reading Instruction

Objective - The objective of the Class Size Reduction Plan is to reduce the student/teacher ratio in primary grades 1-3 during reading instruction. Schools exhibiting greatest need based on standardized test scores will be selected to participate in this plan.

Staffing - Eighty primary teachers will be assigned to schools based on 1998-99 enrollment figures. Schools with greater than 500 students will be assigned two teachers. Schools with less that 500 students will be assigned one teacher.

Instructional Materials - Twenty sets of Modern Curriculum Press, *Ready Readers* will be purchased to complete the Baltimore County Public Schools' initiative of placing controlled text in all Baltimore County Public Schools' elementary schools. ($8,000 x 20 = $160,000)

Professional Staff Development - Staff development will be provided to participating teachers in the Baltimore County Public Schools' *Reading Essential Curriculum, Word Identification Program for Beginning Readers*, and the *Language Arts Scope and Sequence*. This training will be conducted during the Baltimore County Public Schools' New Teacher Induction Program scheduled for August, 1999. Follow-up training will be provided at the local schools.

Identified Schools - Schools will be selected from triangulated data from three sources:

- Percent on or above grade level on the May 1998 Gates-McGinitie Reading Test (grade 1)
- Median percentile score for reading on the April 1998 CTBS (grade 2)
- Percent at satisfactory in reading on May 1998 MSPAP (grade 3) (See list attached)

Timeline - The Class Size Reduction Plan would be initiated in mid-September following beginning of the year student testing and teacher observation.

The contracted teachers participating in this instructional model would be on duty from September 15 to July 1 in accordance with a negotiated agreement. This would enable teachers to provide extended year services for the primary students in the schools to which they are assigned.

Implementation - Students will be placed in reading groups with a student teacher ratio of 16-20:1. Services to students will be provided during the reading instructional time on a daily basis. It will be the responsibility of the local school administrative team to develop the daily reading schedules.

Attachment 3

BALTIMORE COUNTY PUBLIC SCHOOLS

Department of Professional Development

Mary Jacqe Marchione, Director

600 Stemmers Run Road

Baltimore, Maryland 21221

PHONE: 410-887-6400 **FAX: 410-391-1130**

The ultimate outcome of the Teacher Mentor Program is to provide new teachers with the teaching skills necessary to improve student achievement in our lowest performing and most economically disadvantaged schools. In fact, research has concluded that the skill level of teachers improves with experience, particularly if the experience is focused, monitored, and results- driven.

While BCPS has used State funds to reduce class size in lower performing schools, without targeted professional support and staff development, smaller classes alone do not impact student achievement.

I have attached for your information a summary of our findings comparing standardized reading test scores in schools with mentors and schools without. We reviewed first and second grade reading scores over a two year period, comparing the data year-to-year as well as fall to spring. The results look promising for student achievement.

At the end of 1996 - 97 first grade (the first year of the mentor program) mentor schools had 20% fewer students testing at or above grade level than did the non-mentor schools, 82% vs. 62%. However, by the end of the second grade (the second year of the mentor program), schools with mentors nearly halved the difference with non-mentor schools, 89% vs 78%. Stated another way, mentor schools increased their scores by 26% over two years, while non-mentor schools increased only 9%.

With 117 mentors in over one-third of our schools, we hope to continue this improvement in student achievement and extend it further. Data collection, analysis, and test score reporting will continue into the high schools in view of the upcoming state assessments and graduation requirements.

The mentor program could also be expanded to include the concept of support for newly appointed administrators. This would require two additional positions to focus on improving student achievement and retaining qualified administrators in our more challenging schools.

To further expand the program, we have identified ten (10) schools with significant student achievement deficits, high teacher attrition rates, and high percentage of students receiving free and reduced meals. The addition of 20-24 mentors would allow us to address the needs of these schools.

In order to remain current with national and local trends and initiatives, on-going training is essential. In order to accommodate the costs of additional training and accompanying materials, (nationally recognized handbooks, training manuals, resource bulletins, etc.) a 10% funding increase would be appropriate.

Since the program is results-based and data-driven, additional assistance in data collection and analysis is essential to drive programatic decisions. A full time pyschometrician is required to support this effort.

In order to use our system resources effectively and efficiently, we hope to initiate programs to recruit, develop, train, and assess retired teachers and administrators, as well as currently employed veteran teachers to support BCPS newly hired teachers. Expanded use of teacher development funds would ensure each teacher's professional growth and development through extended course offerings, materials of instruction, the construction and use of a distance learning center, contracted services with Sheppard Pratt's Employee Assistance Program, expanded College/University Partnerships all of which address the State of Maryland's latest requirements for teacher certification as well as the National Standards for Teaching Excellence.

All of these initiatives are driven by the Department's Improvement Plan. (attached)

Attachment 4

Baltimore County Public Schools
Title I

Under the current authorization, Title I law requires local school systems to use state assessments and additional measures or indicators to review annually the progress of each school served to determine whether the school is meeting, or making adequate progress toward enabling its students to meet the State's student performance standards. For Baltimore County Public Schools, this means examining data provided through the Maryland School Performance Assessment Program (MSPAP) for each of our Title I schools.

All of the participating Title I schools in Baltimore County conduct total schoolwide programs. Each of these schools became eligible for schoolwide status because their rate of poverty has been at least 50% as measured by the rate of student participation in the free and reduced price meals program. Currently Title I schools in Baltimore County present poverty rates as high as 82%.

In spite of increasing levels of poverty in Baltimore County, Maryland, the Title I program is proving successful in providing significant opportunities to increase the achievement of students living in high poverty areas, including those students from minority populations.

The school performance index (SPI) is used by the Maryland State Department of Education to measure and report achievement of state standards identified in the Maryland School Performance Program. At the elementary level, the SPI reflects thirteen elements including results of the content areas of reading, writing, language, mathematics, science, and social studies that are tested by the Maryland School Performance Assessment Program (MSPAP) in grades three and five as well as attendance data.

The SPI trend data for Title I elementary schools over the past five years is presented below:

	1993 SPI	1994 SPI	1995 SPI	1996 SPI	1997 SPI	1998 SPI
School 1	25.8486	27.0842	31.680	34.527	35.282	39.265
School 2	28.6880	22.4938	24.802	34.383	33.206	41.853
School 3	27.4782	22.4038	27.417	26.428	39.646	50.892
School 4	31.2320	35.9827	38.466	51.156	53.508	54.464
School 5	28.5765	22.5018	22.767	28.549	27.289	39.837
School 6	40.4303	42.1751	44.304	37.134	44.277	46.881
School 7	31.7738	32.0358	50.807	43.844	40.321	61.894
School 8	26.0172	45.5981	38.389	42.334	34.953	39.840
School 9	34.1612	32.9896	38.107	53.488	48.837	48.288
School 10	23.6557	18.5712	28.887	30.420	36.069	58.205
School 11	46.2313	40.6892	68.911	40.387	66.884	70.765
School 12	34.7860	48.5853	45.082	46.112	38.024	51.057
School 13	32.6310	32.2083	34.806	29.923	35.725	46.833
School 14	42.0628	38.8874	46.351	48.030	51.224	48.235
School 15	42.8807	32.8398	79.480	67.857	74.000	65.164
School 16	47.8168	51.4166	46.920	45.357	43.438	47.187
School 17	32.0121	35.1833	45.571	54.624	57.158	60.104
School 18	37.8034	32.4583	56.390	39.080	42.847	42.884
School 19	24.8508	23.4608	40.616	31.641	35.801	30.825

When examining this data, the following observations can be made:

• All but one of the schools have shown increased student performance as measured by the MSPAP from 1993 to 1998.

• SPI scores among Title I schools in 1993 ranged from a low of 23.5557 to a high of 47.9159. SPI scores among Title I schools in 1998 ranged from a low of 30.625 to a high of 70.765.

• In 1993, none of the Title I schools achieved an SPI score of 50 or more; in 1998, eight schools achieved SPI scores of 50 or greater.

• As Title I funds have been used to provide greater programmatic focus, schools have experienced greater success in increasing student achievement: notable examples include those sites (schools 11, 15 and 17 on the chart above) which have been implementing reform measures such as the *Reading Roots* and *Reach for Reading* programs.

• Title I schools that are experiencing increasing success are using Title I funds to conduct achievement focused extended year programs, and intensive planning experiences for members of their school improvement teams. These planning experiences involve extensive data analysis of student performance and identification of effective strategies that will move achievement forward (school 4 on the chart above).

• Title I funds have provided opportunities for schools to implement programs that reflect current research such as practices based on the connections among brain growth, using the arts as a vehicle for focused reading instruction, and increased student performance (school 7 on the chart above).

• Title I funds have supported increased student achievement using intensive student support models (school 10 on the chart above).

• Title I funds have supported increased student achievement through extensive programs of professional development emphasizing successful instructional practices (school 15).

In addition, Title I funds in Baltimore County have helped to expand opportunities for groups that have been under represented, historically, in gifted and talented education programs. Both low income and minority students benefit from this increased access to gifted and talented education programs such as Primary Talent Development, Saturday Academy, and Summer Challenges for Young Students. When considering the data from participation in Title I supported initiatives such as these, students participating in the Saturday Academy program for fifth graders during FY 95 continued to be participating in gifted and talented programs through the end of eighth grade during FY 98 at the following rates:

Site A	40% continued in G & T through grade eight
Site B	50% continued in G & T through grade eight
Site C	60% continued in G & T through grade eight

Title I has provided leverage for considering school reform issues and initiatives as they relate to Baltimore County's quest for increased student achievement. Growing numbers of students in the high poverty areas of our district are experiencing success in the process.

School Reform Models

All models listed are currently being used in at least one Baltimore County Public School.

Whole School Reform Models

Core Knowledge

The Core Knowledge sequence provides a planned progression of specific knowledge in language arts, history, geography, math, science, and fine arts so that students build on knowledge from year to year in grades K-6.

Preliminary findings show that students gain self-confidence, they connect to material learned previously, and are interested in learning, particularly reading.

Cost: $6,000 in training fees and travel plus $200 per teacher.

Soar to Success Intermediate Intervention Program

The intervention's goal is to provide highly structured lessons using authentic literature, graphic organizers, and direct instruction of reading strategies based on the reciprocal teaching theory.

At the 14 locations throughout the country where this program was tested, students had improved reading scores on the Qualitative Reading Inventory - 11 and Gates MacGinite, Forms K, L

Cost: $795 per grade level (grades 3-5)

Modern Red Schoolhouse

This model uses E.D. Hirsch's Core Knowledge curriculum for primary and middle grades. Critical-thinking skills and cultural understanding of diverse nations and people round out the curriculum. Technology plays a support role in instruction delivery and school management.

Increases in achievement have been recorded in a number of the elementary schools. Absenteeism and disciplinary problems decreased in all schools using this model.

Cost: $25,000 to $300,000 over a 3-year period

Success for All

Whole-day kindergarten, building basic skills, performance grouping and one-on-one reading instruction are part of the program. The intent of this model is to ensure no student will ever receive remediation or be retained in a grade. It differs from other designs in that it moves children along using whatever resources are needed to prevent students from failing.

Evaluation of this model has shown that it raises student achievement levels, especially in all reading areas, while reducing retention and special education assignments.

Roots and Wings

Roots and Wings builds on the Success for All reading program to provide at-risk students with tutors, family support systems, and other services aimed at eliminating barriers to success.

Early results show that students in Roots and Wings schools are making gains in all areas of achievement on Maryland state standardized tests.

Cost: $70,000 - 1st year $28,000 2nd year

Targeted Reform Strategies

Algebra with Assistance

This model is designed for students who do not meet the traditional criteria for Algebra I, but who are in the regular Algebra I classes. These students take an additional resource Algebra class in lieu of music or art. In a small classroom setting of no more than 15 students, the teacher emphasizes a collaborative interactive approach to reviewing content being covered in the Algebra I Class.

This program began in 1998 in a Baltimore County middle school and already grades are showing improvement. In the first quarter, only 3 students out of 27 earned B's in Algebra I. By the second quarter, 12 students had grades of B or better. These students are performing successfully in English, science, and social studies, as well.

Cost: $31,255 per school

Kansas Strategic Instruction Model

The direct explanation of reading strategies is a key element of this program. It takes into account students' lack of strategies, attends to the stages of learning, and incorporates principles of effective instruction. In addition, it requires active student participation and involvement and prompts student independence. Strategies include word identification, vocabulary, and main idea with supporting details.

At the four sites in Baltimore County where this model was used during the summer of 1998, students averaged a 2-month reading gain during 16 days of instruction.

Cost: $12,000 - $15-000 per school

Autoskills Academy of Reading

This model includes software and on site support and focuses on student management and reporting. In addition, it involves diagnostic assessment, phonemic awareness, reading component skills development, and reading comprehension.

Twenty-five hours on task consistently yields at least two grade level improvement in reading comprehension.

Cost: $15,000 per school

Reach for Reading

This one-on-one tutorial program services students five times per week for ten weeks. It supports word identification and fluency using decodable text.

Reading progress of first and second grade students in participating schools was higher than performance increases of first and second grade students on non-participating schools, as determined by the Gates MacGinite and CTBS tests.

Cost: $15,000 per school

Expeditionary Learning Outward Bound

This K-12 design is based on Learning expeditions that are long-term interdisciplinary studies which require students to work cooperatively inside and outside the classroom. Teachers team to work as facilitators and educational guides with students for a multi-year approach. Expeditions include intellectual, service, and physical components.

Early information on achievement shows gains in reading and on state-specific comprehensive tests. Attendance has increased in these schools, and students report being more engaged in learning.

Cost: $60,000 to $100,000 start-up year $50,000+ 2nd year

Attachment 5

BALTIMORE COUNTY PUBLIC SCHOOLS

CAPITAL IMPROVEMENT PROGRAM

Baltimore County has 159 school buildings, 80% of which were built before 1970. Maintenance efforts have not kept pace with the growing needs of aging schools.

Approximately 18 months ago, Baltimore County Government provided Baltimore County Public Schools with $1 million to hire an independent consultant to assess the physical Condition of all 159 school buildings. Last September, Perks-Reutter Associates from Philadelphia, submitted their findings on the 100 elementary schools in the system. The report categorized the needs by life expectancy – 0 to 4 years, 5 to 9 years and more than 10 years. To address all the deficiencies identified in the 0 to 4 years category for all elementary schools, the cost would be $243 million. The report on the 26 middle schools, 24 high schools, 5 special schools and 3 alternative schools is expected late spring. Given the cost of the elementary schools, the estimate for the secondary and special schools is $200 to $225 million.

Baltimore County Public Schools must rely solely on State and County funding to address this substantial need to improve and update the aging infrastructure of our schools. Balanced against this is the need for additional seats in the Owing Mills and Honeygo growth areas.

The CHAIRMAN. Thank you all for excellent statements.

Incidentally, we have received word from the leadership that the procedure I have outlined is consistent with the rules.

I want to thank you all and wish you well, and in fact, you are going to be coming back. If you would just step aside and let us hear from the final panel, which is only two witnesses, we will then come back to everyone for questions.

The first witness on our final panel is Mr. Anthony Samu, who currently serves as president of the United States Student Association. He is the first person in his family to graduate from high school and college. Mr. Samu graduated from the University of Colorado at Boulder as a Ronald E. McNair Scholar, a Federal program designed to guide students of colors through doctoral studies.

The second witness is Mr. William Hansen. Mr. Hansen serves as executive director of the Education Finance Council, an association of not-for-profit student loan secondary markets. He has served on numerous national and State commissions on college costs and public education. Prior to joining the EFC, Mr. Hansen served as assistant secretary for management and budget as well as the chief financial officer for the Department of Education.

Welcome to both of you, and Mr. Samu, please proceed.

STATEMENTS OF ANTHONY SAMU, PRESIDENT, UNITED STATES STUDENT ASSOCIATION; AND WILLIAM D. HANSEN, EXECUTIVE DIRECTOR, EDUCATION FINANCE COUNCIL

Mr. SAMU. Thank you, Mr. Chairman. I am going to make this as brief as possible, and ask you to please refer to my written testimony.

The CHAIRMAN. Take your time; we have 2 hours.

Mr. SAMU. Thank you.

Mr. Chairman, thank you for inviting me to speak on behalf of students today. The U.S. Student Association and our membership have always felt that this committee has prioritized student issues, and your invitation to us to testify speaks to this commitment. As an elected official of our membership, I speak on behalf of millions of students across the Nation.

Over the past few years, students have seen significant increases in education funding, and we thank both the Congress and the White House for these increases. The broad support enjoyed by both sides of the aisle in Congress indicate that support for education transcends politics and represents our Nation's top priority. Those increases not only address funding levels but translate directly into access to education. Access to higher education is increased through more than funding, though. Policy decisions made last year through the reauthorization of the Higher Education Act also will ensure access to higher education.

Unfortunately, however, the administration's fiscal year00 budget request portrays a disheartening erosion of a commitment to increase access to higher education at a time when higher education funding has just gained the momentum needed to make a real difference for our Nation's students.

The administration's failure to articulate a bolder vision on access to higher education is disappointing indeed. Despite this lack of vision, Congress cannot afford to let core higher education programs stagnate nor can it allow the administration to ride the momentum from the past few years and let their budgetary slight of hand slip by unnoticed.

I am referring to the Pell Grant maximum award the administration touts as an increase, but it would be predicated on a reduced appropriation. You must continue the momentum you have created through the funding levels that do justice to the Higher Education Act and a shared vision of most Americans.

For the first time in most students' lives, the Federal budget is in surplus—a surplus not only in abstract money but in potential and possibility. Across the country, Americans have identified education and access to education as the number one issue. In a poll taken right after the State of the Union Address, Americans deemed that education should be the top priority that the Congress should put money into.

In the State of the Union, the President said that the doors of college are open to all. I beg to differ. Low-income students still attend college at drastically lower rates than upper-income students. Low-income families have disproportionately borne the brunt of escalating college indebtedness. Over the past 20 years, the philosophy around how students, specifically low-income students, should pay for college has changed. The Pell Grant is the cornerstone of low-income students' financial aid packages, and thus it determines whether or not low-income students can go to college.

In the early eighties, grant aid represented almost 55 percent of Federal aid offered to students, and loans represented just over 40 percent of aid. Now, loans constitute 59.4 percent of aid offered, and grants have eroded to 38.9 percent. This shift is dramatic to students in real terms. This erosion really does dictate whether a student is going to continue on or whether he or she will drop out.

The fact is students from higher-income families are twice as likely to go on to college, and low-income students are actually four times more likely once there to drop out than high-income students. It is dramatically important that we really stick to these core issues and have a real commitment from the Congress.

Thank you.

The CHAIRMAN. Thank you for an excellent statement.

[The prepared statement of Mr. Samu follows:]

PREPARED STATEMENT OF ANTHONY SAMU

Mr. Chairman, thank you for inviting me to speak on behalf of students on our budget priorities for fiscal year 2000. USSA and our membership have always felt that this committee has prioritized student issues and your invitation to testify speaks to that commitment. As an elected official from our membership, I speak on behalf of the millions of students across the country.

Over the past few years, students have seen significant increases in education funding and we thank both the Congress and the White House for those increases. The broad support enjoyed on both sides of the aisle in Congress indicate that support for education transcends politics and represents our nation's top priority. Those increases not only address funding levels but translate directly into access to education. Access to higher education is increased through more than funding, though. Policy decisions made last year through the reauthorization of the Higher Education Act also increased access to higher education.

Unfortunately, the Administration's fiscal year 2000 budget request portrays a disheartening erosion of will to increase access to higher education at a time when higher education funding has just gained the momentum needed to make a real difference for our nation's students. The Administration's failure to articulate a bolder vision on access to higher education is disappointing indeed. Despite this lack of vision, Congress cannot afford to let core higher education programs stagnate nor can it allow the Administration to ride the momentum from the past few years and let their budgetary slight of hand slip by unnoticed. I am referring to the Pell grant maximum award the Administration touts as an increase but would be predicated on a reduced appropriation. You must continue the momentum you have created through funding levels that do justice to the Higher Education Act and our shared vision of an America in which talented but needy citizens have a fair chance at college.

For the first time in most students' lives, the federal budget is in surplus. A surplus not only in abstract money but in potential and possibility. Across the country, Americans have identified education and access as their preferred area of additional federal investment. A CNN/GALLUP/USA Today Poll taken on January 19, 1999, the day after the State of the Union, found that education was the top priority when people were asked how they thought the surplus should be spent. It is important that the priorities of working people who know what it is like to try to send their kids to college, to accumulate debt in college or to attempt to pay back their college debt become the priorities of our government through the federal budget. Now is the time to take the public mandate for education and continue making significant increases in higher education funding.

In the State of the Union, the President said that the doors of college are open to all. I beg to differ. Low-income students still attend college at drasticaiiy lower rates tnen upper-income students. Low-income families also disproportionately bear the brunt of escalating college indebtedness. Over the past 20 years, the philosophy around how students, specifically low-income students, should pay for college has changed. The Pell Grant is the cornerstone of low-income students, financial aid packages and thus it determines whether or not low-income students can go to college. In the early 1980s, grant aid represented almost 55 percent of federal aid offered to students and loans represented just over 40 percent of aid offered. Now, loans constitute 59.4 percent of aid offered to students and grants constitute just 38.9 percent of aid offered to students. This shift in priority for grant programs has adversely affected access to higher education for low-income students and thus their ability to go to and complete college.

This year marks the first full operational year of the Hope tax credit and the opportunity for families who qualify to get a tax credit or grant of up to $1,500 for their children to attend college. Because this program is non-refundable, Hope will not benefit the lowest income families—those that need assistance the most. Pell Grants, Supplemental Educational Opportunity Grants (SEOG) and Leveraging Educational Assistance Partnerships (LEAP) will help those families. Title IV need-based aid programs have done much to ensure that a want of financial resources does not preclude academically talented, but needy students from earning a college education. USSA and the broader higher education community request a $400 increase in the maximum Pell Grant, a $65 million increase in the SEOG, and a $50 million increase in LEAP. USSA would like to thank the committee for all of their help and focus on these important programs during reauthorization and specifically Senator Collins and Senator Reed for their leadership in saving the Leveraging Educational Assistance Partnership Programs, formerly SSIG.

Core campus-based programs have also suffered in funding over the past few years. These programs must be maintained in funding and priority if we want to increase access to higher education. Without all of the grant programs and campus-based aid, the doors of college will be shut on not just low-income students but middle-income students, too.

This country has created a generation of indebted individuals. A college education has become a crucial component in long-term economic stability for individuals and families in this country. If people want decent jobs that provide a livable wage to buy homes and provide for their families, they must have a college education. That education comes at a cost. The problem of indebtedness will only become cyclical with my generation's children. How are we supposed to save money to buy a house or save for our own children's college education when we have to spend, at least, the first 10 years of our working lives paying back college loans? And that time period is only limited to 10 years if someone does not go to graduate school.

It is difficult to say how many of the 3.8 million Pell recipients could have still attended college without recent increases or how many more students could afford to attend college with these potential increases. Students across the country ask Congress to end or at least take the necessary steps to end these cycles of debt and find out how many more Americans could go to college. Increasing funding levels and prioritizing grant programs, specifically that Pell program, will take the steps to providing the long-term solutions necessary to end the cycles of increasing debt and, therefore, increase access to higher education. Now that we have a surplus that Americans want to spend on education, these programs must be prioritized, strengthened and solidified.

Congress is at an interesting point in recent history. In the surplus, lies an untapped resource of potential and possibility for true investment in the future. Historically, education has been the great equalizer and means of upward mobility in our society. Education, specifically higher education, has been a vital component to our national well being in relation to civic and economic responsibility. How the 106th Congress deals with the duty of responsibly apportioning the surplus with a vision to carry that economic stability into the next century remains to be seen. We hope that vision includes a broadening of access that reflects the extent to which the United States has succeeded in opening the doors of college and, therefore, a promising future to all Americans and their children.

The CHAIRMAN. Mr. Hansen.

Mr. HANSEN. Thank you, Mr. Chairman. I appreciate the opportunity to be here.

I was asked to speak wearing two hats today, one as the executive director of the Education Finance Council, responding to the President's budget, but also from my prior life at the Department, heading up the budget office there, on some of the administrative budget issues at the Department.

First, I would like to give you a profile of whom we represent—the Vermont Student Aid Assistance Corporation, the Arkansas Student Loan Authority, and the Nebraska Higher Education Loan Program and Nellie Mae are the kinds of organizations that we work with on a daily basis. These organizations were created a little over 20 years ago by Senator Lloyd Bentsen, who offered the legislation to help create a strong infrastructure in the student loan programs to make sure there was wide access to and availability of capital being formed around the country and to make sure this entitlement was available to everybody in the country.

We are very strong and very diverse in trying to make sure we have loan capital that we can provide to lenders. The number of lenders in the program has dropped over the last number of years because of reduction in some of the special allowance payments to them, and as a result, it is very important that our organizations are there to make sure the liquidity and the financial structure is there to work with the lending institutions and the loan program.

One thing that we are very proud of in our organization is that we really provide, I think, the lowest-cost loans in the program, the best benefits to borrowers and students in the program, and also many outstanding benefits to colleges and the community. Because we are nonprofit, we have to invest everything we earn back into the program. We have to invest it in students, schools and education, or we return the money to the Treasury through arbitrage rebate requirements.

An example in Vermont, as you are well aware—and this happens in Maine and in Arkansas—but there are many different programs around the country that reduce students' interest rates off the top; they rebate fees for students, they put in incentives where if you make 36 or 48 on-time payments, your interest rate will be reduced by one, 2, or 3 percent. We are also able to offer through the marketplace that if you make your student loan payments electronically, you can get an extra quarter percent knocked off your interest rates. There are a lot of very good activities going on around the country.

Also, in Rhode Island, the Rhode Island Student Loan Authority manages the College Planning Center in Warwick, a very impressive organization that helps students. It is similar to the GEAR-UP Program, where they work with students, particularly disadvantaged students, to help them know what their opportunities and options are for college.

Our members also offer a whole array of other benefits. They offer early awareness programs, high school financial aid nights, elementary school mentoring programs, comprehensive student financial aid publications, lifelong learning and career planning centers, 24-hour toll-free financial aid hotlines, interactive web sites, and a lot of technological investments as well.

In a number of States, we also have motor homes that have been refurbished with computers, so students on Indian reservations or in rural areas or inner-city areas can go into these motor homes and apply for college aid online.

To put this in context with the President's budget, as I think has been outlined, the President on the student aid budget I think is very weak and very short of where we need to be. In this area, the President is also proposing a 30-basis-point tax on these nonprofit organizations, which I find totally nonsensical. It just does not make sense. The only thing that will be hurt by this 30-basis-point tax is all the borrower benefits, all the school benefits that are currently available to students.

This 30-basis-point tax also should not even score, because right now, these organizations have to return their excess revenues to the U.S. Treasury through the arbitrage rebate requirements.

Mr. Chairman, I would like to also turn to the Department's budget. They do have an increase in spending on their direct loan and student aid bureaucracy of $115 million. This is on top of already a tripling of their administrative spending over the last 6 years. The Department of Education in 1992 spend $137 million to deliver 12 million student aid awards—Pell Grants, campus-based aid and student loans. This year, they will spend about $427 million, a tripling in the amount of aid, and they are delivering 15 million awards. They have had a 28 percent increase in the workload of the number of awards they are delivering, but their administration budget has tripled. This is something that I would hope the committee could be looking into. The numbers are phenomenal, and the increases they have had in salaries and travel, training, contracting. I would urge the committee to look at some of the details in my testimony that I mapped out.

Mr. Chairman, I would just like to offer a couple of recommendations, if I may.

The CHAIRMAN. Go ahead. There is no problem with time. I am going to be here, so please proceed and finish, and then we will go right back to the first panel for questions.

Mr. HANSEN. Thank you, Mr. Chairman.

First, I recommend that the Department's budget request be buried as it arrives here. I think that Congress does not need to reopen reauthorization issues. I think it needs to be implemented, and the Pell Grant increases and other improvements that were made in the program by your committee need to be improved upon.

Second—and you addressed this in your opening statement, and I did not talk with you before the hearing—but I have a very similar recommendation. If Senator Domenici and Senator Stevens are talking about increasing $40 billion in aid availability in this process that could be made available through rearranging priorities in other domestic discretionary programs, I think that would be an effective way to spend our money if we can rearrange our priorities.

What I would recommend, though, is not to create a bunch of new programs that are not going to be effective. When I was at the Department for 10 or 12 years, the two programs that I think worked the best and target the populations best are the Pell Grant Program and the special education program, and if there is $8 billion in aid available to this committee, I would strongly suggest that it be split between the two programs. Half of that would increase the special education commitment to about 20 percent and would also enable this committee to fully fund the Pell Grant maximum level of $4,800 that you authorized in the upcoming academic year 2000-2001.

Another recommendation would be on the administrative spending increase that I mentioned earlier. Instead of spending $115 million more on administration, Mr. Chairman, that money could double the funding of the LEAP program and almost double the funding for new capital contributions to Perkins if we give the money to students and not into the bureaucracy at the Department of Education.

The fourth recommendation would be, as I mentioned earlier, for this committee to really take a look at the increased administration spending at the Department to make sure in these tight budget times, even though we have a surplus, priorities still have to be set, and the money should be spent on students and not on bureaucracy.

Finally, I would also ask this committee to monitor the negotiated rulemaking processes going on right now and to also monitor some of the upcoming studies that the Department is working on in terms of the alternative interest rate index and other issues. I think there is continued frustration on the part of many that we are having a difficult time working through some of these issues in a productive and positive way, and I would hope that we would be able to do so.

In closing, Mr. Chairman, I would just like to echo some of the comments that have been made here, that we really do need to support programs that work and not create new programs that will further erode the strength of programs like the Pell Grant Program and the student loan program and the special education program.

I appreciate the opportunity to be with you today.

[The prepared statement of Mr. Hansen follows:]

PREPARED STATEMENT OF WILLIAM D. HANSEN

Mr. Chairman and Members of the Committee: Thank you for the opportunity to appear before you today to testify on the Department of Education's FY 2000 budget as it relates to higher education and Departmental management. Mr. Chairman, you asked that I testify today from two perspectives—as the Department's former Assistant Secretary for Management and Budget/CFO and in my current capacity as the Executive Director of the Education Finance Council. Therefore, my statement today reflects both my experiences during the Bush Administration as well as my observations related to the direction that I believe federal higher education policy should be headed from the perspective of the Education Finance Council.

PROFILE OF THE EDUCATION FINANCE COUNCIL AND ITS MEMBERS

The Education Finance Council (EFC) represents state-based student loan secondary market organizations throughout the country. These public purpose organizations were created by the states under the authority of legislation originally written over 20 years ago by former Sen. Lloyd Bentsen, who recognized the need for organizations across the country dedicated to the single purpose of making sure students can get the money they need to go to college. These organizations are always there for students, in good financial times and bad, in large communities and small, in every size and type of school. They expand access to higher education in two ways: by ensuring the availability of funding for student loans and by making it easier and less expensive to pay for college.

EFC member organizations raise capital by selling both taxable and tax-exempt bonds to investors, then using that capital to acquire student loans from commercial banks, savings and loans and credit unions. The capital formation in the bond market allows these financial institutions to make more student loans. In acquiring loans from the originating lenders, or in some cases making the loans themselves, secondary markets assume long-term servicing and collection responsibilities and share the risk of defaults.

The public-private partnership of secondary markets, guaranty agencies and financial institutions is an example of how the federal government can efficiently and effectively leverage billions of dollars in private capital to meet a compelling public need.

Student loan authorities operate in every state and territory. Their only purpose is to serve students, families, and schools by making sure money is available for student loans. EFC members serve millions of students and parents each year, accounting for approximately 30 percent of the FFELP loans currently outstanding. EFC members offer some of the lowest-cost loans available, saving students and families from all backgrounds millions of dollars in interest and fee payments each year. In addition, the diversity and localization of state-based authorities allows them to tailor programs, technology, and innovations to meet the needs of each area of the country.

EFC members understand that programs which increase access to higher education by lowering the cost of college are only part of the solution. Consumers also need information, guidance and encouragement. To provide these services, EFC members deliver extensive outreach and counseling programs that bring professional counselors, materials, and support services right to area schools, community centers and the workplace. EFC members also assist colleges with borrower entrance and exit interviews that explain borrowers' rights and responsibilities under the federal loan programs. These interviews play a critical role in preventing defaults.

Many EFC members offer their own scholarship and grant programs or operate state grant and scholarship programs, including some of the pre-paid tuition plans and tuition savings plans that most states have started. The specialized knowledge and experience of the state secondary market organizations makes them a logical choice for these programs.

Where once grants, scholarships and family savings paid most of the bills, student loans are now the largest source of student financial aid. In fact, the number of loans has skyrocketed in recent years. In FY 1998, student loans accounted for over 75 percent of all Federal postsecondary student financial assistance. EFC members are committed to meeting the financial and other needs of students and their families by ensuring that student aid programs remain strong and meet the challenges of the future.

MAKING COLLEGE MORE AFFORDABLE

The state-based, non-profit secondary markets provide some of the least expensive student loans available—as much as 3 percent below the standard government interest rate. Secondary markets, working closely with their local communities, have tailored their programs to serve their residents. I would like to highlight only three examples for the committee at this time but just about anywhere else you go, similar student benefits are offered by secondary markets and many lenders.

Some of the best programs, like the one offered by the Vermont Student Assistance Corporation (VSAC), lower interest rates across the board. The Vermont Value rebate program provides an automatic interest rebate equivalent to 1 percent of the outstanding principal balance for the life of the loan. In addition, Unsubsidized Stafford and PLUS loans are interest-free the first academic year of the loan. Typically, a family borrowing $15,000 can save between $1,850 and $3,300 through Vermont Value. Since July 1, 1994, Stafford, PLUS, and Consolidation loans from VSAC automatically receive an annual interest rebate equivalent to 1 percent of the principal balance on loans in repayment. Borrowers can reduce their loan costs an additional ' percent by making their loan payments electronically. The program rebated $7 million in FY98, bringing to $15.6 million the total amount rebated since the program started in 1994.

Programs often include incentives that reward borrowers who make their loan payments on time—showing that responsible behavior does pay. For example, the Maine Education Services' (MES) SuperLoan is available to all Maine students or parents, with or without financial need, who pursue higher education at in-state or out-of-state schools. It is also available to out-of-state students who enroll in Maine schools. Since its introduction in 1994, SuperLoan has saved Maine families more than $20 million in future interest payments. Nearly three out of four Maine student loan borrowers choose a MES discounted loan. MES reduces the borrower's interest rate by 3 percent after 36 months for making on-time payments. MES also reduces the interest rate by ' percent for borrowers who sign up for automatic electronic payments. Finally, MES reduces the borrower's principal for origination fees paid over $250 after 24 months for making on-time payments. The typical borrower with $10,000 in student loans saves $1,389.

The extensive outreach services provided by EFC members have a widespread impact on the lives of those families who don't have access to the necessary information or the necessary support to work through the complicated maze of applying for college and securing financial aid. Some secondary markets have mobile units that are manned by professional counselors and equipped with computer networks that travel to rural counties and inner city areas providing prospective students with the college and career information they need. In addition to paying the 1 percent guarantee fee for its borrowers and discounting interest rates by 2.25 percent after 48 timely payments, the Rhode Island Student Loan Authority serves its community through the recently launched College Planning Center of Rhode Island. Located on 400 Bald Hill Road in Warwick, Rhode Island, the Center provides academic, admission, financial aid, career counseling, and awareness programs designed to encourage enrollment in higher education. These services are available to the general public at no cost. The Center provides professional advice on ways to save for college, how to take advantage of education tax incentives, understanding the college admissions process, maximizing scholarship opportunities, and provides step-by-step assistance in completing admission and financial aid applications.

In summary, EFC member organizations offer a wide variety of vital products and services. These products save federal dollars by reducing defaults. A sample of these services include:

Early awareness programs
High school financial aid nights
Elementary school mentoring programs
Comprehensive student financial aid publications
Lifelong learning and career planning
24 hour toll-free financial aid hotlines
Interactive web sites
Scholarship funding
Educational grants
Volunteer community services
Charitable contributions
Alternative/Supplemental loans
College campus visits

ED BUDGET CUTS MILLIONS FROM STUDENTS

The FY 2000 budget submitted by the Administration would abolish most of these student benefits and services. It would take us in the wrong direction, making it more difficult to serve the needs of students around the country. We support the Administration's general goals of increasing access to higher education and making college more affordable. Those are central the mission of EFC members. But we believe some of the specific priorities are off base and that some of the methods for reaching those priorities will take us farther from those central goals.

The budget does propose to increase the maximum Pell Grant award, and it does not offset that increase by reducing eligibility. However, the budget actually pulls money out of the Pell Grant account, failing to move even within hailing distance of the maximum Pell Grant authorized by this committee. Low-income students ought to be eligible for $4,800 during the 2000-2001 academic year. The budget proposes only $3,250 for Pell Grants, a 4.2 percent increase. The Department's budget request for the other student aid programs also shortchanges students in a big way:

FY 2000 Budget Request

PROGRAM	FY 1999	FY 2000	CHANGE
Pell Grant	7704	7463	-241
Work-Study	870	934	+64
SEOG	619	631	+12
Perkins Loan	130	130	0
LEAP	25	25	0
COMBINED TOTAL	9348	9183	-165

We also must take issue with the revenue offsets proposed in this budget, offsets that are required to pay for a plethora of new programs by attacking one of the most successful programs in history. Just four months after Congress unanimously passed the reauthorization of the Higher Education Act, the Administration essentially wants to toss that careful bi-partisan agreement into the trash. Rather than allowing one financial aid award cycle to pass before re-starting the reauthorization debate, the Administration has launched another attack on the Federal Family Education Loan Program, the program that provides two-thirds of student loan volume and serves over three-fourths of the nation's campuses.

Congress spent two years holding hearings and debates on the Higher Education Act. All the arguments were made. The result was a unanimous agreement—unanimous. How often does that happen on major legislation? A central tenet of the reauthorization was the agreement to support two strong loan programs, FFELP and Direct Lending. This budget proposal crushes that idea, re-launching the attempt to force direct lending down the throats of America's schools and students. The trouble is, schools have voted with their feet—77 percent of schools have chosen FFELP. Direct Loan volume is less than half what was expected when the program was created in 1993.

THE NON-PROFIT TAX IS NONSENSE

The Administration budget has singled out not-for-profit organizations—those represented by EFC—for what amounts to a special tax. That tax in the form of a cut of 30 basis points (.3 percent) in what these organizations can make on student loans made with tax exempt funds. It would come on top of a cut of the same amount imposed by the Higher Education Act reauthorization just 4 months ago.

It mystifies me as to why the Administration would want to target the earnings of not-for-profit organizations in this manner while claiming to be trying to help students. There is only one way these organizations can use the net revenue they make on loans made with tax-exempt funds. They can cut costs and provide services for students and schools, making higher education more affordable. Any extra revenue that is "materially higher" than costs must be rebated to the U.S. Treasury via arbitrage rebate.

Periodically, our member organizations must calculate their net income, including federal special allowance payments, on any tax-exempt debt they hold. Anything more than 2 percent must be rebated to the U.S. Treasury. Section 150(d)(2) of the Internal Revenue Code makes it clear, saying organizations that issue tax-exempt student loan bonds must "devote any income (after payment of expenses, debt service, and the creation of reserves for the same) to the purchase of additional student loan notes or to pay over any income to the United States."

Actually, my members would rather not rebate funds to the Treasury. They would rather spend it on students by providing borrower benefits programs or by going out into their communities telling kids about college and showing them that they can go to college, that the money is there. They have to keep their balance sheet in the black, however, so money is rebated back to the government. As an example, one medium sized secondary market this month paid the IRS $150,000 in arbitrage rebate. Instead of that money going to the Treasury, the Administration's budget proposal would apparently have it go the Education Department, simply taking it from one federal pocket and putting it in another.

In addition to the IRS's arbitrage rebate regulations, the tax law drastically limits the amount of tax-exempt student loan bonds that can be issued. Each state is only allowed to issue a limited amount of tax-exempt bonds known as private activity bonds each year. The limit is set at $50 per person per year, with a minimum of $150 million. Those private activity bonds are divided among mortgage revenue bonds used to help low- and moderate-income Americans purchase their first home, small-scale industrial development projects, student loans, and a few other uses. Student loans are allocated only 5 to 10 percent of the private activity cap each year. Of the total amount of student loans made by the private sector this year, less than 5 percent will be made with tax-exempt funds. Recognizing this drastic shortage of cap authority, Congress last year passed a slowly phased-in increase in the size of the private activity cap. I do mean slow. In 2007, this cap will reach the level, not adjusted for inflation, that it stood at in 1986. States decide if and how much private activity bond cap to allocate to student loans, and that state decision is based on a desire to help students at the local level. Please do not take away that state and local control.

WE PROMOTE ACCESS AND CREATE NEW LOAN CAPITAL

When many people think of the FFEL Program, they think of Sallie Mae and of the big banks, like Citibank, Norwest/Wells Fargo Bank, or Chase Manhattan. But there are more than 3,000 lenders in the program, ensuring that every student and every school, no matter how small or how remote their community, can get a college loan. Most of the small and community banks lack the ability or desire to cope with all the complexities and regulation of the student loan system on their own, so they sell their loans to the specialized secondary market organizations. Some of the large organizations prefer to work with other large organizations. Some of the large organizations do not find it cost effective to service the Bank of Smallville. That's where the state-based secondary market organizations step in. As student loan yields have fallen over the past five years (3 separate steep cuts), thousands of lenders have left the student loan programs. Recently, two important participants, Wachovia Bank and Household Finance Corporation left the program because of the most recent 30 basis point cut. The full impact of reauthorization and its dramatic cuts in special allowance will not be fully felt for a few years. Liquidity, capital formation, and access will be extremely important for students in the next several years. We are designed to fill these needs.

Some in the Department of Education have long resented the fact that the Direct Loan Program can't always offer the interest rate breaks that some of my members can offer. Over the years, they have proposed outlawing FFELP borrower benefit programs, prohibiting interest rate discounts for students who make on-time payments, for example. Congress wisely has never agreed to such anti-student proposals. This is simply another backdoor way to try and put a stop to these programs so that Direct Lending can gain a competitive advantage. Every dollar that secondary markets lose because of the .3 percent cut will come out of the pockets of students.

ED: BUREAUCRACY FIRST, STUDENTS AND INNOVATION LAST

At the same time, the budget proposes a 26 percent increase in the Direct Loan Administrative spending—a $115 million increase. That is backwards. Who would want to make college more expensive for students in order to fatten the Direct Loan bureaucracy? The Department of Education, that's who.

In addition to singling out non-profit secondary markets for attack, the budget attempts to revive the Administration's scheme to destroy the state-based guaranty agency system and transfer those functions to the Washington-based Education Department bureaucracy. The Administration makes a nearly identical proposal in every budget, and Congress in turn rejects it. I believe Congress should do the right thing and reject these proposals once again.

In fact, the reauthorization bill that passed four months ago required a major restructuring of the finances of the state-based guaranty agencies. They are in the midst of putting those changes into effect. Proposing, once again, the same rejected scheme shows a lack of respect for the tough compromise, which passed unanimously, and a refusal to work constructively towards putting the new law into effect.

Another misguided proposal in the Administration budget would discourage delinquent borrowers from bringing themselves current. Those who pay their loans on time would not have this advantage. To be specific, the budget says that lenders should not be able to collect interest on loans that are more than 180 days delinquent until the time they go into default. That means that once a loan becomes delinquent, a borrower would have no incentive to bring it current for another three months. In fact, there would be a strong incentive not to do anything, since no interest would accrue. This provision is being billed as a default reducer, when in fact, it would have the opposite effect. Lenders lose money when borrowers default, so they work extremely hard to prevent them. The longer a loan is delinquent, the harder it is to get it back to current. It makes no sense to encourage delinquency.

We testified last year that FFELP loan providers have been constantly improving service delivery, and technology to financial aid offices and to students, and reducing costs to borrowers. A technological revolution is occurring in this country, no place more dramatically than in the financial services industry. The providers of FFELP loans have invested and are continuing to invest in the latest technology to speed service, improve efficiency, and eliminate errors. If allowed to do so, competition in the private sector will continue to spur innovation. Those companies that are unable to keep up will be replaced by organizations that are forward-thinking, flexible, and concentrate on serving their customers—students and schools.

EXPLOSION IN ED OVERHEAD SPENDING

Now permit me to put on my "has-been" hat as the Department's former Assistant Secretary for Management and Budget/CFO. It's always easy for a former official to try to poke holes at the subsequent regime. That is not my intention. My intention is to point out the serious problem of exploding overhead spending. Even if I were not in the student loan arena, I would be and am a disgusted taxpayer. This committee should be concerned about the fact that the 1993 Student Loan Reform Act created an unprecedented $2.5 billion administrative entitlement fund for the implementation of the direct loan program. Unlike nearly all other government administrative funds, those associated with the Department's direct government loan program are not subject to annual appropriations and review.

Mr. Chairman, we as taxpayers need this committee to ensure some fiscal integrity at the Department of Education. Departmental spending just for student loan administration has jumped from $137 million a year to $429 million a year (from 1992 to 2000). This is a 213% increase during the last seven years. At the same time the number of student aid awards that ED processes has increased from 12 million to 15.3 million, representing a 28% increase in its workload.

Between 1993 and 1999, ED spent $2.02 billion on student aid administration. Additionally, they spent another $609 million on their new Direct Loan servicing and origination contracts. Over the next five years, ED is poised to spend another $2.18 billion on student aid administration and an additional $1.52 billion on its Direct Loan origination and servicing contracts, even though ED's own budget says that direct lending will not grow. Just to be clear, that is a grand total of $6.409 billion in administrative and contract spending between 1993 and 2004. That's billion. The 1992 projections for total student aid administrative spending for this same time period was only around $2.6 billion. Therefore, an additional $3.8 billion was and will be spent on overhead, solely as a result of the creation of the direct loan program. Even subtracting out the Direct Loan origination and servicing contracts from this amount, ED will have spent $1.6 billion more for basic administration—payroll, travel, rent, postage, etc.—than it would have otherwise.

A simple freeze in administrative costs should be considered immediately. To be clear, freezing the Department's overhead does not reduce the money available for Direct Loan origination and servicing. Those funds will grow by almost 60% over the next five years to meet increasing servicing demands. A freeze would merely reign in the runaway spending of the Department's bureaucracy. They can keep their bloated base (triple the spending) which they have accumulated, but Congress should stop this escalation in bureaucracy, and stop it now.

These entitlement administrative funds when originally framed, assumed at least 60% direct lending volume by now. They are at half that. The Department has had a virtual blank check and has never once offered to spend these administrative funds on students in the form of borrower benefits to direct loan recipients or to return excess funds to the Treasury. In fact, they have had a $40 million contract cancellation and needed a $25 million bailout during the emergency consolidation loan crisis. They magically found $25 million in the old HEAF account to cover their mistakes.

There has been no effort to enhance the efficiency and simplicity of the Department's operations because there has been no need. The more complicated the systems the more money bureaucracies can spend. The Department's Office of Postsecondary Education spends $325 million a year on contracts and $300 million on internal administration to run their 12 stove-pipe computer systems. The Department has not consolidated a single computer system in the last six years and there is no incentive to do so. Taxpayers cannot continue to just throw money at more poor management. We deserve prudent and efficient fiscal controls.

Just look at the facts—the Department's payroll expenses have gone up by 93% and training costs have gone up by 1084%. The Department is spending massive amounts of money on promotion and travel. The Department has added 34% more staff, and rent has increased 415%. The Department's travel has increased dramatically; their travel expenses are up 133%. Printing of promotional items and applications has increased 1,415%. The Department is printing a similar number of applications as it did in 1992, because students are starting to apply for financial aid electronically, and yet, the printing expenses have risen by 14-fold. Despite providing a great deal of information on the world-wide-web, the Department's postage budget has increased by 234%.

I urge you to curb the Department's wasteful spending. Let's spend this money on students, not bureaucracy.

RECOMMENDATIONS

Rather than cutting the FFEL Program and hurting the millions of students and thousands of schools who depend on it, like the Administration requested, I believe Congress should take several bold, positive steps forward for students and taxpayers.

First, bury the Department's budget proposal. Bury it now. Bury it deep. Let the market-driven student and borrower benefits in the private sector thrive. Don't open up reauthorization, let's implement it.

Second, fully fund the Pell Grant maximum authorized amount of $4,800 and increase the special education funding under the Individuals with Disabilities Education Act (IDEA) federal commitment up to 20%. The Senate Appropriations and Budget Committee Chairmen have both been speaking about increasing spending on education while not using the budget surplus and offering a substantial tax cut. They are suggesting rearranging priorities within current government discretionary spending to add $40 billion to education over the next 5 years. This is an opportunity for an $8 billion increase this year. Congress should fund programs that work, programs that target special and needy populations, programs that will affect the lives of millions of Americans. Congress should not fund dozens of new scattershot programs that are not targeted and that will only create more bureaucracy. Congress should equally split such an $8 billion increase between K-12 and higher education ($4 billion each) - that would be fair and would be effective. Everyone agrees that the Pell Grant program targets aid to low income students as effectively as any program in government. A $4 billion increase in Pell Grants would more than fully fund the $4,800 authorized level for academic year 2000-2001.

Third, rather than handing out millions more dollars to direct loan administrators at the Department of Education, we should re-target those resources directly to students via Perkins Loans and LEAP, two programs that have seen their funding levels reduced in recent years. With the $115 million increase that the Administration wants to pour into direct loan administration, Congress could double the funding for LEAP and nearly double the new capital contribution to Perkins loans. Both of these programs, like Pell Grants, target low income students who need money for college the most, when they need it the most (as students).

Fourth, the massive proposed increase in direct loan administration should set off alarm bells in this committee. The Administration budget repeats the tired claim that direct loans are cheaper than FFELP loans for the taxpayer. Yet, does anyone know what has happened to the billions of dollars that have been spent on running the direct loan program since 1994? Those of us who were skeptical about direct lending from the beginning pointed out what anyone in student lending knows: it is much easier to give money away than it is to collect it. I respectfully suggest that this committee, working with others if appropriate, attempt to ascertain where the billions of dollars spent on direct loan administration have gone over the past six years and why the planned future costs in overhead are so outrageous.

Finally, this committee has a strong record of ensuring that both programs remain strong and viable. Last year, Secretary Richard A. Riley testified before this committee, stating: "strong student loan programs are necessary to ensure access," and he assured the committee that the Administration will continue a commitment to both the FFEL and Direct Loan programs. Importantly, he also acknowledged that the Department of Education "can best serve students by maintaining a healthy and fair competition between the two programs while promoting efficiencies in the guaranty agency and lender system." I agree. I would add, however, that promoting efficiencies within the ED bureaucracy is just as important.

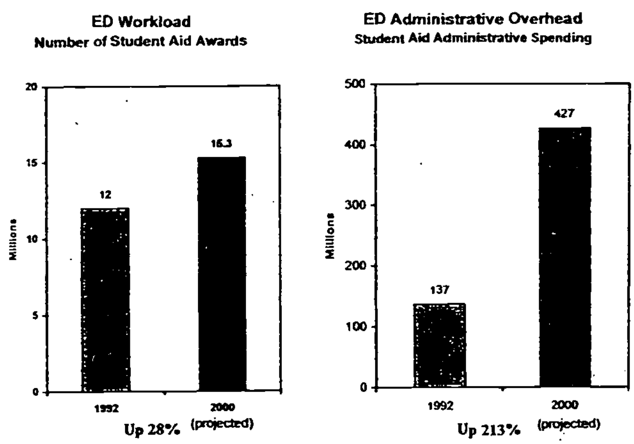
The Department's budget request is a disingenuous effort to again cripple the FFEL program and prop-up the Department's inefficient bureaucracy. Mr. Chairman, I respectfully request that you carefully monitor ED's implementation of last year's reauthorization to ensure a "healthy and fair competition between the two programs." This will be critically important in two key areas—negotiated rulemaking and the alternative index study. The fact that the Department is both our regulator and our competitor requires honor and diplomacy within the Department, which continue to be difficult to find.

CONCLUSION

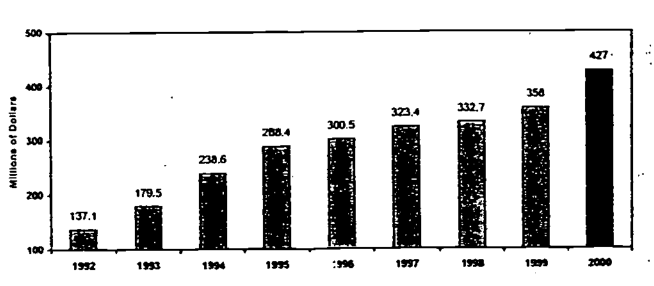
Americans strongly support education, and they want leaders at all levels to provide appropriate support. Support for education is not only measured in how many dollars you spend, but whether the money is spent wisely and supports achievement, promotes opportunity, and ensures access and choice for students, especially those in most need.

Thank you for the opportunity to testify before the committee. I will be happy to respond to any questions you or the committee Members may have.

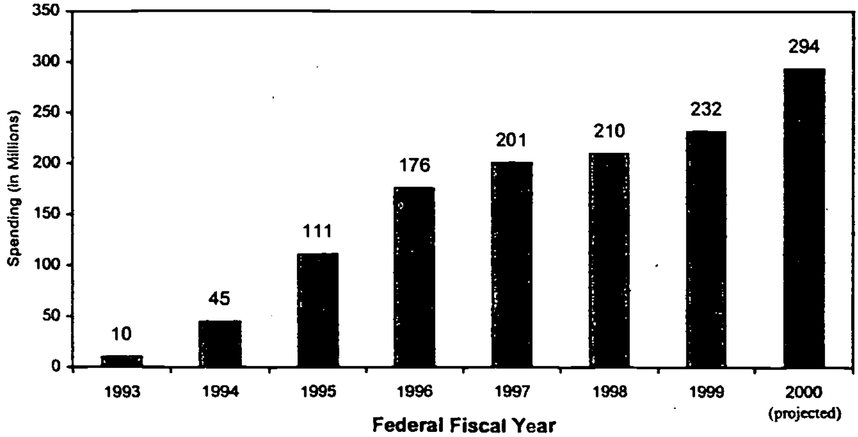
FROM FY 1992-2000, EDUCATION DEPARTMENT ADMINISTRATIVE OVERHEAD HAS GROWN SEVEN TIMES FASTER THAN ITS WORKLOAD



Total Student Aid Administrative Spending

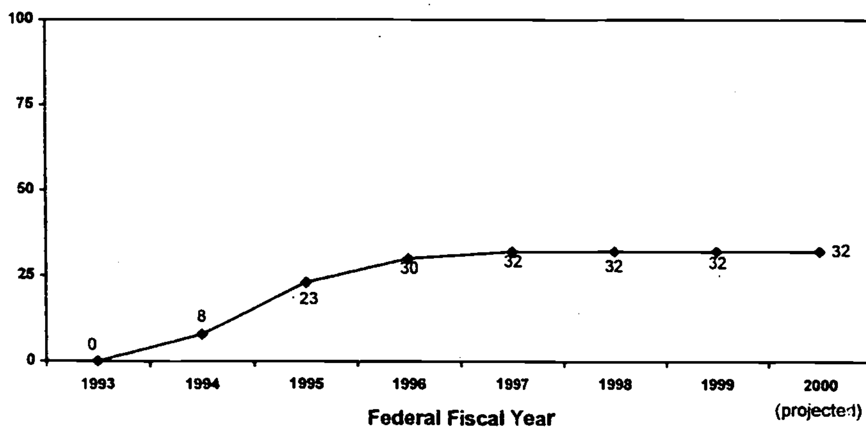


Direct Loan Administrative Overhead
Continues to Rise, Despite Flat Market Share



Analysis is based on general overhead costs (e.g., payroll, rent, training, travel) from the Department of Education's Direct Loan Administrative Account. [Calculations do not include loan-specific costs to originate, service and collect direct loans, which logically rise with loan volume.]

Direct Loans As A Percentage
of Total Federal Loan Volume



The CHAIRMAN. Thank you both. Now you can take a breather, and I will come back to you.

Let me ask the first panel to return to the table, please.

Representative Perry, thank you very much for your thoughtful and enlightening comments. I deeply appreciate them. You State in your testimony that Congress should "take action this year and in the years to come that will result in fully funding the Federal share of the important program of IDEA." Please expand. As a legislator, what would you consider a reasonable period of time for Congress to set a goal to reach the 40 percent Federal commitment?

Mr. PERRY. I appreciate that question, Mr. Chairman, and I will try to give you a thoughtful and honest answer. Taking a cue from the last witness, I would think that a reasonable target would be 20 percent, and I think a reasonable time frame would be 5 years. And I know how difficult it would be to make the trades within the budget and to make the additions in this program, but I think it would send a very important signal to State governments and local school boards that the Federal Government does intend to carry out its part of the bargain.

Along with that, however, I think there needs to be—and I have not seen the results of the 1997 legislation and what I understand will be relaxation or more flexibility—but along with increasing Federal funding, I think there needs to be a lot more flexibility in what I would term decreasing and rigid mandates.

The CHAIRMAN. Thank you.

With respect to mandates, of course, the Federal Government looks at it differently, that these mandates were required constitutionally. Do you differ from that view?

Mr. PERRY. I am not knowledgeable about the constitutional basis for that. I do not question the fact that we should be providing a free and appropriate public education to everyone. That is not the issue. The issue is what does it take to do that, how much does it cost, and who decides.

And I think, speaking for the people whom I represent, the people of Franklin Northeast, the feeling which has been mentioned here by Mr. Gilbert is a great feeling of frustration. No one questions the need to provide what is termed special education to those who need it. The question is does it really take a personal computer to do that; do you have to buy a personal computer for that student to do that? Do you have to send a person to that residential care facility in Massachusetts to do that? Do you have to incur these enormous costs, which are not under our control, either initially or the growth, in order to provide that free and appropriate public education?

So I am not here to challenge the constitutionality; I am here to challenge the common sense nature of implementing the law and the consequence of very high costs and, together with the underfunding by the Federal Government, the consequence of robbing other educational programs that affect all Vermont children.

The CHAIRMAN. Based upon your awareness of school funding in Vermont, if Congress were to substantially increase funding for IDEA, what impact would it have on the quality of education for children with and without disabilities?

Mr. PERRY. I can speak at two levels. First, in my home school district and the supervisory union of five towns, I can tell you that the Richford School Board, in reviewing its proposed budget for this year, in order to fund the necessary special education services, has eliminated an assistant principal position and has frozen teacher salaries at their present level. In addition, it has been unable to increase funding for reading programs and other programs that are needed to raise the level of performance and learning in not only reading and English, but also science and math.

As you know, our school scores, which we are starting to receive now, are very poor. I was told yesterday that only 34 percent of the elementary students met the standard in mathematics in the State of Vermont. That is terrible.

In my district—I do not know what the exact figure is—but I do know that the school board and the superintendent and the teachers want to do a better job of reading, and they want to do a better job of the whole program, but they are faced with a 10 percent increase in the tax rate for the next year just in order to comply with the special education cost increases and maintain the other programs without improvement.

The CHAIRMAN. This is somewhat of a difficult question, because some of the new programs recommended by the President include reading and math. Still at the local level, if you had a choice for additional money in those two categories, let us say, and special education, which do you think would be better?

Mr. PERRY. Well, there is no question that the burden that is being felt financially is a special education cost and cost growth and lack of cost control burden. There is also no question that we perceive that two things need to be done to alleviate that burden. One is more Federal money, and the other is more flexibility in how the money is used, including the use of reimbursement funds. Right now, any reimbursement funds that we get back let us say from Medicaid have to be put into new programs; they cannot be used to reduce the cost.

So I believe the honest answer is that money ought to be increased to fulfill the Federal part of the bargain in special education dollar-for-dollar instead of more Federal money for reading. I think we can handle the reading charge if we do not have to rob from our regular education coffers to fund special education increases that are not under our control.

The CHAIRMAN. Thank you very much. It was very helpful testimony, and I deeply appreciate it.

Mr. Marchand, thank you for your recognition of the scope of this committee's charge and for your thoughtful analysis of the administration's budget as it relates to special education.

As you noted in your testimony, this committee will have responsibilities related to the reauthorization of ESEA in this Congress. In what ways might you suggest that the disability community be at the table for these discussions?

Mr. MARCHAND. I guess physical presence would be the first answer to that, Mr. Chairman. Disability cuts across so many different ways, with certain students spending their entire academic lives in regular education classrooms with very little if any modifications to curriculum; others, of course, will pose more challenges to the local school system, whether it be the use of assistive technology to allow them to communicate because they have no other way to communicate or whether it is a significantly modified curriculum because of their cognitive impairments which will not let them, because of their disabilities, stay with their age peers.

So we are all over the place in regard to the needs of our children and where the supports come from. So that for some of those kids, the ESEA money and the ESEA principles are as important as the special ed principles.

The President has proposed some very interesting new concepts which will be debated through ESEA that again create mixed reactions among our constituencies. One would be the elimination of social promotion. On its face, this is probably a real neat idea so that kids do not end up moving and being bumped through the educational system when they have not been able to perform the academics.

On the other hand, what does the elimination of social promotion do to those children with mental retardation who will never, because of the nature of their disabilities, be able to move through the system well academically, and how do we keep them where the goal is to keep them with their peers and modify the curriculum in such a way that they will most profit from education. So the social promotion thing is for us a bit of a quandary for certain of the disabilities, but not all of them.

The same thing with class size. One would think on its face that lowering class size is going to profit all children, that it is going to have more individualized attention, the teacher can concentrate more on the fewer kids. And again, for most children with disabilities who are already in the regular class, that will profit them substantially.

But what about that distinct portion of the disability community that has been unable to access the regular class? Would the shrinking of class size, the need for more classrooms, the need for more teachers make it even more difficult to get into the regular education setting? This is again a quandary for disability.

So we look forward to working with you and the members of this committee to resolve some of these issues and protect the disability interests through the ESEA reauthorization this year.

The CHAIRMAN. I am not sure I want to ask any further questions; you are creating too many problems in my mind—but anyway, I will go on. [Laughter.]

Your testimony underscores the need for increasing the number of qualified general and special education teachers who are able to meet the needs of students with disabilities. Could you identify how this relates to improving education for all students? For example, how might increased opportunity for professional development affect the number of students requiring special education?

Mr. MARCHAND. I do not have an exact statistic, but there are literally hundreds of thousands of students with disabilities who are being educated today by unqualified, uncertified personnel. This is unconscionable but true.

There must be a way that the Federal Government can help to create that cadre of qualified educators and related personnel so that everyone can maximize their educational experience. And I guess that would be true throughout all of the education environment.

We have in the President's budget not one dime more for personnel preparation. Many school authorities and schoolteachers are resistant, if not downright afraid, to deal with children with disabilities in their classrooms—not necessarily because they have a bias against them but because they have never been trained at all in how to deal effectively with a child with a disability in their classrooms. That is the case for the vast majority of teachers in our Nation today.

So a Marshall Plan type of focus to do in-service for all those teachers now on board to be able to get it in regard to having children with disabilities very successfully dealt with in their classrooms needs to be done. That could be done through IDEA personnel prep, it could be done through ESEA personnel prep programs. So pre-service training and in-service training is in many respects the key to the future for all children with disabilities.

The CHAIRMAN. Thank you. That is an excellent answer and something that this committee will work on.

Also, we have new information with respect to the importance of early education, pre-kindergarten education and early identification. In fact, we held a hearing on this already, and it appears that, we need to make sure that people are qualified to identify problems, especially in dyslexia and other areas. How important is that to this issue?

Mr. MARCHAND. Early intervention in our field never comes early enough. So there is no question that the earlier you intervene with a child with a disability or a child with significant developmental delays, the odds are that that child will need less special education, less costly intervention, in later years and will become far more dependent.

Yet, as I mentioned in my statement, the Federal Government's fiscal role there is also significantly less than the Federal Government's role in funding Head Start for nondisabled children. One would think on its face, given the various testimonies you have heard today, that special k and dealing with kids with disabilities is more expensive—more expensive, not less expensive. Yet comparing Head Start and the kinds of Head Start programs for kids with disabilities, the Federal role is way, way behind. We would hope you would try to play catch-up with those programs, which are the Part C Infants and Toddlers Program in IDEA, and the Section 619 Preschool Program, which is part of Part B, to ultimately reach parity with Head Start. It is as important a fiscal issue as is the basic State grant.

The CHAIRMAN. I am not sure you will know the answer to this, but are you aware of any States or localities that have effective preschool programs in this regard?

Mr. MARCHAND. One indicator would be those States that have essentially a zero reject, the right to FAEP through birth. There are, I think, about 10 or 11 States now that have that. In other words, the State has a policy that sets the mandate to deal with every child with a significant developmental delay or a known disability from the time they are born or identified as having that disability. Those States with that principle would likely be ahead of the others, because there, the parents have a guarantee that their children are going to be dealt with at an earlier age, and the State likely has a stronger financial commitment to those programs as States that do not have those policies.

The CHAIRMAN. Thank you very much. I may come back to all of you again as we proceed, because there is nothing more critical than making sure that those resources we have are utilized in the best possible way. So I appreciate your testimony very much.

Mr. Gilbert, thank you for coming today also. You note in your testimony that your school system has had to make difficult funding choices in order to continue to meet its responsibility to educate students with disabilities. How would your school system be affected by a substantial increase of Federal special education dollars? Specifically, what would be the impact on the quality of education for students with and without disabilities?

Mr. GILBERT. Assuming that we have flexibility in using the dollars, I would do five things. I would first of all buy more books for our school library. My school did not have a library until about 5 years ago. We were not able to fund a bond. We finally got a bond passed, so now we have a library, but we need more books. The way we have been funding our book budget is the five school directors routinely contribute their $200 salary to the library fund to buy books. I would like to see us increase the book budget.

I would like to see us expand our instrumental music program so that children can play a band instrument starting in fourth grade rather than waiting until fifth or sixth. I would like to see us provide tutoring in math. Our math scores are low; they are below the State average. They have been low for a number of years. That concerns me.

I would like to see us provide some kind of early literacy program for children and their families. We have, I believe, a higher-than-average rate of nonreaders in our community among adults, and that translates down into more reading problems for children when they come to school. We have some children in our school who I believe probably have not seen a book before they get to the school, and that to me is unimaginable, but I believe it is true.

The other thing that I would do is increase our technology training offerings. We have a double problem here. Three years ago, we received a grant to buy computers, and we have had great computer facilities, and we have had volunteers in town actually network the school, but our teachers have not received adequate training in technology, and because of that, I believe children are not utilizing the computers as much as they could. So if I had more money that I could use for programs that would benefit all children, I would do those things.

The CHAIRMAN. Thank you. I appreciate your testimony, and I know your community, and I would say that Vermont always ranks near the top in education, but that would lead you to believe that we do not have many problems. But I know Vermont and the results that we have well enough to know we have severe problems just as all the States do.

I have another question for you. Are you aware of the several forms of financial relief in the reauthorization of IDEA, relief of maintenance of effort requirements, and the general ability to reduce the local special education budget by 20 cents for every new Federal dollar? Are you aware of that, and what is your feeling as to whether it is appropriate?

Mr. GILBERT. Yes, I think it is appropriate, and I am aware of it largely because of activities with some people I have met through the National School Boards Association on the local level, and I am not sure that that news has trickled down to the proper channels and that we have made the adjustments we could.

Let me say that this is a difficult issue for me because I do not want to be seen as undercutting what I think is broad-based support for educating all children in this society. I am not trying to ask for more money so we can cut funds and cut programs. The last people who want to or who are able, procedurally and legally, to not serve children with special needs are, at least in my experience in Vermont, local schools. There are as far as I can count about six lines of defense against a child not being served if he or she has special needs. It starts with the parents, then it is the classroom teacher, then it is the principal, then it is the special ed director, then it is the school board, and ultimately, somebody can start a legal action if they think they are not being served.

I believe in my school that every child who has had and does now have special needs has been served. We have an inclusion rate in our school of 100 percent; except for a few programs that some children are taken out for, every child in our school is served in the regular classroom.

Part of the reason why we have high per-pupil expenses as a school is that we have consciously maintained small classroom sizes so we can have special needs kids served in the regular classroom, and you do need to have a fairly low teacher-pupil ratio to make that successful.

The CHAIRMAN. I thank all of you and appreciate your testimony. This is a critical hearing today, and that is why I am insisting that we go forward. I apologize for the circumstances, but that is not of our making, and we are struggling as best we can to move forward at an appropriate pace to be able to work on the legislation that we must this year. I thank you all for coming, especially my two Vermonters.

Mr. PERRY. Thank you, Mr. Chairman.

Mr. GILBERT. Thank you.

The CHAIRMAN. Now, if the second panel would please return to the table. Let me start off with a question for all of you, and we will go down the row. What are your suggestions as to how we should deal with social promotion? Is there a Federal role, and if so, what is that role?

I will start with Ms. Brand.

Ms. BRAND. Thank you. As a parent, I am very concerned about social promotion. I certainly want our kids to be able to perform. However, I have always had a lot of hesitancy about the Federal Government mandating certain requirements that affect what happens in the classroom, so I have real concerns about how this type of policy would be carried out, and I do not want to see Federal regulations reaching all the way down into decisions that should be made between the teacher and the administration and the parents and the students. Oftentimes, I think that that needs to be very individualized depending on the student's needs and where the student is in the system.

So I absolutely believe in doing everything that we can do to get our kids to reach high standards and that it is the schools that have to carry that message forward in their communities, but I have great concerns about how a Federal policy like that would be implemented, so I would just say please be very cautious.

The CHAIRMAN. Mr. Kealy.

Mr. KEALY. Mr. Chairman, the Committee for Education Funding would not be taking a formal position on social promotion since our main goal is funding, but it is certainly clear to us that if we set as a goal as a nation that we eliminate social promotion, it is going to be absolutely essential that the resources are there for all children to be able to meet this new requirement.

For example, you have a Title I program that does not serve all the eligible children. It is designed to help kids who are educationally disadvantaged, so fully funding a program like that would be absolutely necessary if you are going to go forward with no social promotions.

An after-school program that the President has proposed also needs to be funded because most communities that have started this policy of social promotion have found it absolutely necessary to extend in one way or another the school day with after-school programs, weekend programs, summer school programs. You have got to provide the resources if you embark on the road of saying there shall be no social promotion.

The CHAIRMAN. Just let me interject there. I think you are absolutely right. Everybody forgets—it is one thing to stop social promotion in the first grade, but it is something else to say how you deal with everybody in the pipeline. How do you convert a functionally illiterate senior into someone who is literate, and where do the resources come from? That is very critical.

Dr. Deegan.

Mr. DEEGAN. I am just glad to hear your remarks, because I feel the same way, that it is just another red herring, it is another one of these used cars we have got to buy. The idea has been promoted and pushed that maybe there is a silver bullet, that one solution that will solve all problems if you just stop social promotion. It is a political term that is thrown around to kind of make it appear that schools are out there doing these things already, that we really do not care, that we just promote kids on, which is totally opposite from the real world. I am there very day with 9,200 students, and we do not believe in social promotion because we work with everybody every day. And when it comes to ideas about how to solve that problem, you have parents, teachers and students working together all year long, making a difference, and in the end, on retention or any of those kinds of issues, it is a group decision. But to all of a sudden have the Federal Government waltzing in making that statement is just a simple way to get off the real topic of the real role of the Federal Government.

The CHAIRMAN. Let me interject and question you a little bit on that. The national literacy studies that were done some years ago, granted, showed that 51 percent of young people graduating from high school were functionally illiterate. It would seem to me that

that is probably not a satisfactory education. Let us just talk about the long run. Should we change our graduation requirements to make sure that you are at least functionally literate when you graduate?

Mr. DEEGAN. I think there are a number of States that expect that with their standards and what they are trying to do. I think part of the problem is that the role of the Federal Government is a little different when you are dealing with the town of Bellevue, NE because of impact aid, or another town like Grand Island, NE, versus the city of Omaha, NE. When you talk about the role of the Federal Government, I think the role of the Federal Government ought to be more focused on maybe the 50 largest cities or the 100 largest cities and try to deal with some of those problems, because I think some of those statistics will probably come from the urban centers in the largest cities and not from all the way across America. So if those problems have to be solved, maybe they should be better solved in those large cities by dealing with them there.

I think we stand accused if we graduate anybody who cannot be literate. I think our school districts have failed if we do not do that. I am speaking as a school person who works with many, many school districts, and I do not see statistics like that that people are throwing around. I guess they may be better focused on large cities.

The CHAIRMAN. Mr. Brooks.

Mr. BROOKS. I would just that while I am heartened by our comments, from out in school board land, I will tell you that talking about social promotion as a Federal mandate is just that—an unfunded mandate. As the speakers have mentioned before, one, we do not adhere to saying we would have social promotion. We want every young child to achieve. But if we say we do not want to move kids along, if we want to deal with retention, that means there are clear implications for additional teaching, for additional services that must be provided in order for children to move forward and be successful, which means we need additional resources, and just mandating and saying that that is something that we should do is not have social promotion does not cut the mustard.

In our State, we have thrown out our functional tests which were used for graduation, and we will be implementing new graduation requirements in Maryland which will say that you cannot come out and be functionally illiterate, to your second question. And our Maryland School Performance Program says that young people now have to exhibit in third, fifth and eighth grades critical thinking skills, which is a step beyond just saying whether you are literate, but the ability to apply knowledge, which basically means you have to be able to read, write and compute.

The CHAIRMAN. I will just mention that in Goals 2000, one of those goals is that 90 percent of kids graduate from school. What does "graduate" mean? Should we, as I said, accept a change in the definition, or should we try to make sure that every child who graduates has an adequate education?

Mr. Brooks.

Mr. BROOKS. Clearly, with the graduation requirements, they have to show a level of proficiency. We are not talking about differentiated diplomas. We are saying that there are standards, high standards, that must be met. That is what is born in the school reform movement in Maryland, that, to give you an example, the prior graduation requirements said that if you could do percentages, and you could make change, that was your functional math test. That does not work in today's world; that is why those tests are being eliminated, and you must be able to apply that knowledge and apply critical thinking skills.

So we cannot say that there will be differentiated diplomas or that children will not be ready or will come out at different levels. If intervention strategies need to be done in remediation, that is one thing that is part of the Maryland school reform plan. If you begin to take those tests, 10 of them in various subject areas, the first being algebra, biology and social studies, if you have problems with them, we immediately intervene for remediation, but you do not leave the school system without being competent in them.

The CHAIRMAN. Mr. Deegan.

Mr. DEEGAN. The graduation requirements really do boil down to the fact that when you give a high school diploma, it should mean something. Too often, people are chasing around looking for something other than the high school diploma to call it something. We chase standards, we chase everything else, but when you get back to a high school diploma, it should really mean something. It should be based on credits and classes and courses, and that is where the learning takes place, when you go back to how an individual did in the class, what work he or she accomplished, and you get around to the essential objectives. Too often in education, you grab the book and teach the book. The idea is what are the essential objectives that you ought to learn out of math, whether it be freshman, sophomore, junior.

Today in our school system, the essential objectives that we identify and work with teachers on is to say when you leave third grade, what are the essential objectives in each of those classes, long before we had State standards. We think it is important that that all leads to a high school diploma that means something.

The CHAIRMAN. Mr. Kealy.

Mr. KEALY. I think the promotion of standards can be a very useful thing in improving educational performance, but what we have done as a nation is we have gone through an exercise of setting goals for education back in 1989 for 2000, and we are about due to have achieved them within a couple of months. We know—at least, in the most recent report I have seen—that in many ways, the goals that we set for ourselves as a society to support education and to demand more of our students were ambitious but were achievable, and we have not done enough to make sure that all children come to school ready to learn, for example, or be number one in math or science, and all the other goals that we set as a Nation. It is time for us to catch up if we are going to demand high standards and high performance of our students at a world-class level, and we need to make the levels of investment to bring that about.

The CHAIRMAN. Ms. Brand.

Ms. BRAND. I would echo the comments of the panel here in pushing for high academic standards for all students. I think part of the reason we have not seen as much increase in standards is that we have had a belief that there is only a certain number of kids who can reach those standards. And when you look at what happens with out-of-school youth and youth who are served by Department of Labor programs, whether it is summer youth or year-around youth programs or other community-based youth programs, those youth are not expected to achieve to those standards. They are kind of put off to the side; they are in a different system.

I think, as the others have said, that we must find strategies that work for every individual child, and they have to be individualized to each child. We should not just look at time as the basis for graduation. I think oftentimes, when we say 12 years is it, we may need to look at more flexible ways of dealing with these children.

Absolutely set the standards and work backward from that, and I agree with Mr. Brooks—intervene as early as you possible can, and do what it takes to get those kids to the standards.

The CHAIRMAN. We have already set forth in the Higher Education Act some programs relative to professional development. We are placing great demands, at least in our goals, on the schools. What are your suggestions for how we should spend the professional development dollars at the Federal level to be most effective in reaching these goals?

Ms. BRAND. I think one area is technology. A recent statistic showed that 20 percent of teachers feel comfortable using technology and integrating technology into their lesson plans. In today's society, that is just an abysmal statistic and should not be allowed to happen. So I think we have got to really work on teachers in terms of how they integrate technology and get kids used to using it and, really, how to augment what they are able to teach in class.

I think there also needs to be a broadening of ideas in the way that you teach children so that you go beyond these locked-in, 50-minute segments, and that professional educators look at team teaching and integration of curricula in very project-oriented, project-based types of programs. I think teachers really need to take the time to understand that.

A pull-out program for a teacher is often an interruption for them. A lot of the money that gets spent on professional development is not linked to an overall goal of the school, it is not tied to the overall learning goals for the class or the grade level, and it is almost an interruption in the teacher's day. So when professional development is provided, it needs to be done to meet the overall goal and mission of the school or the class or grade, and it needs to be linked to all of the learning goals for those students, and oftentimes, that really does not happen with professional development.

The CHAIRMAN. Mr. Kealy.

Mr. KEALY. I would agree with Betsy Brand that one important point is time, the need to invest in giving teachers adequate time for training. And that is an expensive commodity, but it is vital.

The National Center for Education Statistics just came out with a survey information about how teachers perceive the in-service and training opportunities they have, and most teachers' experience with training was in units of an hour or maybe 2 hours, once a month or ever 6 months. So training is something that is periodic, it is episodic, it is a pull-out, it does not have a context half the time, has to fit in at the end of the day—it is obviously not a priority. Training is not a priority if it is something you do at the end of the day's work, in an afternoon or on a weekend as an extra course you take. It is not a priority. In the business world, if training is needed, it is part of your work. You are paid to be trained as part of the training that you need.

I think that probably the biggest challenge to do the level of training that we expect of our teaching force is to be able to make that time and make it a priority for investing in that level of skill that you want.

The CHAIRMAN. Mr. Deegan.

Mr. DEEGAN. I agree totally with the comments that have been made and would add, too, the idea that when you go into a classroom, class size is important, materials are important, the facility is important—all those things fit into it, but what really makes the difference is the ability of that teacher to know how to teach. I think that that is sometimes one of the things we take for granted, that when you get them out of college and you hire them, they are going to know how to teach.

I would think that students coming out of college today are better-prepared in how to teach than in the past. I can see that in classrooms that I visit. They do a better job of individualizing and personalizing the instruction and breaking into groups. I think some emphasis can be put on colleges to make sure they really train students in how to be prepared to teach different abilities. And then, when they get them in the schools—I agree with the comments that have been made here—we have to provide them with the time and the focus to really make sure they do know how to teach, and if they do not, we have to find the time to personalize with that teacher and help them get to that point because they are so different.

The CHAIRMAN. Mr. Brooks.

Mr. BROOKS. I would agree with the previous speakers. There are clearly two issues. One is technology and the ability under professional development for teachers to have the time to learn how to use technology, and also, instructional strategies.

The key point is time. I just met with elementary school administrators and teachers, and they talked about what was involved in their day. Mr. Kealy is right when he talks about the fact that we cannot do things at the end of the day or on the weekend. I actually mentioned to the elementary school principals that we really do not have any 10-month employees anymore; even teachers who may work for 9 or 10 months are really 12-month employees now, because the time that is needed if they have to take courses during the summer so they can be where they need to be on instructional strategies and professional development really needs to happen during the summer, which means we have to pay them, which means that we have to change our budget.

When we use money from Title VI or other funds, we can then begin to put together a program that enables them to learn new strategies.

Another way we have looked at this—and my youngest daughter is now in elementary education; she is a senior at Bowie State University in Maryland—one thing we have done in the State of Maryland is said that there is not enough reading instruction in schools of education. Where there used to be two courses for an elementary school teacher and no reading courses for a middle school or high school teacher, that has been increased by the State to four reading courses for elementary school teachers and two reading courses for middle school teachers who are coming out. That is teacher preparation, but in-service must continue; they must have that in-service once they enter the profession.

So there are two pieces—one, to change schools of education, but also to provide more time and the money, which is time, to support professional development.

The CHAIRMAN. I do not know if you are as concerned as I am. I know that Vartan Gregorian of the Carnegie Foundation has severely criticized the treatment of schools of education in our colleges. He argues that graduating teachers are not really being prepared for the modern problems that we have, and that more attention should be paid to them by the college presidents.

Do you have any comments on his thoughts? Ms. Brand?

Ms. BRAND. I would agree. I think the schools of education have largely been ignored by the university community in terms of looking at ways to reform them. I think they have been slow in responding to the needs of the business world and understanding the types of skills that our students needs. Educators do not generally understand the world of business, and they generally do not know how to teach those skills or to involve those kinds of learning opportunities in their classrooms.

I think a lot can be done in reforming our schools of education. It is difficult to take on colleges and universities. But when you talk to practitioners in the field, a lot of them will say that that is a real roadblock to school reform.

There are some colleges and universities and teachers' schools that are beginning to really reform the way they teach students. They are getting them into the classrooms earlier, they are pairing them with experienced teachers, creating mentoring opportunities, and I think all of those are really wonderful ways to proceed in preparing new teachers. But in general, I think I would have to agree with Mr. Gregorian.

The CHAIRMAN. Mr. Kealy.

Mr. KEALY. I would just say that this committee last year did a lot in the higher education reauthorization to start making those sorts of links and to make sure that schools of education are linked to what is happening in school districts and the needs of the education reform movement. Some of the programs that were funded last year for the first time are good signs and good steps in the right direction to improving teacher education.

The CHAIRMAN. Mr. Deegan.

Mr. DEEGAN. In the Omaha area, we formed an organization of the superintendents and the College of Education at University of Nebraska at Omaha. We meet every 2 months and talk about programs and ideas and ways to better link the public schools and the teacher preparation programs.

They want to create a program called the Cadre Program, where they could bring teachers to universities, and then go out and visit classrooms and look for key skills and key indicators of quality to see if they are really doing the job. What it really boiled down to was they knew all the specific skills that needed to be taught, but they never had a course or a plan to teach those skills, and it seemed like they were in the role of we need to supervise, we need to tell you whether they are doing the job or not when they are out there—just do the job before they get here. So we took those skill sheets and said form your courses around that, and now those skills will be there that we are looking for in teacher education. So I think we do need more communication between the practitioners and the people in the departments of education, and I agree—in the University of Nebraska at Omaha, it is a struggle to be noticed in the department of education compared with the other departments which are much more high-profile. The real action is happening there between business and partnerships, but the university system has a tendency to look at education and say there is an oversupply, a lot of teachers there, and you do not have to put the focus so much on it.

The CHAIRMAN. Mr. Brooks.

Mr. BROOKS. I would agree. I think we do need to turn up the heat on the schools of education. In Maryland, when these reading requirements were put in place, there was a certain resistance from some of the colleges and universities in Maryland about these reading requirements.

The other piece on the other side, though, is that it is much tougher—and we do have very well-prepared young people coming out of our schools of education—but it is much tougher to be a teacher in today's society than it was 30 years ago. This is a different society.

What we need to do in those first few years where we have high teacher attrition rates is to get the mentoring program. In Baltimore County, we spend $5 million. We have 177 mentors in our lowest-performing schools, working with the new teachers. Fifty-five percent of our staff have less than 5 years of experienced. We used to be a very experienced staff, and we have 7,000 teachers, but we realize that if we are to maintain them and make them the best teachers they can be, going into our most challenging schools, there must be someone there who can "take them by the hand." Mentoring programs and staff development for new teachers are critical pieces that support student achievement but also help to keep people in the profession.

So there is the school of education side and those first few years in teaching which really help to make our system better.

The CHAIRMAN. In my experience, for well over 20 years, educational technology and software has been available. More and more technology becomes available each year and yet I have examined countless universities' programs for their teachers, and I think in only one, somewhere in East Texas, was there a program—just one class—designed to instruct teachers how to utilize modern technology in the classroom to be able to help students who either want to move forward faster or who need remedial help.

What has your experience been in that regard? Ms. Brand?

Ms. BRAND. I do not know about the number of programs, but my guess is that they are quite few. I think the most revealing statistic was the recent survey on teacher practices that showed that only 20 percent of our teachers feel comfortable using technology in the classroom. That is a very small percentage of teachers who feel comfortable not only just using a computer, turning it on, knowing how to operate it, knowing how to run the program—that does not even really take into account how they integrate the use of technology into their lesson plans. That is by far a much greater challenge in getting teachers to think creatively about how to use these different technologies, whether it is the internet or distance learning opportunities, to enhance the classroom experience. I think most of our teachers need to have a lot of work in that area.

I do not really know where the experts are in that field, but if you find them, let me know.

The CHAIRMAN. Mr. Kealy.

Mr. KEALY. I do not have any additional suggestions on that front, except that, again, it is a question of providing the time for teachers to get up-to-speed and to get additional training. But if I may, Mr. Chairman, I would like to make a comment that I was not able to make earlier about your leadership in investing in education. I remember that earlier this decade, you made a bold statement that we ought to be investing in education at a rate not one percent of the Federal budget, but we should increase it by one percent each year for 10 years until it is at 10 percent at least.

Many people thought you were crying in the wilderness at that time, but now, in leading your party in this goal, I think the time has come where this goal makes a lot of sense in the era of surplus and in the era of the needs that we are outlining here for education. I think that that is the level of investment we do need, and I just wanted to remind everybody that you set that goal, and we appreciate that leadership.

The CHAIRMAN. I am glad somebody remembers. [Laughter.] Senator Dodd and I did that together. All I was trying to do was get us back to the level where we were after World War II, when we invested in the terrible problem we had with young people who were taken out of college, and we set up a tremendous number of junior colleges—and we were then at 10 percent of the Federal budget. So thank you.

Mr. Deegan.

Mr. DEEGAN. When it comes to computers, I think it is really a generational issue. If you take anybody 25 years old or younger and put them in charge of a university, there will be technology programs all over the place. The problem is that the programs in colleges are run by people who never learned by or used technology, and the best they can hope for today is to send an e-mail message and click on or check something on the internet.

The people who really understand technology are the young people. I think it is a generational thing that will solve itself shortly as those people take over our jobs and other jobs.

I think it is important, though, right now that colleges and universities perhaps allow some of those young people to take more of a leadership role in how to use technology in the classroom. I think that is very important. We have found in our classrooms that when you just put a computer or two in the classroom, which people think is offering technology, the teachers are afraid of it, and all the kids cannot use them, so they all back away from it.

When we put labs in our schools, and we did that with the assistance of some of the DOD supplemental funding that we got here on our military base, the kids could go into the lab, and they all had a shot, and they all worked at their own ability on an individualized basis, and it worked much better, and the teachers, then, did not feel like they had to deliver all that instruction. There was assistance from the lab and the support staff, and it really made a difference. Then they take that back to the classroom, and they can actually use the technology.

So until you change how you offer that technology, you can buy all the computers and all the software you want, and it is not going to make any difference. We have got to get more young kids involved in this problem.

The CHAIRMAN. Mr. Brooks, I was over in Baltimore in the late seventies and early eighties and was intrigued by programs to help school dropouts through the utilization of computers. My daughter was having trouble with algebra at that time, so after seeing your programs I hooked up with the University of Illinois, so she could learn algebra through the computer. She also learned how to play the games on my phone bill, but that is beside the point. [Laughter.] But it helped her get through immensely.

I look at that, and it was almost 20 years ago, yet I still do not see much change in the utilization of technology since it was demonstrated in Baltimore by your great leader, Marion Pines.

Mr. BROOKS. I remember Marion Pines, yes. I believe she was on the school board at that time.

The CHAIRMAN. Yes.

Mr. BROOKS. That was Baltimore City, and I grew up in Baltimore City and went to the schools in Baltimore City, but I am now in Baltimore County. However, in the use of technology, I think the comments that have been made in terms of it being generational are really apropos.

For instance, at our budget work session a few days ago, one of our school board members said the reason that young people know how to use technology so much better than teachers is because they have time. They come home, they get on the computer, and they get into Nintendo or whatever the new thing is, and they invest the time, the same way that Ms. Pines used the software and the connection with the internet.

However, our teachers do not have that time, and if they do not get that time, they have to then parcel out what they are going to do in terms of checking papers, planning time—and again, as was mentioned earlier, how they integrate that hardware and software with the lesson plan. It is one thing to have technology, but if it really does not achieve what you want to in terms of learning goals, it is not being used effectively.

Another thing that school districts do—it is the old 80-20 rule—we spend 80 percent on hardware and 20 percent on professional development. This should be reversed. We should be spending 80 percent on professional development and training, and also factor in, as was mentioned in regard to the business community, time for teachers to learn how to effectively use this equipment.

Children may learn on their own, because of our society, how to be much more versatile and fluent with equipment. I happen to teach computer programming at two colleges, and what I find is that my younger students are fine, but once you reach the age of 40, around my age, it gets very tough—some people actually think they are going to break the machine—so I have to work with them. So there is a generational issue.

The CHAIRMAN. Well, thank you all. I could keep you here all day, but I only have 50 minutes left. Thank you.

Mr. Deegan.

Mr. DEEGAN. Thank you, Senator. Our group put a pin at each Senator's desk that says "Champions for Children." It is a theme that we use in our school district and throughout the military schools as well to say we appreciate the work you do, and wear it proudly as a champion for children.

The CHAIRMAN. Thank you very much, Dr. Deegan.

This question is directed to both Mr. Samu and Mr. Hansen. It seems that the administration has recommended creating a number of new programs in higher education. In your view, is this a wise use of funds, or could these funds be better spent on current grant programs for students?

Mr. Samu or Mr. Hansen? Mr. Samu, you look more anxious to respond.

Mr. SAMU. Actually, I want to follow up on one thing. I was actually on a campus when you made the gesture of re-cutting the pie for education, so I really enjoyed that, and I enjoyed the event we had out on the Capitol steps.

The fact is that we are really talking about the comments you made in the beginning about the $400 increase for Pell. I think that really talks about what needs to be done. And when we talk about the President's initiative and all the new programs, what is lacking is the fact that there is not a sustaining of core programs, and those core programs cannot be allowed to be eroded. The State Student Incentive Grant, which has now been changed to the LEAP program, impacts 750,000 students, and we get into constant debate with the Department of Education and the administration that this program would just be left by the curb.

The Pell Grant, the Perkins Loan Program, SSIG, and all of the core programs need to be funded first, before we even begin a discussion about any new programs.

The CHAIRMAN. Mr. Hansen.

Mr. HANSEN. I would agree. I think we have spent an awful lot of time in the last 2 years on reauthorization and creating some important new programs like GEAR-UP and trying to expand the base of the Pell Grant Program and trying to make sure the student loan programs are strong and viable. And I would think that that is where the priorities should be placed, around the existing programs.

I really think that also, within existing programs, priority needs to be placed on the most needy students. I think there are a lot of times when we try to do all things for all people, and it is just not possible. I think that when we can focus our limited amount of funding that we are able to go after—and even if it is a lot of funding—I think that targeting it to the neediest and opening up more access to more choices for them should be our priority.

The CHAIRMAN. What about the Perkins Loan Program? I am a strong supporter of the program. It is not a grant program, but it is a sort of revolving fund. Suppose, during this time of big surpluses which we may or may not count on, we were to stick a lot of money into the Perkins revolving fund. Would that be of use?

Mr. SAMU. There has been some debate in the past couple of years, and the commitment again on the administration's behalf has been lackluster with respect to the Perkins Loan Program.

We do believe in the capital contributions in the revolving fund, that it needs to be increased—that it needs to be restored, actually. One of the big things that I think is important for the Perkins Loan Program is that it really does fill in the gaps that are often too large for the neediest students.

Once again, and exactly what was being said before, I think the priority first has to be to try to get the grant aid up. According to the 1995 GAO study on redistribution of grant aid, a $1,000 grant aid decreases the likelihood of low-income students dropping out by over 14 percent. The second-best program after the grant programs is the Perkins Loan Program, and disproportionately, that program does go to the neediest students. It goes to students who have maxed out on Pell. It goes to students who have maxed out on their institutional grant money. It goes to students who have in their freshman and sophomore years sometimes taken the maximum Stafford Loan. So it does fill in that gap, not just for tuition, but for the exorbitant price they pay for textbooks, the price they have to pay to live on or near campus, those types of basic necessities to go to college.

The CHAIRMAN. I raise that question because there is great reluctance now to start a lot of new programs, because you build in a NEW annual cost. But I was thinking that at a time when you have a large surplus, perhaps if you took that 1 year and put a big chunk of money in there to bolster the availability of those funds, and increase the baseline for next year, it might be something that would be politically doable. I am not sure it is the best way to spend the dollars, but I am just thinking aloud that we might try to do that.

Mr. Hansen.

Mr. HANSEN. I think the one benefit the Perkins Program offers is that it has an incredibly strong infrastructure around the country. It is the oldest financial aid program outside the GI bill that is out there, and I think we heard nice testimony earlier about how it impacted the gentleman from Nebraska's life in a very direct way.

I also think that we do need to keep in mind that right now, the subsidized Guaranteed Student Loans have a net effective interest rate of about 3.5 percent. They are capped at 8.25, and this year, they are pegged at 7.46 percent. But when you take into account the fees on one side and also the subsidies they get while they are in school, where the Government is paying the interest for those students, and also the fact that the interest is now tax-deductible, the net effective rate that students pay is about 3.5 percent.

So, as was said earlier, when those students need additional loan money available to them, the Perkins Loans are also very inexpensive loans for students, and instead of going to some other avenues that are more expensive, I think strengthening the Perkins Loans to where they are targeted to needy students, usually going to higher-cost institutions, but to give them that funding availability I think would be very important. The two cheapest loans out there right now are the subsidized Guaranteed Student Loans with all the benefits accompanying them and the Perkins Loans.

The CHAIRMAN. Would the Perkins Loan interest be deductible?

Mr. HANSEN. Yes. And the net effective rate of the Perkins Loans are, also.

The CHAIRMAN. I was going to say you would have to cut that in half, I guess.

Let me ask you, Mr. Samu, what impact would the $400 increase in the maximum Pell Grant have on students across the Nation. I just want to make sure it is clear in the record.

Mr. SAMU. I think that is going to increase accessibility for first-time students and continuing students. It will really continue the momentum of restoring the Pell Grant Program to what it was designed for, which was to be the basic building stone of making college accessible and affordable for all.

The CHAIRMAN. Thank you.

Mr. Hansen, the budget request for the Department increases funding by about 3.5 percent. You have testified that the Department has tripled its administrative expenditures. Would it be possible for you to provide us with a more detailed analysis of the Department's expenditures for the record?

Mr. HANSEN. Absolutely, Mr. Chairman. I will do that.

If I could, on the $400 Pell Grant question, the Senate appointed me to serve on the National Commission on the Cost of Higher Education, and I do think there are a number of other components that are important. We did find that the Pell Grant Program does not have a direct correlation with driving up college costs on campus, so I think that some prudent measures in the Pell Grant Program in terms of looking at increases and done effectively would be helpful without also—you do not want to offer more money but then also have the cost of education go up as well and not really be able to then offer students a more affordable education.

So I think that is important to note, that we had mixed feedback on whether the loan programs, with the expanded debt burden that has been placed on students, especially in the last 10 years, where the debt burden on students has doubled, whether that would have an impact on driving up college prices or not. But we did come to a unanimous conclusion that sustained increases in the Pell Grant Program do not drive up the price of prior education.

The CHAIRMAN. Thank you.

You mentioned borrower benefits like Vermont Value which would be jeopardized by the President's budget. Don't these programs often save money by reducing defaults?

Mr. HANSEN. Absolutely, Mr. Chairman. In my written testimony, there are some examples of programs sponsored by these private and State-based organizations around the country that make these loans more affordable for students. In the Vermont

Value example, the average borrower who borrows $15,000 will save between $1,800 and $3,300 on the total cost of that loan over the life of the loan. That will make it absolutely much easier for that loan to be repaid.

It is also not just the financial side of things where we will prevent borrowers from going into default, but it is also the pre- and postcounseling activities that we offer to make sure the students understand that this is a loan and not a grant, and what their responsibilities are. We also have other organizations that go into schools as young as fourth grade to let them know about opportunities for college and to prepare themselves both academically and financially for college so they do not go into too much debt.

So I think all the things that are offered, from counseling to preparatory work to the financial benefits, all have a very beneficial effect in lowering the default rate.

The CHAIRMAN. Do you believe the administration's budget for FFEL programs is an attempt to rewrite carefully negotiated parts of the Higher Education Act when the ink is barely dry?

Mr. HANSEN. Absolutely, Mr. Chairman. I think—and I mention this in my written testimony, but not earlier in my oral statement—again, the dramatic cuts and changes in the way in which they would structure the guarantee agencies in this program are very—I just do not understand where they are coming from, frankly. With the hard debates that we have had over the last 2 years, the fact that we have some studies to look at how the programs should be shaped and financed in the future, the fact that we are in the middle of a negotiated rulemaking process right now to implement the new financing model for guarantee agencies, I just do not quite understand it.

I have children at home. I have a 6-year-old daughter and a 17-year-old son who have one thing in common, which is that they both love Shania Twain, for different reasons, but she has a song titled, "Don't be Stupid," that my little 6-year-old keeps playing, and I wish we could play it for the Department. This is just not the right time. We need to implement reauthorization. I think there is an awful lot of energy wasted on trying to make political points or construct things in a manner that are, I think, detrimental to the program instead of trying to work in a true partnership to make both programs better. We get a lot of comments from the Department that they want to have two strong programs and work together, but their actions are really very frustrating.

Just one more example. In the last couple of weeks, they have issued an additional "Dear Colleague" letter on some of these issues that are supposed to be in the middle of negotiated rulemaking, and they are still managing this program by administrative fiat rather than trying to work in a constructive, partnering manner with the FFEL community.

The CHAIRMAN. I thank all of you for two reasons—first, for your tremendous testimony, and second, for rescuing me from the impeachment trial.

In closing, we will hold the record open so that witnesses will have the opportunity to respond to questions from committee members, so members should be made aware of that by their staffs.

I am placing the statement of Jonathan McIntyre, a native of Vermont who serves as president of the Council of Administrators of Special Education, in the record at this point—without objection.

[The prepared statement of Mr. McIntyre follows:]

COUNCIL OF ADMINISTRATORS OF SPECIAL EDUCATION, INC.

A DIVISION OF THE COUNCIL FOR EXCEPTIONAL CHILDREN

615 16th Street, NW • Albuquerque, New Mexico 87104

Tel. 505/243-7622 FAX: 505/247-4822 Internet: casecec@aol.com

Jo Thomason, *Executive Director*

Testimony Presented to the Senate Committee on Health, Education, Labor and Pensions

by

Jonathan McIntire, Ph.D.,

President, Council of Administrators of Special Education

I am delighted to have received Senator Jeffords request to provide you with some information about the critical importance of increased funding for the IDEA. I am writing to you on behalf of my own school system and of my colleagues throughout Vermont but also as President of the Council of Administrators of Special Education (CASE) representing over 5000 local administrators across the country. CASE is the Division of the Council for Exceptional Children representing local administrators of special education in both public and private schools.

In the past three years Congress has established an important momentum in increasing the funding of IDEA.

RECENT FUNDING HISTORY (in millions)

Fiscal Year	Authorized	Administration's Request	Appropriated
1994	$10,400.00	$2,163.71	$2,149.69
1995	$11,700.00	$2,353.03	$2,322.92
1996	$12.083.27	$2,772.46*	$2,323.84
1997	$13,815.61	$2,603.25	$3,107.52
1998	$15,256.32	$3,248.75	$3,801.00
1999	$16,244.80	$3,804.00	$4,310.70

* The Administration's Request consolidated funding for the Part B State and Local Grant Program and the Preschool Program.

I am writing to urge you to maintain that recent momentum in FY 2000. There are a number of reasons why, from a local perspective, this is a particularly critical year for increased funding.

- Current proposed funding brings the federal commitment to approximately 10% of the national average per pupil expenditure (NAPPE) to assist districts with the higher cost of educating students with special learning needs.
- Costs for all of education are increasing and it is imperative that the cost of educating students with special learning needs be met with dollars that are in excess of those needed to improve our schools for all students.
- While the recent commitment to increased funding of IDEA has brought important relief to local districts, it is still far short of the original commitment to provide 40% of NAPPE made in 1975 with the passage of the Education of All Handicapped Children Act.
- The 1997 Amendments to the IDEA, which we are now implementing, have attendant increased costs. These additional costs are particularly related to changes in procedures and to the additional professional development needs of teachers, administrators and ancillary personnel.
- Last year the funding provided by Congress surpassed the 4.1Billion dollar figure needed in order for local districts to be able to supplant local and state dollars with a portion of any new federal money above the 4.1Billion dollar figure. This landmark step marked the first time that the IDEA has provided what is essentially tax relief for local districts. It meant that local districts

could look at the possibility of diverting funds to other critical needs. However, at the moment that is more of a possibility that an actuality. The current funding is only $200 million over the trigger figure and in order for the relief to be meaningful to local Boards of Education, additional funding will be needed.

Unfortunately, the Administration's budget request does not represent such an increase in funding. The FY 2000 request would maintain funding for States at the 1999 level, still representing a Federal contribution of about 10 percent rather than the promised 40% contribution to the additional cost of educating children with disabilities. The proposed FY 2000 figure does not consider the increased costs of implementing the 1997 Amendments, does not permit continued improvement to the program and does not increase the capacity of local districts to re-direct funds to other critical needs.

Every two years CASE provides Information to members of the Senate and House Subcommittees on Appropriations regarding how IDEA Part B funds are utilized. In ordar to provide that information we ask our colleagues in local districts to share with us and with the Members of Congress their Part B budgets and a short narrative telling us how they use the funds. Our sample districts cover the entire geographic area of the United States and represent a wide range of sizes. The smallest district in our sample is in Arkansas and has a total student enrollment of 521 students, serves 69 students with special education and related services and has an IDEA Part B budget of $18,592.00. The largest district, in Nevada, had a student enrollment of 179,026 and, in 1997, served 18,320 students with special education and related services and had a Part B budget of $5,858,575.00. We believe that these 22 sample districts provide us with an excellent overview of how local districts expend the funds appropriated by Congress. First let me assure you, I have reviewed all of the sample district budgets and, if there is one group of people who can tell you exactly how every penny you allocate is expended, it is Local Directors of Special Education!

As you know, the educational programs of students with disabilities cost more than programs for non-disabled students because of increased personnel costs, specialized instructional materials and equipment, related services needed in order for students to benefit from their specially designed program of instruction and, in a few cases, specialized placements. Personnel costs are higher for these students because of the personnel time required for diagnosis, evaluation and the designing of an individualized program and, for some students, a lower class size required in order for them to learn. There are also costs attendant to the specialized ongoing staff development needed for special education teachers and related service providers, for general education staff who will be working with students with disabilities, for administrators who must supervise the programs and for community members who will employ such students.

While the funds allocated by the federal government through the IDEA are a small percentage of the total cost, they are absolutely critical to the success of special education programs. In most districts the funds are used primarily for teachers, related service providers and other vitally needed personnel. Districts also use these funds to pay for staff development, for specialized materials and equipment and for related costs such as school to school travel for itinerant teachers and related service personnel. In some states IDEA funds have been targeted to a particular group of students, e.g., students with disabilities ages three through five. Such targeting of funds is permissible under federal law so long as all public school students with disabilities receive the procedural safeguards of IDEA and receive a free, appropriate public education in accordance with IDEA regulations.

The IDEA is an important law. It is one that has demonstrated its worth and that has significantly improved the lives of children and youth with disabilities. It is a law that makes a difference. The Congress was farsighted in its original enactment of this historic legislation and in development of the Amendments of 1997. I am asking you, on behalf of my colleagues in Vermont and throughout the nation, to help us to make the dream a reality by continuing your recent pattern of significantly increasing the funding for IDEA. Thank you for the opportunity to provide you with this information. Please do not hesitate to call on me whenever CASE or I may be of further assistance to you.

The CHAIRMAN. Thank you all very much. I am sure we will be back to you off and on as we go forward on all the programs we will be handling in this committee.

Thank you very, very much. It is good to see you again.

[Additional statements and material submitted for the record follows:]

RESPONSE TO QUESTIONS OF SENATOR KENNEDY FROM WILLIAM HANSEN

Question 1. You discuss extensively student aid administration spending by the Department of Education. This is a very confusing discussion, for it uses different base years for its arguments—sometimes 1992 and sometimes later—and it jumps back and forth using different definitions of administrative costs. It also uses different bases of workload, some not related to the administrative costs incurred by the Department.

For example, you use 1992 as a base year in some cases, before Direct Lending began and when much of the student loan administrative costs did not appear in the Department's budget. You do not adjust the 1992 figures to show these administrative costs, so there is no way to judge whether which a subsequent shift of a significant percentage of loan volume to Direct Lending, real administrative costs have been reduced or increased.

A more appropriate base would be a year when Direct Lending already existed, to see if administrative costs have grown proportionately to Direct Lending workload. In your discussion, you use the latter method in certain circumstances, but you misrepresent Direct Lending growth by sometimes defining it only as market share in any one year, when it is the cumulative number of Direct Loans that must be serviced that is the true measure of growth, and to which administrative costs must be compared.

The charts you present are likewise confusing. For example, why would one compare change in ED workload from 1992 to 2000 to change in ED Administrative Costs for the same period when the workload measures both include all loans, but the administrative overhead figures do not? You have not provided any administrative costs in 1992 against which to compare 2000. Are you saying that in 1992 there were no administrative costs other than those borne by the Department, that there were no salaries, or postage, or rent, or other such items in the FFEL system in 1992?

I would like to put in the record for you to respond to a document prepared by the Department of Education, dated August 27, 1998. This document provides a breakdown of Section 458 spending over a five year period, 1994-1998. It includes important information, such as the fact that 40 percent of the 1994–98 increases in Section 458 spending represent payments to guaranty agencies.

Do you have administrative cost data for FFEL loans that you would be prepared to share with this committee so that we can compare the relative administrative costs across systems on the same basis? Direct Loan costs, of course, are visible for everyone to see in the budget. Will you make comparable information available in the same format as the Department of Education provides in the President's budget request documents?

Answer 1. The discussion of administrative spending for the Office of Student Financial Assistance is rather complex because it is funded by three separate funding accounts and because the Department of Education has created a veil of obscurity in analyzing these accounts. I will attempt to walk through this discussion in a simple and methodological manner.

Fiscal year 1992 is a relevant year for comparison and discussion of OSFA's administrative expenses because it was the last year that the Department of Education administered the Title IV programs prior to the 1992 reauthorization and prior to the 1993 reconciliation bill in which the direct loan program was created. It is important to know how much it costs the government to manage and deliver only one student loan program and how much the added responsibilities elsewhere cost. I also presented the facts from fiscal year 1993 because it is likewise an important year for comparative purposes as the Department incurred several new responsibilities that were put into place that year. No matter which year is used for a baseline against the Department's administrative spending today, the simple point of truth is that the Department's administrative spending has increased dramatically since 1992 and/or 1993. The Department's OSFA administrative costs have increased dramatically from 1994, 1995, 1996, 1997, 1998, and 1999 as well. It doesn't really matter to me which year you select in which to draw comparisons—pick any one of them. The facts of prior years' spending and future Section 458 allocations are real and concrete.

In 1992, the Department managed over 12 million student aid awards (grants, loans, and campus-based aid) and spent $137 million to administer the delivery of those awards ($93 million from the ED program administration account and $44 million from the FFEL administrative account). In 1992, Congress reauthorized the Higher Education Act and placed new administrative responsibilities and expectations upon the Department, such as the new unsubsidized loan program, the free FAFSA, and the NSLDS. In 1993, Congress created the direct student loan program and created a new entitlement administrative account to supplement the two existing sources of ED administrative funding referenced above. In 1993, the Department spent over $179 million to administer the Title IV programs—again delivering over 12 million grant, loan, and campus-based awards ($109 million from the ED Program Administration account, $60 million from the FFEL administrative account, and $10 million from the then-new Direct Loan administrative account, known as the "Section 458 Account"). As you can see, Congress gave the Department significant increases in 1993 to handle its new responsibilities—a $16 million increase in the ED Program Administration account, an additional $16 million increase in the FFEL administration account, and $10 million in start-up direct loan funds to cover expenses for the last eight weeks of fiscal year 1993. Therefore, 1993 may be the best year for a direct comparison against today's expenses, but the 1992 comparison is likewise very important in order to review the reasons for the substantial administrative funding increases. Also, note that during the subsequent years after 1993 through 1999, the Department had no significant new statutory requirements placed upon its ever increasing administrative resources.

Thank you for the chance to review the document prepared by the Department of Education dated August 27, 1998. The Department's table on page 2 provides a helpful breakdown of the Section 458 Account between 1994 and 1998. Spending activities in the 458 Account are most simply broken down into three sections: payments to guaranty agencies, direct loan origination/servicing (direct subsidy), and administration (personnel, contracts, other). I will repeat the Department's table below (starting with 1994—I can also make available the 1993 numbers but I wanted to pull directly from ED's chart so that I don't confuse the discussion) broken down into the three general categories referenced above and will extend them out through 2003 using the reauthorization budget assumptions:

SECTION 458 ACCOUNT SPENDING BY ACTIVITY (in millions)

	1994	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*
Guaranty Agencies	*98*	*221*	*167*	*150*	*170*	*177*	*180*	*170*	*180*	*195*
Direct Loan Subsidy	*13*	*51*	*85*	*155*	*177*	*208*	*261*	*292*	*306*	*330*
Admin. Costs	*54*	*111*	*182*	*186*	*185**	*232*	*294*	*308*	*294*	*270*
Total, Sec. 458	*165*	*383*	*434*	*491*	*532**	*617*	*735*	*770*	*780*	*795*

**does not reflect additional $25 million re-program for consolidation loan emergency legislation*

The important conclusions from this table are the following: (1) Congress basically level-funded the payments to guaranty agencies as part of the overall financing model adopted in the 1998 reauthorization act; (2) Congress approved significant increases for the Direct Loan Origination and Servicing Contracts in recognition of the fact that ED will be servicing an increasing number of loans over the next five years—these obligations are somewhat volume driven; and, (3) the Department will enjoy substantial increases in it's administrative overhead expenses over the next five years.

I hope that the Department's table and my expansion of it make the three categories simpler to understand. During my testimony and during my responses, my focus has been and is on the third section—administration. I have not addressed the direct loan servicing and origination subsidy because they are basically volume driven contracts, and the Department should be able to rely on a stable source of funds in that area. Congress allowed for these expenses to grow substantially each and every year, from $177 million in 1998 to $330 million in 2003. These increases are based on loan volume estimates and suggest that this activity should be monitored to ensure that the volume estimates are accurate and the contracting processes are efficient, but otherwise this account should accomplish what it was set up to do. Likewise, I have not addressed the guaranty agency component of section 458 because that agreement was worked out with the primary parties involved, Congress, the Department of Education, and the agencies, as part of reauthorization.

The focus of my testimony about the Section 458 account has been primarily on its administrative component. This 458 administrative component taken together with ED's two other administrative accounts are the only relevant pieces in a discussion about administration spending in this context. ED has averaged spending $184 million each year over the last three years from the 458 administrative overhead component (see ED or my table). Over the next five years, ED will spend an average of almost $280 million each year (see table) for the same administrative overhead activities. That amounts to an average of about a $100 million increase each year for the next five years in OSFA administrative spending solely from the 458 account.

The table below reflects the Department's total administrative spending in the Office of Student Financial Assistance. The Section 458 component mirrors exactly with the previous table and current law. The numbers for FFEL program administration are pulled from ED's budget documents. The Program Administration numbers were pulled from current and previous ED documents and estimates. You should probably run these numbers by the Department of Education as they should have more detailed or current data for this account and could make any adjustments, if necessary.

ED STUDENT AID ADMINISTRATIVE ACCOUNTS (in millions)

	1993	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*
458 Admin	*10*	*54*	*111*	*182*	*186*	*185* *25**	*232*	*294*	*308*	*294*	*270*
FFEL Admin	*60*	*70*	*62*	*30*	*46*	*46*	*47*	*48*	*tbd*	*tbd*	*tbd*
Prog. Admin	*109*	*114*	*115*	*95*	*76*	*76*	*59*	*59*	*tbd*	*tbd*	*tbd*
Total	*179*	*238*	*288*	*307*	*308*	*332*	*338*	*401*	*tbd*	*tbd*	*tbd*

** emergency consolidation funding, re-programming*

The FFEL and ED Program administration badgets are both appropriated on an annual basis and the Direct Loan 458 Accoant is an "entitlement". The $59 million

The FFEL and ED Program administration budgets are both appropriated on an annual basis and the Direct Loan 458 Account is an "entitlement". The $59 million figure for FY 1999–2000 for Program Administration was pulled from the April 5, 1999 PBO Interim Budget Plan.

My primary observation with this table is the following. The average OSFA administrative spending between 1994 and 1996 was just over $275 million each year. All of the implementation issues from reauthorization and direct lending were well established within this time period. The number of awards delivered—grants, loans, and campus-based aid—have since been relatively constant. Remember that the increasing number of loans to be serviced by direct lending are funded elsewhere by the direct subsidy account which will grow substantially each and every year. This suggests that given the Department's $400+ million request for total OSFA spending this year, there could be the possibility of saving at least $100 million from administrative overhead and reallocating those funds to help students through increases in Pell Grants or Campus-based aid.

An interesting observation from this table centers on the ED Program Administration line. As a reminder, this is a subset from the Department's total Program Administration line that is allocated internally within the Department by the Budget Service Office. In 1994, about one-third of ED's total Program Administration budget was devoted to the Office of Student Financial Assistance ($114 million out of a total appropriation of $346 million). In fiscal year 2000, ED has requested $386 million of which only $59 million is allocated to the OSFA, less than one-sixth of the total ED Program Administration budget. It appears that a migration has occurred over time in which the OSFA costs are being picked up more and more by Section 458 funds while the rest of the Department is picking up as much as $50-60 million annually to be used for administration and overhead expenses elsewhere.

In answering the last part of this question, I would refer you to the March 1999 ED Inspector General's Report on the "Study of Cost Issues—Federal Family Education Loan Programs and Federal Direct Student Loan Programs." The IG's office did a good job in comparing the cost data of the two programs on the same basis.

Question 2. On page 7, you leave the impression that the volume of student loans funded with tax exempt bonds is small. How much is the volume in dollars?

Answer 2. The amount of tax-exempt funds currently outstanding in the student loan program is approximately $17 billion. Additionally, the use of tax-exempt funds has and will likely continue to shrink as a proportion of outstanding loan balance in the coming years. Total volume of student loans has grown dramatically in the last few years, while tax-exempt funding has remained fairly static and in some states has it has declined.

Question 3. The Department of Education, in information supplied to this committee in August, 1998, indicated that its efforts to cut default rates and increase collections has produced annual savings of $1.7 billion in FY 1998, more than three times the annual Section 458 budget and more than twice the $800 million administrative budget for the entire Department of Education. This appears to be a very good return on the administrative investment. Do you disagree?

Answer 3. The Department's document does not attribute the reduction in default rates to having more administrative spending. They make a simple observation, not a correlation. I would be interested in a detailed explanation of just how 458 funds have actually reduced defaults and how ED quantifies which dollar may have prevented which default. Obviously, default rates have gone down, and more than $1 billion has been saved. However, I give Congress, loan providers and administrators, and the Department's Institutional Participation and Oversight Service far more credit for reducing defaults than Section 458 funding expansions. In 1990 and 1992, Congress provided significant and long sought after changes to the eligibility of certain schools in the programs and in accreditation procedures. Those changes reduced the number of schools eligible for student loans and helped to rid much of the fraud from the student loan and aid programs. I commend Congress for making those changes.

Further, lenders, secondary markets, and guaranty agencies have invested in state-of-the-art technology and implemented improved default aversion techniques that have significantly reduced the number of borrowers who default on their loans. The FFEL Program has been investing millions of dollars improving their systems, and those improvements have led to increased collections. The default rate reductions have had little if anything to do with increases in the Department's 458 account.

Question 4. On page 6 and 7 of your testimony, you state that revenues materially higher than costs must be rebated to the U.S. Treasury via arbitrage rebates. How many (and which) tax-exempt entities have made such rebates, by year and how much? Can the rebate be avoided by purchasing additional student loans rather than offering lower rates or rebates to borrowers? By paying servicing agencies affiliated with the tax-exempt entity more, in order to raise costs? Please identify each secondary market that has a loan management or servicing agency related to it, and identify the relationship in terms of overlapping board memberships or any financial arrangements that would constitute any relationship other than an arms-length relationship, either currently or in the past.

Answer 4. My testimony stated a simple fact of law, contained in the tax code. Only state government agencies and non-profit organizations can issue tax-exempt debt. All of these entities have to rebate funds to the government if their revenues are materially higher than costs. I would refer you to the IRS for a year-by-year breakdown of all rebates by all states and non-profit organizations. The purchase of student loans is the sole purpose of issuing tax-exempt student loan bonds. Issuers of such bonds will continue to fulfill that purpose, for the benefit of students and their families, as long as it is possible with each bond issue. The general practice is to make loans as long as funds are available from a particular bond issue. "Paying affiliated agencies more in order to raise costs" is not a practice that I am aware of. Such a practice would make no sense, since employees of state or non-profit organizations would gain nothing from a practice damaging to their organization.

Question 5. On page 8, you suggest that the Department of Education has "proposed outlawing FFELP borrower benefit programs, prohibiting interest rate discounts for students who make on-time payments, for example." Would you provide documentation for your statement? Would you support changes in law to permit the Direct Loan program to offer the same kinds of discounts and rebates that are currently offered in the FFELP?

Answer 5. Congress has provided in the Higher Education Act that the Department may reduce interest rates in the Direct Loan Program provided that the proposals pay for themselves and that the reduction will encourage on-time and regular payment.

Your very question, "Would you support changes in law to permit the Direct Loan program to offer the same kinds of discounts and rebates that are currently offered in the FFELP?" assumes that the Department does not currently have the statutory authority to offer these type of borrower discounts. However, as you may know, the Department has recently stated in Negotiated Rulemaking that it may have the authority to cut fees in the Direct Loan Program. The language in the Higher Education Act Section 455(c) clearly states that "the Secretary shall charge the borrower of a loan made under this part an origination fee of 4.0 percent of the principal amount of loan" in the Direct Loan Program. The statutory language is unambiguous. Any such expansion of borrower benefits that would have a budgetary impact needs to be considered in context with appropriate offsets and which student aid mechanism or program is the highest priority in helping make college more affordable for students.

You also asked me to document when the Department "proposed outlawing FFELP borrower benefit programs, prohibiting interest rate discounts for students who make on-time payments, for example." Well, there have actually been numerous public and private instances in which Department officials have proposed outlawing FFELP borrower benefits. One example took place at a hearing before the House Education and the Workforce Subcommittee on Postsecondary Education, Training and Lifelong Learning, on July 22, 1997. There was an extended debate at this hearing about the Department's position on FFEL Program borrower benefits. Dr. David Longanecker, ED's Assistant Secretary for Postsecondary Education, stated on page five of his written testimony that the Department proposes to "prohibit lenders from offering specific benefits to selected borrowers. We are very concerned that some guaranty agencies are using Federal funds to offer discounts to some groups of students, primarily to undermine the Direct Loan Program."

I was not the only person to read Dr. Longanecker's testimony as opposed to borrower benefits in the FFEL Program. Subcommittee Chairman McKeon responded to the testimony by stating, "Dr. Longanecker, in your testimony, you note that we cannot lose sight that our primary responsibility is the student. However, in that same paragraph, you raise a concern about guaranty agencies using federal funds to offer discounts to students and state your opposition to lenders offering discounts as well. If the funds are being used for the benefit of students and student costs are being lowered, I believe that you have lost sight of the students because of your interest in promoting the Direct Loan program."

Question 6. On page 8, you state that under the Administration's proposal lenders would not be able to collect interest from borrowers between the time borrowers are more than 180 days delinquent and the time they go into default. This appears to be a misstatement of the Administration's proposal, which would not relieve the borrower of interest. Have you discussed this with the Administration?

Answer 6. I have not discussed the proposal with the Administration nor did they consult with me prior to releasing their budget proposal. Perhaps the statement was not completely clear. As I understand the proposal, there would be no accrual of interest between the 180 day period and the time the loan goes into default. There seems to be no logical reason not to allow interest to accrue. We should not be rewarding borrowers who are more than 180 days delinquent by giving them an extra three months interest free. The proposal defies logic. Upon a review of ED's legislative language which I have not yet seen, I will be in a better position to re-affirm or clarify my comments on this issue.

RESPONSE TO QUESTIONS OF SENATOR DODD FROM WILLIAM HANSEN

Question 1. In your testimony, you have a table that suggests the President's budget cuts student financial aid. Are you claiming that there are needy students who will actually get less in aid under the President's budget next year than they get this year—even though the budget proposes an increase of $125 in the Pell maximum, an increase in work-study, and does not limit student entitlement to loans?

Answer 1. My table accurately reflects the Administration's budget proposal for student aid programs. Folks can try to spin the Department's budget request for higher education as something that it isn't, but it is clear that their priorities were elsewhere in the budget.

Question 2. You focus a great deal of attention on the Administration's proposed cut in the lender subsidy rate for tax-exempts from 50 basis points to 20 basis points. However, isn't it true that much of the Administration's proposed savings in this area come from the elimination of the 9.5 percent subsidy floor, which for some reason remains in force for over $18 billion of outstanding loans? Can you justify why the resulting very high subsidy rate for tax-exempts—well over a point higher than other private lenders—makes sense when these entities already benefit from lower-cost, tax-exempt capital?

Answer 2. EFC member organizations raise capital by selling taxable and tax-exempt bonds in order to finance student loans. Some years ago, tax-exempt bond proceeds were sufficient to fund student loan volume. But several significant changes in the law have forced many EFC organizations to issue taxable securities to meet demand for loans from students and their families. Currently, taxable bond issuance by EFC members significantly exceeds tax-exempt issuance, and the taxable proportion increases every year. We estimate that about $8 billion in old bonds are still outstanding that are subject to the 9.5 percent floor.

I would note three facts related to this floor which are often left out of discussions. First, these loans remain subject to the 2 percent cap on earnings that applies to all tax-exempt student loan bonds. Any excess earnings that occur in a low-interest rate environment must be rebated to the government. Second, loans made with the proceeds of bonds issued since Congress changed the provision in question in 1993 are not subject to the 9.5 percent floor rules. The number of old bonds still outstanding is shrinking rapidly, since the investors who purchased them are continually being repaid. Third, loan holders only receive half of the normal special allowance payments from the government for loans made with bonds subject to the floor. Whether this is helpful or hurtful depends on the interest rate environment. Should interest rates rise only slightly, receiving only half the special allowance payments with a 9.5 percent floor would reduce special allowance.

Question 3. I appreciate your explanation about why and how tax-exempts pass on these high returns to borrowers to avoid arbitrage fees and as part of their service to their customers—in sort of a student loan "trickle down economics." Can you provide some historical data on how long these borrower benefits have been in place? How long they are expected to continue? And why it is that tax-exempts are able to offer these benefits when many other lenders claim the profit levels available currently are forcing them out of the student loan business altogether? In addition, can you provide data on the interest rate subsidies and special allowance rates associated with the various discounts that could be cross-subsidizing these low rates at taxpayer expense?

Answer 3. Student loan authorities operate in every state and territory. Their only purpose is to serve students, families, and schools by making sure money is available for student loans at the lowest possible cost. Borrower benefits have been in place for many years. We believe it is good to offer the lowest possible cost to borrowers. We also believe that locally based organizations are best equipped to determine the level and structure of these benefits, based on local conditions, which vary greatly around the country. I don't quite follow the "trickle down economics" statement in your question. By that same argument, should colleges and universities who are likewise tax-exempt organizations and benefit from bonding authority, not be allowed to use the return on their endowment investments and revenues to offer student benefits, institutional aid, and scholarships to their students as they see fit? Congress made a wise choice when it decided 23 years ago to ensure access to loans at the lowest possible cost to borrowers by permitting the use of limited amounts of tax-exempt bonds in order to finance student loans. We believe this investment in "human capital" is good for students and their families and is ultimately a sound investment for the taxpayer that is repaid with "interest" in increased productivity and reduced social costs. Finally, I would note that I represent the members of the Education Finance Council. I would respectfully suggest that the Committee address questions about others in the student lending community directly to those organizations.

Question 4. An increasing trend in your industry is the conversion of non-profit tax-exempt secondary markets to for-profit entities. How is this affecting the industry and how excess profits above the arbitrage limit are returned to consumers in the converted businesses?

Answer 4. Four secondary markets have converted to for-profit companies making student loans, at the same time creating separate charitable foundations that fund scholarships and other worthy programs in their respective states and communities. I am not currently aware of other organizations in the conversion process, although such conversions are a possibility. The tax laws governing arbitrage rebate continue to apply to the proceeds of tax-exempt bonds issued before the entities converted. Of course, a for-profit company is not permitted to issue tax-exempt bonds.

Question 5. When you served as the Department's Chief Financial Officer in the Bush Administration, what were the funding levels that you proposed for IDEA and for the major student aid programs—Pell Grants, College Work Study, Perkins Loans and SEOG? And what was the average cohort default rate compared to the rate today?

Answer 5. Let me begin by stating that the recommendations in my testimony for the Committee to increase spending for Pell Grants and Special Education need to be considered in context. First, my suggestions are as a private citizen. I have a teenager in my family with Downs Syndrome and have seen firsthand both the challenges and opportunities that our school systems and society create for our special children. I have been a volunteer voice for special education as a commissioner on several state commissions as well. Second, from a public policy perspective, my personal opinion is that there is no better education program than the Pell grant program—it is a voucher directly to students and targets those in most need. Third, my testimony took place during a very unique time as it was offered within the context of a budget surplus, not a deficit. It is a little easier to dream and offer grand suggestions in a budget surplus environment. During my tenure in government, we always faced tight budgets just as Congress did, as we all struggled in a deficit driven environment. I was a loyal team player in the Bush Administration but their budgets did not universally reflect my personal views in education policy just as I am sure that your personal views may vary from the Senate as a whole when it approves legislation. My personal recommendation is simple for spending new education dollars—target them to existing effective programs that serve our most needy students (Pell grants and special education).

I will attempt to provide you with some data to answer your question, but I would respectfully suggest that if you want detailed data, the Congressional Research Service would serve as a better source.

Pell Grant funding increased between 1989 and 1993 from $4.5 billion to $6.6 billion. President Bush's last budget request for Pell grants was the largest in program history—a $1.35 billion requested increase. Funding for Special Education rose from $2.1 billion to $2.9 billion during this time period. The Bush Administration's various campus-based budget proposals included increases, decreases, level-funding and zero-funding over this time period, a very similar pattern followed by the various Clinton Administration budget requests since 1993.

I will give you my best recollection of the history of student loan defaults but I am sure that the Congressional Research Service can fill in any gaps should the following answer lack the specificity you are looking for. In order to make the student loan programs universally available and accessible during the previous two decades, Congress and the Executive Branch extended program authority widely which resulted in many students receiving a poor education at a poor school, and being saddled with debt in the process. The cohort default rate thus rose to about 22 percent by 1990. Around that time, the Bush Administration succeeded in two important areas that set in motion the formula that has succeeded in reducing default rates consistently every year since then. In the mid-1980's, the Reagan administration attempted to administratively cut off high default schools to protect taxpayers and students but were held back by Congress. In 1990, Congress finally enacted such legislation and again strengthened it in 1992 during the reauthorization of the Higher Education Act when Congress provided significant and long sought after changes to the eligibility of certain schools in the program and in accreditation procedures. Those changes reduced the number of schools eligible for student loans and helped to rid much of the fraud from the student loan and aid programs. I commend Congress for making those changes. Also during this time period, the Bush Administration implemented and enhanced important administrative efforts to reduce defaults—the Federal Employee Match, Credit Bureau Reporting, and IRS Offsets. Accordingly, because of the efforts of Congress, the Clinton and Bush Administrations, and loan providers and administrators, the default rate is now below 10 percent and signs indicate that it will continue to drop. Frankly, it took all parties to help create the problem and it has taken their collective efforts to fix it.

Question 6. How much does it cost to be a member of EFC annually? Have those fees increased over time?

Answer 6. I fail to comprehend the relevance of this issue to my testimony but am happy to answer it. I am proud of the work we do as a trade association as we work with our member organizations in making college accessible and affordable for families all around our nation, including thousands of Connecticut families. Depending on the level of membership, different dues are charged—ranging from $7,500 to $15,000 per year. This is a normal dues level for similarly organized trade associations. The EFC Board of Directors has kept dues frozen at these current levels since the Fall of 1995 and they are committed to that level through at least the year 2000. We are a growing and thriving organization because we deliver for our business partners—families and schools.

RESPONSE TO QUESTIONS OF SENATOR HARKIN FROM WILLIAM HANSEN

Question 1. Your testimony repeatedly refers to the $2.5 billion administrative "entitlement" created by the Student Loan Reform Act of 1993. Is it not true, however, that since 1993, student loan administrative funding has been reduced, through the Balanced Budget Act of 1998 and other legislation, by almost $500 million over FY 1995–98, and by nearly $1 billion over FY 1995–2003?

Answer 1. Section 458 funding levels are indeed an entitlement for direct loan administration, and to my knowledge the only such entitlement for administrative costs enjoyed by any federal program. In fact, spending of money under Section 458 has been increasing every year and will continue to increase every year throughout the reauthorization window (year 2003). What has been reduced is only the level of annual increases for Section 458 contained in the law, which was written in 1993 under the assumption that direct lending would account for at least 60 percent of loan originations by 1998. The Department has achieved only half of this target. Such minimal reductions were attributable to the fact that the subsidy costs in the origination and servicing of direct loans would be less because of the Department's failure in recruiting more, if not all schools, into the direct loan program. The primary savings extracted from the 458 account came from the elimination of the $10 fee that was paid to schools during the first few years of the direct loan program. The numbers in my testimony regarding the massive increases the Department has enjoyed since 1992 and the $100+ million annual increases they are set to receive in the future are accurate and true. The magnitude of the Department's rate of increase may have been trimmed slightly, but its bloated administrative budget is scheduled to continue to balloon while policymakers struggle to find the resources to appropriately fund important programs such as Pell grants and Special Education.

Question 2. Your testimony consistently uses 1992 as the basis for analyzing trends in student aid administrative spending. Events since that time, including the Student Loan Reform Act of 1993 and two reauthorizations, have greatly expanded the Department of Education's responsibilities in this area. The Direct Loan Program, which now accounts for a third of the $40 billion-a-year student loan market, did not even exist in 1992; other major systems, such as the National Student Loan Data System, had yet to be brought on-line. Over more recent years, aren't increases in student loan administrative funding almost exclusively related to servicing the growing Direct Loan portfolio, which you acknowledge are necessary?

Answer 2. No, the increases in student loan administrative spending are not exclusively related to servicing the growing direct loan portfolio. Increased levels of spending to handle an increasing number of loans in repayment is indeed built into the 458 account budget—those are direct subsidies based on loan volume. I am not suggesting anything at this time regarding this component of the 458 account. What I am referring to are the built-in massive increases in administrative spending which will be added upon an already expanded base which has been created over the previous six years. The following tables clearly show the breakdown from years past and future OSFA administrative funding.

SECTION 458 ACCOUNT SPENDING BY ACTIVITY (in millions)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Guaranty Agencies	98	221	167	150	170	177	180	170	180	195
Direct Loan Subsidy	13	51	85	155	177	208	261	292	306	330
Admin. Costs	54	111	182	186	185*	232	294	308	294	270
Total, Sec. 458	165	383	434	491	532*	617	735	770	780	795

**does not reflect additional $25 million re-program for consolidation loan emergency legislation*

ED STUDENT AID ADMINISTRATIVE ACCOUNTS (in millions)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
458 Admin	10	54	111	182	186	185 25*	232	294	308	294	270
FFEL Admin	60	70	62	30	46	46	47	48	tbd	tbd	tbd
Prog. Admin	109	114	115	95	76	76	59	59	tbd	tbd	tbd
Total	179	238	288	307	308	332	338	401	tbd	tbd	tbd

** emergency consolidation funding, re-programming*

*Question 3.*In your statement (page 2), you say that EFC member organizations raise capital by selling both taxable and tax-exempt bonds to investors, then using that capital to acquire student loans. Please provide the Committee with a breakdown for each EFC member organization of how many loans, in terms of volume and number, it funds through taxable bonds and how much through tax-exempt bonds?

For loans funded through tax-exempt financing, how many are made or purchased with the proceeds of tax-exempt bonds issued before October 1, 1993 (or refinanced thereafter) and receive a minimum special allowance payment of 9.5 percent? It is my understanding this special allowance payment was created in the early 1980s when interest rates were high. This is no longer the case but this special allowance will cost taxpayers more than $800 million over the next five years. Why is it necessary to provide this special treatment to some organizations?

Answer 3. EFC member organizations raise capital by selling taxable and tax-exempt bonds in order to finance student loans. Some years ago, tax-exempt bond proceeds were sufficient to fund student loan volume. But several significant changes in the law have forced many EFC organizations to issue taxable securities to meet demand for loans from students and their families. Currently, taxable bond issuance by EFC members significantly exceeds tax-exempt issuance, and the taxable proportion increases every year. We estimate that about $8 billion in old bonds are still outstanding that are subject to the 9.5 percent floor.

I would note three facts related to this floor which are often left out of discussions. First, these loans remain subject to the 2 percent cap on earnings that applies to all tax-exempt student loan bonds. Any excess earnings that occur in a low-interest rate environment must be rebated to the government. Second, loans made with the proceeds of bonds issued since Congress changed the provision in question in 1993 are not subject to the 9.5 percent floor rules. The number of old bonds still outstanding is shrinking rapidly, since the investors who purchased them are continually being repaid. Third, loan holders only receive half of the normal special allowance payments from the government for loans made with bonds subject to the floor. Whether this is helpful or hurtful depends on the interest rate environment. Should interest rates rise only slightly, receiving only half the special allowance payments with a 9.5 percent floor would reduce special allowance.

Question 4. On page 8, you suggest that the Department of Education has "proposed outlawing FFELP borrower benefit programs, prohibiting interest rate discounts for students who make on-time payments, for example." Would you provide documentation for your statement? Competition between the guaranteed and direct loan programs has provided many improvements in the loan program for students. Do you support a level playing field between the two programs? Would you support changes in law to permit the Direct Loan program to offer the same kinds of discounts and rebates that are currently offered in the FFELP?

Answer 4. A level playing field is something that means different things to different people. Is it a level playing field to have your regulator as your competitor? The Department holds a meeting every year titled the "Direct Loan Anniversary Conference." More than a hundred employees from the Department of Education attend, and thousands of FTE hours are spent by ED employees working on the conference. The Department does not hold a similar FFEL Program event for the 70% of schools that are predominantly FFEL schools. The moniker used by the Department is, "Direct Loans: A Better Way to Borrow." The Department even has different rules for reporting troubled schools, as was mentioned in the most recent MACRO International Report.

I believe the Higher Education Act reauthorization recommendations submitted in March 1997 by 21 higher education associations representing the entire spectrum of the college and university community still offer as good a perspective as any on "level playing field" issues in the current environment. They wrote, "In many cases, such changes really are thinly veiled attempts to give advantage to one program over the other. We urge the Committee to act cautiously in this regard.

"A 'level playing field' may be defined in two fundamentally different ways. One approach would make the programs function in exactly the same way, with exactly the same terms and conditions, and with identical repayment options. We oppose this approach because it puts artificial limitations on each program and squeezes out the healthy competition that has proved so beneficial to students.

"Instead, Congress should take a second, more constructive approach to leveling the playing field. Specifically, we suggest the Committee recognize the real differences inherent in a bank-based versus a government-based program and allow the two programs as much flexibility as possible to deliver the best benefits they can for students."

The higher education community paper specifically addresses borrower benefit issues: "Some competitive advantages enjoyed by one or the other loan program are endemic to their design. Elimination of these advantages would diminish the quality of the program for those participating in it. While such an approach has an appealing simplicity, it would disadvantage all parties involved in student loans. For example, under current law, the statutory interest rate formula for FFELP loans is a 'maximum allowable rate' that permits lenders and holders to charge less if they wish, while the interest rate spelled out for direct loans is the mandatory rate that the federal government must charge. We believe that such a provision should remain in place. In addition, lenders are and should be allowed to pay all or part of any up-front fees on their borrowers' behalf. However, the Secretary of education should be given authority to improve terms and conditions of direct student loans when such changes can be accomplished at no additional cost to taxpayers above the budgetary baseline."

You also asked as part of this question that I provide documentation supporting my statement that the Department has "proposed outlawing FFELP borrower benefit programs, prohibiting interest rate discounts for students who make on-time payments, for example." Well, there have actually been numerous public and private instances in which Department officials have proposed outlawing FFELP borrower benefits. One example took place at a hearing before the House Education and the Workforce Subcommittee on Postsecondary Education, Training and Lifelong Learning, on July 22, 1997. There was an extended debate at this hearing about the Department's position on FFEL Program borrower benefits. Dr. David Longanecker, ED's Assistant Secretary for Postsecondary Education, stated on page five of his written testimony that the Department proposes to "prohibit lenders from offering specific benefits to selected borrowers. We are very concerned that some guaranty agencies are using Federal funds to offer discounts to some groups of students, primarily to undermine the Direct Loan Program."

I was not the only person to read Dr. Longanecker's testimony as opposed to borrower benefits in the FFEL Program. Subcommittee Chairman McKeon responded to the testimony by stating, "Dr. Longanecker, in your testimony, you note that we cannot lose sight that our primary responsibility is the student. However, in that same paragraph, you raise a concern about guaranty agencies using federal funds to offer discounts to students and state your opposition to lenders offering discounts as well. If the funds are being used for the benefit of students and student costs are being lowered, I believe that you have lost sight of the students because of your interest in promoting the Direct Loan program."

RESPONSE TO QUESTIONS OF SENATOR HUTCHINSON FROM WILLIAM HANSEN

Question 1. How would guaranty agencies react to the proposed changes the president makes in the FY00 budget?

Answer 1. The National Council of Higher Education Loan Programs is the trade association that represents guaranty agencies and I suggest that you contact them for their reaction to the President's proposed budget. I would offer that as our partners, a strong guaranty agency structure is an important element in keeping the FFEL program strong. The President's proposed budget cuts to FFELP providers are designed for one purpose—to cripple the FFEL program and thereby prop up the direct loan program. In April, the Congress rightly rejected these destructive proposals in their joint Budget Resolution. I would encourage Members of this Committee to continue to object to the Administration's proposed budget changes that would strip funds from guaranty agencies or that would diminish the role of not-for-profit secondary markets.

Question 2. Laws governing guaranty agencies were just changed last year. How would further changes affect their ability to provide affordable student loans to our nation's college students?

Answer 2. Changes that would massively cut the funding available for guaranty agencies would seriously threaten the FFEL Program at a time when the changes from the Reauthorization of the Higher Education Act are just beginning to be implemented. The impact of the recent changes will not be fully realized for several years.

The CHAIRMAN. The hearing is adjourned.

[Whereupon, at 11:22 a.m., the committee was adjourned.]

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