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ABSTRACT

In an address to the House Ways and Means Committee on the Revenue Provision in the Year 2000 Budget, Rene Bouchard, CEO of Steuben-Allegany Board of Cooperative Educational Services, discusses the needs of rural schools and how the President's school modernization proposal would help them. Bouchard argues the need for federal assistance to school communities through a change in arbitrage rules and discusses how much the public supports federal help to modernize its public schools. (GR)

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President's Fiscal Year 2000 Budget.**

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Rene Bouchard

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Statement of Rene "Jay" Bouchard, District Superintendent
Steuben-Allegany Counties, and Chief Executive Officer
Steuben-Allegany Board of Cooperative Educational Services, Bath, New York
on behalf of National Rural Education Association

Testimony Before the House Committee on Ways and Means

Hearing on Revenue Provision in President's Fiscal Year 2000 Budget

March 10, 1999

Mr. Chairman and Members of the Committee:

On behalf of the National Rural Education Association, I want to thank you for the opportunity to address the Committee. My name is René "Jay" Bouchard, and I would like to speak about the provision in the President's Fiscal Year 2000 budget that would provide states and local districts desperately needed help in modernizing America's public schools.

Mr. Chairman, I come before you as someone who in one professional capacity or another has been involved in public education for 39 years. I have had the honor of serving as a teacher, a vice-principal, and principal at the secondary level. I have also served as a superintendent. Since 1982, I have jointly held the positions of Chief Executive Officer for the Steuben-Allegany Board of Cooperative Educational Services, a confederation of 15 rural and small town school districts, and Superintendent of the District of Steuben-Allegany Counties.

I had the privilege of serving as president of the National Rural Education Association, or NREA, from 1993 to 1994. I currently sit on NREA's Executive Committee. I am also a member of the Executive Committee of the American Association of Educational Service Agencies.

I think it would be helpful to speak briefly about NREA. The National Rural Education Association is the oldest established national organization of its kind in the United States. The Association traces its origins back to 1907. Through the years, it has evolved into a strong and respected organization of rural school administrators, teachers, board members, regional service agency personnel, researchers, business and industry representatives, and others interested in maintaining the vitality of rural school systems across the country.

THE NEEDS OF RURAL SCHOOLS

While president of NREA, I had the opportunity to travel extensively throughout the United States and saw first-hand the challenges that schools, administrators, students, and teachers in rural areas and small towns face every day. These schools are more likely than not to be underfunded, and their teachers, when compared to their urban and suburban counterparts, receive lower than average salaries and fewer benefits, have fewer professional development opportunities, and have less access to higher education.

Unfortunately, rural schools often are nothing more than an afterthought in the national debate about public education. Nevertheless, there is a story to be told. For example, one out of every two public schools in America is located in a rural area or small town. Thirty-eight percent of America's students go to schools in rural areas. Forty-one percent of public school teachers work in rural schools. Yet, rural and small town schools receive only 22 percent of the total funding for K-12 education.

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Consequently, rural and small town educators must address increasing expectations with diminishing resources. The school modernization proposal in the President's budget proposal can provide desperately needed assistance in the area of greatest need--modernization of school buildings.

Last year, no less a distinguished body than this Committee succinctly captured the challenge facing the nation's schools when it stated: "A great need exists for construction and renovation of public schools if American educational excellence is to be maintained."

I could not have said it better myself.

The common perception among many outside the education community is that the need for modern, safe schools that are not overcrowded, and offer access to the Internet and other education technology exists only in inner-city communities. The truth of the matter, according to a landmark 1996 national study by the General Accounting Office (GAO), "School Facilities: America's Schools Report Differing Conditions," is that one out of two rural schools have at least one inadequate structural and mechanical feature. These include roofs, exterior walls, electrical systems, and heating, ventilation, and air conditioning systems.

In addition, GAO found that 30.3 percent of rural schools, serving more than 4.5 million students, had at least one overall school building that was deemed inadequate.

The age and physical condition of our nation's schools also hinders or prevents many from being retrofitted to accommodate technology. According to the GAO report, the electrical systems at nearly half of all schools are inadequate for full-scale computer use.

Nationwide, GAO found that it would take \$112 billion just to make necessary repairs on our schools to ensure that they are safe and healthy places for children to learn. On top of these repair needs, because enrollment in our public schools is at a record high level, and projected to grow every year for at least the next decade, another \$73 billion is needed to build additional schools and enlarge existing schools to alleviate overcrowded conditions.

The most recent figures from the National Center for Education Statistics show that while we as a nation have made substantial progress in connecting public classrooms to the Internet, vast disparities remain between disadvantaged and rural school districts and affluent ones. In addition, according to a July 1998 report from the National Telecommunications and Information Administration, rural students (as well as urban and minority students) lack computer access at home and must depend on schools or libraries for access to technology.

The need for access to the Internet and other technologies is particularly acute in rural areas. Because of tight budgets and a limited ability to offer higher level and specialized classes, rural schools are especially reliant on distance learning technologies.

A case in point are the 15 school districts that comprise the Steuben-Allegany Board of Cooperative Educational Services that I oversee. Combined, these western New York districts, which have consolidated many of their administrative and curricular functions to achieve economies of scale, enroll 20,000 students. The districts are spread over 1,600 square miles, an area that is slightly larger than the entire state of Rhode Island.

Over 44 percent of the students in our schools are eligible for the free and reduced price lunch program. That figure climbs as high as 63 percent in some of our schools.

Given how widely dispersed is the area served by the Steuben-Allegany Board of Cooperative Educational Services, the ability to share resources electronically is crucial. In my region, less than 15 percent of our students are in schools with Internet access in their classrooms. Most of our schools only have one or two single station connections to the Internet in the entire school.

THE PRESIDENT'S SCHOOL MODERNIZATION PROPOSAL WOULD HELP RURAL SCHOOLS

The school modernization proposal in the President's budget proposal would go a long way in helping us and others like us to remedy this problem, repair and upgrade all the mechanical systems of our buildings and better respond to environmental hazards in our schools.

The \$22 billion in zero interest school modernization bonds included in the Administration's proposal would put more power in the hands of states and local school districts and will not create new federal bureaucracy. Decision making and management prerogatives remain at the local level. By allowing local communities to finance school construction or renovation with the equivalent of interest-free bonds, the proposal presents schools districts with a unique opportunity to renovate existing buildings and build new schoolhouses.

The provision would allow bond buyers to receive federal tax credits in lieu of interest, thereby freeing up money the districts would be paying for interest to be used for teaching and learning. Since over the 15-year repayment period of these school modernization bonds interest payments typically represent as much as 50 percent of the total repayment, the savings to schools from this proposal will be substantial. Fiscal relief to school districts such as mine will help relieve pressure on property taxes, and thus make it easier to convince our local voters to pass school bond referenda.

Combined with the \$2.4 billion expansion of the existing Qualified Zone Academy Bond (QZAB) Program, these two proposals would generate nearly \$25 billion in bonds at a cost to the U.S. Treasury of \$3.1 billion over five years, according to the Joint Committee on Taxation. This is a national investment in schools and in the work force for tomorrow's economy. I also want to add that while the perception of QZABs is that these bonds only benefit urban areas, any school district with at least 35% of its children eligible for free or reduced-price school lunch also qualifies.

New York State alone would be eligible for more than \$2.7 billion in tax credit bonds.

The President's proposal calls for a 50-50 split in bonding authority, with half of the allocation to the states and half to the 100 school districts with the largest number of low-income students. State agencies would assign the bonding authority to districts, schools, or other governmental units based on the family income level of the students to be served, or other factors as they see fit. Most importantly for rural schools is a requirement that the state give special consideration to rural areas, as well as to high-growth areas. Such a funding formula would greatly benefit rural schools.

Additionally, we are pleased that Representative Charles Rangel of New York, the ranking member of this committee, who will introduce the President's proposal in the House soon, has expressed a willingness to consider giving a larger allocation to states, potentially resulting in more funds being available to rural schools. In addition, I am very pleased to note that Representative Nancy Johnson of Connecticut, a senior member on the majority side of this committee, will also soon introduce her own bill to provide tax credits on school modernization bonds. With such bipartisan support I strongly urge this committee to include such school modernization tax credits in any tax bill considered this year.

OTHER SCHOOL MODERNIZATION PROPOSALS

I also want to comment on another proposal to assist school facilities proposed by Chairman Archer, and included in HR 2, the leadership's education package. The Chairman recognized the need for the federal government to assist school communities in his proposal to change arbitrage rules. His recommendation will allow for a longer period of time, an additional two years, in which earnings on bond proceeds can be kept by school districts, instead of being rebated to the federal government. This is a positive proposal that will provide fiscal benefit to some school districts.

However, for many rural districts this proposal will generate little if any additional funds. For most rural districts, if they do pass a bond, they will immediately put those proceeds into the school construction or renovation. The local voters who approve bonds expect projects to be initiated and completed as quickly as possible. I should note that districts with bonds of less than \$10 million annually are currently exempt from arbitrage rules, which represents the majority of bonds issues by rural schools.

I would recommend though, that because the arbitrage rebate relief proposal may benefit larger school districts, it may be appropriate to include it as an addition to the school modernization bonds in the President's proposal. The committee should also consider raising the small issuer exemption from \$10 million to \$25 million, which would provide some additional benefit to rural schools that issue bonds below this limit.

One other bill that has just been introduced, HR 996 by Rep. Etheridge of North Carolina, also deserves this committee's attention. This proposal, intended as an addition to the school modernization bonds in the President's budget, would provide another \$7.2 billion in zero interest bonds targeted to states which have had the fastest increases in population and school enrollment. The high growth states that would be the greatest beneficiaries of these bonds include many rural areas.

With the average school building in America greater than 50 years old, we cannot afford to wait any longer for the kind of help the President's proposal would offer. Localities and states, including New York, are addressing this pressing issue as best they can, but they cannot go it alone. The President's proposal provides the framework for the kind of local/state/federal partnership necessary to address this national emergency.

THE PUBLIC SUPPORTS FEDERAL HELP TO MODERNIZE PUBLIC SCHOOLS

The American people understand the connection between safe and modern schools and student achievement. In fact, according to the most comprehensive survey to date on American's attitudes toward school modernization, 82 percent said they support a \$22 billion, five-year spending proposal to rebuild America's schools. The survey, conducted on behalf of the Rebuild America Coalition, by leading Republican pollster Frank Luntz in January, found that Americans whether they live in the inner city, the suburbs or rural areas, whether they are affluent or low-income, whether they are black or white, men or women, Republican or Democrat believe that modernizing America's schools is a national priority.

Of those Americans living in rural areas, 81 percent favored such a proposal. Twenty-six percent of rural Americans said that public school buildings in their community were in need of repair, replacement or modernization. Rural Americans said the best reasons to modernize public schools were to ensure a safe and healthy place for children to learn (46.1%) and to provide more space to allow for smaller class sizes (34.2%).

Numerous studies have documented the positive correlation between student achievement and better building conditions. A 1996 study found an 11-point difference in academic achievement between students in classrooms that are substandard and the same demographic group of children in a first-class learning environment. A poll issued by the American Association of School Administrators in April 1997 found that 94 percent of American educators said computer technology had improved teaching and learning.

I have seen first-hand the difference technology can make in the classroom. The range of resource materials available to teachers and students on the Internet is staggering. The Internet brings a vast library to our fingertips in a timely and unencumbered manner. It provides students and teachers alike access to timely, relevant, and interactive information about the world around them and our past.

Children in rural communities as well as children in urban and suburban areas should be educated in modern, well-equipped schools, with small classes. Beyond the educational benefits that technology has to offer, modern schools ensure that students will be equipped to compete equally and fairly in a job market that is relying more heavily on proficiency in obtaining, synthesizing, and presenting information.

One last example of the desperate need for federal help to modernize schools comes from the American Society of Civil Engineers. Last year, this distinguished organization released an analysis of the state of our nation's infrastructure. They analyzed the condition of roads, bridges, wastewater treatment systems, dams, hazardous waste sites, and solid waste disposal sites. They found that public schools buildings are in worse condition than any other part of our nation's infrastructure. Yet, while the Congress just last year provided \$216 billion for roads, bridges and mass transit through the highway bill, to date virtually no federal funds have been made available to improve school buildings.

Mr. Chairman we appreciate your interest in rural education and the willingness of your Committee to address the issue of public school construction and renovation. It is crucial that Congress enact the proposals such as the President's school modernization plan. We hope this committee can actually expand on the President's proposal as it prepares revenue legislation to assist rural communities modernize their schools.

Unless we give students equal access to the tools necessary to succeed in the current marketplace, we not only shortchange them but we shortchange ourselves by producing a citizenry unable to maintain our standard of living as a community and to compete in the global arena.

Thank you.



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