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"(3) The term 'day care facility' means a facility which (i) is licensed by the State as being adequate to meet the needs, with respect to health, safety, education, and recreation, of young children placed under the care of such facility for all or part of the day, and (ii) meets any other licensing requirements imposed by the political subdivisions in which the facility is located.

"(4) The term 'nonprofit' as applied to any facility means a facility which is owned and operated by one or more nonprofit corporations or associations no part of the earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

"(5) The term 'construction' includes acquisition of land and buildings, construction of new buildings, expansion, remodeling, and alteration of existing buildings, and initial equipment of any of such buildings (but initial equipment shall be taken into account only to the extent that the cost thereof does not exceed 3 per centum of the cost of construction attributable to items other than such equipment); such term also includes architects' fees.

"(6) The term 'title', when used with reference to a site for a project, means a fee simple, or such other estate or interest (including a leasehold on which the annual rental does not exceed 4 per centum of the value of the land) as the Secretary finds sufficient to assure for a period of not less than fifty years' undisturbed use and possession for the purposes of construction and operation of the project.

AMENDMENT OF ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965—AMENDMENT

AMENDMENT NO. 268

Mr. TYDINGS. Mr. President, I rise to submit an amendment, intended to be proposed by me to S. 2218, a bill to amend the Elementary and Secondary Education Act of 1965.

In order to operate effectively and dispense funds efficiently, school boards on all levels must begin formulating education plans and budgets a year before they are to go into effect. However, given the nature of the appropriations process in Congress, such advance planning is virtually impossible.

For example, the 1969–70 school year will be nearly half completed before the Federal education appropriations for 1969–70 are enacted into law. School systems across the country have been forced to operate education programs involving Federal funding at last year's levels since they have no way of knowing what this year's appropriation will be. If Congress significantly increases educational appropriations for fiscal year 1970 over last year's levels—which I believe it must do—the additional funds will hardly come to school systems under conditions conducive to their efficient use.

To begin with, the schools will not have been able to provide specific plans for the use of these funds because they had no way of knowing 12 to 18 months prior exactly how much they would receive. More importantly, since the money will become available midway through the school year, it will be exceedingly difficult to integrate this money into existing programs and plans. For teachers, counselors, administrators and new curricula must be hired and initiated at the beginning of the school year for maximum effectiveness.

Finally, this year school boards will only have 6 months or less to expend Federal funds before they automatically revert to the Treasury. This short time period in which funds must be spent often leads to two undesirable results: In an effort to meet the June 30 deadline, funds are often used less efficiently than if there had been time for adequate planning and preparation; also, there are many instances of school systems having to return desperately needed funds to the Treasury because there was not time to spend all of the money usefully and without waste.

Several days ago, I received a letter from Jerome Frampton, Jr., president of the Maryland State Board of Education, describing the critical problems caused by the requirement that all Federal educational appropriations must be spent by the end of the current fiscal year and suggesting a possible remedy. I would like to read this excellent letter into the RECORD:

MARYLAND STATE DEPARTMENT OF EDUCATION,
Baltimore, October 30, 1969.

Hon. JOSEPH D. TYDINGS,
U.S. Senate, Senate Office Building, Washington, D.C.

DEAR SENATOR TYDINGS: The Maryland State Board of Education has during recent years become increasingly concerned with the problems presented to our State Department of Education and our local school systems by the uncertainties surrounding Federal funding. We are now at the end of the fourth month of the current fiscal year and still do not know what the amount of Federal funds available to the State during the current year will be. Intelligent educational planning is under these circumstance well-nigh impossible. Even if Congress had acted a few months earlier it would have been difficult to gear in Federal appropriations with the plans evolved by the State and the local systems a year ago.

To do the job we simply must do, we must provide stability in educational planning. To reach a level of stability, we must have a reasonably accurate idea as to how much Federal money will be available at the time the State, City and county staffs enter into the process of budget preparation.

The most effective way of solving the foregoing problem, we believe, is to end the present requirement that certain Federal funds must be spent by the last day of the fiscal year for which they are appropriated. Instead, each school system should be given flexibility to spend Federal money either during the year of the appropriation or the year immediately following. We request that all legislation relating to Federal aid to education be amended to authorize such flexibility.

Cordially yours,

JEROME FRAMPTON, Jr.,
President, Maryland State Board of Education.

Therefore, Mr. President, in order to enable school districts across America to better meet the needs of their students and to insure that the taxpayers are getting the most from every education tax dollar, I am submitting an amendment to the Elementary and Secondary Education Act to enable school districts to carry over unexpended funds from this act into the succeeding fiscal year. I am convinced this amendment, if enacted, would serve the interests of efficiency and economy in the use of Federal education funds.

I ask unanimous consent that the text of the amendment be printed in the RECORD at the conclusion of my remarks.

Mr. President, I also ask unanimous consent that two telegrams be printed in the RECORD.

There being no objection, the telegrams were ordered to be printed in the RECORD, as follows:

Washington, D.C., November 6, 1969.

Senator JOSEPH D. TYDINGS,
U.S. Senate,
Washington, D.C.:

The American Federation of Teachers strongly support your efforts to improve the Elementary and Secondary Schools Education Act by amending section 405 to allow school districts to use unexpended Federal funds from the previous year. This provision introduced much needed flexibility. It would reduce waste by permitting more effective planning. The present spend-it-or-lose-it requirement is costly and disruptive. We pledge our full support.

DAVID SELDEN,
President, American Federation of Teachers.

WASHINGTON, D.C., *November 4, 1969.*

Hon. JOSEPH TYDINGS,
Senate Office Building,
Washington, D.C.:

We strongly support the objective of the Tydings amendment to the Elementary and Secondary Education Act, to permit local school districts to carry over Federal education funds into the next fiscal year. This would be of enormous benefit to education by allowing for better planning and use of Federal money.

JOHN M. LUMLEY,
National Education Association.

The PRESIDENT pro tempore. The amendment will be received, printed, and appropriately referred; and, without objection, the amendment will be printed in the RECORD.

The amendment (No. 268) was referred to the Committee on Labor and Public Welfare, as follows:

AMENDMENT NO. 268

At the end of the bill add the following new section:

"AVAILABILITY OF APPROPRIATIONS

"SEC. 11. Section 405 of the Elementary and Secondary Education Amendments of 1967 (Public Law 90–247) is amended by inserting '(a)' immediately after the section designation thereof and by adding at the end thereof the following new subsection:

"'(b) notwithstanding any other provision of law, unless enacted in specific limitation of the provisions of this subsection, any funds from appropriations to carry out any programs to which this title is applicable during any fiscal year which are not obligated and expended prior to the beginning of the fiscal year succeeding the fiscal year for which such funds were appropriated shall remain available for obligation and expenditure during such fiscal year.'"

EXTENSION OF ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965—AMENDMENT

AMENDMENT NO. 269

Mr. MONDALE. Mr. President, today I submit an amendment intended to be proposed by me, to S. 2218, a bill to extend the Elementary and Secondary Education Act of 1965, which I will propose during the upcoming executive sessions on bills to extend and improve ESEA. My amendment provides for the establishment of a National Advisory Commission on School Finance. This Commission will be charged with recommending to the President and the Congress steps to alleviate the financial crisis faced by school districts throughout the Nation.

Caught in a squeeze between inadequate resources on the one hand and ever-increasing demands from citizens on the other, State and local school systems face fiscal chaos. Rising expenditures result from many factors: Inflation, improved salaries, burgeoning construction costs and interest rates, and individualization of instruction by such means as the introduction of new technology, curricular improvement, and small classes. These expenditure pressures are often coupled with statutory and practical limitations on taxing and bonding authority. The school bond issue approval rate has declined from 69 percent in 1968 to an estimated 50 percent in 1969.

Several school districts have been faced with the prospect of actually ceasing operation. School districts depend primarily upon the local property tax, a resource inadequate to the task because it does not rise in proportion to inflation or economic growth. At the same time, the Federal Government collects two-thirds of all national tax revenue through the more progressive and more responsive personal income tax. Federal revenue sharing may be the only solution to the fiscal crisis of State and local governments. Unlike the current administration proposal, a revenue sharing plan should give local school districts credit for school taxes in its distribution formula.

In a nation which prides itself on a stated commitment to equality of opportunity, the quality of a child's education is determined more by the accident of residence than by any other factor. State average per-pupil expenditures in some States are close to three times those in some other States. Equally shocking variations exist within many States from one district to another, and even within some school districts. Yet, per-pupil expenditure alone does not reflect the comparative effort being made from State to State, or from district to district, because of the wide variation in available tax resources.

Inequities in the per-pupil investment in education can be illustrated by a brief example from my home state of Minnesota. Despite a State aid formula which incorporates an equalization factor—and not all States base their aid on this principle—inequities still occur. In 1967–68, the owner of a $20,000 home in one community paid $236 in support of the operation of the public schools, which expended $1,078 per pupil. In contrast, the owner of a similarly priced home in another community paid $357 to support his public school system, which was able to expend only $651 per pupil. In other words, the child in the latter district had considerably less money invested in his education despite the fact that the average homeowner in his community paid more to support education.

Similar illustrations can be found at the State level, where we note that in 1967–68 the child from New York benefitted from a State average per-pupil expenditure of $1,024 while the child from Utah, for example, had $501 spent on his education. Another look reveals, however, that Utah ranked third in the Nation in its effort to support education, as measured in terms of the percentage of personal income expended for education, while New York ranked twelfth. In other words, New York was able to invest twice as much as Utah in the education of each of its children with considerably less burden on the individual taxpayer.

The financial crisis in education is by no means limited to our cities. While we have focused great attention upon the problems of urban America in recent years, as we should, we must also recognize that suburban and rural areas often face severe financial problems resulting from rapid and unusual enrollment growth and inadequate tax resources. Minnesota school districts—suburban, rural, and urban—face serious financial problems.

The suburban Anoka-Hennepin district typifies the dilemma of many rapidly growing suburban school systems. Facing annual enrollment increases approaching 10 percent and dependent upon a relatively limited tax base, the residents of this district have found their taxes increasing 30 percent in a single year. Enrollment in the elementary schools is approximately twice that in the secondary schools; the average age in the community is 14. This district, which has seen its public school enrollment triple within 10 years, thus faces continued dramatic growth. Despite a significant local tax effort, the per-pupil expenditure in the Anoka-Hennepin schools is less than that of many Twin City area districts which are not as dependent upon the individual property owner.

In contrast, the Aitkin school district, located in a rural, lake resort area, faces financial problems typical of many rural communities. With much of its land either unproductive or owned by the State and therefore tax-forfeited, this district faces serious financial problems resultant from its exceptionally low per-pupil evaluation. Despite a State aid formula which provides some equalization, Aitkin has seen its local support rise from 28 percent to 51 percent of its total budget within the most recent 5-year period. With its static tax base, this district has been forced to increase its school taxes to a level approaching 40 percent in a single year.

And, of course, Minnesota cities—like those throughout America—face tremendous financial problems as they attempt to educate large numbers of disadvantaged children whose exceptional needs can be met only through expensive compensatory programs and special services. At the same time, the city schools are confronted with competition for funds as a result of municipal overburden—characterized by extraordinary costs of welfare, fire and police protection, and urban redevelopment. The problems of the city are often compounded by decreasing personal income levels, a shrinking tax base, an aging population, charter limitations on taxing authority, and inappropriate State aid formulas.

We all recognize the importance of quality education to the Nation, as an investment in its human resources and as a source of strength for its democratic institutions. We further appreciate the importance of education to the individual, whose personal fulfillment and economic well-being in an increasingly complex society are closely related to his educational level. The solution to inadequacies and inequities in school finance cannot be postponed. The damage inflicted upon the undereducated individual is irreparable and inexcusable.

Landmark education legislation passed by Congress in recent years has had a remarkable impact upon elementary and secondary education in America. Bills calling for general aid and for school construction assistance have been introduced again in the current session, although proposals incorporating interest subsidies or aspects of the urban development bank concept have yet to be broadly explored for school purposes. Extension and refinement of existing categorical programs are now under consideration in the Education Subcommittee of the Committee on Labor and Public Welfare. The House has already taken major action in this area. Realistically, however, we must recognize that major new departures are unlikely this year. In fact, existing programs are grossly underfunded.

Little agreement exists concerning the respective responsibilities of local, State, and Federal Government in a partnership approach to the support of education. Debate continues on the question of categorical grants versus general assistance, on advanced funding, on maximum discretion at the State level versus the retention of certain Federal functions in the interest of assuring that national priorities will be met—all to little avail while thousands of school districts and millions of children face the harsh reality of pending fiscal disaster.

In an era which cries out for bold curricular and organizational reform at all levels, our educational system is inadequately funded to even maintain its present level of efficiency and relevance. Commissioner of Education James Allen recently stated that the shaping of the expanding Federal role in education is one of the crucial issues we face as a nation. When the Vietnam peace dividend becomes a reality, American education should be prepared to stake its rightful claim to a major share of available funds. It is my belief that we shall be unable to shape this expanded Federal role without the benefit of comprehensive study of educational finance as it exists today, and as it should be molded in the future.

The commission proposed in the amendment which I am introducing today will serve two basic purposes. First, it will provide for a comprehensive study of the many alternative approaches to financing the Nation's elementary and secondary schools. Second, it will provide a prestigious national forum to focus attention on the financial needs of our Nation's schools at a time when education must assume its rightful place in our ordering of national priorities.

Mr. President, the amendment states that the Congress recognizes: First, that many school districts are facing an unprecedented financial crisis as society's demands upon education increase, taxpayer resistance rises, and statutory taxing and bonding limits are reached; second, that serious inequities exist within and among the States of this Nation in the quality of education offered in elementary and secondary schools; third, that there is neither a clear consensus concerning the appropriate structuring of a local-State-Federal partnership in financing education nor a definition of the appropriate balance among programs of categorical aid, general assistance, and school construction aid; and fourth, that insufficient national concern has been focused upon the fiscal crises faced by all school districts—urban, suburban, and rural.

In response to these recognized needs, the amendment proposes the establishment of a 15-member National Advisory Commission, appointed by the President, which will include school board members, faculty, administrators, municipal and State educational authorities, and informed citizens. I would also hope that such appointments would give appropriate consideration to broad economic geographic, racial, and political representation.

The Commission would be directed to report, within 2 years, its specific analyses and recommendations regarding, but not limited to, the following: First, the definition of an appropriate partnership among local, State and Federal levels of government in supporting elementary and secondary education; second, an approach to relieving the fiscal crisis now facing the schools through a redefined Federal role in tapping the Nation's human and financial resources in support of elementary and secondary education; third, the determination of an appropriate balance of categorical aid, general assistance, and school construction aid in the total Federal response to the financial needs of elementary and secondary education; fourth, the role of Federal revenue sharing in supporting education; and fifth, means by which inequality of financial support for the elementary and secondary schools of this Nation might be eliminated.

I believe that the creation and the activity of this Commission would equip us to plan intelligently and respond realistically to the educational challenges of the future. John Gardner once observed:

> We have a great and honored tradition of stumbling into the future. In management of the present, our nation is—as nations go—fairly rational, systematic, and orderly. But when it comes to movement into the future, we are heedless and impulsive. We leap before we look. We act first and think later. We back into next year's problems studying the solutions to last year's problems.

In the critical area of education, we can no longer afford this luxury. My amendment would provide a vehicle for building a rational, systematic local-State-Federal partnership in support of elementary and secondary education in America.

I ask unanimous consent that a copy of my amendment be printed at this point in my remarks.

The PRESIDENT pro tempore. The amendment will be received, printed, and appropriately referred; and, without objection, the amendment will be printed in the RECORD.

The amendment (No. 269) was referred to the Committee on Labor and Public Welfare, as follows:

AMENDMENT No. 269

Insert the following at the appropriate place:

"SEC. (a) The Congress recognizes that many school districts are facing an unprecedented financial crisis during a period characterized by increasing demands upon the educational system. Taxpayer resistance to the existing tax structure is growing and school bond issues and annual budget requests are being rejected at an alarming rate. School districts across the nation are facing serious fiscal crises as they approach or exceed statutory limitations on taxing and bonding authority.

"The Congress finds that serious inequities exist within and among the states of this nation in the quality of education offered in the elementary and secondary schools. The expressed national commitment toward equality of educational opportunity is not yet a reality.

"The Congress recognizes that there is neither a clear national consensus concerning the appropriate structuring of a local-state-federal partnership in financing education nor a definition of the appropriate balance among programs of categorical aid, general assistance and school construction aid in the federal responsibility in financing elementary and secondary education.

"The Congress further recognizes that insufficient national concern has been focused upon the escalating operating expenses and construction costs faced by school districts which are experiencing unusually high rates of enrollment growth.

"The Congress also finds that many children are housed in obsolete, overcrowded, and inadequately maintained schools.

"Therefore, it is the purpose of this section to establish a National Advisory Commission on School Finance to conduct a comprehensive study of the problems of financing elementary and secondary education in America.

"(1) There is hereby created a National Advisory Commission on School Finance (hereafter referred to as the "Commission") to be composed of fifteen members, appointed by the President of the United States. In making such appointments, the President shall give due consideration to the need for representation on such Commission of school boards, public and private school administrators, faculty, municipal and state educational authorities, and informed citizens. Consideration shall also be given to economic, geographical, racial and political representation on the Commission.

"(2) It shall be the duty of the Commission to make a study of the financing of elementary and secondary education in the United States and submit a report on such study together with such recommendations, as hereinafter provided, to the President, to the Secretary of Health, Education, and Welfare, and to the Congress. The report shall include, but shall not be restricted to, analyses and recommendations regarding:

"(A) the definition of an appropriate partnership among local, State, and Federal governments in financing elementary and secondary education;

"(B) the determination of the appropriate balance of categorical aid, general assistance, and school construction aid in the total Federal responsibility for financing elementary and secondary education.

"(C) an approach to relieving the fiscal crisis now facing the schools through a redefined Federal role in the use of the human and financial resources in support of elementary and secondary schools; and

"(D) the use of a Federal revenue sharing plan for supporting elementary and secondary education; and

"(E) means by which inequality of opportunity in the elementary and secondary schools of the Nation might be eliminated.

"(3) The Commission shall make a preliminary report within nine months of the enactment of this Act and shall make a second preliminary report, not later than eighteen months after enactment of this Act and a final report not later than two years after the enactment of this Act.

"(4) The President shall appoint a Chairman and Vice Chairman from among the members of the Commission.

"(5) (a) The Commission shall have power to appoint and fix the compensation of such personnel as it deems advisable, in accordance with the provisions of the civil service laws and the Classification Act of 1949, as amended.

"(b) The Commission may procure, without regard to civil service laws and classification laws, temporary and intermittent services to the same extent as is authorized for the department by Section 15 of the Act of August 2, 1946 (60 Stat. 810) but at rates not to exceed $125 per diem for individuals.

"(c) The Commission is authorized to make contracts with public and private organizations, including educational institutions, to conduct such studies and to prepare such reports as the Commission deems appropriate in order to carry out its functions under this section.

"(d) Financial and administrative services (including those related to budgeting, accounting, financial reporting, personnel, and procurement) may be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission, in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services: *Provided,* That the regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments (5 U.S.C. 46d) shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds (31 U.S.C. 665(g)) shall apply to appropriations of the Commission: and *Provided further,* That the Commission shall not be required to prescribe such regulations.

"(6) Eight members of the Commission shall constitute a quorum.

"(7) Compensation of Members of the Commission. Members of the Commission from private life shall each receive $150 per diem when engaged in the actual performance of duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

"(8) (a) The Commission, or any member thereof, may, for the purpose of carrying out the provisions of this Act, hold such hearings and sit and act at such times and places and take such testimony, as the Commission or such member may deem advisable.

"(b) The Commission is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment or instrumentality information, suggestions, estimates, and statistics for the purpose of this Act; and each such department, bureau, agency, board, commission, office, independent establishment or instrumentality is authorized, and directed, to the extent permitted by law, to furnish such information, suggestions, estimates, and statistics directly to the Commission, upon request made by the Chairman or Vice Chairman.

"(9) There are hereby authorized to be appropriated such sums, not exceeding $3,000,000, as may be necessary to carry out the provisions of this section."

Mr. MONDALE. Mr. President, I also ask unanimous consent that two very relevant articles from the November issue of School Management magazine be printed at the close of my remarks. These articles, entitled "The Case for Fiscal Reform Now," and "When the Dollars Dry Up in Suburbia," illustrate, in part, the need for the Commission study which my bill seeks to provide.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From School Management, November 1969]

THE CASE FOR FISCAL REFORM NOW

(By Theodore J. Miller)

Public schools will close this month in Fremont, Ohio and won't reopen until January. Reason: Voters have refused to endorse a tax millage needed to keep schools open.

Fremont is only the latest victim of a nationwide taxpayers' revolt that is focused on the most visible target available: school systems. Consequences of the revolt can be seen in the adoption of austerity budgets by many districts and in the growing number of actual or threatened school closings.

In district after district, taxpayers are reacting against the towering costs of school construction, instructional materials and salaries by rejecting budgets, tax overrides and bond issues in record numbers.

There is no relief in sight, under the present system of school financing. The taxpayers' revolt is clearly a result, not a cause, of the fiscal mess schools are in.

Experts who have studied educational financing agree to a man that present systems are woefully outmoded. They point to an anachronistic collection of traditions, foundation programs and formulas that are as suited to today's needs and philosophies as McGuffey's Reader.

Schoolmen and taxpayers recognize that the primary basis of school support—the local school property tax—has *had* it. Property taxes, which provide 56% of all public school revenue in the United States, are inadequate, inequitable and too inflexible to provide a viable means of support for education. In fact, criticisms of the local property tax are so basic that, taken together, they mandate a major and immediate overhaul of educational support patterns.

Generally, shortcomings of local school property taxes fall into three broad areas:

1. *Lack of tax ratio uniformity.* The level of assessed property valuation as a percentage of real value fluctuates greatly from one taxing district to another—and often within the same district. Result: unequal tax burdens on residents of different communities, and sometimes on residents of the same community.

The inequities of different tax ratios become especially apparent in state aid formulas. States generally require a minimum tax effort on the part of local districts to qualify for state funds. Until recently in Missouri, for example, each district had to levy at least 10 mills. But a district paying 10 mills on a 39% valuation ratio was obviously making a greater effort than a district paying 10 mills on a valuation pegged at 29%. Yet, there was no differentiation at the state level.

On the local level, inequities become even more apparent. A resident owning a $20,000 house, assessed for taxing purposes at $10,000, pays twice as much tax as the owner of an identical house assessed at $5,000, if their tax millages are the same. It's almost enough to make them vote, "No."

2. *Industrial dispersion.* Taxes on industry are the only visible means of relief for beleaguered property owners. Without the lucrative tax base industry brings to a community, many districts simply cannot afford to support quality schools. Compounding the problem is the tendency for industrial concerns to settle in one district—often at a substantial tax saving arranged by the city fathers—and to then draw a great many employees from other districts. Residents of the district in which the plant is located get a tax break, but the plant's employees, if they reside in a different district, get nothing. In fact, simply by working in the plant, they indirectly contribute to the support of another district's schools!

3. *Property tax exemptions.* Few people realize there is between $300 billion and $500 billion worth of tax exempt property in the United States. This situation cut severely into the potential tax receipts of communities with large tracts of such property within their boundaries. The federal government offers impacted aid to districts encompassing federal property, but state governments, which mandate the bulk of tax exemptions, offer no alternative sources of revenue.

JUST THE BEGINNING

These are the major problems of school support through the local property tax. But the corollaries of these problems—and the attempts at solving them—present other, perhaps more fundamental difficulties for administering the schools of the urban-suburban 1970's under fiscal systems of the agrarian 1920's and 30's:

Municipal and educational overburden. This phrase was coined by the Philadelphia Commission on Human Relations last year, when it pointed out that cities are forced to spend a disproportionate share of local tax revenues for police, fire, sanitation and other noneducational purposes, leaving a much smaller percentage to spend on education than the suburbs, which don't have the same municipal problems. On top of that, cities must educate greater numbers of disadvantaged and handicapped children, which makes their educational per capita costs infinitely greater.

In its research, the Commission discovered that, in 1965, the 37 largest cities in the United States spent an average of $100 more per capita on noneducational items than their suburban counterparts. In the same year, Philadelphia spent 30.7% of revenue from all sources—local, state and federal—for education. The suburbs spent 60.7%.

State aid formulas. The horrendous problems big cities have financing schools point up some of the major shortcomings of state aid formulas. In general, such formulas don't acknowledge the differences in educational needs between the cities and the suburbs, nor do they attempt to close the huge gaps in educational opportunities that exist between districts. It obviously costs more to educate pupils with disadvantaged backgrounds but, incredible as it seems, most state aid formulas pay little more than lip service to the fact that such pupils are concentrated in the cities.

Lack of coordination. Good fiscal planning is hampered in most districts by lack of coordination of three key elements: the school fiscal year, state and local tax assessment calendars and federal and state distribution of funds. Result: The local district doesn't know 1) how much revenue the property tax will yield for the following school year, or 2) how much money the state and federal government will supply or where it can be used.

Financial instability. It would be hard to find, in any other business field, a budget so vulnerable as that of local school districts. In eight states, the school budget must run the gamut of an annual vote in the community. In most other states, tax overrides must be approved by referendum and legal prescriptions on the vote required to carry the increases are often absurd. Similarly, bond issues must also be passed at the polls. As previously indicated, funds from federal and state sources are subject to rapid and unpredictable change and the amounts due local school districts are generally not specified until well past school budgeting deadlines. Finally, soaring interest rates require most districts to set aside 10% to 15% of their budgets for the retirement of debt and interest; this sizable chunk of unproductive money is an added irritant in the craw of the overburdened taxpayer.

Low priority given to education. Perhaps the biggest problem of all, because it has permitted fiscal difficulties to reach crisis proportions, is the relatively low state and national priority given to education. One disheartening illustration is President Nixon's pledge not to spend the additional $1 billion recently voted by the U.S. House of Representatives for federal aid to education, even if the Senate approves the expenditure. And in the House, the bulk of the additional funds were earmarked for pork barrel aid to impacted areas.

"The present pattern of local financing for education is totally inadequate," Allen says, "and we must take a serious look at it. This will shake up a lot of sacred cows that we've held dear for a long time. But it must be done."

In Allen's views, the old way simply isn't good enough or fair enough. Although he is not prepared to fully embrace any particular plan for fiscal reform, he does accept as inevitable the idea James B. Conant introduced some three years ago: a total state takeover of responsibility for funding local schools.

"Communities are begging for money today and it's usually the state that bails them out," the commissioner says. "In Chicago this year state funds paid for a new teacher contract. Last year, it took an influx of state money to keep schools open in Los Angeles and Philadelphia."

Financial brinkmanship is taking its toll in district after district and the only answer, in Allen's view, is some sort of state funding probably through a combination of state property and income taxes. Such a system, though it wouldn't reduce the burden of costs, would at least spread it more evenly, Allen says. Additional funds would still be needed from other state taxes and from the federal government.

Total state funding would also:

Equalize tax ratios throughout the state at a level equal to, or lower than, the average local district's tax rate.

Permit redrawing of district boundaries into more efficient units.

Permit all districts to benefit from the taxes paid by industry, rather than confining the benefits to some districts at the expense of others.

Make the *state* pay the bill for tax-exempt property, rather than "penalizing" districts with high concentrations of churches, cemeteries, historical shrines and government buildings.

Free local administrators from yearly budget and bond issue battles, leaving them more opportunity to concentrate on educational matters.

The end result, Allen emphasizes, will be a level of educational opportunity that is more or less equal throughout a state for all youngsters. "This is the nub of the problem," the commissioner says. "As long as we have the gross disparities in opportunity that exist in virtually every state today, we have an inequitable and indefensible school system. We know there is a direct correlation between poor educational opportunity and low ability to pay for education. Therefore, whatever we do to develop a more effective, efficient structure for financing education must contribute toward solving this problem of equal educational opportunity—or we have not solved any problem at all."

Along with a shift to state property taxes must come certain safeguards, says Allen. Most districts despite their financial difficulties, fear loss of local control would accompany a state takeover of the purse strings. Some wealthy districts, which are experiencing little or no financial troubles, fear that a general "leveling off" of educational expenditures will hurt them. They will have to share their wealth but will not get substantially more state aid than they now receive. And they see state salary schedules impinging on their ability to lure good teachers by offering higher salaries.

Furthermore, there is no guarantee that a state financing plan would bring needed relief to the cities. If city districts can't secure the necessary *supplementary* funds from reluctant state legislatures under present state formulas, why should the situation improve if the state controls *all* of the money?

Here's how Allen assesses these misgivings about state financing of local schools:

Local control. "If the state supplies the money, it doesn't necessarily follow that it must call the shots in the district. Local control will be maintained as long as the important decisions—that is, the hiring and deployment of teachers and administrators and determination of the educational program required to meet local needs—is left in the hands of the local board.

"Local control and local finance aren't necessarily inextricably tied together. These days, local boards and administrators spend most of their time drawing up and explaining budgets and trying to secure the votes to pass them. If freed from this chore, they will be able to address the *real* problems of education.

"And let's be realistic: For most districts, local control is a myth. It doesn't exist, beyond their having the privilege to try to make the most out of a mediocre situation. Any district with a high school of only 500 students, or with a community that is unwilling or unable to vote necessary operating funds or bond issues, is very limited in what it can do. It may have 'local control'—but control over what? Once these restrictions on their operations are removed, local control can begin to mean something."

Aid to the cities. "If the cities are ever going to get the money they need, the switch to state financing must be accompanied by the concept of 'metropolitan' school districts. This is needed to strengthen the cities' voice in the legislatures. In other words, New York City, for example, wouldn't be one concentrated, urban entity. For financial purposes, it must be part of an even larger district that includes most of the suburbs it now has to battle for state funds.

"At present, most state aid formulas are totally unsuited to an urban society. They must be redesigned to reflect the fact that the problems of the cities are the problems of the suburbs, too."

What about direct *federal* aid to the cities?

"The federal government can't intervene directly in the cities, other than through limited programs of categorical aid. The role of the federal government must be one of encouraging change at the state level and providing the resources for it. The actual shift in aid patterns has to take place at the state and local levels."

Even without a major change like complete state financing, there is much room for improvement, Allen says. For instance, tax and debt limits for local districts that were written into state constitutions after World War I just don't make sense anymore.

Teacher's salaries. "Most of the money for salaries comes from the states already, even though it's the local board that devotes weeks and sometimes months to collective bargaining with teachers."

In a speech at Columbia University last year, Allen pointed out that collective bargaining at the local level sometimes leads to maneuvering by school boards to hold salaries at certain levels, and by teachers to use raises in one district to force similar concessions in another. Attempts to prevent this kind of scheming, he said, are leading to increased state intervention in contract talks. "It could therefore be argued," he added, "that the drastic step of relieving the local school board of any responsibility for setting the level of teachers' salaries would simply be a hastening of the inevitable."

Today, Allen feels that any state salary schedule would have to include differentials for cost of living factors in various parts of the state. "The suburbs still have various non-monetary incentives to offer that would keep them in a favorable position for attracting teachers," he says, "which is why I don't think a state-mandated salary would hurt those districts."

Wealthy district. "State financing should *not* mean that wealthy districts must give up their option of raising more money locally," Allen says. "The state would provide a minimum level of support, leaving room for pace-setting districts to exercise initiative for local innovations. We need these lighthouse districts. But we also must be careful about this, because too much local financing, leading to gross disparities between districts, will defeat the purpose of fiscal reform, which is to give all youngsters within a state roughly equal educational opportunity."

THE FUTURE FEDERAL ROLE

One source of funds that Allen thinks will figure prominently in future educational funding is, of course, federal aid. But districts cannot count on a great influx of federal dollars in the immediate future.

"Federal aid to education is now under the same constraints that apply to all federal funding," the commissioner says. "President Nixon's immediate priorities are, first, to end the fighting in Vietnam and, second, to cool off inflation. Until there is evidence that inflation is being curbed, we can't expect any large increase in federal funds. And since inflation is a very large part of the school finance problem, we can't argue with the priority.

"In the meantime, therefore, the Office of Education is using this period—when no new programs are being proposed—to assess the worth of existing programs. But by 1971, when ESEA comes up for review, we'll have some concrete proposals for increasing or modifying federal aid to education as it now exists."

One basic aim of future federal programs, Allen says, will be to bring greater stability to educational financing. He predicts that the federal share of school costs will increase to 25% or 30%, by the time total expenditures on elementary and secondary education rise to about $100 billion per year. He sees the money being distributed in three basic ways: 1) general aid to states to use as they see fit, hopefully with some provision for funding at least five years in advance; 2) continuation of categorical aid; and 3) incentive grants to spur research and development and encourage innovative programs.

Almost certainly, as federal dollars increase, so will local and state accountability for how they are spent. This fall, USOE began a pilot series of "educational audits" of 10 federally funded dropout-prevention programs (see page 53). If the audits show these programs aren't producing significant results, federal subsidies will be halted.

"This kind of accountability for results will eventually be an integral part of federal funding," Allen says.

ENCOURAGING CHANGE

Obviously, changes of the magnitude needed to bail education out of its fiscal morass must be implemented at the highest levels. State governments have the constitutional authority and responsibility for education, and it's at the state level that reform has to come.

Says Allen: "There is little the federal government can do, beyond generally pushing for reform and supplying incentive grants to bring it about. The real power is at the state level—governors, legislatures and state educational leaders. In this respect, organizations such as the Education Commission of the States can be useful in coming up with concrete proposals for change and supplying some much needed encouragement."

Also helpful, Allen thinks, will be the national assessment of education. "It's quite clear that the assessment program will be very helpful in pointing out where the deficiencies are in education," he says. "This should encourage states to start putting the money where it's needed the most."

One highly visible example of an attempt to make public school support more equitable is Hawaii, where the state assumes complete responsibility for financing education.

In Hawaii, the state department of education receives its funds from the governor and legislature each year, just like other departments of the state government. However, *no* property taxes are used to support schools; money comes from the state's income and other tax receipts, from federal funds and from receipts for school lunches, adult education courses and other minor sources. (County governments do levy a property tax—but they have no responsibility for financing local schools.)

In terms of financial problems, Hawaii is for the most part untouched by the crisis plaguing mainland states. Since school costs are distributed across various forms of taxation it is highly unlikely that they will ever outstrip the state's revenue-raising capacity, as they have outstripped local property tax bases elsewhere.

But in terms of local control, Hawaii's plan does have a serious drawback: all schools are administered as part of a unified state-wide system. School functions are centralized at the state level and administered by an elected state board.

Many local districts will probaby resist assumption of some of their prerogatives by the state. However, they are recognizing that the state has to absorb more costs—in ways that go beyond stop-gap "emergency" allocations—if the local districts are to survive. For example, Connecticut has approved a plan that will take the burden of spiraling interest rates off the backs of individual districts. From now on, regardless of the interest rate charged for bond issues, local districts will pay only 4%. The state will pick up the rest of the tab, and it also assumes the responsibility for marketing the bonds. Result: Much of the money in Connecticut district budgets that used to be set aside for debt service can now be diverted to more productive projects.

TAKING THE PLUNGE

The state which may set the pace for major reform is Michigan, where Governor William G. Milliken believes so strongly in the necessity for an overhaul of the school financial structure that he says he is staking his political future on it.

Milliken's new plan, devised by his blue-ribbon Education Reform Commission, calls for elimination of the local property tax in favor of a state property tax, state-level salary negotiations with teachers, halving the number of school districts in the state and guaranteeing private schools at least 2% of state education receipts each year.

The program will require constitutional changes to authorize the state tax and eliminate an eight-member state board of education, which Milliken wants to replace with a single state education head appointed by the governor. Significantly, elimination of the board and aid to private schools seem to be the most controversial aspects of the proposal.

Details of the plan are being worked out at this writing and should be announced around November 1, but the broad outlines contain several key provisions, including:

A state property tax pegged *below* the average local tax of 24 mills.

Inevitably, a sharp increase in the state's 2.6% state income tax—conceivably, it could double within the next few years.

Allocation of money on a "classroom unit" principle, geared to an average salary for each teacher of 25 pupils. The conventional method of distributing money on a per-pupil basis is dropped.

Establishment of a low ceiling on remaining local taxes for school operation and building.

Milliken's plan faces a tough fight in the legislature. If it survives there, Michigan voters will have to approve it at the polls. But whether it passes into law or not, it is a useful example of the sweeping change needed, and of the level and quality of leadership required.

[From School Management, November 1969]

WHEN THE DOLLARS DRY UP IN SUBURBIA

The homes are new. The lawns are lush and neatly manicured. The children are tanned and healthy.

But Pacifica, Calif., is a community in serious trouble.

It cannot afford its schools.

People move to Pacifica because they think it's the American dream. But to their dismay, property owners—many of them owning their own homes for the first time—are saddled with a hellish tax rate. For the elementary school district alone, the Pacifica tax rate is $2.76 per $100 assessed valuation. Since homes are assessed at 25% of true value, the owner of a $30,000 home pays more than $200 per year for the elementary schools—and substantially more when a tax override is approved. The total tax rate in this low-wealth bedroom community is just under $12 per $100 assessed valuation, which pegs the homeowner's yearly tax bill at nearly $900.

This incredible burden makes Pacifica the second highest-taxed community in San Mateo County. Only East Palo Alto, a black ghetto, is higher. The lowest-taxed community in the county, heavily industrialized South San Francisco, pays only $8-plus per $100 assessed valuation.

TAXES AT CEILING

Tax overkill is not a new phenomenon in Pacifica. The school tax rate has not risen substantially in the past five years because, says Superintendent James Brien, it *can't*. Even so, one new elementary school has been built each year for the past 15 years. And several permissive tax overrides have been approved to meet spiraling costs. But such overrides are not likely to be passed again.

Pacifica's look-alike homes—homes that recently cost $25,000 and now cost $30,000 or $35,000—mass on the oceanside plateaus just south of San Francisco, entwine the knobby hills and glut the valleys. There is little else here, besides houses. The largest industry is extractive and self-exhaustive—a small quarry. Local support for Pacifica's elementary schools, therefore, comes heavily from the overmined property tax. State support has dwindled to 40% (from 65% five or 10 years ago).

The result: Elementary school youngsters in the Laguna Salada district are attending bankrupt, bone-bare schools this year. Worse, there is a possibility that next year, they may not be able to attend school at all.

SKATING ON THIN ICE

According to photographer Michael Alexander, who took the accompanying pictures, Pacifica is a remarkably average community: average income, average number of children per family (three), average school test scores (bell curves are so skewed that almost everyone's in the middle). Until recently, Pacifica's school finance problems were "average," too—serious, but not unmanageable.

Real trouble—unmanageable trouble—began brewing the year before last, when the California legislature voted funds for single-session kindergartens. Laguna Salada, like many other elementary districts in the state, proceeded to take kindergartens off double sessions by hiring twice as many teachers, ordering supplies and setting up programs. Then, last year Gov. Ronald Reagan vetoed the bill to continue the program, leaving the schools with salary commitments they had to keep. The money? It came out of contingency reserves.

Teachers had to pass up a pay hike that year. But last year, with reserves down to less than $50,000 in a $6 million budget, they demanded a 9½% raise. By last spring, it was clear to everyone that the 1969–70 Pacifica budget could not accommodate both the salary increase and even a *status quo* educational program.

As late as June, the amount of state aid the district could expect was wildly uncertain. Some board members, remembering what had happened the previous year, refused to second-guess the state and argued for a balanced budget—which required large cuts in program, personnel or both. Other board members pushed for quality education—or none at all. "It's high time we engaged in a little extreme behavior," said one, "rather than have this continuing educational starvation." She favored running a quality program until the money ran out and then shutting down the schools.

The debate raged for weeks last spring and summer. Finally, the board opted for a middle course. Hoping to receive additional state funds and working for local support of a one-year-only $1 tax override, it came up with a balanced budget and an austerity program. The teachers, aware that a number of bills were pending in the legislature, agreed to accept the board's offer of a salary increase that was contingent on adequate state aid. This concession meant that nurses, the music program and counselors could be salvaged. Still, the board warned that it was prepared to advise the state education department of a shut-down if the district's program was forced to become even more custodial.

STOPGAP ANSWERS

In early August, the tax override was squashed at the polls by a better than 3-to-1 margin.

But several days later, the district learned that it would receive a windfall: a one-year, $513,000 grant in state aid, made possible by passage of a special bill to aid low-wealth districts.

Thus, Pacifica was partially bailed out of a jam. Teachers received an 8½% raise. Capital outlay expenditures that had been dropped from the budget were put back in, as were single-session kindergartens and some $23,000 in teaching supplies.

For one more year, Pacifica had a reprieve.

But no problems had really been solved.

This year, youngsters are still attending austere schools. The pupil-teacher ratio is inordinately high (31–1 in kindergarten, 30–1 in grades 1-3 and 33-1 in grades 4-8). The district cannot buy badly needed basic supplies and equipment. Teacher turnover stands at an extravagant 25%. Last year, the superintendent and six of 15 principals left the district. Perhaps most debilitating is the depressing effect money problems have had on district morale.

Superintendent Brien, new in the top slot but a veteran of 20 years in administration (three years in Pacificia), has done a quiet and courageous job of bucking up spirits.

But what of tomorrow? The prospects, for Pacifica, of again going through a cliff-hanger at budget time next fall are excellent. So excellent, in fact, that no one discounts the outside possibility of closing down the schools.

The photos on these pages, taken in Pacifica, depict only too well the anguish that is afflicting communities throughout the nation as an antiquated school finance structure caves in.

But the situation, in Pacifica and elsewhere, is far from hopeless. Now that fiscal crisis has come to suburbia, the land of milk and honey, perhaps drastic financial reforms—reforms long urged by schoolmen from bankrupt cities and impoverished rural areas—will at last be enacted by sluggish, shortsighted state legislatures.

NOTICE OF HEARINGS ON THE CONSTITUTIONAL RIGHTS OF THE MENTALLY ILL

Mr. ERVIN. Mr. President, I wish to announce that the Subcommittee on Constitutional Rights of the Committee on the Judiciary has scheduled hearings for November 4, 5, 12, 13, 18, 19, and December 4, on the constitutional rights of the mentally ill.

The hearings will begin at 10:30 a.m. each day in room 2228, New Senate Office Building. Anyone wishing more information on the hearings should contact the subcommittee office in room 102–B, Old Senate Office Building, telephone extension 8191.

THE DRAFT REFORM PROPOSALS

Mr. PACKWOOD. Mr. President, on Monday night, the Senator from Connecticut (Mr. RIBICOFF) and I had occasion to appear jointly on a platform at the University of Alabama, on the subject of the draft. After we had spoken and had opened ourselves to questions from the students of the University of Alabama, I could not help being struck by the force of the objection of the students to the present draft system and the inequities with which it operates.

I call to the attention of the Senate the lottery bill that has passed the House of Representatives and now is in the Senate. Among the students with whom I talked, I found almost uniform approval of the lottery system of the draft as proposed by President Nixon. At the moment, that bill apparently is not going to be considered by the Senate, and the President is going to be left with having to institute the lottery system, which although admittedly better than the present draft system, will still be an inequitable lottery system.

I would simply ask—and I cannot emphasize too strongly the feelings of these people in college—that the leadership of the Senate reconsider the decision by which they have indicated we will not consider the lottery proposal for the draft, and at least allow the Senate to work its will on this particular provision, while I hope we will undertake the entire subject of draft reform at a later time.

APPALACHIAN REGIONAL DEVELOPMENT ACT AMENDMENTS OF 1969—CONFERENCE REPORT

Mr. MONTOYA. Mr. President, I submit a report of the committee of con-