

CHALLENGES AND OPPORTUNITIES FACING AMERICA'S SCHOOLS AND WORKPLACES

HEARING

BEFORE THE

COMMITTEE ON EDUCATION
AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

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CHALLENGES AND OPPORTUNITIES FACING AMERICA'S SCHOOLS AND WORKPLACES

Tuesday, February 5, 2013

U.S. House of Representatives

Committee on Education and the Workforce

Washington, DC

The committee met, pursuant to call, at 10:05 a.m., in room 2175, Rayburn House Office Building, Hon. John Kline [chairman of the committee] presiding.

Present: Representatives Kline, Wilson of South Carolina, Foxx, Thompson, Salmon, DesJarlais, Rokita, Bucshon, Barletta, Roby, Heck, Brooks, Hudson, Messer, Miller, Andrews, Scott, Hinojosa, McCarthy, Tierney, Holt, Davis, Courtney, Fudge, Polis, Yarmuth, Wilson of Florida, and Bonamici.

Staff Present: Katherine Bathgate, Deputy Press Secretary; James Bergeron, Director of Education and Human Services Policy; Casey Buboltz, Coalitions and Member Services Coordinator; Owen Caine, Legislative Assistant; Theresa Gambo, Office Administrator; Ed Gilroy, Director of Workforce Policy; Benjamin Hoog, Legislative Assistant; Amy Jones, Education Policy Counsel and Senior Advisor; Marvin Kaplan, Workforce Policy Counsel; Barrett Karr, Staff Director; Rosemary Lahasky, Professional Staff Member; Nancy Locke, Chief Clerk; Brian Melnyk, Professional Staff Member; Brian Newell, Deputy Communications Director; Krisann Pearce, General Counsel; Molly McLaughlin Salmi, Deputy Director of Workforce Policy; Emily Slack, Legislative Assistant; Alexandra Sollberger, Communications Director; Brad Thomas, Senior Education Policy Advisor; Joseph Wheeler, Professional Staff Member; Aaron Albright, Minority Communications Director for Labor; Tylease Alli, Minority Clerk; Jeremy Ayers, Minority Education Policy Advisor; Kelly Broughan, Minority Education Policy Associate; Jody Calemene, Minority Staff Director; John D'Elia, Minority Labor Policy Associate; Jamie Fasteau, Minority Director of Education Policy; Daniel Foster, Minority Fellow, Labor; Daniel Hervig, Minority Fellow, Labor; Livia Lam, Minority Senior Labor Policy Advisor; Brian Levin, Deputy Press Secretary/New Media Coordinator; Celine McNicholas, Minority Labor Counsel; Richard Miller, Minority Senior Labor Policy Advisor; Megan O'Reilly, Minority General Counsel; Michele Varnhagen, Minority Chief Policy Advisor/Labor Policy Director; Rich Williams, Minority Education Policy Advisor; and Michael Zola, Minority Senior Counsel.

Chairman KLINE. A quorum being present, the committee will come to order. Good morning and welcome to the first hearing of the 113th Congress. I would like to thank our witnesses for being with us today. I would like to extend a special welcome to Governor Herbert, who traveled out from Utah, some distance.

The subject of today's hearing has become somewhat of a tradition for the Education and the Workforce Committee. It is important to start a new Congress with a fresh look at the challenges and opportunities confronting America's schools and workplaces. We have been fortunate over the years to have governors and education and business leaders share their views on the issues facing the country, and I am pleased they are represented today as well.

During his inaugural address President Obama noted, quote, "This generation of Americans has been tested by crises that steeled our resolve and proved our resilience," close quote. Our Nation has always shown its true greatness in the most difficult of circumstances. This certainly defines the last recession and the challenges we continue to face. In our classrooms, one out of four students will drop out of high school before they have earned a diploma. Students and families across the country are being buried under a mountain of college debt that now exceeds a trillion dollars. Meanwhile, confusion and uncertainty surrounding the direction of the Nation's education system has only been exacerbated by the administration's convoluted waiver scheme. Those who complete their education are finding a difficult academic climate has been replaced by an even more difficult job market. Roughly 8 million workers have been forced to accept part-time work when what they need is a full-time job.

The cost of a family health care plan is expected to increase this year by \$992, and let us not forget the more than 12 million Americans who remain unemployed and searching for work, now close to 4 years since the recession officially ended. Some say we are currently stuck in a jobless recovery. Others suggest this is the worst recovery since the Great Depression. And following reports of negative economic growth in the final months of 2012 and a new uptick in unemployment, new concerns have emerged about whether we remain in a recovery at all.

No one questions the ability of the American people to rise above these tough times and work toward a brighter future. The question is whether their elected government can do so as well. As policymakers, we have a lot of work ahead of us. Several key laws have expired and are in desperate need of reform, Federal deficits and debt continue to spiral out of control, undermining our economic growth and threatening the prosperity of future generations. Programs that serve our most vulnerable are on the path to bankruptcy, and the public's confidence in our ability to tackle these tough issues continues to fall.

I hope in this new year we can begin a new era of reform. A critical part of that effort will be led by our State leaders and local officials, the men and women who remain constantly engaged in America's workers and job creators. Their ideas, expertise, and common sense are imperative as we work to advance responsible solutions that will serve the best interests of the country today and in the future.

I know there are sharp differences on the committee, in the Congress, and across the capital city. Despite these differences, I am hopeful our vigorous debates will lead to meaningful action.

Again, I would like to thank our witnesses for joining us, and I will now recognize my distinguished colleague, George Miller, the senior Democratic member of the committee, for his opening remarks.

[The statement of Chairman Kline follows:]

**Prepared Statement of Hon. John Kline, Chairman,
Committee on Education and the Workforce**

The subject of today's hearing has become somewhat of a tradition for the Education and the Workforce Committee. It's important to start a new Congress with a fresh look at the challenges and opportunities confronting America's schools and workplaces. We've been fortunate over the years to have governors and education and business leaders share their views on the issues facing the country, and I am pleased they are represented today as well.

During his inaugural address, President Obama noted, "This generation of Americans has been tested by crises that steeled our resolve and proved our resilience." Our nation has always shown its true greatness in the most difficult of circumstances. This certainly defines the last recession and the challenges we continue to face.

In our classrooms, one out of four students will drop out of high school before they've earned a diploma. Students and families across the country are being buried under a mountain of college debt that now exceeds \$1 trillion. Meanwhile, confusion and uncertainty surrounding the direction of the nation's education system has only been exacerbated by the administration's convoluted waiver scheme.

Those who complete their education are finding a difficult academic climate has been replaced by an even more difficult job market. Roughly eight million workers have been forced to accept part-time work when what they need is a full-time job. The cost of a family health care plan is expected to increase this year by 992 dollars. And let us not forget the more than 12 million Americans who remain unemployed and searching for work—now close to four years since the recession officially ended.

Some say we are currently stuck in a "jobless recovery." Others suggest this is the worst recovery since the Great Depression. And following reports of negative economic growth in the final months of 2012 and a new uptick in unemployment, new concerns have emerged about whether we remain in a recovery at all.

No one questions the ability of the American people to rise above these tough times and work toward a brighter future. The question is whether their elected government can do so as well.

As policymakers, we have a lot of work ahead of us. Several key laws have expired and are in desperate need of reform. Federal deficits and debt continue to spiral out of control, undermining our economic growth and threatening the prosperity of future generations. Programs that serve our most vulnerable are on the path to bankruptcy. And the public's confidence in our ability to tackle these tough issues continues to fall.

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I know there are sharp differences on the committee, in the Congress, and across the capital city. Despite these differences, I am hopeful our vigorous debates will lead to meaningful action.

Mr. MILLER. Thank you, Mr. Chairman. And thank you for convening this hearing this morning for this overview. And I want to thank all of the witnesses for agreeing to join our panel. I would like to welcome Governor Herbert for traveling here also.

I tried to travel to your State last week. I saw a lot of Colorado Springs Airport and a little bit of Salt Lake City Airport and none of the elementary schools I was going to visit, so we will talk later.

It was a wonderful experience. But anyway, I am glad you came this way free of trouble.

By any measures, the American economy has been slowly but surely recovering from the great recession. Corporate profits are up, the Dow Jones is booming, and we have seen the average of 180,000 jobs created each month last year. Nevertheless, many working families continue to struggle with unemployment and stagnant wages. I hope that we can all agree that a fair and sustainable recovery is one that is broadly shared, that helps all of those who have created it.

On that front, we still have much work to do. We in Congress, and this committee in particular, have a role to play. If we want to help this recovery along and to build for the future, there are some things that we need to be doing.

First, we need to make and protect the critical investments in people. I am talking about the sorts of investments that put the American dream within the reach of every individual. This begins with reforming our education system so that every child, regardless of their background, has the opportunity to succeed. From a child's earliest years all the way to higher education, quality instruction with high standards pays off both in economic and social terms.

But at this time States and school districts and teachers are being held back by the failure of this Congress to rewrite No Child Left Behind. The Department of Education's waiver program has provided important breathing room for States, but cannot be a substitute for the Congress updating the law to meet the high skills and critical thinking demands of this recovery and of a new economy. Additionally, we must maintain a laser-like focus on equity to ensure that our education system remains an economic driver, and we need to invest in rebuilding and modernizing our schools and community colleges. An investment like that will create good jobs in construction right now, while providing American students with modern learning environments for the long run.

We also know that a strong economy depends on whether or not we are giving all Americans access to higher education or job training necessary to compete in a global economy. The share of American jobs that require a postsecondary education will increase to 63 percent by 2018, not even a decade from now, and I think the Governor speaks to that point in his testimony. But college tuition continues to grow faster than the economy, community colleges are oversubscribed and underfunded.

Addressing access and affordability needs, needs to be a priority, just as a complete rewriting of the Workforce Investment Act. Both sides of the aisle agree that workforce training programs should be better aligned to meet worker and employer needs. If we agree, then let's do something about it. Let's make sure that there is a seamless partnership among workforce boards, local community colleges, businesses, and workers. Let's make sure that there is a real accountability for these programs and ensure that all stakeholders can participate, and let's make sure that there are sufficient resources available so these programs work.

Better educational and training opportunities will help rebuild inequalities in the economy, but creating those opportunities are insufficient by themselves. That is why the Congress must address

the growing gap between working people's wages and corporate profits, between rising productivity and falling compensation. For decades when workers' productivity rose, so did their wages, creating and sustaining the American middle class, but that link has been broken over the last few decades. Working people are not sharing in the prosperity that they helped to create.

Today those who suffered the least during the great recession are the ones benefiting the most. Wages of the top 1 percent have grown by 8.2 percent during 2009 to 2011 recovery, but the wages of the 90 percent fell 1.2 percent over that same time. This is not sustainable. A vibrant economy and a democracy cannot survive if all of the economic gains go to a very few at the very top.

Finally, Congress must end this whole notion of governing by fiscal cliff to fiscal cliff. Governing from one artificially created crisis to another is no way to instill certainty for business or the confidence of consumers. Instead, it has done great harm to our Nation's recovery. It started with the brinksmanship during the 2011 debt ceiling debacle. Consumer confidence plummeted by 25 percent in August 2011, economic growth and job growth slowed to almost half, and the debate resulted in America's credit rating being lowered for the first time in history.

Then, as last year's fiscal cliff loomed, we saw similar pullbacks. The National Association of Business Economics recently reported that uncertainty surrounding the fiscal cliff led to postponing hiring and capital spending in the last 3 months of 2012. More than a quarter of the businesses reported that they postponed some or all hiring in the fourth quarter. Even worse, the artificial crises were designed to force an agenda of austerity on the country, and at that time our economy can ill afford it. The policy of leaping from fiscal cliff to fiscal cliff is holding the jobs and the American economy hostage to that political decision.

In Great Britain we can see the results of a hardheaded austerity agenda. They are heading for a triple-dip recession, and their debt problems are only getting worse. Despite the drastic cuts, their debt levels have risen from 61 percent to GDP to 84 percent of GDP. What America's economy needs is growth and not manufactured double-dip and triple-dip recessions. Growth will both create good jobs and reduce the deficit, growth that encourages a fair and sustainable recovery, that builds the ladders of opportunity for every American.

I understand that there are real policy differences regarding the challenges I mentioned earlier, but the bipartisan consensus on some of these issues should still be possible. The American people expect this body to try and to find common ground. This committee should be in the business of advancing policy that becomes law and that makes a real difference in working families' lives. I hope that our witnesses will help us to identify the challenges and the opportunities that present themselves where we can work together to make a difference.

And I thank you very much and I yield back the balance of my time.

Chairman KLINE. I thank the gentleman.

[The statement of Mr. Miller follows:]

**Prepared Statement of Hon. George Miller, Senior Democratic Member,
Committee on Education and the Workforce**

Good morning, Chairman Kline. Thank you for holding this hearing.

I would like to welcome Governor Herbert and all of our witnesses to the committee. I'm looking forward to your testimony.

By many measures, the American economy has been slowly but surely recovering from the Great Recession.

Corporate profits are up. The Dow Jones is booming. We've seen an average of 180,000 jobs created each month last year.

Nevertheless, many working families continue to struggle with unemployment or stagnant wages.

I hope we can all agree that a fair and sustainable recovery is one that is broadly shared by those who help to create it.

On that front, we still have much work to do.

We in Congress—and on this committee in particular—have a role to play. If we want to help this recovery along and build for the future, there are some things we need to be doing.

First, we need to make and protect critical investments in people. I'm talking about the sorts of investments that put the American Dream within reach of every individual.

This begins with reforming our education system so that every child regardless of their background has the opportunity to succeed.

From a child's earliest years all the way to higher education, quality instruction with high standards pays off in both economic and social terms.

But at this time, states, school districts and teachers are being held back by the failure of this Congress to rewrite No Child Left Behind.

The Department of Education's waiver program has provided important breathing room for states but cannot be the substitute for Congress updating the law to meet the high skill and critical thinking demands of the new economy.

Additionally, we must maintain a laser-like focus on equity to ensure our education system remains an economic driver.

And we need to invest in rebuilding and modernizing our schools and community colleges. An investment like that will create good jobs in construction right now, while providing American students with modern learning environments for the long-run.

We also know that a strong economy depends on whether we are giving all Americans access to the higher education or job training necessary to compete in the global economy.

The share of American jobs that require some postsecondary education will increase to 63 percent by 2018, not even a decade from now.

But college tuition continues to grow faster than the economy. Community colleges are oversubscribed and underfunded.

Addressing access and affordability needs to be a priority, just as completing a rewrite of the Workforce Investment Act.

Both sides of the aisle agree that workforce training programs should be better aligned to meet worker and employer needs.

If we agree, then let's do something about it.

Let's make sure there is a seamless partnership among workforce boards, local community colleges, businesses and workers.

Let's make sure that there is real accountability for these programs and ensure that all stakeholders can participate.

And let's make sure there are sufficient resources available so that these programs work.

Better educational and training opportunities will help to reduce inequalities in the economy. But creating those opportunities are insufficient by themselves.

That's why Congress must address the growing gap between working peoples' wages and corporate profits, between rising productivity and falling compensation.

For decades, when workers' productivity rose, so did their wages, creating and sustaining the American middle class.

But that link was broken over the last few decades. Working people are not sharing in the prosperity they help to create.

Today, those who suffered the least during the Great Recession are the ones benefiting from the most.

Wages for the top one percent have grown by 8.2 percent during the 2009 to 2011 recovery. But, wages for the 90 percent fell 1.2 percent over the same time.

This is not sustainable. A vibrant economy and a strong democracy cannot survive if all the economic gains go to the very few at the very top.

Finally, Congress must end this whole notion of governing fiscal cliff to fiscal cliff. Governing from one artificially created crisis to another is no way to instill certainty for businesses or confidence for consumers. Instead, it has done great harm to the nation's recovery.

It started with the brinksmanship during the 2011 debt ceiling debacle.

Consumer confidence plummeted by 25 percent in August 2011. Economic growth and job growth slowed by almost half.

And the debate resulted in America's credit rating being lowered for the first time in history.

Then, as last year's fiscal cliff loomed, we saw similar pullbacks. The National Association of Business Economics recently reported that "uncertainties surrounding the fiscal cliff led to postponed hiring and capital spending in the last three months of 2012."

More than a quarter of businesses reported that they "postponed some or all hiring in the 4th quarter."

The proof is in the pudding. Governing by crisis hurts our economy.

Even worse, the artificial crises are designed to force an agenda of austerity on the country, at a time that our economy can ill afford it.

In Great Britain, we can see the results of a hard-headed austerity agenda.

They are heading for a triple-dip recession, and their debt problems are only getting worse. Despite the drastic cuts, their debt level has risen from 61 percent of GDP to 84 percent of GDP.

What America needs is growth, not a double-dip or triple-dip recession.

- Growth that will both create good jobs and reduce the deficit;
- Growth that encourages a fair and sustainable recovery that rebuilds the ladders of opportunity for every American.

The American people aren't interested in another year of artificial crisis after artificial crisis. I'm not interested either.

I understand there are real policy differences regarding the challenges I mentioned earlier. But bipartisan consensus on some of these issues should be possible.

The American people expect this body to try to find that common ground.

This committee should be in the business of advancing policy that becomes law and makes a real difference in working families' lives.

I hope our witnesses will help us identify where the challenges and opportunities lie, where we can work together to make that difference.

Thank you and I yield back.

Chairman KLINE. Pursuant to committee rule 7(c), all committee members will be permitted to submit written statements to be included in the permanent hearing record. Without objection, the hearing record will remain open for 14 days to allow statements, questions for the record, and other extraneous material referenced during the hearing to be submitted in the official hearing record.

Well, we have a terrific panel of witnesses here today to help us get started. Many of them known to members of this committee for a long time. We have the Honorable Gary R. Herbert, 17th Governor of the State of Utah. He was sworn in on August 11, 2009. The Honorable Laura W. Fornash is the Secretary of Education for the Commonwealth of Virginia; Dr. Jared Bernstein is senior fellow at the Center on Budget and Policy Priorities in Washington, D.C., and Mr. Jay Timmons is president and CEO of the National Association of Manufacturers here in Washington, D.C.

Welcome to you all.

Before I recognize you to provide your testimony, let me briefly explain our lighting system. It is not really very high tech. You each will have 5 minutes to present your testimony. When you begin, the light in front of you will turn green. When 1 minute is left, the light will turn yellow, and when your time has expired the light will turn red, at which point I ask that you wrap up your remarks as best you are able. I am a little reluctant to gavel down witnesses, any witnesses, particularly a panel as distinguished as

this, but we do need to keep it moving. After everyone has testified, members will each have 5 minutes to ask questions, and I will be much more prompt in dropping the gavel for members.

So let's get started. Governor Herbert, you are recognized.

STATEMENT OF HON. GARY HERBERT, GOVERNOR OF UTAH

Governor HERBERT. Thank you, Mr. Chairman, and members of the committee, I am honored to be here with you today, and thank you for the opportunity to address you.

Never in recent history has workforce development and the work of this committee been more important. My number one priority as Governor of Utah is to foster an environment where the private sector can create jobs. Utah's focus on building a strong economy has yielded accolade after accolade, including Forbes magazine naming us the best State for business and careers for the third year in a row.

Utah achieves this success because we focus on a growing economy and a recognition of the importance of education. These two priorities are inextricably linked. Utah's economy demands an educated, skilled workforce, and I am sure the same is true for all States. Software giant Adobe recently finished building a massive facility in Utah's high-tech corridor, and it is just part one of a three-phase project. They were drawn to our State in part because of our highly educated workforce and proximity to more than 100,000 students at nearby institutions of higher learning. We have five universities within a 25-mile radius.

As more companies like Adobe continue to move and to expand in Utah, we recognize the economic imperative to align what business needs from the workforce with the skills and degrees our education system is producing. So in my remarks today, I want to focus on three major initiatives that we are pursuing in Utah.

The first initiative is what we call 66 by 2020. Based on a comprehensive study by Georgetown University's Center on Education and Workforce, two-thirds of the jobs in Utah will require some form of postsecondary education by the year 2020. Right now only 43 percent of Utah's workforce meets this education standard. The infusion of technology in both the workplace and career sectors will drive this Nation's economic transformation. Across all industries and economic sectors, market demand for college-educated workers will outpace supply by 300,000 employees annually. If nothing changes by 2018, the Nation's postsecondary system will have produced 3 million fewer college graduates than the labor market needs. As the Georgetown study put it, "In short, the economic history of the United States is one of lockstep progression between technology and educational attainment."

Utah is looking ahead and taking the steps now to ensure our workforce has the right education level for the future demands of the private sector. We have proactively engaged all major stakeholders and leaders on every front, including education and business, to unite behind and to commit to our goal of 66 by 2020.

The second initiative is pursuing its STEM education. More than simply having an education, Utahans must have the right kind of education, in areas that are valued in the marketplace. Much like hockey great Wayne Gretzky, who said the key to his success was

that he would skate to where the puck would be, Utah is educating for where the jobs will be. With the rise of a technology-oriented economy, Utah has a renewed focus on STEM education—science, technology, engineering, and math—because that is where the jobs will be. Sound analysis demonstrates that in our future economy the most intense concentrations of postsecondary workers will be in five main sectors and represent more than 30 percent of total occupational employment and about 45 percent of all jobs for postsecondary workers.

It is no coincidence that these five sectors, as they tap into our new knowledge economy, are also the fast-growing areas of our labor market. STEM-related jobs are a top tier priority in Utah's entire education system now, K-16.

The third initiative I wish to highlight today is Utah's expansion of dual-immersion education. Utah's dual-immersion programs in Spanish, French, and Chinese teach our students cultural literacy and prepare them for the global economy. Dual-immersion students also perform better on standardized testing, they show improved memory skills, better attention control, and higher problem-solving ability. Utah is a leader in foreign language classes. In fact, one-third of all Mandarin Chinese classes taught in the entire United States are taught in Utah.

You may be surprised to know that there are 658 languages spoken in Utah. A large component of that is our culture. We have many residents who serve as missionaries for the Church of Jesus Christ of Latter Day Saints, the Mormon church around the world, and they often gain language skills abroad. Our multilingual students become a key part of our workforce, and that attracts business to our State, such as Goldman Sachs, whose office now is the second largest in the Americas and the fastest growing in the world.

It is clear that States are leading the way to economic recovery. For example, Utah's economy is growing at twice the national average. Our unemployment rate is 5.2 percent, far below the national average of 7.8 percent. Despite our success, Federal policies complicate Utah's ability to grow and align a workforce with market demands. Governors no longer have access to the Workforce Investment Act's discretionary funds that we were able to cater for unique solutions for our States. Now all workforce investment money either covers administrative costs or goes directly to the grant programs.

Because we no longer have flexibility and access to this money, the State of Utah has had to apply for individual grants through the Workforce Innovation Fund. As of last April, Utah spent more than 4 months, 550 staff hours, and \$48,000 just to apply for the grant. Now, I fully support oversight and accountability, but I do not support excessive bureaucratic red tape that limits my State's ability to invest funds in the most effective way.

In conclusion, if States are to optimize alignment between our future educational outcomes and the labor demands of the market, it is essential that Congress now provide States maximum flexibility to implement programs and tailor solutions in a way that they see fit. No one understands State challenges and demographics better than the people who reside and govern there. No

one is more committed to the most effective use of limited resources for the best possible outcome for both our students and our employers. And no one is more committed to growing local economies, thus ensuring economic recovery, prosperity, and job growth.

I thank you for the opportunity to be with you here today.

Chairman KLINE. Thank you, Governor.

[The statement of Governor Herbert follows:]

**Prepared Statement of Hon. Gary R. Herbert,
Governor, State of Utah**

Members of the committee, thank you for the opportunity to address you today. Never in recent history has workforce development, and the work of this committee, been more important.

My number one priority as Governor of Utah is to foster an environment where the private sector can create jobs. Utah's focus on building a strong economy has yielded accolade after accolade, including Forbes Magazine naming us the best state for business and careers for the third year in a row.

Utah achieves this success because we focus on growing the economy and investing in education. Those two priorities are inextricably linked. Utah's economy demands an educated, skilled workforce, and I'm sure the same is true for all states.

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Based on a comprehensive study by Georgetown University's Center on Education and Workforce, two-thirds of the jobs in Utah will require some form of post-secondary education by the year 2020. Right now only 43% of Utah's workforce meets this education standard.

The infusion of technology in both the workplace and career sectors will drive this nation's economic transformation. Across all industries and economic sectors, market demand for college-educated workers will outpace supply by 300,000 employees annually.

If nothing changes, by 2018 the nation's post-secondary system will have produced three million fewer college graduates than the labor market needs.

As the Georgetown study put it, "In short, the economic history of the United States is one of lock-step progression between technology and educational attainment."

Utah is looking ahead and taking the steps now to ensure our workforce has the right education level for the future demands of the private sector. We have proactively engaged all major stakeholders and leaders on every front, including education and business, to unite behind and commit to our goal of 66% by 2020.

The second initiative Utah is pursuing is STEM education.

More than simply having an education, Utahns must get the right kind of education in areas that are valued in the marketplace. Much like hockey great Wayne Gretzky said he would skate to where the puck will be, Utah is educating for where the jobs will be.

With the rise of a technologically-oriented economy, Utah has a renewed focus on STEM education: science, technology, engineering, and math, because that is where the jobs will be.

Sound analysis demonstrates that, in our future economy, the most intense concentrations of post-secondary workers will be in five main sectors, and represent more than 30% of total occupational employment and about 45% of all jobs for post-secondary workers. It's no coincidence that these five sectors, as they tap into our new knowledge economy, are also the fast growing areas of our labor market.

STEM-related jobs are a top tier priority in Utah's entire education system, K-16.

The third initiative I wish to highlight today is Utah's expansion of dual immersion education. Utah's dual immersion programs in Spanish, French, and Chinese teach our students cultural literacy and prepare them for a global economy. Dual

immersion students also perform better on standardized testing. They show improved memory skills, better attention-control, and higher problem-solving ability.

Utah is a leader in foreign language classes. In fact, one third of all Mandarin Chinese classes taught in the entire United States are taught in Utah. You may be surprised to know that there are 658 languages spoken in Utah. A large component of that is our culture; we have many residents who serve a Mormon mission for the LDS Church and they often gain language skills abroad.

Our multi-lingual students become a key part of our workforce, and that attracts business to our state, including Goldman Sachs, whose Utah office is its second largest in the America's and fastest growing in the world.

It is clear that states are leading the way to economic recovery. For example, Utah's economy is growing at more than twice the national average. Our unemployment rate is 5.2%, far below the national average of 7.8%.

Despite our success, federal policies complicate Utah's ability to grow and align our workforce with market demands.

Governors no longer have access to the Workforce Investment Act's discretionary funds that we were able to tailor for unique solutions for our states. Now, all workforce investment money either covers administrative costs, or goes directly to the grant programs.

Because we no longer have flexibility with this money, the State of Utah had to apply for an individual grant through the Workforce Innovation Fund. As of last April, Utah spent more than four months, 550 staff hours, and \$48,000 dollars just to apply for the grant.

Now, I fully support oversight and accountability. But I do not support excessive bureaucratic red tape that limits my state's ability to invest funds in the most effective way. If states are to optimize alignment between our future educational outcomes and the labor demands of the market, it is essential that Congress now provide states maximum flexibility to implement programs and tailor solutions in the way we see fit.

No one understands state challenges and demographics better than the people who reside and govern there. No one is more committed to the most effective use of limited resources for the best possible outcome, for both our students and our employers. And no one is more committed to growing local economies, thus ensuring economic recovery, prosperity and job growth.

Thank you for the opportunity to be with you today.

Chairman KLINE. Secretary Fornash, you are recognized.

**STATEMENT OF HON. LAURA FORNASH, SECRETARY OF
EDUCATION, COMMONWEALTH OF VIRGINIA**

Ms. FORNASH. Good morning, Chairman Kline and members of the committee. Thank you for the opportunity to join you today to talk about the education reform efforts that the Commonwealth has taken under the leadership of Governor Bob McDonnell. I think you will hear many similar themes as to those that were just presented by Governor Herbert.

Since taking office in January of 2010, the Governor has made education and education reform a top priority of his administration, with a laser focus on college and career readiness. We are raising standards, focusing on literacy, strengthening our high school diploma requirements, and ensuring access to dual-enrollment classes that lead to credentials which transfer to our public and private 4-year institutions.

Beginning in March of 2010, the Governor issued an executive order establishing a Governor's Commission on Higher Education, Reform, Innovation and Investment. The commission, comprised of business, education, community leaders from across the Commonwealth, helped to develop a strategic vision and recommendations that turned into the Virginia Higher Education Opportunity Act of 2011 or the Top Jobs for the 21st Century higher education legislation. This landmark reform legislation provides a roadmap to en-

sure the college dream is affordable and accessible for all Virginians. Our bold statutory goal of 100,000 new degrees over the next 15 years with a focus on STEM-H degrees is supported by over \$350 million the last 3 years, which has been proposed by Governor Bob McDonnell and supported by the Virginia General Assembly. Additionally, we are using a points-based performance funding model to incentivize our institutions in a variety of areas, including increased associate and bachelor's degree production, especially for underrepresented populations, increased growth of STEM-H degrees, and accelerated time to degree programs.

Our institutions are rising to the challenge of these goals, and our reforms are working. Over the past 2 years we have added an additional 3,800 slots for undergraduate in-state students, and last year we recorded the lowest average yearly tuition increase of 4 percent at our public colleges and universities in over a decade. In Virginia we believe more diplomas mean a stronger economy and more jobs, and we are implementing policies to strengthen this connection.

We have also been working collaboratively with our K-12 higher education and workforce partners to develop and implement the Virginia Longitudinal Data System. This system allows for integrated student-teacher reporting that matches individual teachers to students and will soon be able to link teachers to their preparation programs and student outcomes. This past October, Virginia became one of only a handful of States to release wage outcomes data on college graduates down to the level of individual major and institution. By August, the Commonwealth will include within these reports associated statistics on education debt, also down to the level of major and institution.

For the first time, students and families will be able to use specific information about the full cost, associated debt, and early career wages to make informed choices about postsecondary education. We have also used this data to create a workforce report card to benchmark program outcomes and eventually evaluate program effectiveness.

Great teachers in great schools make great students and citizens. A great teacher makes all the difference in the life of a young person. We are working hard to recruit, incentivize, retain, and reward excellent teachers and treat them like the professionals they are.

This year the Governor introduced the Educator Fairness Act that will streamline the bureaucratic grievance procedure to benefit teachers, principals, and ultimately students. This legislation extends the probationary period for new teachers to between 3 and 5 years and requires a satisfactory performance rating as demonstrated through our new performance evaluation system, which includes a component on student academic process to keep a continuing contract.

Further, we want to incentivize our very best teachers to excel in the classroom. The Governor proposed \$15 million for school districts to reward well-performing educators by establishing the Strategic Compensation Grant Fund. We want to reward the teachers who mentor others, work in hard-to-staff schools and subjects, and show significant academic progress with their students. This will

allow for additional compensation for many of our great teachers who go above and beyond every day.

In the Commonwealth we equip low-performing schools with turnaround specialists and additional resources from the State and private sector. If our schools haven't improved, that is unacceptable. Therefore, the Governor has proposed a bold initiative to establish a statewide Opportunity Education Institution to provide a high-quality alternative for children attending any chronically underperforming public elementary or secondary school.

The Opportunity Education Institution will create a new statewide school division to turn around our failing schools. If a school is consistently failing, the Opportunity Education will step in to manage it. The model is working in Louisiana and Tennessee, where recovery and achievement districts were created and are producing positive results. For a very small subset of schools that are failing students, we have no other option.

Our school choice alternatives have focused in the Commonwealth on the development of college lab preparatory schools, virtual school programs, and public charter schools. The Governor has introduced several pieces of legislation to strengthen our charter school law and encourage local community leaders and charter management organizations to look to the Commonwealth for growth. Currently, Virginia only has four public charter schools. We will continue to look for ways to expand high quality public charter schools to provide families with options for their children.

In the absence of congressional reauthorization of the Elementary and Secondary Education Act, Virginia has joined a number of States and responded to Secretary Duncan's offer to grant flexibility in implementing certain provisions of the No Child Left Behind Act of 2001. While Virginia appreciates the flexibility afforded States by the Secretary, granting temporary waivers of prescriptive No Child Left Behind requirements is no substitute for a comprehensive update of the law. We believe Congress, not the U.S. Department of Education, should make these important decisions that affect every State and all public school students.

As the mother of three young children, Carter, Grace, and Wynn, I know the importance of a good education. We must continue to raise the bar and end failure, we must continue to bring more innovation, accountability, and choices to our public school system. An educated workforce helps the Commonwealth attract and retain job-creating businesses. With these bold initiatives, we will not only strengthen our education system but also strengthen and grow our economy and help our citizens find the good-paying and rewarding jobs they need and deserve. Thank you for the opportunity to speak with you today.

Chairman KLINE. Thank you.

[The statement of Ms. Fornash follows:]

**Prepared Statement of Hon. Laura W. Fornash, Secretary of Education,
Commonwealth of Virginia**

Chairman Kline, members of the committee. I am Laura Fornash, Secretary of Education for the Commonwealth of Virginia. In my Secretariat, I assist Virginia Governor Bob McDonnell in the development and implementation of the state's education and workforce policy and oversee Virginia's 16 public universities, the Virginia Community College System, five higher education and research centers, the

Virginia Department of Education, and the state-supported museums. Thank you for the opportunity to join you today to talk about the education reform efforts that the Commonwealth has taken under the leadership of Governor Bob McDonnell.

Since taking office in January of 2010, the Governor has made education and education reform a top priority of his administration, with a laser focus on college and career readiness. We are raising standards, focusing on literacy, strengthening our high school diploma requirements, and ensuring access to dual enrollment classes through the local community colleges which leads to credentials that transfer to our public and private four year institutions.

Beginning in March of 2010, the Governor issued an executive order establishing the Governor's Commission on Higher Education Reform, Innovation and Investment. This commission, comprised of business, education and community leaders from across the Commonwealth, helped to develop a strategic vision and recommendations that turned into the Virginia Higher Education Opportunity Act of 2011 or the "Top Jobs for the 21st Century" higher education legislation. This landmark reform legislation provides a road map to ensure the college dream is affordable and accessible for Virginians. Our bold statutory goal of 100,000 new degrees over the next 15 years, with a focus on STEM-H degrees, is supported by more than \$350 million over the last three years that was proposed by Governor McDonnell and endorsed by the Virginia General Assembly. Additionally, we are using a points based performance funding model to incentivize our institutions in a variety of areas including increased associate's and bachelor's degree production especially for underrepresented populations, increased growth of STEM-H degrees and accelerated time-to-degree programs. The model was developed by policy makers, the business community and leadership from our higher education institutions to provide financial incentives for outcomes-primarily increased graduates. Our institutions are rising to the challenge of these goals and our reforms are working. Over the past two years we've added over 3,800 slots for undergraduate in-state students, and last year we recorded the lowest average yearly tuition increase of 4% at our public college and universities in over a decade. In Virginia, we believe that more diplomas mean a stronger economy and more jobs and we are implementing policies to strengthen this connection.

States rely on the federal government to assist with higher education access through various federal financial aid programs. You have made some reforms but more must be done to maximize these federal dollars and ensure those who enter our higher education institutions exit with employable credentials. As the federal government continues to reform its' financial aid programs, I encourage you to review the recently released report, "The American Dream 2.0: How Financial Aid Can Help Improve College Access, Affordability, and Completion" supported by a grant from the Bill & Melinda Gates Foundation. It provides three key recommendations to help ensure these dollars provide student success and completion:

- Make aid simpler and more transparent;
- Spur innovations in higher education that can lower costs and meet the needs of today's students; and
- Ask institutions, states, and students to share responsibility for producing more graduates without compromising access and affordability.

We have also been working collaboratively with our K-12, higher education and workforce partners to develop and implement the Virginia Longitudinal Data System. The system allows for integrated student-teacher reporting that matches individual teachers to students and provides certain teachers with estimates of student growth and will soon be also able to link teachers to their preparation programs and student outcomes.

This past October, Virginia become one of only a handful of states to release wage outcomes data on college graduates, down to the level of individual major and institution. By August 2013, the Commonwealth will include within these reports associated statistics on education debt, also down to the level of major and institution. For the first time, students and families will be able to use specific information about the full costs, associated debt, and early career wages to make informed choices about postsecondary education. We've also used this data to create a workforce report card to benchmark program outcomes and eventually evaluate program effectiveness.

We also believe that in order to get a good job and good college education, our youth must be prepared for our highly-skilled, highly-technical workforce and the rigor of postsecondary education coursework. Three areas of focus for us in K-12 education reform include expanding educational opportunity, ensuring excellence in the classroom and increasing innovation and accountability. Through legislative and budget proposals, we have increased the percentage of K-12 funding going into the classroom from 62% to 64%. We have focused on ensuring students can read before

being promoted to the fourth grade, funded incentives for STEM teachers to keep them in the classroom and removed mandates to give local school divisions greater flexibility. Even with these initiatives, we continue to look for ways to ensure excellence in the classroom and opportunity for our students.

Great teachers in great schools make great students and citizens. A great teacher makes all the difference in the life of a young person. We are working to recruit, incentivize, retain and reward excellent teachers and treat them like the professionals that they are. This year, the governor introduced The Educator Fairness Act that will streamline the bureaucratic grievance procedure to benefit teachers, principals, ultimately students. This legislation extends the probationary period for new teachers to between three to five years, and requires a satisfactory performance rating as demonstrated through a new performance evaluation system, which includes student academic progress as a significant component, to keep a continuing contract.

Last week this proposal passed the floor of the House of Delegates with a bi-partisan vote and unanimously passed from the Senate Education and Health committee.

Further, we want to incentivize our very best teachers to excel in the classroom. The governor proposed \$15 million for school districts to reward well-performing educators by establishing the Strategic Compensation Grant Fund. This strategic compensation plan, based on a model developed by a local Virginia school system, will be implemented through local guidelines that best fit each school division's unique characteristics and mission. We want to reward the teachers who mentor others, work in hard-to-staff schools and subjects, and show significant academic progress with their students. This will allow for additional compensation for many of our great teachers who go above and beyond every day.

In the Commonwealth, we equip low performing schools with turnaround specialists and additional resources from the state and private sector. If our schools haven't improved that's unacceptable. Therefore, the governor has proposed a bold initiative to establish a statewide Opportunity Educational Institution to provide a high quality education alternative for children attending any chronically underperforming public elementary or secondary school. The Opportunity Educational Institution will create a new statewide school division to turnaround our failing schools. If a school is consistently failing, the Opportunity Educational Institution will step in to manage it. If the school has failed for three years, the Institution can take it over and provide a brand new approach to a broken system. This model is proven nationally. Louisiana and Tennessee have created Recovery and Achievement districts, and their results are positive.

For the very small subset of schools that are failing Virginia's students, we have no other option.

Other school choice initiatives that we have focused on in the Commonwealth include the development of College Partnership Laboratory School, Virtual School Programs and Public Charter Schools. During the McDonnell administration, the governor has introduced several pieces of legislation to strengthen our charter school law and encourage local community leaders and charter management organizations to look to the Commonwealth for growth. Currently, Virginia only has 4 public charter schools. We will continue to look for ways to expand high-quality public charter schools to provide families with options for their children.

In the absence of Congressional reauthorization of the Elementary and Secondary Education Act (ESEA), Virginia has joined a number of states and responded to Secretary Duncan's offer to grant flexibility in implementing certain provisions of the No Child Left Behind Act of 2001. While Virginia appreciates the flexibility afforded states by the Secretary, granting temporary waivers of prescriptive NCLB requirements is no substitute for a comprehensive update of the law. We believe Congress, not the U.S. Department of Education, should make those important decisions that affect every state and all public school students.

As the mother of three young children, Carter, Grace and Wynn, I know the importance of a good education. We must continue to raise the bar and end failure. We must continue to bring more innovation, accountability and choices to our public education system. Excellent education demands having the courage to try new approaches and the Commonwealth is working to implement bold initiatives to ensure a high-quality education for all students. An educated workforce helps the Commonwealth attract and retain job-creating businesses. With these bold initiatives we will not only strengthen our education system, but also strengthen and grow our economy and help our citizens find the good-paying and rewarding jobs they need and deserve.

Thank you for the opportunity to speak with you today and I am happy to take any questions.

Chairman KLINE. Dr. Bernstein.

**STATEMENT OF JARED BERNSTEIN, SENIOR FELLOW,
CENTER ON BUDGET AND POLICY PRIORITIES**

Mr. BERNSTEIN. Chairman Kline, Ranking Member Miller, thank you for inviting me to testify today.

From the perspective of working families, the current economy is highly imbalanced. The stock market just hit new highs last week, boosted by historically high corporate profitability, yet as my first chart shows, middle- and low-wage workers continue to fall behind. In 2012, the real weekly earnings of full-time workers were down about 2 percent for those at the bottom of the pay scale, flat in the middle, and up 2 percent for those at the top.

Now, greater educational attainment has often been put forth as a policy solution to this problem of stagnant earnings and inequality, and for a good reason. People with higher levels of education enjoy lower unemployment, there is a significant wage premium for workers with higher levels of education, one that has consistently grown over time, and clearly the education of its citizens is a time honored role of government, a quote, "public good" that is essential to building a strong competitive economy.

However, an objective observer of today's politics would, I fear, be hard pressed to see these concerns reflected in our political agenda or our policies. It is hard to see how careening from crisis to crisis, from fiscal cliff to debt ceiling to sequester, supports the private sector need for both a well-educated workforce on the supply side and a stable climate of demand for the goods and services they produce.

In particular, an exclusive focus on deficit reduction appears to have wholly crowded out policies devoted to educational opportunity or job creation. Worse, spending cuts are threatening to reduce the government's commitment to supporting education and training while austerity economics is hurting a fragile recovery.

As this committee well knows, spending cuts agreed to so far have been almost exclusively from the discretionary side of the budget. Within the nondefense discretionary budget, some key education programs are already at risk. For example, if the Pell Grant appropriation grows only with inflation from its 2012 funding level, the program will face a funding shortfall of about \$50 billion over the next decade. Any further cuts to this part of the budget will exacerbate this shortfall.

Still, while these programs must be protected, it would be a mistake to think that higher educational attainment alone would help ameliorate the economic squeeze so many families face. The supply of labor, even of so-called skilled labor, is not what is holding back job growth right now. It is inadequate labor demand, not enough jobs to meet the supply of workers, that has been far more the pressing factor in recent years.

Our slack demand labor market has hurt even college-educated workers. I suspect the trend shown in the second figure of my testimony will surprise some of the members of the committee. It shows that even the wages of workers with a bachelor's degree have been losing ground in real terms, and not just over the recession, but over the prior expansion as well. Yet despite the fact that so many

families continue to struggle, Congress' sole focus appears to be deficit reduction.

Now, it is essential to stabilize the growth of the debt in the medium term, but a few factors should be considered. First, based on the \$2.3 trillion in 10-year spending cuts and tax increases enacted since 2011, we are \$1.2 trillion in further policy changes away from stabilizing the debt as a share of GDP by 2022. So Congress and the administration have already made important progress in this regard.

Our most pressing near-term economic problem is not the budget deficit, it is the jobs deficit. In fact, as I travel around the Nation discussing these matters with audiences from all walks of life, I constantly hear one refrain: Why isn't Washington doing anything about our jobs and our paychecks? So in closing out my testimony, I would like to provide the committee with a brief and very lightly annotated list of ideas that I would urge you to consider.

Infrastructure investment. Our national stock of public goods is in significant disrepair with significant costs to productivity and growth. Manufacturing policies. Both offense, that is forward-looking investments in areas like clean energy where private investment will be undersupplied, and defense, fighting back against nontariff barriers, like currency manipulation that disadvantage our exports. Helping unions by creating a more level playing field for them to organize. Minimum wage. Ranking Member Miller has proposed a useful increase in the wage floor that would help lift the earnings of our lowest wage workers by 85 cents a year for 3 years. More rigorous application of labor standards, including overtime rules, correct worker classification, and the prosecution of wage theft. Strong work supports, both in terms of wage subsidies for low-income workers, like the earned income or the child tax credits, and assistance with the costs of employment, including child care and transportation.

And finally, better oversight of financial markets. While this may seem tangential to jobs for the middle class, it is in fact highly relevant. Today's high unemployment rate, even years into a GDP recovery, is widely viewed as one consequence of the housing bubble, itself inflated by severely underregulated financial markets. Not only would action on some subset of these policy ideas help to provide desperately needed opportunities for working families, but I think they provide an excellent answer to the question of, What is Washington doing to help? Thank you.

Chairman KLINE. Thank you.

[The statement of Mr. Bernstein follows:]

**Prepared Statement of Jared Bernstein, Senior Fellow,
Center on Budget and Policy Priorities**

Chairman Kline and ranking member Miller, I thank you for inviting me to testify today on issues directly in the wheelhouse of this committee: education, skills, and jobs.

My testimony begins by looking at the current jobs situation with an emphasis on educational investments. I then discuss ways in which recent budget cuts are threatening the educational support critical to a productive workforce. Finally, I specify a range of policy ideas that I urge the committee to consider in the interest of boosting future job growth.

Education Investments and the Current Job Market

From the perspective of working families, the current economy is highly imbalanced. The stock market just hit new highs last week, boosted in part by historically high corporate profitability. Yet, middle- and low-wage workers continue to fall behind. As shown in my first chart, in 2012, the real weekly earnings of full-time workers were down about 2% for those at the bottom of the pay scale, flat for those in the middle, and up 2% for those at the top.



Source: BLS

The “staircase” pattern of growth shown in the figure is characteristic of the income inequality that has been increasing prevalent in our economy for decades now. Inequality has served as a kind of a wedge in the U.S. economy, such that the benefits of growth no longer accrue to working families the way they used to. This divergence of compensation and productivity is well-documented and is a central reason why even in macroeconomic good times—in the absence of the output gaps that remain large today—middle-class families have faced challenging economic times since well before the bursting of the housing bubble and the Great Recession that then ensued.

Education has often been put forth as a policy solution to this problem of stagnant earnings and inequality, and for good reason. In the most recent jobs report, for example, the unemployment rate last month was shown to be 3.7% for college graduates, 8.1% for high-school grads, and 12% for high-school dropouts. And there is, of course, a significant wage premium for workers with higher levels of education, one that has grown considerably over time.

In this regard, a significant message from my testimony is that members of this committee need to be aware of the forthcoming budgetary constraints on programs that help support education, both at the federal and sub-federal levels, and particularly as regards educational access and affordability for the least advantaged among us.

But especially at times like the present, it would be a mistake to think that higher educational attainment alone would help ameliorate the economic squeeze so many families face. The supply of labor, even of so-called “skilled” labor, is not what’s holding back job growth right now. Inadequate labor demand—not enough jobs to meet the supply of workers—has been by far the more pressing factor in recent years.

Our slack-demand job market has hurt even college-educated workers. I suspect the trend shown in my second figure, using the same data source as the first figure (BLS weekly earnings) will surprise some members on the committee. It shows that even the wages of workers with a bachelor’s degree have been losing ground in real terms, and not just over the recession, but over the prior expansion as well.



Source: BLS

Trends like these should serve to remind policymakers and economists that we need to worry about both sides of the supply/demand equation. Yes, we need to ensure that policies are in place to help future workers achieve their academic potential. This role for policy is especially important when persistently high levels of income inequality block educational opportunity for children from economically disadvantaged backgrounds. But, in periods like the present characterized by persistent labor-market slack, we also need to be concerned that there will be jobs for them after their course of schooling is successfully completed.

Budget Cuts at the National and State Levels

Clearly, the education of its citizens is time-honored role of government—a “public good” that is essential to building a strong, competitive economy. It is widely accepted by economists of all political stripes that absent a public role, the nation’s citizenry would be under-educated, damaging both individual and national potential.

However, an objective observer of today’s politics would, I fear, be hard-pressed to see these concerns reflected in our political agenda or our policies. It is extremely hard to see how careening from crisis-to-crisis—from fiscal cliff to debt ceiling to sequester—supports the private sector need for both a well-educated labor force on the supply side and a stable climate of demand for the goods and services they produce.

In particular, an exclusive focus on deficit reduction appears to have wholly crowded out policies devoted to educational opportunity or job creation. Worse, spending cuts are threatening to reduce the government’s commitment to supporting education and training while austerity economics is hurting the fragile recovery.

As this committee well knows, spending cuts agreed to so far have been almost exclusively from the discretionary side of the budget. Within the non-defense discretionary (NDD) budget, some key education programs are already at risk. For example, my Center on Budget and Policy Priorities colleague Richard Kogan points out that if the Pell Grant appropriation grows only with inflation from its 2012 funding level, “the program will face a funding shortfall of about \$50 billion over the next decade. In other words, an additional \$50 billion will be needed to maintain Pell Grant award levels without cutting students from the program.”

Kogan’s analysis is based on the lower NDD spending caps already legislated, largely through the Budget Control Act. Thus, any further cuts to this part of the budget will exacerbate this shortfall.

About one-third of NDD spending provides grants to states and localities to support services including education, to which is allocated about 25% of those grants, or around \$40 billion this year. According to Leachman et al:

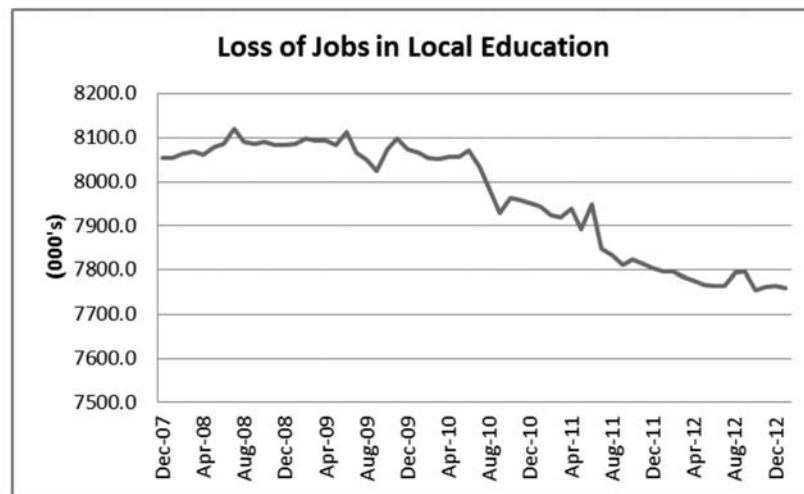
These funds mostly end up with elementary and high schools, primarily to help them educate children from low-income families and children with learning disorders and other types of disabilities. The funds also go to agencies that provide preschool education to low-income children through the Head Start program, and to school districts to help them train better teachers and reduce class sizes.

These same authors report the results of a 2012 survey of education administrators of K-12 public schools, wherein majorities say that “sequestration cuts would mean ‘reducing professional development (69.4 percent), reducing academic programs (58.1 percent), eliminating personnel (56.6 percent) and increasing class size (54.9 percent).’”

Invariably, today’s budget discussions take place at a level high above the programmatic implications of the cuts being considered. But many of the programs that will be targeted by NDD cuts already enacted are well known to this committee, such as high poverty schools that get assistance through Title I, special education through the Individuals with Disabilities Education Act, Head Start, and teacher quality improvement grants.

Finally, while NDD spending has taken a hit with significant implications for K-12, the recession and slow recovery has had at least two other negative consequences for the provision of educational quality and opportunity: a) job losses for teachers and other educational workers, and b) higher costs of attendance at public universities.

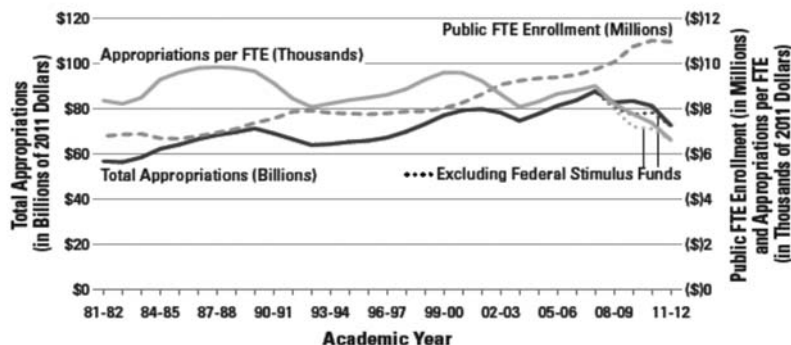
State budget constraints have led to significant service cuts at the state and local level, and public education has of course been a central target. Recovery Act funds helped to temporarily offset some of these localized budget pressure, but Figure 3 shows the extent to which the budget cuts forced layoffs in local education since its peak in early 2008. Since then, jobs in that sector are down about 360,000. Meanwhile, both enrollments and costs are rising, so spending per pupil is down in most states.



Source: BLS

Another consequence of state budget cuts has been diminished support of their public university systems. Figure 4 plots state appropriations for higher education, both in total and per full-time equivalent student, against enrollments. The number of students going to public colleges rose significantly in the downturn, in part because returning to school can be a smart option during a period when the labor market is particularly unwelcoming. But as can be seen, the gap between enrollment and appropriations was wider in recent years than in any time covered by these data (from the College Board).

State Appropriations for Higher Education: Total Appropriations in 2011 Dollars (in Billions), Appropriations per Public FTE Student in 2011 Dollars, and Public FTE Enrollment (in Millions), 1981-82 to 2011-12



NOTE: Enrollment figures are fall FTE enrollments for public two-year and four-year institutions. Enrollment for fall 2011 was estimated based on preliminary *IPEDS* numbers. Appropriations reported here are for institutional operating expenses, not for capital expenditures. Funding includes both tax revenues and other state funds allocated to higher education.

SOURCES: The College Board, *Annual Survey of Colleges*; Illinois State University, *Grapevine* reports; NCES, *Digest of Education Statistics 2011*, Table 227; calculations by the authors.

As state contributions to higher education decline, tuitions typically must pick up the difference, and of course, over the recessionary period, this means rising prices (and greater demand) for higher ed while most households' incomes were falling. In fact, between the 2007-08 school year and now, tuitions and fees for private four-year colleges rose about 13% compared to a 27% rise for public higher education. Of course, there are still large differences in the tuition levels between private and public institutions of higher education, with private tuition and fees about \$30,000 per year in 2012-13 and public at about \$9,000. But the large differential in the growth of tuition and fees between the two sectors means this gap is shrinking.

Fighting the Jobs Deficit

As stressed above, when it comes to economic policy, despite the fact that so many families continue to struggle, Congress's sole focus appears to be deficit reduction. While it is essential to stabilize the growth of the debt in the medium term, a few factors should be considered. First, based on about \$2.3 trillion in spending cuts and tax increases enacted since 2011, we are \$1.2 trillion in further policy changes (that would save another \$200 billion in interest payments) away from stabilizing the debt as a share of GDP by 2022.¹ So Congress and the administration have already made important progress in this regard.

Second, the most pressing near-term economic problem is not the budget deficit, it's the jobs deficit. This is clear in relevant indicators of both: we have high unemployment and low interest rates.

Were the budget deficit a near-term problem, in the sense of crowding out private borrowing, we'd see this in debt markets through higher rates of interest, but instead we see the opposite, with Treasury yields at historic lows. Yet the unemployment rate has been stuck around 8% for the past year.

In fact, as I travel around the nation discussing these matters with audiences from all walks of life, I constantly hear one refrain: "Why isn't Washington doing anything about jobs and paychecks?"

So in closing out my testimony, I'd like to provide the committee with a brief and very lightly annotated list of ideas that I'd urge you to consider.

- **Infrastructure investment:** Our national stock of public goods is in significant disrepair, with significant costs to productivity and growth. With high unemployment and low borrowing costs, this is an excellent time to make such investments. One specific idea to consider here is the FAST! (Fix America's Schools Today) bill introduced in the last Congress to repair the nation's public schools, with an emphasis on energy-efficient retrofits.

¹This figure may be modified up or down as a result of the forthcoming CBO forecast, to be released at 1:00 p.m. today. See <http://www.cbo.gov/content/43858>.

- Manufacturing policies: Both offense (forward looking investments in areas like clean energy where private investment will be undersupplied) and defense (fighting back against non-tariff barriers like currency manipulation that disadvantage our exports).
- Helping Unions: Creating a more level playing field for unions to organize.
- Minimum wage: Ranking member Miller has proposed a useful increase in the wage floor that would help lift the earnings of our lowest wage workers by 85 cents a year for three years, bring the federal minimum from \$7.25 to \$9.80 and then indexing it to inflation. Such an increase in the minimum wage would lift year-round earnings from around \$15,000 to around \$20,000, and potentially lift the earnings of 30 million low-wage workers, with little or no negative impact on the employment of affected workers.
- More rigorous application of labor standards, including overtime rules, correct worker classification, and prosecuting wage theft.
- Strong work supports both in terms of wage subsidies for low-income workers like the Earned Income or Child Tax credits, and assistance with the costs of employment, including child care and transportation.
- Guaranteed health insurance coverage: While lower-income jobs obviously tighten family budget constraints, if that family has affordable and reliable health insurance coverage, they are far more likely to be able to make ends meet and achieve a level of security that all working families deserve.
- Better oversight of financial markets: While this may seem tangential to jobs for the middle class, it is in fact highly relevant. Today's high unemployment rate, even years into a GDP recovery, is widely viewed as one consequence of the housing bubble, itself inflated by severely under-regulated financial markets. And while the Dodd-Frank financial reform bill has much to recommend it, Congress must accelerate its lagging implementation.

Not only would action on some subset of these policy ideas help to provide desperately needed opportunities to working families, but they would provide an excellent answer to the question of "what's Washington doing to help?"

Finally, an amply funded government sector is essential to accomplish the above agenda, both in terms of educational access and jobs for the middle class. This will require future budget deals involving revenue increases and spending cuts, not solely in the interest of debt stabilization, but to support economic security and opportunity, financial market oversight, and work.

Thank you.

Chairman KLINE. Mr. Timmons, you are recognized.

**STATEMENT OF JAY TIMMONS, PRESIDENT AND CEO,
NATIONAL ASSOCIATION OF MANUFACTURERS**

Mr. TIMMONS. Chairman Kline, Ranking Member Miller, and members of the committee, thank you so much for inviting me to offer a perspective on the critical workplace issues facing manufacturers as a new session of Congress gets underway. In the coming months, manufacturers urge the committee to focus on our Nation's ability to compete with other Nations and address the many challenges that our sector face here at home. Today it is actually 20 percent more expensive to manufacture in the United States compared to our major trading partners, and that figure excludes the cost of labor. Although the committee cannot address every factor that goes into that number, it can provide assistance in other areas.

My written testimony highlights some of the barriers to competitiveness for manufacturers. For example, the National Labor Relations Board's overreach is making workplace relations needlessly adversarial. The Board's aggressive agenda is undoing the time-tested balance in our labor system, one on which employers and employees have come to rely. But I would like to use my time today to highlight two issues in two areas where I believe Congress has an opportunity to make significant advances, and both of these

issues focus on the manufacturing workforce and I believe have the opportunity for bipartisan solutions.

Over 600,000 manufacturing jobs are unfilled today because workers don't possess the right skills. Manufacturers are working to close this skills gap through initiatives like the NAM's military badge program and our skills certification program, both of which facilitate entry and advancement into the manufacturing workforce. There are many Federal programs, as you know, that aim to provide worker training, but quite candidly they are just not getting the job done.

Federal resources aren't being used effectively. For example, programs authorized by the Workforce Investment Act are overly bureaucratic, which prevents workforce training dollars from getting to the workers who actually need them. We believe Congress should streamline the program and direct the focus, direct its focus to training workers with skills that are in demand and for jobs that actually exist. The AMERICA Works Act, which Congressmen Barletta and Schneider introduced this morning, achieves exactly that goal. Manufacturers appreciate Congressman Barletta's work on this legislation, and we urge members of the committee to co-sponsor this bill.

We can begin closing the skills gap through better education and better training programs, but that is going to take time. Manufacturers also need access to the people who will invent, who will innovate, who will create, and who will build, regardless of where they are born. And so manufacturers are encouraging Congress to move forward with comprehensive immigration reform that will allow us to meet our current and future workforce needs. Manufacturers need to be able to hire the right person, with the right skills, at the right time. Without major reforms, we will be ceding talent to our competitors and turning away a future generation of entrepreneurs.

Consider this inspirational finding of a study by the Partnership for a New American Economy. It found that over 40 percent—over 40 percent—of Fortune 500 companies were either started by an immigrant or by the child of an immigrant. American manufacturing enterprises founded by immigrants span all sectors, from technology, to steel, to chemicals, to medical devices, and many others. All told, major companies founded by immigrants or children of immigrants have an economic impact larger than the entire economies of all but two of our competitors—Japan and China—according to the report.

We also have to recognize reality. In addition to border security, structural reforms, and verification issues, immigration reform must address the millions of undocumented individuals who currently live in the United States. We need to provide a solution for these men, women, and children who seek freedom and opportunity and who can help us build a stronger country.

So thank you again for giving me this opportunity to provide a perspective from manufacturers. We look forward to working with you, with all of you to achieve our shared goal of a more vibrant economy that leads to investment and jobs in America.

[The statement of Mr. Timmons follows:]

**Prepared Statement of Jay Timmons, President & CEO,
National Association of Manufacturers**

Chairman Kline, Ranking Member Miller and Members of the Committee, thank you for the opportunity to appear today to testify on behalf of our nation's manufacturers at this hearing on the "Challenges Facing America's Workplaces and Classrooms."

My name is Jay Timmons, and I am the President and CEO of the National Association of Manufacturers, the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector, in all 50 states. And we are the voice of 12 million manufacturing workers in America. I am pleased to testify on behalf of our nation's manufacturers and all those who wish to preserve our nation's competitiveness and prosperity, on the critical issues of education and workforce development.

Before I begin, I would like to let you know that the Manufacturing Institute, the non-profit affiliate of the National Association of Manufacturers, is honoring 120 women tonight from across the country for their leadership in Manufacturing. We applaud all of these women for their hard work, dedication and commitment to the success of American manufacturing.

Manufacturing remains an important economic force across the country. To retain that strength we need to address the fact that it is now 20 percent more expensive to manufacture in the United States compared to our competitors, and that figure excludes the cost of labor. As manufacturers, we have identified four goals to keep manufacturing as leading economic driver.

1. The United States will be the best place in the world to manufacture and attract direct foreign investment.
2. Manufacturers in the United States will be the world's leading innovators.
3. The United States will expand access to global markets to enable manufacturers to reach the 95 percent of consumers who live outside our borders.
4. Manufacturers in the United States will have access to the workforce that the 21st-century economy demands.

These goals are our vision for manufacturing. There are however, also very specific challenges we are facing in labor policy, workforce development and immigration that make it difficult to achieve these objectives.

Labor Policy

The National Labor Relations Board's (NLRB) aggressive agenda threatens jobs and undermines employer—employee relations. The NAM is committed to defending the rights of manufacturers and their employees and stopping this bureaucratic overreach. We need to maintain the time-tested balance between labor unions and employers. This balance is critical to economic growth and job creation.

The current National Labor Relations Board and the Department of Labor continue to churn out troubling regulations and case decisions, often overturning decades of established and accepted labor practice. At times it appears these agencies are proposing old-economy ideas to solve problems that simply do not exist in a modern workplace. Based on press accounts, we are likely to see an expansion in the amount of personal information employers will be required to share with union representatives, including personal emails. It is also likely the Board will seek to allow for electronic voting during a unionization campaign election. Both of these initiatives, along with the ambush election rule, and the Employee Free Choice Act, purport to make it easier for unions to hold representation elections, but it is rather interesting when you look at the NLRB's own data about union representation elections and how the Board is dead set on fixing a problem that the numbers continue to show doesn't exist.

This is a pattern with the Board. For example, the Acting General Counsel's Summary of Operations Memorandum for 2012 shows 93.9 percent of union elections were conducted in 56 days or less from the time the representation petition was filed. This rate is above the Board's goal of 90 percent and the 12th straight year the NLRB has exceeded its stated goal. Keep in mind, the ambush election rule that would speed up representation elections never went into effect last year due to litigation the NAM supported. The regulation was invalidated by the District Court last year and is before the DC Circuit Court of Appeals right now. We've been asking the same questions and have yet to receive credible answers from this Board.

What is even more telling however, is despite the U.S. Court of Appeals for the D. C. Circuit recent decision that two of the three current members of the Board were improperly appointed by the President—effectively reducing the Board to one member, the Chairman of the NLRB, Mark Pearce, has stated the Board "will continue to perform our statutory duties and issue decisions."

The result is rather than being focused on hiring new employees and creating new opportunities for employees, employers are shifting focus to educating themselves on multiple union representation elections, questioning whether or not they should consult with their attorney over representation elections and facing challenges to comply with the shifting landscape of regulations. We anticipate this current focus to continue over the next several years, not just with the NLRB, but as also evidenced by the most recent Regulatory Agenda released by the Department of Labor this past December. Employers will be trying to decipher hundreds of pages of proposed regulations from the Occupational Safety and Health Administration (OSHA), the Office of Federal Contract Compliance Programs, NLRB, and other agencies rather than focusing on the reason they exist in the first place.

Alignment of Education and Workforce Needs

While these challenges are of serious concern by themselves, there is also a long-growing and looming problem for manufacturers. Our most recent Skills Gap survey identified approximately 600,000 positions going unfilled due to the lack of qualified applicants. In fact, 82 percent of manufacturers reported a moderate-to-serious shortage in skilled production labor.

The U.S. is betting its entire economic future on our ability to produce leading-edge products. Whether it's in IT, biotech, aerospace or construction * * * it doesn't matter. Manufacturers will be the ones to consistently create new and better things. This future promises to be bright, but only if we have the workforce capable of pushing that leading-edge. And right now, that doesn't look like a very good bet.

We have created an education system that is almost completely divorced from the economy at large. The only way to address this monumental challenge and support the economic recovery is to align education, economic development, workforce and business agendas to work in concert and develop the talent necessary for success in the global economy.

It is our belief that we do not need another government program to solve these problems. We should, however, make sure the ones we currently have are actually addressing the problems we face. If they are failing to meet the needs of employees and employers, we shouldn't be afraid to change them. As representatives of the manufacturing industry, we think we've found a solution that fits the needs of our businesses and our labor force while working within the existing secondary and postsecondary education structure.

The solution, called the NAM-Endorsed Manufacturing Skills Certification System, is grounded in the basic set of skills identified by manufacturers—the employers themselves—as required to work in any sector across the manufacturing industry.

The system is a series of nationally portable, industry-recognized credentials based specifically on those employer-identified skills. These credentials, and the training required to obtain them, certify that an individual possesses the basic skills necessary for a career in manufacturing and ensures that they are useful nationwide and across multiple manufacturing sectors. A realignment of this kind would be tangible for our nation and its workforce.

While on its face, the idea of a skills certification system may not seem transformational, it is in fact reforming education and the way we think about it. For too long, any programs that were “career or technical” were pushed off into the non-credit side of academic institutions. This attitude sends a loud and clear message to students and parents about the value colleges and universities place on these types of programs. Yet, it is these very skills and certifications that will lead to a job or career that actually exists.

We are working to integrate credentials into the for-credit side of colleges, so even if a student takes only three or four courses to achieve a certification and heads into the workforce, they have “banked” those credits. Under this system, the individual knows that when they return to achieve the next level certification, they will also be working toward a degree as well.

This approach creates more on and off ramps in education, which facilitates individuals' ability to obtain schooling when their professional career requires it, and positions them to earn while they learn, applying what they learn in class at night on the job the next day. In fact, I know the Manufacturing Institute has worked closely and successfully with Congresswoman Brooks' former employer, Ivy Tech, which is a national leader in quality manufacturing training. These are the partnerships we embrace and hope to replicate.

For many years, postsecondary success has been defined as a four-year degree. This is unfortunate when a valid, industry-based credential can provide the knowledge and skills for a well-paying job and a solid foundation on which to build a future.

Acquiring skills that are in demand by employers is probably the soundest investment individuals can make in themselves and as I said earlier, the federal government does not need to spend more money to facilitate these investments—but there are things Congress and the President must do in order for this approach to have the greatest impact over the long-term.

In addition to private-sector alignments, we need to look at federal workforce training programs that often do not address the skills that are in demand by employers. For example, programs such as the Workforce Investment Act that have not been reauthorized for decade need to be seriously addressed. WIA can be beneficial to employers, but the program is overly bureaucratic and inefficient which prevents workforce training dollars from getting to the workers who need them. The program should not only be streamlined but also focused on the goal of training workers to credentials that are in demand in the private sector and to jobs that actually exist.

That is why manufacturers support the America Works Act, legislation introduced this morning by Congressmen Barletta and Schneider. The legislation creates this prioritization in WIA but also in TAA and Perkins. For employers, an emphasis on a nationally-portable, industry-recognized credentialing system provides a level of quality in potential hires that does not exist today. For employees, it ensures they are obtaining the skills in demand in the workplace and can work in multiple sectors. For government, it ensures that federal funds allocated to worker training are used more efficiently and effectively. I want to thank Congressman Barletta for working with us on this piece of legislation that is of utmost importance to manufacturers.

For too many years, anything that looked or sounded like skills development was classified into a lesser accepted form of education. It was defined simply as job training, non-creditable courses or career and technical education. In other words, it wasn't considered real education. Skill certifications can and should be part of a traditional education system, but a wall has been built between education and job training by institutions on both sides of that divide. The NAM and the Manufacturing Institute are working to break down that wall. The result will be more individuals gaining the skills they need to build a career and more employers finding and hiring qualified workers.

Immigration

Employers are investing in workforce development that is essential for the future of manufacturers. We have committed to and are invested in reducing the skills gap and will work to find future solutions to support substantive changes and investments in the education system, especially in the areas of Science, Technology, Engineering and Math, but right now there is a skills gap across the country in many sectors.

Employers cannot find the workers they need to get the job done. We need access to the people who will invent, innovate, create and build and many of these people are born outside of the United States. The broken immigration system is making it more difficult to hire the right person with the right skills at the right time.

We fully understand the need and support efforts to address the millions of undocumented and falsely-documented people currently residing in the United States. Whether it is politically popular or not, many of these individuals were born here and many others have lived here for years. This is a serious concern and should be addressed in a thoughtful manner in conjunction with border security and enforcement measures. The NAM supports resolving these issues and looks forward to working with Congress, the President and anyone else willing to work together on a solution.

Just as important, however, is reform of the employment-based immigration system, which in its existing state is hindering economic growth. Manufacturers need a functional legal immigration system that efficiently deals with the lack of necessary green cards and visas. American companies cannot hire the employees they need and will either not hire at all or move jobs abroad if the workers are not available domestically. Put simply, we need to raise the caps on the number of green cards and visas and create a functional system for hiring employees in order for reform to be a workable solution for manufacturers.

A few years ago, a study by the Partnership for a New American Economy, a group of business and civic leaders, found that over 40 percent of Fortune 500 companies were either started by an immigrant or the child of an immigrant. Manufacturers are well represented in this group.

American manufacturing enterprises founded by immigrants span all sectors, from technology, to steel, to chemicals, to medical devices, to many others. All told, the study concluded, major companies founded by immigrants or children of immi-

grants have an economic impact larger than all but two of our competitors, Japan and China.

Every year, even during the economic downturn, the H-1B visa cap is reached, leaving companies without any access to necessary employees. In addition, the wait time for a green card can be up to ten years, leaving employers and employees frustrated and searching for alternate solutions.

During the next ten years, STEM jobs are expected to grow by 17 percent, compared to a 9.8 percent-growth in non-STEM jobs. In 2008, just four percent of all bachelor's degrees were awarded in engineering. In China, 31 percent of all bachelor's degrees were in engineering and throughout all of Asia the percentage was 19 percent. We need these individuals now, but we also need to firm up our pipeline.

But it is not just the education pipeline that needs to be addressed. Comprehensive reform should look to create a program to address the future needs of the workforce. Without creation of a functional, legal system we will be looking back at ourselves in 20 years trying to determine how to manage the next generation of 12 million undocumented people residing in the United States. Hand in hand with the need to address the next generation workforce is the need to have a verification system that is fair and reliable.

Make no mistake; immigration reform and the access to foreign-born talent is not an excuse for American manufacturers to neglect the STEM pipeline. These two issues are inextricably linked. We will continue to work on building skills for the shop floor and for the laboratory. Visa and green card funding should be dedicated to building this pipeline and we look forward to working with you to create a more robust program.

Conclusion

Mr. Chairman, we need access to workers with the skills that will allow American manufacturers to grow and succeed. We have invested in developing those skills here in the United States, but we also need access to foreign-born workers whose skills, talents and vision complement those of the American workforce.

Thank you for the opportunity to testify today. I look forward to working with you to build the next generation of manufacturers.

Chairman KLINE. Thank you. I thank all the witnesses. We are going to start questions, and I will start. I am going to limit myself and all members to 5 minutes—remind me to gavel myself down if we get going here—so that all members will have a chance to ask questions.

Let me start with you, Governor. You talked about red tape and bureaucracy getting in the way of workforce training. We are going to again, Mr. Miller mentioned it in his remarks, we are going to again take up the Workforce Investment Act. We had legislation in the last Congress, we will probably move it around a little bit and bring it back up because we believe, I believe that the current workforce investment, the workforce training system is not helping. So you brought it up. What is it that you are doing in Utah that you think we could pick up in Federal legislation that would be helpful?

Governor HERBERT. Well, thank you, Mr. Chairman. I think all of us recognize in the marketplace that regulation sometimes gets in the way of production, and as I get around the State of Utah and other places, the most common lament that I hear from the business community is the regulation sometimes that don't make sense to them, and particularly Federal regulation.

In Utah we have taken an approach of going back and actually counting and reviewing the numbers of regulations that we have in our State, and last year we challenged our departments, our cabinet members to go back and count the regulations that we have on our books, and we found out we had 1,969. Who knew? And we found out that we had 368 of those that had no public purpose,

meaning they didn't level the playing field, they didn't protect the public. They were just a drag on the economy. And so we did what would be sensible, I think, and that was we eliminated or modified them to allow the marketplace to not have that drag.

That has been a shot in the arm for our business community. And so, again, we are now taking it one step further. Now, this year, we will be working with our local governments and their regulations to make sure that they are appropriate and they actually have a purpose out there in either leveling playing fields or protecting the public. But I think regulation reform is something that ought to be viewed by every State and certainly ought to be viewed here in Washington, and count them up, see how many you have got and see what you can eliminate or modify.

Chairman KLINE. I can't even guess what that number would be.

Governor HERBERT. That is part of the problem.

Chairman KLINE. Very, very large. Exactly. Many thousands of pages, no doubt. I think we are up to something like 13,000 pages of regulations on the Affordable Care Act already.

Mr. Timmons, let me pick up again on the workforce training and the Workforce Investment Act. You have been following what we have been doing here. What do you think would be most helpful in making sure that businesses are able to convey what jobs are available and what training needs to be done?

Mr. TIMMONS. Well, I think there are several factors, Mr. Chairman. From a Federal perspective, obviously, ease of being able to access training funds and having those funds consolidated into programs that are focused on developing those with the skills that are necessary for the manufacturing workforce. As I mentioned, 600,000 jobs in manufacturing go unfilled. It is one of the reasons that the organization, the Manufacturing Institute, which is an arm of the NAM, has been focused on skill certification programs, that is partnerships with community colleges, to help us certify manufacturing workers with a portable set of skills that they can use across State lines or in other communities.

We have also been working on our military badge program that allows us to access the skills that our returning military personnel have that they may not know can translate into real life experiences in the manufacturing sector. The military badge program acts as a translator for skills that our military personnel have acquired while they are on mission in the military and translate those skills into real life manufacturing jobs here at home.

Chairman KLINE. So you are saying in the manufacturing field alone there are 600,000 job openings and you don't have the people.

Mr. TIMMONS. That is right, sir, about 5 percent of the manufacturing workforce is vacant today. Even with 8 percent unemployment, manufacturers are always trying to find workers that have the skills necessary. Some of those are the high-end positions, the STEM fields, and some of them are more basic skills that require some basic sets of training activities.

Chairman KLINE. So the 47 programs across nine agencies or whatever is not getting it done. Okay.

Mr. TIMMONS. I think they are well intentioned.

Chairman KLINE. My time has expired.

Mr. Miller.

Mr. MILLER. Thank you.

On this same subject, Jared, one of my concerns in my opening statement was this, as I say, leaping from fiscal cliff to fiscal cliff. And one of the things I think we see or is talked about in the unemployment market, after people are unemployed 6 months or more, they start to lose proficiency, they are not in the environment to pick up new requirements, skills that are necessary or information. And my concern is, you know, as I pointed out, what we saw happen in 2011 was this dramatic drop. I think FedEx testified it was the largest drop in business in the history of the company, larger than after 9/11. That is what happened when we fooled with the debt limit then.

We saw this report recently suggesting that people just stopped hiring in the fourth quarter because they didn't know if we were going to go over the cliff, due to the debt limit, what have you. And it seems to me that has to be resolved so that employers have a clear picture of where they are going so that then we can backfill with the kinds of programs undertaken by the Governor, the kinds of programs suggested here by the manufacturers, but people have to have a vision that is longer than 90 days. I mean, we are running this government on a 90-day leash. That is long term, when we go 90 days. We have done 30 days. And I just don't see how you get this economy really taking advantage of everything we need to get stronger and stronger if you have this continued bashing around here inside the Beltway.

Mr. BERNSTEIN. Well, yeah, I couldn't agree more. And I suspect when the Governor talks about, you know, regulatory uncertainty, he is probably also talking about general economic uncertainty. That is certainly something that I hear a lot from business people. But the problem that most folks talk about nowadays is not so much uncertainty from a regulatory agenda, but uncertainty from precisely the kind of jumping from cliff to ceiling to sequester that you are describing, Congressman, and what is I think unfortunately ironic there is that this is an uncertainty that is being generated by the very Congress who could do something about it.

Let me make one comment about these unemployed, these slots allegedly open in manufacturing. I am not questioning Mr. Timmons, who is an expert in that field. I will say, among economists it has been widely argued whether unemployment now is structural, mostly structural, or mostly cyclical, meaning that it is mostly cyclical coming from a demand phenomena, the kind of job creation problems you have when the unemployment rate is so high and you are still working through the residuals of the great recession. So a lack of available jobs, or is it structural, a lack of enough skilled workers? And the consensus among economists, conservative and liberal, this is across the board, is that this is a cyclical unemployment problem, not a structural one, so that if we had more employment growth, a lot of the unemployment problems you are hearing described would go away.

Now, that doesn't mean that we have adequately trained workers for every job slot in the economy. We don't. And I very much endorse some of the ideas I have heard from my colleagues. But the problem writ large is a cyclical problem associated with labor de-

mand, not enough job growth, not a skills-based problem right now in the near term.

Mr. MILLER. Thank you.

Now, we are all hoping, Mr. Timmons, we are hoping to reauthorize the workforce investment program here, and there has been a lot of suggestions and there has been a lot of effort on both sides of the aisle put into this effort. You know, we try to come together, but one of the things that was suggested in the markup last year by the bill presented by my colleagues on the other side of the aisle was that the labor unions would not be allowed to participate in the workforce investment boards in an area such as large manufacturing, DuPont, Dow, Chevron, Exxon, they are all there, United States Steel. And as we transition, we find jobs, new jobs, in my area the labor unions have been very helpful in providing the workforce for the expansions at Chevron, the labor unions have been very helpful in providing skilled workers for the internal workings of the refineries. When both Dow and DuPont came up with new manufacturing procedures, the community colleges and the labor unions, the Chemical Workers put together the programs to train those people so they would be ready when the construction was done. And so I just want to have your opinion, is this critical that labor unions not be allowed to participate in these boards that are made up of employers, employees, educators, small businesses, large businesses in our communities?

Mr. TIMMONS. Well, you know, I come from a little different perspective. My grandfather was a 40-year labor union member with Mead Paper Company.

Mr. MILLER. I have got more people here come out of labor families, okay? So I am long on people who aren't happy with labor unions that came out of labor families.

Mr. TIMMONS. Right. So, you know, I think I will let you all work that out.

Mr. MILLER. Is this a critical question because this goes to how this bill—

Mr. TIMMONS. This is not a critical question for the NAM.

Mr. MILLER. Is this a make-or-break issue for you?

Mr. TIMMONS. Not for the NAM, but I can tell you that I think—

Mr. MILLER. Appreciate that.

Mr. TIMMONS [continuing]. It is important for us to really focus on getting it done one way or the other.

Mr. MILLER. We may not be working very well together in Washington, but all over this country they seem to be working together in various communities to try to create the atmosphere for these new jobs, new processes that are responding to the changes in the economy. Thank you.

Chairman KLINE. Thank the gentleman.

Mr. Wilson.

Mr. WILSON OF SOUTH CAROLINA. Thank you, Mr. Chairman, and thank you, in fact, for promoting an effort to promote an atmosphere, as Mr. Miller indicated, to create jobs. I am very concerned about the contraction of the economy. I think it directly relates to higher taxes. We already know right here in this room that the NFIB projected that the government takeover of health care would

result higher taxes providing for the destruction of jobs. In fact, 1.6 million jobs. And so we need to certainly make every effort. Mr. Chairman, I appreciate your efforts.

And, Secretary Fornash, I am honored to be here with you. My mother's family is from Richmond. I graduated from Washington and Lee at Lexington, and I have a son who is a doctor in Portsmouth, so we cover the Commonwealth.

With that, you indicated a need to reauthorize No Child Left Behind. This brings up a huge issue, and that is what is the proper role of the Federal government and what should be the primary function of State government, which is to provide for public education, and I believe it should be led by local elected school boards. So what should be the Federal role?

Ms. FORNASH. Well, thank you, Mr. Wilson. It is nice to know your strong ties to Virginia. Appreciate that.

I think the role of the Federal government is really to focus on that supplemental funding to States, that helping disadvantaged children progress academically. We know these at-risk students need greater access to resources, and the Federal government is doing that. I think the challenge is obviously the accountability for those Federal dollars and really ensuring that States have the flexibility at the local level to focus on raising rigor with standards to focus on closing the achievement gap. And in many times those strategies take innovation and creativity that Federal dollars don't always allow for. So it is important going forward that we make sure those resources do have greater flexibility in order to be able to respond to some of the innovative programs that are being successful throughout the Nation. And in Virginia we are very much focused on raising our standards and ensuring that all young people are college or career ready when they leave high school.

Mr. WILSON OF SOUTH CAROLINA. Well, your input can be very helpful because I certainly, I have faith in professional educators. My wife is a retired teacher. So that is who we need to be counting on to provide for the young people of our country.

Mr. Timmons, I appreciate your reference about the National Labor Relations Board. South Carolina was the poster child, the NLRB overreach, as you indicated. Boeing built a plant, 1.1 million square feet, hired a thousand employees, and then out of the blue NLRB intervened and said that it couldn't open. Thank goodness Governor Nikki Haley, Attorney General Alan Wilson responded quickly, we were able to settle this, and now thousands of people are employed and 787 Dreamliners are being built. What other examples of overreach have you detected that destroy jobs by NLRB?

Mr. TIMMONS. I think a few examples of creating an unnecessarily adversarial relationship involve quick snap elections, the specialty health care bill, which creates—regulation, pardon me—that creates micro unions, small bargaining units, smaller bargaining units. I think the poster rule that was required by the NLRB, which is now on hold, are a few examples of those.

Unfortunately, I think that well-intentioned, oftentimes by regulators, well-intentioned actions have adverse results, and actions do have consequences, and creating an environment where employers and employees who have had 70 years of settled labor law, creating

a situation that is not as harmonious as it once was is very unfortunate, particularly in an economy like we face right now.

Mr. WILSON OF SOUTH CAROLINA. Well, we certainly look forward to your input.

And, Governor Herbert, congratulations. Forbes has named Utah as the best State for business for 3 years in a row. And the reduction in unemployment from 8.3 to 5.2, that is huge, and I want to congratulate you. We look forward to seeing what you did. I know one thing, the benefits of being a right-to-work State. Could you tell us how you have seen this and how this is reflected in creating jobs?

Governor HERBERT. Well, thank you. We are pleased with the growth we have seen, and it has been a difficult time for all of us, all the States going through the great recession. But my father was an old Idaho farm boy, and I didn't grow up on a farm, but we always had an acre, and acre and a half of garden, and what my dad taught me was it didn't matter how good the seeds were you planted if you didn't have a good soil to plant them in. And so as a metaphor for what we have tried to do in Utah, we have tried to create an environment of a fertile field, a fertile soil where entrepreneurs can come down and throw their seeds and grow them. If they work hard, weed, water, and fertilize, there will come a harvest.

And in Utah we have an environment that is conducive to risk-reward of a free market system, and we don't have the shackles sometimes of a labor union that has a hard negotiation. We are a right-to-work State, and I think that gives us competitive advantage. I believe in free markets and the ability for the entrepreneur to go where they want and set up what they want and risk and try to have a profitable outcome in that environment. Our success in Utah is one of predictability and certainty and an environment that attracts the entrepreneur to come and invest in our soil, which as Forbes has mentioned is the best climate in America right now.

Mr. WILSON OF SOUTH CAROLINA. Congratulations. Thank you.

Chairman KLINE. The gentleman's time has expired.

Mr. Andrews.

Mr. ANDREWS. Thank you, Mr. Chairman.

Mr. Timmons, I welcome your support for immigration reform. I thank you for it. Hope you are part of a broad and successful coalition to get that done.

Mr. TIMMONS. We do, too.

Mr. ANDREWS. The NAM is a member of something called the Coalition for a Democratic Workplace. Is that correct?

Mr. TIMMONS. That is right.

Mr. ANDREWS. And my understanding is the Coalition for a Democratic Workplace filed a petition to intervene in the Noel Canning decision that invalidated the NLRB appointments. Is that correct?

Mr. TIMMONS. I am sorry, invalidate which?

Mr. ANDREWS. In the Noel case, which is the one that invalidated the recess appointments on the NLRB.

Mr. TIMMONS. I think the coalition did, but I am not sure.

Mr. ANDREWS. Here it is.

Mr. TIMMONS. Okay.

Mr. ANDREWS. So I assume that you agree with the assessment that the intra-session recess appointments President Obama made are unconstitutional?

Mr. TIMMONS. Well, the coalition filed that, and obviously we are a part of the coalition. The NAM did not. We weren't part of that particular decision.

Mr. ANDREWS. Do you support what the coalition did, though?

Mr. TIMMONS. But at this point the courts have at least ruled. Right now we are waiting for an appeal—

Mr. ANDREWS. But you support what the coalition did in intervening in the case?

Mr. TIMMONS. And I think we need to—

Mr. ANDREWS. Okay.

Mr. TIMMONS. Basically I think we need to listen to the courts.

Mr. ANDREWS. On August 31st of 2001, President George W. Bush appointed Peter Hurtgen to the NLRB in an intra-session recess appointment, exactly the same facts as these. Did you intervene and oppose that appointment?

Mr. TIMMONS. Not that I am aware of.

Mr. ANDREWS. On August 31st of 2005 President Bush appointed Peter Schaumber to the NLRB in an intra-session recess appointment. Did you oppose that appointment?

Mr. TIMMONS. Not that I am aware of.

Mr. ANDREWS. On January 4th of 2006 President Bush appointed Peter Kirsanow to the NLRB on an intra-session NLRB appointment. Did you oppose that?

Mr. TIMMONS. You know, this is an interesting line of questions, but quite frankly I think the courts are the ones that have to decide this. This is not an issue for us.

Mr. ANDREWS. Well, but you didn't seem to think the courts had to decide it when President Bush appointed four members of the NLRB using exactly the legal basis President Obama did. Why didn't you challenge those appointments?

Mr. TIMMONS. Well, thank you for your confidence in my constitutional abilities. I have been president of the NAM for 2 years, so I think you probably have to talk to some of my predecessors. I do think the bottom line, though, Congressman, is the courts have made a decision on this, and I think we are going to have to listen to the courts.

Mr. ANDREWS. Well, but evidently your coalition did not think that President Bush's appointments of Mr. Hurtgen and Mr. Schaumber, Mr. Kirsanow, Mr. Dennis Walsh on January 7th of 2006 were problematic. Why is all of a sudden these appointments in intra-session recesses, what is so different about them that make them challengeable in court when you didn't challenge the other four by President Bush?

Mr. TIMMONS. Again, I think you are going to have to ask the courts why they think that that is the case.

Mr. ANDREWS. I will tell you why I think it is the case. I think that there is no question that there has to be some limitation on the appointment power of the President of the United States, there is no question about that. Although I would point out that on 303 occasions since President Reagan took office Presidents have used the intra-session recess appointment to appoint people. Jeane Kirk-

patrick was appointed by President Reagan, Alan Greenspan was appointed by President Reagan during this time. Presidents sometimes felt they needed to do this.

This problem has been heightened in recent years because the Senate, in my opinion, has used its constitutional prerogative to advise and consent as a constitutional bludgeon to paralyze the operation of the executive branch. President Obama made these appointments because the Senate refused to act on his nominees so that the Board could not act.

The power to advise and consent is not the power to paralyze. Presidents who are confronted with this, 72 times by President Reagan, 37 times by President George H.W. Bush, 53 times by President Clinton, and the champion, 141 times by President George W. Bush, made intra-session recess appointments, but your coalition, your organization never challenged any of them, including four appointments, four appointments to the National Labor Relations Board in the George W. Bush years.

So I understand we have to leave this to the courts. I am hopeful the court will reach a decision which avoids paralysis of the executive branch for ideological reasons. But I find it, frankly, disconcerting that on four occasions when President George W. Bush appointed people to the NLRB using exactly the same constitutional arguments President Obama did, your organization was quiet about it.

I yield back the balance of my time.

Chairman KLINE. I thank the gentleman.

Dr. DesJarlais.

Mr. DESJARLAIS. Good morning, and thank you all for being here today. I want to focus a little bit on the higher education aspect and the challenges we face. Governor and Secretary, I wanted to get your perspectives on a couple of things. Just like anything coming out of Washington right now, the deficit and spending issues are driving a lot of our challenges.

But also, it seems like we are having more and more difficulty getting kids to graduate college in a punctual fashion. The days of 4-year colleges seem to be stretched to 6 years, and costs continue to increase. And over the past decade, for public 4-year colleges I think we have seen about a 66 percent increase in cost, 47 percent per 2-year public institutions, and about a 26 to 27 percent increase for 4-year private institutions. Yet over the same decade, Federal subsidies for higher education has gone up about 140 percent. We know that in fiscal year 2012 Pell Grant spending was about \$41.5 billion compared to \$13.7 billion in 2006. And looking back to the 2003-2004 school year for 4-year institutions, about 50 percent of students are obtaining a bachelor degree after 6 years.

So when we look at these numbers, they are kind of alarming. And to think, unless the numbers have changed, student loan debt in this country surpasses all credit card debt and all auto loan debt combined. So we have a lot of money being poured in by the Federal government, but we are not getting a good return on our investment.

So, Governor Herbert, I would ask you first, what do we do to make colleges not only more affordable, but what do we do to incentivize students to graduate in a timely fashion? And then how

do we make it more conducive for full-time employment for these kids after they graduate?

Governor HERBERT. Well, after I get through answering that question, I can work on world peace.

Mr. DESJARLAIS. Exactly.

Governor HERBERT. You know, Steve Forbes made an interesting observation, where he said that when the Federal government got involved in the 1970s in putting more money into higher education, it actually had the phenomenon of rising costs for students. Our loans have gone up. The costs of education have gone up. And so you wonder if there is a cause-and-effect relationship there.

We have an emphasis in Utah to see if we can make sure that we get through the process quicker, saving time. Most college students take 6 years to get a 4-year degree. We in Utah are trying to embrace more use of technology, concurrent enrollment in K-12 so that people are better prepared when they get to college education experience to in fact get a leg up on the challenge they have there. We find there is too much remedial work, where people have to be retrained when they leave high school and get into college. That costs time and money.

We have got colleges now within their own budgets that are trying to restructure and reprioritize their own budgets to make sure that we in fact get away from what some have referred to as degrees to nowhere. Again, all education has value, but right now in the marketplace, for example, the STEM educations have more value and better reward.

So we are trying to find ways to streamline, to use more technology, remote learning, concurrent enrollment, online courses, which will help us in fact reduce costs. We also have a significant effort to have private support and help with donors to help reduce costs so there is not just a burden on the taxpayer. And I think if you will find and compare, you will find that Utah's higher education is at the lower one-third when it comes to tuition costs and the overall costs to get a degree in Utah.

Mr. DESJARLAIS. Thank you, Governor.

Secretary.

Ms. FURNASH. Great. Thank you for the opportunity. Governor McDonnell has been very focused on access and affordability to higher education and really focused on tuition increases because of the growing debt, college debt, that students are experiencing. And so we have had a real push on trying to incentivize our institutions to do certain things, and part of that is the 4-year graduation rate. And we have got this points-based performance funding model where we are trying to push new resources to those institutions who are graduating more students in a timely manner. We are also looking at greater use of technology to help students complete in a timely manner. We also do want to promote dual enrollment. We have legislation that was passed that requires all local school divisions to provide associate and 2-year opportunities at the high school levels to ensure greater access and affordability.

And we are also promoting year-round use of facilities. As you know, many of our higher education facilities are only used 9 and 10 months throughout the year. So how do we use those other

months and those break times to provide credit to students so they can complete in a timely manner.

Mr. DESJARLAIS. Well, I think that sounds spot-on. And I will be anxious to hear the numbers, how that turns out, how that is working for you because I think that is the model that we need. And I look forward to hearing how that turns out. Thank you for your time.

I yield back.

Chairman KLINE. The gentleman's time has expired.

Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman. I want to thank all the panelists, particularly those from Virginia. I have known Secretary Fornash and Mr. Timmons, who worked with Governor, Senator, and Congressman Allen. So it is good to see you all.

Secretary Fornash, there was a great controversy a little while ago when targets under the annual measurable objectives were set for minority students at a very low level, and there was criticism of that target. Can you tell me whether or not the future targets anticipate eliminating the achievement gap? And if so, how long will it take, and are we on track?

Ms. FORNASH. Yes, sir. Thank you for the question, Congressman Scott.

What happened occurred last summer when our waiver was approved and the methodology was approved from the U.S. Department of Education. At that time we did not have the results back from our mathematics tests. When the results came back it did produce uneven results for the annual measurable objectives. We quickly responded to that situation and developed a new methodology that would ensure all students would obtain the same goal within the 6-year period. And so that has been our focus currently.

Mr. SCOTT. Do you anticipate eliminating the achievement gap?

Ms. FORNASH. We are working very hard to do so. Yes, sir.

Mr. SCOTT. Are we on track? Are we on track to eliminating the achievement gap?

Ms. FORNASH. We have a 6-year plan to do that. You also heard me mention the Opportunity Education Institution, which would specifically target those failing schools in the Commonwealth and step in with a very aggressive plan to manage those schools and make sure that they are receiving accreditation.

Mr. SCOTT. So notwithstanding the low start, you expect within 6 years to be able to eliminate the achievement gap for minority students?

Ms. FORNASH. That is definitely the goal that we are working towards. Yes, sir.

Mr. SCOTT. Thank you.

Dr. Bernstein, is it true that the sequester is expected to be—if enacted, if allowed to go into effect—would be a drag on the economy? And if so, if we replaced it with an alternative \$1.2 trillion in cuts, why would that not be an equal drag on the economy?

Mr. BERNSTEIN. Well, it would be, yes. The sequester amounts to about \$85 billion of spending cuts in 2013. And according to independent analysis—I believe it is the firm Macro Advisers—this would reduce growth by 0.7 of a percent, GDP growth by 0.7 of a percent. Now, GDP growth in the most recent report was actually

slightly negative. I think that that was anomalous. I think if you take a longer-term view, just to say look at year over year instead of quarter over quarter, you will find that the economy is expanding somewhere in the range of 1.5 to 2 percent a year.

That is already too slow, as can be demonstrably seen by an unemployment rate that has been stuck at 8 percent. So you have to grow faster than that in order to bring the unemployment rate down. But if the sequester should kick in—or, for that matter, a sequester replaced by any other set of cuts should kick in—you would grow even slower, the unemployment rate would probably rise. That is certainly the prediction among macroeconomists.

Mr. SCOTT. Your first chart shows how those at the bottom aren't doing particularly well. What can we do to fix that?

Mr. BERNSTEIN. Well, I think, of the suggestions I made toward the end of my testimony, there are some that I think are most relevant to folks at the lower end of the pay scale. I mean I think do no harm is probably one of the best things you can do for lower-income people because if the unemployment rate ticks up a little bit, it goes up a lot for them. So avoiding the sequester in the context of my last remarks are critical in this regard.

But I know that an increase in the minimum wage, in fact just this morning there is an editorial in The New York Times endorsing that idea for the same reason, the fact that low-income workers haven't seen a minimum wage increase in a while and have been falling behind. I think this idea of making sure work supports remain strong for low-wage people. Even if you are someone at the lower end of the pay scale, if your wage is boosted by a robust earned income or child tax credit, that helps a lot at the end of the day. Finally I also noted assistance with the costs of going to work, transportation costs, child care costs, a huge burden for many low-income families trying to do the right thing, trying to go to work.

Mr. SCOTT. Dr. Fornash, can you say a word about what budget cuts are doing for your ability to provide quality education in Virginia in terms of class size and ability to attract and retain quality teachers? What effect budget cuts are having?

Ms. FORNASH. Well, the Governor has tried to restore funding to both higher education as well as K-12 in order to ensure that we do have adequate educational resources for our students and programs in place for teacher training.

Chairman KLINE. The gentleman's time has expired.

Mr. BERNSTEIN. Mr. Chairman, could I inject one point on that point? Is that okay?

Chairman KLINE. Not right now. We will get back to you.

Mr. Rokita.

Mr. ROKITA. Thank the chairman. I would like to say good morning to all the witnesses and thank you for your testimony. It has been very helpful.

Governor Herbert, can I ask you a question real quick? Is that your family behind you or no?

Governor HERBERT. Family behind me?

Mr. ROKITA. That is your family. Okay. Well, I could tell. They seem to be very proud of both of you. Would you mind introducing them for the record, because I know you must be very proud of them.

Ms. FORNASH. Oh, I would be delighted. Thank you so much. This is my son Carter Fornash. He is in the fourth grade. He will be back to see you on a class field trip in April. My niece Natalie Daniel and my sister-in-law Martha Daniel.

Mr. ROKITA. Thank you very much. I appreciate that.

I will start with you, Secretary, then, if you don't mind. I am very interested in your public charter schools and really your whole charter school program. Indiana has an ever-increasing robust program in that regard. I know you said you only had four. But there are all different kinds. There is the public charter school and then you said there was a science lab college prep charter school program, something like that. Could you confirm that?

Ms. FORNASH. We currently have four public charter schools in the Commonwealth of Virginia and those were all created by local school divisions. We have a real challenge at bringing in charter management organizations to the Commonwealth basically because of the restriction that we have on approving charter schools. Those can only be approved by the local school board.

We do have an innovative concept that I believe you read about in my testimony and that are STEM academies. And these are public-private partnerships that are created throughout the Commonwealth. We have 16 of them. And they really take on a different flavor depending upon the business community. And this is a strategy that I would recommend as a way to really expose young people to careers in the STEM fields, as well as provide them with the skills to be able to be college- and career-ready.

Mr. ROKITA. How do you plan on measuring success? I mean, in Indiana we have charter schools where 25 percent of the kids, their sole source of food—I don't think this is different from other parts of the country—their sole source of food is the school. Charter schools where they are buying shoes for the kids. And then we have advanced learning charter schools as well. And seemingly, from someone who is still a little bit on the outside of it, that is all graded on the same scale. Is that going to be your plan, too? Or how are you going to measure success in these very different environments?

Ms. FORNASH. Sure. Well, the initial measure of success for us is third-grade reading. I mean, that has really been our focus in the Commonwealth over the past 2 years, is putting a focus, whether it is resources or reading specialists, on third-grade reading and ensuring that young people are able to read because we know that is the best predictor of success in high school and in graduation.

So our focus has been third-grade reading, but also an interest in ensuring that young people are college- and career-ready. And so that is evident through the graduation rate. We have also changed our diploma requirements to provide young people to earn an industry certification as part of their high school diploma requirements, so ensuring that when you graduate from high school you are either college- or career-ready.

Mr. ROKITA. Okay. Thank you.

And, Governor, thank you again for being here. Our paths crossed back when you were lieutenant governor and you caucused with the Nation's secretaries of state.

Governor HERBERT. The good old days.

Mr. ROKITA. The good old days. You were excellent. And that is why I don't doubt any of your testimony and see the great things that Utah is doing. I know from our work together during that time that that would be the case.

I would like to enter into the record this document that says, "Why Utah."

Chairman KLINE. Without objection.
[The information follows:]

Why Utah?

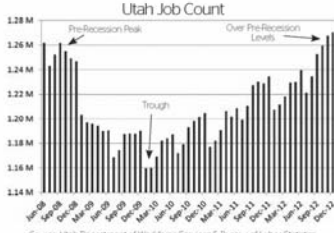
- Utah has created a truly global business destination by fostering a sensible business environment. We recently reviewed all regulations that affect businesses in Utah and rescinded or modified over 300.
- Utah also boasts a sensible tax policy. We have not raised our corporate income tax rate in 15 years.
- Several thought leaders have recognized Utah among the best-managed states in the nation. And we've reduced the size of government, while all other employment sectors have grown.
- Finally, thanks to common sense governance and fiscal prudence, Utah has maintained a balanced budget and is one of only a handful of states to retain its AAA Bond Rating.

This all leads to our renowned business friendly environment.

Clockwise
Goldman Sachs
Salt Lake City, Ut

Adobe
Lehi, Ut

Alliant Techsystems (ATK)
Clearfield, Ut



Source: Utah Department of Workforce Services & Bureau of Labor Statistics


#1 "Best State for Business"
—Forbes

#1 "Top 10 Pro-Business States"
—Pollina Corporate



#1 "Best Business Climate"
—Business Facilities

#1 "Economic Dynamism"
—Kauffman Foundation


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Mr. ROKITA. I am not sure if this was made for us today or you use this for other purposes or not.

Governor HERBERT. Somebody made it for you.

Mr. ROKITA. It says, quote, "And we have reduced the size of government while all other employment sectors have grown." And if you said this in your testimony I apologize. But can you put some numbers to that or some specificity to reducing the size of government, what that meant?

Governor HERBERT. Well, thank you. You know, we have talked a lot about certainty and predictability and people want to build on a solid foundation. And I believe that comes with fiscal prudence. We are one of only seven States right now that has a AAA bond rating from all rating agencies on Wall Street, and that says something about Utah, says something about the rest of the country and the challenges that they are facing. We have had a growth that has been pretty good. We are about 3 percent growth rate now, back to our historical norms. And so that expansion of job creation has been healthy.

Mr. ROKITA. But reduce size of government.

Governor HERBERT. Yeah. Our personal income has grown at about 5 percent. Every sector of our economy is growing again except for government. And we have gone through to find ways to streamline and find efficiencies. Again, some of it is technology. Sometimes it is better process. But it is interesting to know that we have about 22,560 employees in the State today. You have to go back to the year 2001 to find a smaller number. As we all know, government is labor intensive, and we have actually reduced our labor and found more efficiencies.

At the same time, Utah, which is also one of the fastest growing States in America, has increased its population by over 600,000 people. So our ratio has gone from one State employee in 112 or 113 to now it is one State employee for 139. Again, as we save taxpayers' dollars proportionally, it allows us to redirect moneys where it needs to go and in fact empower the private sector because we are not taking as much of their revenue and their capital. They can reinvest and grow the economy. And, frankly, that ought to be the focus of all of us. If we get the economy growing right, everything else kind of falls into place. And that is the formula we have done in Utah, and it is working very well for us.

Mr. ROKITA. Chairman, my time has expired. Thank you.

Chairman KLINE. Mr. Hinojosa.

Mr. HINOJOSA. Thank you, Mr. Chairman. I wish to also thank Governor Herbert and the other three distinguished panelists for your participation at our congressional hearing on Education and Workforce Committee.

My first question is for Dr. Jared Bernstein. Between the years 1973 and 2008, the share of jobs in the U.S. economy which required postsecondary education increased from 28 to 59 percent. According to the Georgetown University Center on Education and Workforce, the share of postsecondary jobs will increase from 59 to 63 percent over this next decade.

In your view, what will the jobs of the future look like? What can Congress do to prepare the least educated and underrepresented minority groups for the jobs of the future as you see it? And how can we continue to lower unemployment rates for these populations?

Mr. BERNSTEIN. Well, I should look more carefully, the numbers I have in my head don't quite match the numbers you are citing, although there is no question that over time the demands for more highly skilled workers increases. But it increases at a fairly secular, steady pace. There hasn't been any evidence of an acceleration in the increase of employers' needs for particularly highly skilled workers. And in fact if you look at the Bureau of Labor Statistics' projections for new jobs, the share with, say, college educated goes up a couple of percentage points over the next 10 years, not that big a deal.

And if you then look at the occupations creating the most jobs, you will find that many of those jobs are for home health aides, for child care workers, for workers in the retail sector, for security guards, for health technicians. Did I say home health aides? That is one of the top ones. So while I think it is very important to be sure that we have the skilled workforce, continue to have the skilled workforce we need—and for that, I will speak specifically to some policy ideas—I think it is also very important that we be mindful that that is not the only sector that is going to be adding jobs. We are going to be adding a lot of jobs the middle and the low end of the pay scale as well. And being mindful of the job quality issues there, as I was mentioning to Mr. Scott and Mr. Miller earlier, low unemployment, robust work supports, a high enough minimum wage, guaranteed health care insurance, the ability to collectively bargain, if that is what you want to do, those are all really important.

This is the point I actually wanted to make earlier. It does speak to the issue of your question, how can we help support the need for more highly and, for that matter, more successfully educated people across the educational scale? And that has to do with these funding cuts I mentioned earlier. In my spoken testimony, I talked about how the cuts are impacting education. Well, the nondefense discretionary part of the budget—and of course the discretionary part of the budget is where all the cuts thus far have taken place—on the nondiscretionary part, one-third of that spending goes to States and localities for the kinds of things Secretary Fornash was talking about a few minutes ago and endorsing as very important to her State and I am sure every other State as well.

Well, of the one-third of this nondefense discretionary spending that goes to States and localities to support services, including education, about 25 percent of that, or \$40 billion this year goes to education. And that is precisely the kinds of programs that Secretary Fornash was talking about. These are things that target low-income kids, kids with learning disorders, kids with disabilities. They go to Head Start. They go to districts to train better teachers and reduce class sizes. Any further cuts to the discretionary side of the budget, any shift from defense cuts to the non-defense discretionary side of the budget will cut directly into the kinds of the programs that I am talking about, that third of NDD spending that goes to States to help them with their educational services; with their services writ large, of which education is a part.

Mr. HINOJOSA. Thank you for that response. And that leads me to the question for Secretary Fornash.

In your testimony, you mentioned the success of Virginia's point-based performance funding model in incentivizing institutions to increase the production of the college associate's degrees and bachelor's degrees. Can you explain how that performance funding model works as well as its impact on the graduation rates for the underrepresented populations that I am concerned about?

Ms. FORNASH. Yes, sir. It is a relatively new performance-based funding formula. We just actually provided funding—

Mr. HINOJOSA. Is your microphone on?

Ms. FORNASH. I am sorry. This is a relatively new performance funding model that was just implemented in 2011. It was developed with the business community policymakers and higher education policy analysts. And what the performance funding model does is give institutions certain points for graduating students in 4 years, STEM-H majors, as well as graduating more underrepresented populations.

So we have only been able to provide funding to that performance-based incentive funding for the past 2 years. So at this point we don't have any data to report as it would relate to graduation and retention of underrepresented populations. But I do think it is important to note that we are incentivizing institutions to look to those populations. We know that if we want to increase the number of degrees in the Commonwealth and elsewhere, we are going to have to look to underrepresented populations and we need to have our institutions focused on ensuring those students graduate.

Mr. HINOJOSA. My time has run out. I yield back.

Chairman KLINE. I thank the gentleman.

Mr. Thompson.

Mr. THOMPSON. Thank you, Chairman.

Thanks to the panel for bringing your expertise to all the issues we are dealing with here.

Mr. Timmons, I want to start with you. With so many Americans suffering under unemployment and underemployment and manufacturing struggling to fill vacancies—and that is what I have seen traveling around my congressional district—unable to find qualified and trained workers for these positions sitting open, and quite frankly, on top of that, the risk of America's future competitiveness, given both of those things, what recommendations would you have for secondary education, including career and technical education, if it is applicable, in filling what I would call the skills gap?

Mr. TIMMONS. Well, Congressman, I think there are certainly many things that we can look at with regard to the education system. You know, one thing I would say that hasn't been mentioned here today is that all manufacturing jobs do not require a 4-year degree. And, you know, that is the bright spot. We have been encouraged with the work of the administration on their support of our skills certification program. That is postsecondary, but in work with community colleges it has certainly been a benefit to helping train future manufacturing workers.

In the secondary area, our Manufacturing Institute has also created a program, and it is I guess about 6 years old, called Dream It, Do It. I describe it as a cross between kind of the old shop class that many of us remember and junior achievement. And it gives young people an opportunity to really imagine their future in the

world of manufacturing. We have gotten away over the course of the last several decades from encouraging our children and future generations to be involved in the manufacturing workforce because of a perception of what manufacturing used to be. Manufacturing today is sleek. It is innovative. It is clean. It is technology driven. You know, when I am speaking to students, I say it is a sexy field to go into. And the Dream It, Do It campaign or the Dream It, Do It effort helps young people kind of imagine their future in this field.

So that is what we are doing from the private sector vantage point. We have partners in many States. Some States, the Governors have taken it on as kind of their main focus for advancing some interest in manufacturing, and we have appreciated that partnership as well.

Mr. THOMPSON. Thank you. I think we have done a tremendous disservice to a lot of our youth, our kids. You know, many of them go right into the workforce. And I am a supporter of higher education. No doubt about that. I want to work to make that affordable and accessible. But I believe there are many different pathways to success in life, and if we don't honor all those and reduce the burdens on all those pathways, we really haven't served our children well.

Governor, as you know, last week it was reported that the gross domestic product dropped during the last 3 months of 2012 resulting in a 0.1 percent of negative growth for the fourth quarter. Now, this is the first contraction since the spring of 2009. As you have looked at that and have heard that reported, what factors do you believe led to that loss? And what policies do you believe should we take to put the U.S. economy back on track?

Governor HERBERT. Well, that is a great question. I think there are a number of factors that, at least in my opinion, that caused it. I think some of it is cyclical, the ups and downs of the business cycle, and some of it may be seasonal. But clearly the fact that there is concern and uncertainty in the marketplace caused by either regulation, the fiscal cliff so-called, sequestration, tax hikes all cause the entrepreneur to sit on the sidelines and say, Gee, I don't know what the rules are. It is estimated by many economists that there is \$2 trillion of capital sitting on the sidelines not willing to invest, waiting for some kind of certainty to occur so they can feel like, We know what the rules are, if we know what the rules are we can play by them, and we will have an opportunity to have a return on our investment. I think that uncertainty is the biggest cause for the constriction.

Again, without belaboring the point, in Utah we have tried to in fact provide certainty and predictability. We have not had a tax increase for 15 years. We actually lowered our taxes and flattened the rate. We have had regulation reform. We in fact do everything we can to empower the private sector to do what they do best, which is innovate and create and find new ways to solve the problems and find solutions to the challenges that the marketplace and the public wants. And in doing so, we have created an opportunity where venture capital is coming to Utah. Businesses are locating. We actually have research and development's occurring and concentrating in Utah. Actually reshoring, bringing people from out-

side of our country. They are coming back to a favorable environment. Lower cost energy. Those kinds of things are attracting manufacturing to Utah. Procter & Gamble opened up their first manufacturing plant in North America in 40 years in Utah here just a couple of years ago because of those kinds of things. So absent certainty and predictability, the marketplace is hesitating.

Mr. THOMPSON. Thank you, Mr. Chairman.

Chairman KLINE. The gentleman's time has expired.

Mr. Tierney.

Mr. TIERNEY. Thank you.

Dr. Bernstein, I won't ask the Governor this because it would put him on the spot, but I will ask you. The uncertainty of which the Governor speaks, can you give us a couple of comments on how that arose or what is causing that uncertainty over the last quarter?

Mr. BERNSTEIN. I think there is actually considerable evidence that right now uncertainty is very much a function of fiscal policy and jumping from fiscal cliff to fiscal ceiling to potential sequester. It is very hard for businesses, many of whom depend on government contracts—the government lets \$0.5 trillion in contracts per year all throughout the economy—to plan ahead with that kind of uncertainty. So this lurching from crisis to crisis—and I think I am corroborating things the Governor himself said a minute ago—very much doesn't help.

Mr. TIERNEY. It is rather asymmetric. I would just point out, the uncertainty is caused of course by our friends who won't come to a reasonable balanced approach to taking care of our fiscal problems. But be that as it may.

Let me ask you again, Dr. Bernstein, talk to me, if you will, about the lack of demand in the economy and its effect on our situation.

Mr. BERNSTEIN. Sure. It is very important in the context of a hearing that has been largely about—and appropriately so, of course, given the committee's mandate—on education and making sure that we have an adequate supply of skilled workers. But absent enough jobs for the workforce, a skilled worker is essentially all dressed up with nowhere to go. That is, simply training somebody does not create a job for them.

We have a widely agreed upon—again, by economists of all stripes—large output gaps in our economy. The economy has never grown quickly enough to restore the growth lost in the depth of the great recession. The unemployment rate has been elevated for years now. The current unemployment rate is just below 8 percent. Most economists consider full employment somewhere slightly north of 5 percent.

So those factors are not just hurting the unemployed—and this is important—they also hurt the employed. I showed in my first chart the loss of earnings for middle-income workers and low-income workers, real losses once you factor in inflation. These are for full-time workers. These are for full-time workers.

Mr. TIERNEY. So the stagnation of wages is the second element of that.

Mr. BERNSTEIN. The stagnation of wages is closely related to the persistent lack of demand or weakness in the labor market.

Mr. TIERNEY. Governor, on that point alone I notice that in your fiscal year 2014 budget, you allow for a 1.6 percent increase, I guess, in education, right?

Governor HERBERT. Yes. But again, we have about a 2 percent growth rate in our student population.

Mr. TIERNEY. But it is a 1.6 percent increase in your budget for that year. And I think that allocates resources to give a cost of living raise to your higher education professionals, right?

Governor HERBERT. We have provided salary increases for higher education and also for public education.

Mr. TIERNEY. Well, you didn't for K-12, right? I mean, they have not had a raise for 4 years. And let me guess, you had a Utah State Board of Education and your own Education Excellence Commission both recommended you give a 2 percent increase in education. You gave a 1.6 percent, and the difference is that you didn't give a cost of living raise to your K-12 teachers, right?

Governor HERBERT. Well, again, our formula we have there is taking care of the health care costs in the benefit package.

Mr. TIERNEY. Right. But I guess my real question focuses on whether or not you gave a cost of living increase to your K-12 teachers.

Governor HERBERT. We did. We did. It depends on how they decide to spend it at the local district level. They have flexibility. We covered the benefit package. They can either take a reduction in their benefit or they can have a cost of living on their salary and take home.

Mr. TIERNEY. So they got a choice in poison, but they didn't really get an increase.

Governor HERBERT. The choice is, the local districts, how they want to spend the moneys.

Mr. TIERNEY. So they want to cut the teachers back in one area or another. But it is not a question of—

Governor HERBERT. I would answer it this way, Congressman. I remember as a young man I was able to go out and buy an automobile. When I asked my father if it was okay for me to do that he said, You can buy it if you can afford it. There are limited amounts of money that we have available to spend. We are putting \$300 million this year—

Mr. TIERNEY. So, Governor, if I could interrupt you. You chose to make your reduction in the K-12 people by not giving them the same cost of living increase that you gave to other areas, including higher education.

Governor HERBERT. We made the proposal, then worked with the legislature to make sure that—our original proposal was for last year. If you are talking about last year's budget—

Mr. TIERNEY. I am talking about 2014 projections on that. And I guess, Dr. Bernstein, is that failure to give raises for 4 years and then failure to give a cost of living increase this year obviously has an impact on the overall economy of that area, right?

Mr. BERNSTEIN. And there is no question that Utah has done absolutely better on many of the indicators that the Governor was talking about today and I don't doubt that at all. But it is the case that from the late 1990s to the mid-2000s, the real income of Utah households in the bottom fifth of the pay scale fell 11 percent, fell

11 percent in real terms. Over that same period middle-income households—that is from the late 1990s to the mid-2000s—only went up less than 2 percent. So there is the same type of pay squeeze, of income squeeze, of difficulties facing middle-wage and low-wage workers exists there as well.

Chairman KLINE. The gentleman's time has expired.

Mr. Messer.

Mr. MESSER. Thank you, Mr. Chairman. I have a formal statement. But in the interest of time I would like to, with your permission, submit that statement and then try to get to the essence of my question. Thank you, Mr. Chairman.

I am sure there has been some dialogue earlier about the Affordable Care Act and its sometimes intended and unintended consequences on our economy. I think the chairman mentioned there are already 13,000 pages of regulations associated with that bill. This week the superintendent of a school system in my district came to me—his name is Dave Adams at the Shelbyville Central School System—and raised the issue with me that the challenges the school system is having and the calculation of what a full-time employee is and how that might impact their budgets and specifically how that might impact teachers aides, people who work between 30 or 40 hours a week but do that 9 months a year. His estimate is that under the proposed definitions in the act it would cost this school system, a town of about 15,000 people, \$794,000 in a time where they are very strapped with budgets.

This, of course, is not something that just impacts schools. And I would like to raise my first question to Mr. Timmons, if I could. How will the affordable health care law's mandates and penalties impact employers and their employees? And what steps are employers taking to mitigate the potential harm from these provisions?

Mr. TIMMONS. Well, I am only on page 4,692 of the regulations. So I can't give you a direct answer to that. But just suffice it to say that manufacturers were fairly disappointed with the outcome of the Affordable Care Act. We supported the goals of reducing the cost of health care and we supported the goal of increased access. And, unfortunately, there were a lot of other things added to that bill that made it quite expensive.

Manufacturers, 97 percent of manufacturers provide very robust health care benefits for their employees. So for us, it was not that large of an issue or a change. And I can't answer your question because I think manufacturers are looking at the cost-benefit ratio of the law and what they are going to be required to do to keep the plans that they have in place right now versus moving away from employer-provided care and into the new system.

I can say that manufacturers would prefer to be able to provide these benefits to their employees. I mean, it is something that we are very proud of. It is something that employees appreciate. And, you know, it is part of that good healthy working relationship that employer and employees have in the manufacturing community. So I have to, unfortunately, get back to you on what they are planning to do, but I can tell you that they are evaluating it.

Mr. MESSER. Okay. Well, I appreciate that.

And very quickly, Secretary Fornash, appreciate your testimony. And you were very eloquent about the successes in Virginia. I just wanted to ask the question, is this an issue that you are aware of? Do you have any thoughts on the impact of the requirements and penalties of the Affordable Care Act on education institutions in Virginia or elsewhere?

Ms. FORNASH. Sure. We are still evaluating the implications of the Affordable Care Act as it relates to education and in the process are working on some guidance to our State agencies. In the Education Secretariat also have our higher education institutions, which employ a tremendous amount of part-time staff, as you can imagine, on the auxiliary side, student affairs, residence life, dining, those types of things. So that is obviously a concern for the employees of those operations, as well as our State-operated museums who hire a lot of wage, part-time, seasonal employment. So these are definitely issues that we are in the process of evaluating and working on some guidance to better understand and issue to our State agencies and institutions of higher education.

Mr. MESSER. Well, thank you.

Mr. Chairman, clearly at a time when schools are strapped for cash and we just had a dialogue just a second ago about the challenges they face, I think this is one more challenge that is being piled on schools. Thank you.

Chairman KLINE. The gentleman yields back.

Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman. And thank you to the witnesses for your outstanding testimony today. Again, I appreciated the input regarding the skills gap and the 600,000 job openings, which again I think we are all hearing that in our districts. In Connecticut, Governor Malloy has initiated an advanced manufacturing program using community colleges with 1-year or 2-year degrees. The hiring rate is almost 100 percent in those programs.

So, you know, there is actually I think a lot of good work this committee can do with the Workforce Investment Act to try and make sure the structural unemployment doesn't add to the pain that is out there right now. But again, I have to say, the fiscal uncertainty that is out there right now is what I am hearing when I am back home. And I am going to use a very specific example, which is that if sequestration and the CR, by the way, go into effect, the impact in terms of the Navy's budget for repair and maintenance, which will affect shipyards in Virginia as well as Connecticut, California, Hawaii, means that 23 ship repair and availabilities are going to be canceled. And those are real jobs. Those are exactly the high-value jobs in manufacturing that people are pulling their hair out right now, they just cannot believe that that is not something that we are focused on right now 22 days away roughly from sequestration from kicking in.

And the solutions that the majority party has put forward to protect defense cuts would basically shift all the cuts to discretionary domestic spending, which is Title I, which is Head Start. Again, my largest school district is going to lose two Head Start programs if the domestic discretionary cuts go into effect. So that is not a solution. I mean that is just not an answer for dealing with what again is about an inch from our nose as we are standing here right now.

The Bipartisan Policy Center, which is the group that was founded by Senator Dole and Senator Daschle, came out with a report on sequestration which again a million jobs will be lost if we don't deal with this right now. And I just wonder if you have reviewed those findings, Dr. Bernstein, and have any comment.

Mr. BERNSTEIN. Well, it is precisely related to the kinds of comments that I was referring to earlier. And in fact you gave the microeconomic foundations for exactly what we are talking about. Many of these outlays find their way into the economy quickly. Think of it as sort of the opposite of stimulus. Right? It is instead of an infrastructure program that creates a job, this is pulling out funding resources that are actively creating jobs now, and those jobs will be lost if those spending cuts occur as planned in the sequestration.

I mean you will recall that many economists, and I think Members of this body, were very much worried about the impact of the fiscal cliff on the economy. Ben Bernanke warned about it. I don't recall the CBO ever projecting a recession before. They projected that if the fiscal cliff occurred, there would be a recession. This is a microcosm of that. And if you thought the fiscal cliff was bad for the economy, this is a microcosm of the fiscal cliff. Works the same way, by slowing GDP growth, slowing employment growth, slowing consumer demand, slowing investor demand, pulling funding out of the very kinds of productive processes you are describing.

Mr. COURTNEY. And the positive outcome of the fiscal cliff, which was basically to get some certainty into tax rates, estate tax rates, again, not everybody was thrilled with where the cutoffs were in terms of the rates, but at least now we are not looking in those two areas. In AMT, no more AMT patches. We are not looking at any sunset dates. We are not looking at any automatic expiration dates or shelf life dates.

And, frankly, you know, your organization and your members, by the way, it is not just the big OEMs that are worried about the sequestration, it is the supply chain of metal finishers, valve manufacturers. These are the guys that, frankly, are going to feel because they have no reserves that they can fall back on. And the absence of any reference to what is staring manufacturers, particularly defense manufacturers in the face right now, literally about 3 weeks away, is kind of astonishing to me, Mr. Timmons.

Mr. TIMMONS. Well, it shouldn't be too astonishing because we are talking about it all the time. And you are exactly right, our study actually shows that there will be a 12.8 percent contraction in GDP between now and the end of 2015 if sequestration is allowed to proceed. And it could ultimately result in another decade to get back to where we have just come from.

So for us, it really is a very vital issue. You know, 67 percent of manufacturers say that there is too much uncertainty right now to expand, to hire, to grow; 55 percent of manufacturers say they would not start their business today if they knew what they know now and in this current environment. So manufacturers are very concerned about sequestration. As Dr. Bernstein mentioned and our study confirms that, a million jobs at stake in the manufacturing sector if sequestration, particularly in defense manufacturing, is allowed to continue as it is currently scheduled to do.

And we would love to work with all Members of Congress on both sides of the aisle to resolve this problem.

Mr. COURTNEY. Thank you. I yield back.

Chairman KLINE. The gentleman's time has expired.

Mrs. Brooks.

Mrs. BROOKS. Thank you, Mr. Chairman.

Mr. Timmons, as you might know, I was previously a senior vice president with workforce training at Ivy Tech Community College and general counsel for the college. And you have talked about the skills gap and the 600,000 jobs that have gone unfilled. Can you talk a little bit more specifically about the Manufacturing Institute work that you all do, what you have done with Ivy Tech, and why you think community and technical colleges are really the right forum for this type of training?

And then secondly, I was on shop floors last week at Roche Diagnostic and Rolls-Royce in Indiana, and you are right, they are sleek, innovative, high-tech factory shop floors. And I think a lot of people don't understand the appreciation or the importance of the skill certification that you have mentioned. Can you talk about how the Manufacturing Institute is working with the community colleges on the skill certifications?

Mr. TIMMONS. Well, I would be happy to do that. And thank you for the question.

The Manufacturing Institute has really taken the skills issue to a new level. I mentioned earlier the Dream It, Do It campaign that the Manufacturing Institute kicked off several years ago, and one of the things that we want young people to understand is the ability to have a much higher income than they might otherwise. Twenty-seven percent higher income than the rest of the economy is what the average is for manufacturing workers.

The institute has implemented, as I mentioned in my testimony, a skill certification system by working with community colleges throughout this country to enact a portable set of skills that can be applied to manufacturing facilities anywhere. It is a basic skill set that tells a manufacturer that these individuals are skills-ready to enter the manufacturing workforce. It doesn't mean that there won't be additional training that is required at a particular company for a particular industry, but it is an effort to try to provide that pipeline for the workforce that manufacturers so desperately need.

I also want to point out again—and I mentioned it earlier but I think it is very important to mention this particular program—and it is the military badge program that the institute has kicked off with several of our members throughout the country. And the military badge program really acts as a translation device, if you will, for skills that military personnel may have acquired in their service to our country. For instance, if you are talking to somebody who is just returning from Afghanistan and you say, Well, what skills do you think you could apply to the manufacturing workforce? And they shrug their shoulders and say, I don't know, I drove a tank. Well, the military badge program will help them identify the skills that would be very vital to a manufacturing career. It might be hydraulics. It might be electronics. It might be logistics. Those skills can be then applied to a manufacturing position.

If they have a skill set that is ready to go, we help them enroll in an online database to match them with openings in the manufacturing community. If their skills might need a little tweaking, we work with a group called Right Skills Now to get them the additional training that they will need and then we get them into this electronic database.

So the Manufacturing Institute, you know, I have to say that they have about six people on their staff and they are running quite an amazing program to help fill this 600,000 deficit in our workforce.

Mrs. BROOKS. Thank you, Mr. Chairman. I yield back.

Chairman KLINE. Thank the gentlelady.

Ms. Bonamici.

Ms. BONAMICI. Thank you very much, Mr. Chairman and Ranking Member Miller, for holding the hearing today. And thank you to the witnesses. I want to start by concurring with some of the comments that were made today.

Governor Herbert, thank you for bringing up the importance and the benefits of language immersion and preparing students for a global marketplace.

Secretary Fornash, thank you for emphasizing the importance of increasing innovation.

Dr. Bernstein, I appreciate your discussion about the role of investment in education as an important way to address income inequality.

And, Mr. Timmons, this has been a great discussion about the skills gap and workforce training, something that I have met with community colleges and businesses in my home State of Oregon about. I am actually working on developing some legislation that will help to pair the local employers with workforce training and help address that skills gap.

I want to follow up, especially with Dr. Bernstein, about something that my constituents are emphasizing, and that is the importance of investment in early childhood education programs, like Head Start and the difference that they make for students, especially in the long term. And I know, Dr. Bernstein, you mentioned the importance of higher education to helping Americans find jobs and earn good wages. But you also talked about the dramatic effects that cuts in the nondefense discretionary budget would cause, including programs like Head Start and early childhood education.

The University of Oregon, my alma mater, has a new president, and he has an interesting background for a college president. He was a criminologist. And he said one of the best investments we can make in crime prevention is an early childhood education. So can you elaborate in not only the importance of investing in early childhood education to ensure that we have the workforce needs for the future, but also, conversely, how budget cuts and cutting those programs could negatively impact everything from a prepared workforce to graduation rates and even criminal justice laws?

Mr. BERNSTEIN. By the way, I was out at the University of Oregon last week giving a couple of talks. Go Ducks, is I think what you say out there.

Ms. BONAMICI. Thank you.

Mr. BERNSTEIN. The idea that we would under-invest in preschool, including Head Start, particularly for disadvantaged kids whose parents far more often than not are unable to afford the investments that more affluent parents make all the time, is unquestionably cutting off our nose to spite our face, whether it is concerns about our fiscal future, whether it is concerns about the issues discussed here today, whether it is concerns about those children realizing their potential. This is something that is widely agreed upon, again, by economists of all stripes. It is not a liberal idea. It is not a conservative idea. In fact, a renowned Nobel laureate economist named Jim Heckman, who is I think typically associated with Republicans, has written many memos to Members of Congress and the administration just deeply urging that we pursue this kind of funding more deeply—again, particularly as regards kids in the bottom half of the income scale who typically are left behind in this regard.

Things like small class sizes have been shown, we now have decades of longitudinal data on this, so there are very good controlled studies that show if a kid gets to go to a smaller class, which is often associated with the kinds of funding within the NDD budget, that kid will have a higher likelihood of completing college. Same thing if you look at the kinds of educational experiences, parental investments that kids in the bottom fifth of the income scale face versus kids in the top fifth, they are highly disadvantaged at the starting gate. So both in terms of public savings down the road and helping these kids achieve their potential, these are obviously very smart investments.

Ms. BONAMICI. Thank you. And I know that my colleagues and I all listen to our concerns of our constituents when we are in our districts and we will be doing what we can to make sure that we don't have these detrimental cuts that our local school districts will not be able to make up if these important investments, like Title I, Head Start, IDEA are cut. So thank you for your testimony.

And thank you again for this hearing.

Chairman KLINE. I thank the gentlelady yielding back.

Ms. FOXX.

Ms. FOXX. Thank you, Mr. Chairman.

Ms. FURNASH, in your testimony you discuss Virginia's Longitudinal Data System. Could you tell us what steps you are taking to secure student and teacher performance data and protect students' privacy? And with respect to the linkage between teachers and their preparation programs, how do you hope to use that information?

Ms. FURNASH. Yes, ma'am. Thank you, Congresswoman Foxx. We are very proud of Virginia's longitudinal database system because it is providing a way where we can come together with the State agencies, within the Department of Education, the State Council of Higher Education/Virginia, as well as a number of other State agencies, one of which is the Virginia Information Technology Association. And so they have been a critical partner in ensuring the safety and security of those records since that is foremost important to us in the Commonwealth, is protecting those records.

We also see it as a vital tool in order to be able to evaluate program effectiveness. And so right now we are in the process of, as

I mentioned earlier, being able to look at wage outcome data for our graduates of our both public, as well as private higher education institutions. But we also have interest in using that data in better understanding the outcomes of our teachers and understanding how they impact young people and students.

And so we have really developed a very robust system that is going to allow us to look at teachers, their preparation at our 4-year public and private institutions, and then ultimately the outcomes of students and what types of things do we need to be thinking about in the future. As it relates to preparation of teachers, what changes do we need to make in our teacher preparation programs to really ensure that they are prepared to handle the challenges of the student in the 21st century.

Ms. FOXX. A little quick follow-up, and maybe you can get me some information outside of today's hearing.

But one of the things we are all concerned about is the issue of transparency and making sure that people have the kind of information that you are gathering. So in 25 words or less, could you say how you are going to make sure that people understand what the results are of your data gathering?

Ms. FURNASH. Sure. And that really is a challenge. Right now we have used the resources to really build the infrastructure for the system and we are working closely with our higher education institutions' research faculty to make them more aware of the system and the capacity of the system. Much of what is currently available in the database you are able to query through the Department of Education's Web site at the State level or the State Council of Higher Education's Web site at the State level. These, again, are on protective servers. But we do make that information available to the public and try to do so in a very simple and easy to find manner.

Ms. FOXX. Well, thank you very much.

Mr. Timmons, I apologize that I have had to be in and out of the hearing today, but I know that you all have shared some really good information. And I can tell by the questions that my colleagues have asked that you are presenting very good information.

You mentioned that you are, quote, working to integrate credentials in the for-credit side of the colleges so individuals will have the opportunity to get college credit and work toward a degree. Could you say a little bit more about—and you talked about this just a little bit ago—but can you talk about how well the colleges are working with you, how they have been enthusiastic about better aligning their course work with business needs, and anything else that you might have wanted to have said along those lines that you didn't get a chance to say before?

Mr. TIMMONS. Well, I have a minute and three seconds, so I am not sure I can get to all that. But to your specific question, Congresswoman, we have been very pleased with the response from communities and institutions of higher education, both at the community college level and the 4-year level, because, quite frankly, everybody is talking about manufacturing. It really doesn't matter what political party you belong to, it doesn't matter where you live, folks understand that manufacturing is really the heart of a thriving economy. And it has the highest multiplier effect of any other

sector of the economy in terms of investment in jobs, so everybody wants to see manufacturing succeed, and obviously we are thrilled with that.

Community colleges and higher education institutions have been very responsive to our call for creating a set of portable skills. We have worked very closely with the administration on this particular project, and I have to say that it has received a lot of bipartisan support, as well as community support. So we are thrilled with the reaction that we have gotten.

Ms. FOXX. I yield back.

Chairman KLINE. Thank the gentlelady.

Ms. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

Thank you all for being here. I wanted to go back to the skills gap issue, and I know we have talked a lot about that today, and just bring in a question from the New York Times article.

And I will submit that for the record, Mr. Chairman.

Chairman KLINE. Without objection.

[The New York Times article follows:]

From the *New York Times*, Nov. 20, 2012

Skills Don't Pay the Bills

By ADAM DAVIDSON

Earlier this month, hoping to understand the future of the moribund manufacturing job market, I visited the engineering technology program at Queensborough Community College in New York City. I knew that advanced manufacturing had become reliant on computers, yet the classroom I visited had nothing but computers. As the instructor Joseph Goldenberg explained, today's skilled factory worker is really a hybrid of an old-school machinist and a computer programmer. Goldenberg's intro class starts with the basics of how to use cutting tools to shape a raw piece of metal. Then the real work begins: students learn to write the computer code that tells a machine how to do it much faster.

Nearly six million factory jobs, almost a third of the entire manufacturing industry, have disappeared since 2000. And while many of these jobs were lost to competition with low-wage countries, even more vanished because of computer-driven machinery that can do the work of 10, or in some cases, 100 workers. Those jobs are not coming back, but many believe that the industry's future (and, to some extent, the future of the American economy) lies in training a new generation for highly skilled manufacturing jobs—the ones that require people who know how to run the computer that runs the machine.

This is partly because advanced manufacturing is really complicated. Running these machines requires a basic understanding of metallurgy, physics, chemistry, pneumatics, electrical wiring and computer code. It also requires a worker with the ability to figure out what's going on when the machine isn't working properly. And aspiring workers often need to spend a considerable amount of time and money taking classes like Goldenberg's to even be considered. Every one of Goldenberg's students, he says, will probably have a job for as long as he or she wants one.

And yet, even as classes like Goldenberg's are filled to capacity all over America, hundreds of thousands of U.S. factories are starving for skilled workers. Throughout the campaign, President Obama lamented the so-called skills gap and referenced a study claiming that nearly 80 percent of manufacturers have jobs they can't fill. Mitt Romney made similar claims. The National Association of Manufacturers estimates that there are roughly 600,000 jobs available for whoever has the right set of advanced skills.

Eric Isbister, the C.E.O. of GenMet, a metal-fabricating manufacturer outside Milwaukee, told me that he would hire as many skilled workers as show up at his door. Last year, he received 1,051 applications and found only 25 people who were qualified. He hired all of them, but soon had to fire 15. Part of Isbister's pickiness, he says, comes from an avoidance of workers with experience in a "union-type job." Isbister, after all, doesn't abide by strict work rules and \$30-an-hour salaries. At GenMet, the starting pay is \$10 an hour. Those with an associate degree can make \$15, which can rise to \$18 an hour after several years of good performance. From

what I understand, a new shift manager at a nearby McDonald's can earn around \$14 an hour.

The secret behind this skills gap is that it's not a skills gap at all. I spoke to several other factory managers who also confessed that they had a hard time recruiting in-demand workers for \$10-an-hour jobs. "It's hard not to break out laughing," says Mark Price, a labor economist at the Keystone Research Center, referring to manufacturers complaining about the shortage of skilled workers. "If there's a skill shortage, there has to be rises in wages," he says. "It's basic economics." After all, according to supply and demand, a shortage of workers with valuable skills should push wages up. Yet according to the Bureau of Labor Statistics, the number of skilled jobs has fallen and so have their wages.

In a recent study, the Boston Consulting Group noted that, outside a few small cities that rely on the oil industry, there weren't many places where manufacturing wages were going up and employers still couldn't find enough workers. "Trying to hire high-skilled workers at rock-bottom rates," the Boston Group study asserted, "is not a skills gap." The study's conclusion, however, was scarier. Many skilled workers have simply chosen to apply their skills elsewhere rather than work for less, and few young people choose to invest in training for jobs that pay fast-food wages. As a result, the United States may soon have a hard time competing in the global economy. The average age of a highly skilled factory worker in the U.S. is now 56. "That's average," says Hal Sirkin, the lead author of the study. "That means there's a lot who are in their 60s. They're going to retire soon." And there are not enough trainees in the pipeline, he said, to replace them.

One result, Sirkin suggests, is that the fake skills gap is threatening to create a real skills gap. Goldenberg, who has taught for more than 20 years, is already seeing it up close. Few of his top students want to work in factories for current wages.

Isbister is seeing the other side of this decision making. He was deeply frustrated when his company participated in a recent high-school career fair. Any time a student expressed interest in manufacturing, he said, "the parents came over and asked: 'Are you going to outsource? Move the jobs to China?'" While Isbister says he thinks that his industry suffers from a reputation problem, he also admitted that his answer to a nervous parent's question is not reassuring. The industry is inevitably going to move some of these jobs to China, or it's going to replace them with machines. If it doesn't, it can't compete on a global level.

It's easy to understand every perspective in this drama. Manufacturers, who face increasing competition from low-wage countries, feel they can't afford to pay higher wages. Potential workers choose more promising career paths. "It's individually rational," says Howard Wial, an economist at the Brookings Institution who specializes in manufacturing employment. "But it's not socially optimal." In earlier decades, Wial says, manufacturing workers could expect decent-paying jobs that would last a long time, and it was easy to match worker supply and demand. Since then, with the confluence of computers, increased trade and weakened unions, the social contract has collapsed, and worker-employer matches have become harder to make. Now workers and manufacturers "need to recreate a system"—a new social contract—in which their incentives are aligned.

In retrospect, the post-World War II industrial model did a remarkably good job of supporting a system in which an 18-year-old had access to on-the-job training that was nearly certain to pay off over a long career. That system had its flaws—especially a shared complacency that left manufacturers and laborers unprepared for global trade and technological change. Manufacturers, of course, have responded over the past 20 years by dismantling it. Yet Isbister's complaint suggests some hope—that there's a lack of skilled workers; that factory layoffs overshot, and now need a reversal. As we talked, it became clear that Isbister's problem is part of a larger one. Isbister told me that he's ready to offer training to high-school graduates, some of whom, he says, will eventually make good money. The problem, he finds, is that far too few graduate high school with the basic math and science skills that his company needs to compete. As he spoke, I realized that this isn't a narrow problem facing the manufacturing industry. The so-called skills gap is really a gap in education, and that affects all of us.

Adam Davidson is co-founder of NPR's "Planet Money," a podcast and blog.

Mrs. DAVIS. Thank you.

The question really is raised whether or not it is so much a skills gap in all cases but rather a wage gap, because many, many manufacturers are only offering about \$10-an-hour jobs. So the incentive

for young people to go into those jobs when there might be—I mean, they could flip hamburgers probably for more than that—is that part of the problem? I am certain that in all cases this is not necessarily true, but I wonder, Dr. Bernstein, if you want to comment on that, that in many cases, and the article cites, you know, it may be entry at \$10 and maybe you go up to \$16.

Mr. BERNSTEIN. Yeah, I think the wage gap right now is very pronounced, and as I have tried to explain in my testimony, in the very near term, more pressing than the skills gap, which is a longer-term problem and a very real one. But if you look at my figure 2, for example, I show that—and, again, I think members would be surprised—I mean, you have heard a lot of talk today about how the demand for workers with high levels of skill is being unmet. Well, if that is true, we should definitely see their wages going up. I mean, that is very simple economics. If the demand for something is unmet by employers, employers should be bidding those wages up, and we don't. In fact, what we saw, as I pointed out, was a decline in the real pay of college graduates.

Now, college graduates have much lower unemployment rates, they have much higher levels of pay. It is a great idea for—I know your kids are here today—it is a great idea for anyone to get all the skills they can because it makes a big difference in their earnings potential and in their success in life, no question about that. But economy large, this lack of demand, persistently high unemployment rate has been hammering away at wages across the pay scale, not just at the very bottom.

Mrs. DAVIS. So if we really see manufacturing as the heart of a thriving economy, obviously that is a very important place to be able to put those resources. It is understandable if there were so many people out there looking for jobs that employers wouldn't feel a need to raise that salary, but that doesn't seem to be working in terms of filling those jobs.

Mr. BERNSTEIN. I think in terms of manufacturing, the thing that economists have found is that historically there has been—and I believe Mr. Timmons referenced this earlier—historically there has been a large and significant wage premium in the manufacturing sector, and that is obvious because it is a high value-added sector, so you would expect that kind of a wage premium. But what we have seen, however, is that that premium has consistently slid. It has come down a lot. Now, it has not gone to zero. Some people say it has. My work suggests it is still somewhere in the, say, 5 to 10 percent range, but it used to be in the 20 percent range. By the way, it is a larger premium if you include compensation because manufacturers tend to provide better compensation packages relative to just the wage package.

Mrs. DAVIS. Thank you.

Certainly I wanted to just comment, Mr. Timmons, on the issue around the military and the military badge. And I know that we are working with that across the country and with the Labor Department to try and help translate those skills better. Part of the problem that the military has is they need to at least provide something in the neighborhood of about 90 days of preparation to make that transition smooth, and of course that is a real problem that we have.

I wanted to just turn to you, Madam Secretary Fornash, for the issues that we all face and we look at colleges and the fact that we have a high enrollment rate in our universities probably globally, you know, we do quite well in that area, but when it comes to actual graduation we are at the bottom. That must frustrate you. It certainly frustrates everybody that looks at this issue. In addition, I guess it is an education gap, kids are not graduating from high school with what they need to be successful in college. What do you think needs to be done about that?

Ms. FORNASH. One of the primary issues, I think, that relates to graduation and retention rates is remediation, and so many of our 4-year institutions are providing remediation services when that really should be done at the high school level or at the community college level. And in Virginia I think we can say we are very proud of Virginia's community college system because they have taken a very innovative approach to remediation as it relates to math and reading, and they have actually broken it down into components and created an online opportunity for students to gain those skills that they really need specific to the academic program that they are interested in studying. And so to me that is one of the largest challenges we face in higher education, is really ensuring that a young person is prepared for postsecondary education and ensuring that that is done in a way that won't slow down the process and hamper them from getting those credentials they need to be successful.

Chairman KLINE. The gentlelady's time has expired.

I think all members have had a chance to ask questions. And Mr. Miller, I think, had a follow-up question, and I will yield to him for that question and any closing remarks he might have.

Mr. MILLER. Thank you.

By way of question, in Virginia, can you tell me where you are now in terms of State support for your public higher education institutions? I think in California we drifted down to almost 20 percent from a high of 70, years ago, down to around 20. I think we are around 22, somewhere in that. Do you know where you are?

Governor HERBERT. I do. Our State budget, 50 percent goes to public education, another 15 percent goes to higher education, so a total of our State budget that we dedicate to education.

Mr. MILLER. That supplies what level of support, that is what percentage of the budget of those public institutions?

Governor HERBERT. It is about \$3.7 billion of about a \$6 billion State budget.

Mr. MILLER. Of the 100 percent that is being spent by those institutions, the State is supplying, in California I think we are supplying about 20 percent of their budget down from a high of 70, and I just wondered what it is in Virginia and in Utah.

Governor HERBERT. Well, for Utah, again, our State portion of the budget, this is not the stuff we partner with, with the Federal government, we put about 65 percent of our State revenues go to education.

Ms. FORNASH. In higher education we have about 10 percent of our general fund goes to our higher education institutions.

Mr. MILLER. But you don't know what percentage of the institutional budget that provides? I mean, I think in Michigan it was drifting down to 6 percent.

Governor HERBERT. For the individual institutions themselves?

Mr. MILLER. Yes.

Governor HERBERT. It varies depending on the institution. We have eight institutions of higher learning, we have seven applied technology colleges which we are putting significant revenue into. It probably is a portion of probably 20, 25 percent of the overall budget comes from tax dollars. And it varies.

Mr. MILLER. Okay. I may not have phrased the question right, but I will find the answer somewhere. Thank you.

Ms. Fornash, let me thank you for raising this issue of remediation. I think in my State 30 percent of the students are going to institutions of higher education to get remediation. I can't think of a more expensive way to provide remediation than to do it on the campus of a State college or university, and especially when students are borrowing money. It just simply has to stop. I mean, you want to talk about, you know, the right allocation of resources and debt and what have you, I think you make a very important point and I hope other States.

On the question of college, I think we have done here a relatively good job of helping with the affordability of college with interest rates and things to try to get through the recession, and student loans and the direct loans, I think, are all helpful. But the cost of college just continues. Looking at it from this side of the dais, there is not a lot of answers at the Federal level. We can strain, but really the cost of college is better dealt with. And some of the things I just want to say that you have mentioned institutionally in Virginia and Utah really have got to examine how this money is being spent in the institutions and what is the allocation of urgent resources and sort of non-urgent resources. I know there is turmoil in California because some lifetime learning classes will be dropped from community colleges. We had 5 million people show up for the community colleges across this country that we never saw before, and they are trying to get a job. And I think that kind of urgency, that kind of triage, it offends the liberal arts major that we would consider this, but the fact is the person that did your study, Tony Carnevale at Georgetown, will tell you whether they go to Georgetown or whether they go to San Jose State or community college, 80 percent of them are going there to get a job. And the allocation of these resources and the cost of college, we have really strained at the Federal level to try to make it affordable with income-determinant repayments, with forgiveness so people could enter these careers. But this cost issue is something that we don't have a lot of say. We are sort of paying the bills. We really have a sense of urgency about that overall cost of college for us.

And my final comment just, Mr. Timmons, is I think the badges are really a way for a lot of people to see a way into manufacturing that they couldn't envision. When I grew up, it was passed on from your uncle or your brother, what have you. Now they are not quite sure what is going on in that facility, and the idea that they would bring some competencies, whether it is from military service or elsewhere, to start that process I think is really an encouraging ap-

proach to students making a decision about how can they benefit from, you know, higher education, how can they benefit from training programs, what do they bring back from military service. That is a conversation a long time coming, and I really appreciate the leadership of the manufacturers in that one.

Let me just close with this. We go back and forth. I don't know where these people are that have these skills, maybe they are just not in the United States, but regionally it sounds like everybody has 600,000 people that are looking for these skills, especially in California. But we do see manufacturing. I mean, there has been a lot of front page cover story magazines talking about manufacturing coming back to the United States, whether it is turmoil in China with the processes and the wages and the changes, and we saw that Foxconn just got their first independent union. Who knows what the hell that means? But if I remember, if I looked at the press over the last 8 or 9 months, you see commitments of foreign investment in manufacturing in the United States, much of it suggests that it is energy related to natural gas and what have you, in the Southeast, the Midwest, I would say 7, 8, 9 billion dollars in new facilities, some in chemicals, some in fertilizers and some of it in other related manufacturing where energy is a major input.

So, I mean, some of this is coming back to the shores for other reasons. And I don't say that that is the end-all, and we can just sit back and watch it come because that doesn't happen, but there are some positive developments in terms of people repatriating businesses. They sort of left through Mexico, and there is some suggestion that some of them are coming back through Mexico, you know, they are pausing for a moment in Mexico while they take a look here. So what is your sense of that?

Mr. TIMMONS. There are definitely some positive signs. We would like to see more positive signs, to be frank about it.

Mr. MILLER. I am not suggesting we are home free.

Mr. TIMMONS. That is right. You mentioned energy and the cost of energy. In my opening statement I mentioned the 20 percent cost disadvantage that manufacturers in the United States face compared to our major trading partners, and there is a lot of factors that go into that, taxes, regulation. Energy is one of those input costs, but for the first time in our survey, and we have been doing this for about a decade, energy costs are actually a slight net positive for manufacturers. So I think that companies are starting to look at that trend and say, Hey, you know, this can be very helpful to their ability to compete and succeed.

So we are encouraged by the development, for instance, of shale gas and other forms of energy. And as you probably know, we are an advocate for an all-of-the-above energy strategy, everything from traditional oil and coal and natural gas to alternatives, including wind and solar and other types of energy, and that is a very, very important part of the manufacturing process and a huge cost driver for most manufacturers.

Mr. MILLER. Jared, just quickly, you know, the last of the stimulus certainly with respect to schools is running out, the sands have gone through, just about done to the extent that it held up either jobs or the wages of the people in those jobs, certainly in

schools. And now these cuts, I mean, when we looked at where these cuts are going to fall should sequestration take place, the target may be the Federal government, but the victim is going to be local government, it is going to be schools, higher education, K-12, and whatever extent cities had some of this for law enforcement, what have you. That is where it is going here. You know, Federal employment has dropped even more dramatically in many instances.

Mr. BERNSTEIN. My analysis very much supports that. I show in my testimony a loss of about 360,000 local education jobs already over the last few years.

Mr. MILLER. That is with the stimulus.

Mr. BERNSTEIN. That is from when the stimulus began until now. So that is likely to accelerate. Remember States have to balance their budgets, so they are much more likely to cut services than raise taxes at a time like this. And that is, as we have heard from these statistics, that is where their services tend to lie.

It has had problematic effects, as I document, at the K-12 level, but also at the public university level where appropriations from the State have lagged exactly when enrollments have gone up, because it is actually a smart thing, to go back to school—I am talking about post, you know, college—it is actually a smart thing to do to go back to school when the economy is in a weak place because it can have lasting, damaging effects on your career trajectory if you enter the job market during a recession. So just when we have had greater demands for enrollment in community college, higher education, as well as, of course, enrollment continues to go up in K-12, we are having these cutbacks. And as I mentioned, if you shift discretionary spending cuts from the defense side on to the nondefense side, these cuts will be all that much deeper.

Mr. MILLER. Thank you, Mr. Chairman.

Chairman KLINE. Thank the gentleman. Just take a couple minutes for a few closing remarks myself and then let the Governor head back to Utah and everybody get back to work.

We had a pretty wide-ranging discussion here today. There was some discussion about recess appointments and court decisions and quite an exchange between Mr. Timmons and Mr. Andrews. Of course, Mr. Andrews is on to other things, but obviously there were some differences in these recess appointments, and the whole question was whether or not the Senate was in recess. I thought that was the question, and the court came up with yet another ruling based on their interpretation of exact language in the Constitution. But I think it is undeniable that that has added to uncertainty out there. The question of NLRB rulings now is wide open, it is always subject to appeal, but I would argue subject to litigation, and that hasn't helped the certainty issue which a number of you have talked about.

Mr. Miller talked about in the Workforce Investment Improvement Act that we were working in the last Congress that unions were prohibited from being on the Board. That language is actually not there. The language in our bill encouraged greater participation from employers but doesn't prohibit unions, and what the language will look like when we take that rascal up again, I am sure Mr. Miller has some input for that.

Clearly, we have work to do here. Again, I just can't thank you enough for your taking the time, the witnesses, to be here today and offer your testimony and field our questions. It really is very helpful to us, and I want to thank you all.

There being no further business for the committee, committee is adjourned.

[Questions submitted for the record and their responses follow:]

U.S. CONGRESS,
Washington, DC, May 08, 2013.

Hon. LAURA FORNASH, *Secretary of Education,*
Commonwealth of Virginia, P.O. Box 1475, Richmond, VA 23218.

DEAR SECRETARY FORNASH: Thank you for testifying at the Committee on Education and the Workforce's February 5, 2013 hearing entitled, "Challenges and Opportunities Facing America's Schools and Workplaces." I appreciate your participation.

Enclosed are additional questions submitted by committee members following the hearing. Please provide written responses that answer the questions posed no later than May 22, 2013 for inclusion in the official hearing record. Responses should be sent to Benjamin Hoog of the committee staff, who can be contacted at (202) 225-4527.

Thank you again for your contribution to the work of the committee.
Sincerely,

JOHN KLINE,
Chairman.

Enclosures

QUESTIONS FOR THE RECORD FROM MR. MESSER

I believe one of the biggest challenges facing our schools and workplaces is the numerous insurance mandates and hundreds of billions of dollars in new taxes on employers in the Affordable Care Act. These requirements and penalties likely will raise the cost of coverage and increase financial pressures on employers who are struggling to grow their businesses and create jobs, the last thing we want to do given our sputtering economy.

I recently met with Dave Adams, the Superintendent of Shelbyville Central Schools, who like most employers is concerned about the proposed standard measurement period for determining whether an individual qualifies as a full-time employee for penalty purposes under the health care law. He is especially concerned about how educational organizations will calculate hours worked during this standard measurement period since they may be prohibited from including actual hours of service worked by school employees during educational breaks. He tells me this could cost Shelbyville schools \$794,000 next year alone and lead to fewer hours for some school system employees.

I share his concern about the impact this tax will have on the quality of education provided to students in Shelby County and elsewhere, and the potential for job losses and program cut-backs as a result. It is unconscionable that the Federal government will be taxing schools and employers to the point where student instruction may suffer, jobs may be lost, and hours may be limited simply to pay for the President's health care law.

I have several questions about this issue:

A. Secretary Fornash, what challenges do these requirements and penalties pose for educational organizations?

B. Secretary Fornash, do you have concerns about the potential impact of these provisions on school systems, student instruction and the education workforce?

COMMONWEALTH OF VIRGINIA,
OFFICE OF THE GOVERNOR,
May 22, 2013.

Hon. JOHN KLINE, *Chairman,*
Committee on Education and the Workforce, U.S. House of Representatives, 2181
Rayburn House Office Building Washington, DC 20515.

CHAIRMAN KLINE, CONGRESSMAN MESSER, AND MEMBERS OF THE COMMITTEE: The Affordable Care Act poses many challenges for education organizations. Part time

wage employees are an important staffing tool for colleges and universities as well as for our elementary and secondary schools.

The federal Affordable Care Act includes a provision stating that employees, who work 30 hours per week or more, shall be eligible for health care coverage. The average annual cost of providing health care is currently \$13,249 per Virginia state employee. Providing health insurance to all Virginia's wage employees is not financially feasible. Initial estimates exceed \$100 million to expand health insurance to these employees.

Mindful of the financial implications of complying with the Affordable Care Act, the Virginia General Assembly and Governor Bob McDonnell agreed that the Commonwealth's wage employees can work no more than an average 29 hours per week. The Virginia Community College System and its stakeholders will be hit the hardest with an estimated 4,300 wage staff members across Virginia's 23 community colleges and the system office. It will also impact more than 9,100 adjunct teaching faculty who are hired and compensated by academic hours taught, not clock hours worked. Wage employees are crucial to Virginia's Community Colleges and the people they serve; offering Virginia a lean and productive operation that plays a crucial role in their ability to offer families affordable access to a college education. Adjunct faculty provide Virginia's students with real world experience in a vast array of professions.

This spring, the Chancellor of Virginia Community College System created a policy that adjunct instructors cannot teach more than seven credit hours in the summer semester; ten credit hours in the fall semester; and ten credit hours in the spring semester. This mandated credit load limitation creates tremendous challenges. Reduced teaching loads may reduce course offerings and will not be easy for some of instructors who are striving to build their career and pay their bills.

K-12 schools are also hurting. Public schools rely on wage workers to help keep their facilities up-to-date and safe for our children. Long-term substitute teachers will also be affected. When teachers use their time off, for surgeries, maternity leave or other long-term commitments, we owe it to the children to provide qualified replacement. To have a new substitute every day is disruptive to the learning environment and doesn't provide consistency for our children.

The extension of health-care coverage for wage employees—including bus drivers, cafeteria workers and substitute teachers—is a key issue in many Virginia school divisions this spring as local school boards and governing bodies struggle to approve budgets. In Loudoun County, for example, the school board this month voted to eliminate coverage for all new wage employees working fewer than 20 hours a week.

School boards also are increasing deductibles and asking employees to pay a higher share of their premiums. And in divisions where teachers and other employees are not being asked to pay more this year, school boards have had to repurpose funds that otherwise could have been spent on textbooks, new technology or other instructional needs.

My concerns about the Affordable Care Act stem from a desire to see Virginia's students achieve their full potential. Part time wage employees play a critical role in our school systems and on our college and university campuses. They are a flexible staffing tool allowing programs to expand and contract quickly as demand changes. I do not want to see the quality of a Virginia education reduced because institutions can't respond to the needs of students and the marketplace.

Thank you for asking me to comment on the Affordable Care Act.

Sincerely,

Laura W. Fornash,
Secretary of Education.

U.S. CONGRESS,
Washington, DC, May 08, 2013.

Mr. JAY TIMMONS, *President and CEO,*
National Association of Manufacturers, 733 10th Street NW, Suite 700, Washington,
DC 20001.

DEAR MR. TIMMONS: Thank you for testifying at the Committee on Education and the Workforce's February 5, 2013 hearing entitled, "Challenges and Opportunities Facing America's Schools and Workplaces." I appreciate your participation.

Enclosed are additional questions submitted by committee members following the hearing. Please provide written responses that answer the questions posed no later than May 22, 2013 for inclusion in the official hearing record. Responses should be sent to Benjamin Hoog of the committee staff, who can be contacted at (202) 225-4527.

Thank you again for your contribution to the work of the committee.
Sincerely,

JOHN KLINE,
Chairman.

Enclosures

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I recently met with Dave Adams, the Superintendent of Shelbyville Central Schools, who like most employers is concerned about the proposed standard measurement period for determining whether an individual qualifies as a full-time employee for penalty purposes under the health care law. He is especially concerned about how educational organizations will calculate hours worked during this standard measurement period since they may be prohibited from including actual hours of service worked by school employees during educational breaks. He tells me this could cost Shelbyville schools \$794,000 next year alone and lead to fewer hours for some school system employees.

I share his concern about the impact this tax will have on the quality of education provided to students in Shelby County and elsewhere, and the potential for job losses and program cut-backs as a result. It is unconscionable that the Federal government will be taxing schools and employers to the point where student instruction may suffer, jobs may be lost, and hours may be limited simply to pay for the President's health care law.

A. Mr. Timmons, how will the health care law's mandates and penalties impact employers and their employees? What steps are employers taking to mitigate the potential harm from these provisions?

JAY TIMMONS,
PRESIDENT AND CEO,
May 22, 2013.

Hon. *John Kline, Chairman*; Hon. GEORGE MILLER, *Ranking Member*,
House Education & Workforce Committee, 2181 Rayburn House Office Building,
Washington, DC 20512.

DEAR CHAIRMAN KLINE AND RANKING MEMBER MILLER: Thank you for giving me the opportunity to testify before the Education and Workforce Committee on February 5, 2013 at your hearing entitled, "Challenges and Opportunities Facing America's Schools and Workplaces." As you may recall, I testified about a number of challenges facing manufacturers, including the Affordable Care Act.

The purpose of this letter is to respond to a question for the record submitted by Congressman Luke Messer. Congressman Messer's question was, "Mr. Timmons, how will the health care law's mandates and penalties impact employers and their employees? What steps are employers taking to mitigate the potential harm from these provisions?"

Response

As the Committee is aware, the Affordable Care Act contains many mandates, penalties, taxes, fees and surcharges that businesses will have to absorb, pay, comply or otherwise adapt to whether or not they provide health insurance for their employees. Clearly, employers who provide health insurance are concerned about the cost of providing it, but they are also interested in making sure the coverage makes sense for their employees. Employers are looking for clarity, of which there has been little over the last three years. Manufacturers are looking for predictability, of which the lack of clarity makes impossible. In short, manufacturers know they will have to react and adapt, but they are unsure of the best course of action to take right now. How businesses choose to mitigate the impact of harmful provisions of the law depends a great deal on their particular industry, size and structure.

Again, I would like to thank you for the opportunity to provide the view of our nation's manufacturers to the Committee.

Sincerely,

JAY TIMMONS.

[Additional submission of Mr. Miller follows:]

Prepared Statement of the National Disability Rights Network (NDRN)

As the nonprofit membership organization for the federally mandated Protection and Advocacy Systems (P&As) and Client Assistance Programs (CAPs) for people with disabilities, the National Disability Rights Network (NDRN) would like to thank Chairman Kline, Ranking Member Miller and the House Committee on Education and the Workforce for holding the hearing. NDRN would specifically like to comment on the critical need for employment services for people with disabilities and the need for a bipartisan reauthorization of the Workforce Investment Act and Rehabilitation Act.

The P&A/CAP Network was established by the United States Congress through eight separate programs to protect the rights of people with disabilities and their families through legal support, advocacy, referral, and education. P&As and CAPs are in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Territories (American Samoa, Guam, Northern Mariana Islands, and the US Virgin Islands), and there is a P&A affiliated with the Native American Consortium which includes the Hopi, Navaho and Piute Nations in the Four Corners region of the Southwest. Collectively, the P&A/CAP Network is the largest provider of legally based advocacy services to people with disabilities in the United States.

Unemployment among people with disabilities is a severe and endemic problem. The unemployment rate among people with disabilities is around 13.7%, significantly higher than that of the general population. In addition, the workforce participation rate for people with disabilities is approximately 21%, less than one third of the participation rate for people without a disability. Although the economic recovery has added many jobs to the economy over the past three years, the effects of the recovery have been much slower for people with disabilities, and the participation rate for people with disabilities has decreased while the unemployment rate for people with disabilities has increased since 2010. Full integrated employment for people with disabilities is an important component in the fight for full community integration. Employment is a critical part of independence, as it allows people to earn a living wage and meet their needs. The P&A/CAP Network has been advocating for service providers and local governments to prioritize employment as a basic need for people with disabilities, and to ensure that people with disabilities receive the range of services that they need to be able to work. NDRN supports legislative changes that support employment services for people with disabilities, and make it easier for people with disabilities to obtain, maintain or advance in employment.

Specifically, there are a number of changes to the Rehabilitation Act that would facilitate the work of the P&A/CAP Network in advocating for people with disabilities:

1. Clarify language to allow for a Native American CAP program. Currently, the Native American Consortium, which provides a range of services to Native Americans with disabilities in the Four Corners region, does not have a Client Assistance Program. The law should be clarified to indicate that the Native American Consortium can designate a CAP program to receive funds and provide services to people with disabilities as like other P&A agencies.

2. Provide language for a dedicated source of training and technical assistance when CAP appropriations reach an appropriate trigger amount. Training and technical assistance has proven to be effective in ensuring that the CAP Network is up-to-date on current law, regulations and procedures. Training and technical assistance should be a required component of the CAP funding.

3. Allow expenditure of program income received by P&A and CAP grantees to occur over an indefinite time frame instead of requiring program income to be expended by the end of the second fiscal year after it is received. Grantees have occasionally had to spend program income based on several years' worth of case work in a very limited time, limiting their ability to use those funds to most effectively and efficiently benefit people with disabilities.

4. Clarify that the authority of the PAIR program is the same as the Protection and Advocacy for Individuals with Developmental Disabilities (PADD) program. Also, clarify that P&A agencies have the ability to use the courts to enforce their access authority to records, individuals, and facilities to advocate and protect the rights of individuals with a disability.

NDRN also supports the following changes to the Vocational Rehabilitation programs, which would help ensure that people with disabilities have more opportunities to obtain employment:

1. Create a requirement that Vocational Rehabilitation agencies develop Individualized Plans for Employment (IPE) within ninety days after the date of determination of eligibility. CAP agencies have had difficulty advocating for their clients when the IPE is not completed in a timely fashion. Additionally, allow the client to request mediation and an impartial due process hearing if the IPE is not completed within that timeframe.

2. Clarify that a Vocational Rehabilitation agency must provide notification to its clients whenever the client has the right to appeal a decision or to request mediation. CAP agencies have encountered many situations where individuals attempting to access Vocational Rehabilitation services have been provided confusing and/or contradictory information.

3. Provide that each due process hearing shall be conducted by an impartial Hearing Officer who is fully trained on the requirements of the Rehabilitation Act as well as the approved State plan. CAP agencies have encountered situations where an impartial Hearing Officer is unsure of his or her ability to take certain actions, and adequate training is critical.

4. Provide that the opportunity for mediation is available whenever a client receives an unfavorable determination from a Vocational Rehabilitation agency. Currently, Vocational Rehabilitation agencies interpret the law to require that individuals who wish to dispute Vocational Rehabilitation decisions must request a hearing before the agency will consider a request for mediation. The statute should be clarified to allow for mediation even when the individual does not wish to have a fair hearing.

5. Clarify the burden of proof for an individual to obtain Vocational Rehabilitation services. The language of the statute should include clear language that a Vocational Rehabilitation agency must find clear and convincing evidence to determine ineligibility.

6. Include provisions to limit the ability of Vocational Rehabilitation agencies and other service providers to place people with disabilities in segregated workplaces or to receive subminimum wage for their work. Require that people with disabilities be able to pursue an employment goal for 24 months before entering subminimum wage employment, or for up to 48 months for people with significant disabilities. Require face-to-face regular employment counseling for people working at subminimum wage jobs.

These issues call out for Congress to address in a bipartisan fashion. NDRN and the P&A/CAP Network hope that the House and Senate can work together to pass legislation that will improve employment services for people with disabilities and support greater transition to competitive, integrated employment. Taking these steps will help achieve our goal of reducing unemployment of people with disabilities and increasing the participation of people with disabilities in the workforce.

[Additional submission of Mr. Fornash: report, “The American Dream 2.0: How Financial Aid Can Help Improve College Access, Affordability, and Completion,” may be accessed at the following Internet address:]

http://www.hcmstrategists.com/content/FINAL_Steering_Committee_Report.pdf

[Additional submission of Governor Herbert follows:]

Addendum to Testimony From Gov. Gary R. Herbert

Rep. John Tierney of Massachusetts asked about funding levels for teachers in the Gov. Herbert’s budget. Below is Gov. Herbert’s response.

In my proposed budget this year, I recommended an increase of 1.16% or \$26 million for public education compensation. This percentage was more than the one percent that was recommended to higher education institutions. This would be flexible and can be used in conjunction with other sources of revenue to apply to compensation and benefits on an as-needed basis.

Last year, the Utah State Legislature also provided 1.16% during the 2012 General Session for compensation.

National data shows that teacher average salary increased by 7.03 percent in 2008 but when the recession hit in 2009 the average salary dropped by 7.82 percent. The data also indicates an increase in average teacher salary of 9.1 percent from

2005 to 2010.¹ Utah State Office of Education data shows teacher salaries increasing 21.01 percent from 2006 to 2012 for an average of 3.5 percent per year.²

We are aggressively focused on funding many different initiatives that will yield the best outcomes in our education system. Part of that includes increasing compensation so we can attract the best and brightest teachers.

Rep. George Miller of California asked about the percentage of higher education funds that are provided by the state. Below is Gov. Herbert's response.

On average, Utah's state institutions of higher education receive 49% of their operational funding from the state, with the remainder coming from student tuition and fees.

During the Great Recession, the state could not provide funding to match the growth in enrollment at Utah's higher education institutions. This left a great imbalance in state support as some institutions raised tuition higher than others to provide much needed funding for instruction. As a result, some institutions have a lower percentage of State funding to tuition than others.

[Whereupon, at 12:18 p.m., the committee was adjourned.]



¹Source: National Education Association, Estimates of School Statistics, 1969-70 through 2009-10.

²Source: Utah State Office of Education, Finance and Statistics.