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HEARING

BEFORE THE

COMMITTEE ON ARMED SERVICES

UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

JUNE 24, 1981

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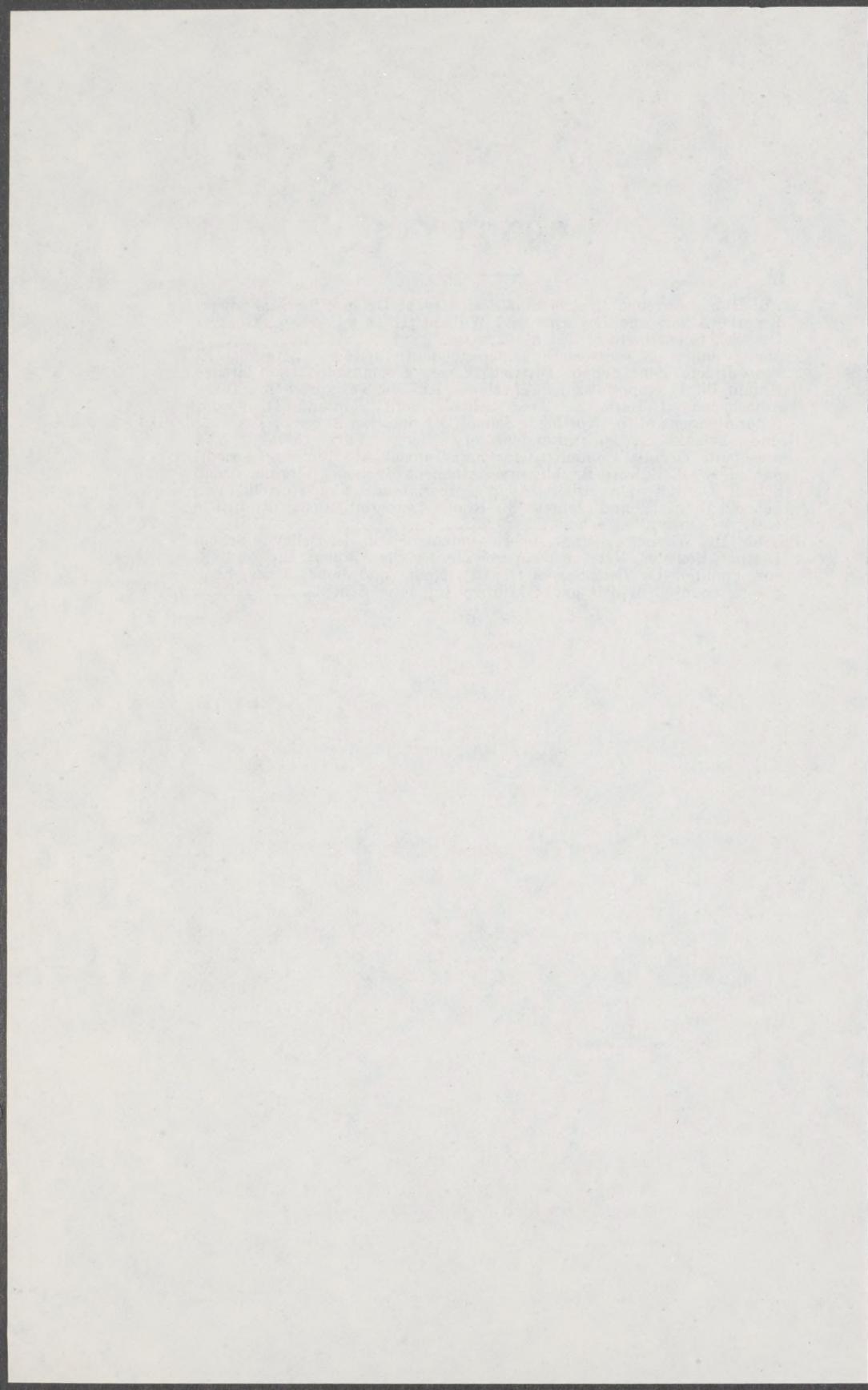
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EFFECTS OF REDUCTION OF IMPACT AID ON MILITARY

WEDNESDAY, JUNE 24, 1981

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The committee met in open session at 10:15 a.m., pursuant to notice, in room 6226, Dirksen Senate Office Building, Senator John Tower, chairman, presiding

Present: Senators Tower, Warner, Humphrey, Stennis, Nunn, and Exon.

Staff present: Rhett B. Dawson, staff director and chief counsel; Francis J. Sullivan, minority staff director; James F. McGovern, general counsel; Paul C. Besozzi, minority counsel; William L. Ball III, chief clerk; Christine E. Cowart, assistant chief clerk; Michael B. Donley, Frank J. Gaffney, Jr., Edward B. Kenney, Anthony J. Principi, George F. Travers, professional staff members; Richard D. Finn and Ralph O. White, research assistants; and Carol J. Rudolph, staff assistant.

Also present: Dennis P. Sharon, assistant to Senator Goldwater; Chris Lehman, assistant to Senator Warner; George Kohl, assistant to Senator Humphrey; Jon Etherton, assistant to Senator Jepsen; Bill Furniss, assistant to Senator Quayle; Paul Schreiber, assistant to Senator Denton; Frank Krebs, assistant to Senator Cannon; Gray Armistead, assistant to Senator Byrd; Arnold Punaro, assistant to Senator Nunn; and Greg Pallas, assistant to Senator Exon.

OPENING STATEMENT BY SENATOR JOHN TOWER, CHAIRMAN

Chairman TOWER. The committee will come to order.

I apologize for the late convening of the committee as we are on an accelerated schedule of rollcall votes on the Senate floor. A number of members have indicated an interest in this hearing and I am sure that we will have better attendance as the morning wears on.

We have convened this morning to hear testimony from the Honorable William H. Taft IV, General Counsel to the Department of Defense; the Honorable Lawrence J. Korb, Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics; Mr. James A. Francis, associate superintendent for administration, El Paso Independent School District, Texas; Mr. Donald S. Bruno, superintendent of schools, York County, Va., president of the Virginia Committee for Fair Impact Aid Funding; and Dr. Wayne Paxson, assistant superintendent of schools, Bellevue School District, Nebraska.

As committee members are no doubt aware, a number of States have enacted legislation which would permit school districts to charge

tuition to military personnel and employees of the Department of Defense whose children attend public schools.

I am also advised that several other States are contemplating similar action. This State action is in direct response to proposed reductions in Federal impact aid. These reductions, if enacted, would result in many States having to subsidize the education of dependents of DOD personnel without adequate financial assistance from the Federal Government.

This morning we will hear from several witnesses who represent various districts, in Texas, Virginia, and Nebraska. These witnesses will explain to us the effects which such proposed reductions would have on the ability of their respective States to provide educational services to the children of military personnel and civilian employees of the Department of Defense.

I want to stress that I am aware and very much concerned about the effect which these proposed reductions will have on non-DOD employees—namely, other Federal employees who work or live on Federal properties, native Americans who reside on Indian lands, and families who reside in low-income housing. Nonetheless, as a matter of committee jurisdiction it is my intent to limit the committee's inquiry to the effect that such proposed reductions will have on the families of our service personnel and those of DOD civilian employees.

I want to thank all of the witnesses who have agreed to appear before the committee this morning. In particular, I would like to thank and commend those of you who represent the school districts in Virginia, Nebraska, and Texas for interrupting your otherwise busy schedules on such short notice in order to represent the interests of your local areas and, I think I might say, reflect the interests of local areas throughout the country that are impacted.

Before I call on Mr. Korb and Mr. Taft, I would like to make my personal views on this subject very clear.

I strongly support the notion that the Federal Government has at the very least a moral obligation to provide States with financial assistance to offset educational costs generated by the presence of military installations and activities. In many instances DOD personnel work and live on Federal property which is immune from local taxation upon which many school districts depend for their principal source of revenue.

We cannot simply turn our backs on these school districts which, without such tax revenues, are, in many cases, simply unable to afford the additional costs of educating the dependents of DOD personnel.

Thus, I think it is important for the Congress to carefully scrutinize any funding proposals which fails to satisfy this moral obligation.

The real issue, in my view, is not whether DOD personnel should be required to pay public school tuition; to the contrary, our efforts should be dedicated to determining the precise level of funding required to adequately compensate the States for what is clearly a burden imposed by the Federal Government.

Senator Cohen could not be present for the hearing this morning. He has submitted a prepared statement, and without objection I will insert his prepared statement in the record at this point.

[The prepared statement of Senator William S. Cohen follows:]

PREPARED STATEMENT OF SENATOR WILLIAM S. COHEN

Mr. Chairman, I have a particular interest in today's hearing because I serve on the Armed Services Committee and because I am chairman of the Select Committee on Indian Affairs. Moreover, my home State of Maine has both military bases and Indian reservations which participate in the impact aid program. In fiscal year 1981, Maine received \$2,978,369 in impact aid to assist in the education of Indian children and dependents of military personnel. Although this figure is not large when compared to the entire program, it constitutes a significant contribution in the communities which receive it.

As this committee is aware, the impact aid program provides Federal assistance to local schools to help defray the costs of educating students who, because of their relationship with the Federal Government, are unable to make a direct contribution to pay for their education. Prominent among these children are the dependents of military personnel and the children of Indians living on reservations.

Children of military dependents are typically located temporarily in schools with the length of their tenure in the local schools dependent on the tour of duty of their military parent. Indian children, on the other hand, are permanently located on Indian reservations. About 20 percent of these Indian children are educated in schools operated by the Bureau of Indian Affairs (BIA) or by the tribes themselves under contract with the BIA. The remainder, or 80 percent of the Indian children are educated in public schools.

Many of these public schools have a large Indian attendance. It is not unusual to find public schools in which 90 percent of the student body is composed of Indian children. In such cases, the "local" contribution to operate the schools is provided through impact aid.

Mr. Chairman, the Labor and Human Resources Committee, in recommending that the authorization for impact aid be "capped" at \$200 million and that beneficiaries of the program be limited to category "A" children and category "B" low rent housing children, has placed us all on the horns of a dilemma. I know that the members of this committee and the members of the Select Committee on Indian Affairs are committed to carrying out the budget cuts that are now so long overdue. Nevertheless, it is an obligation of the highest degree for this country to provide for the education of its children. Failing the provision of some form of Federal education assistance, it remains that the military personnel and Indian parents who benefit from this program will not be able to assume the full burden themselves. In fact, given the absence of strong economies on many Indian reservations, there is substantial question whether some Indian parents would be able to make any contribution at all. Therefore, something must be done.

Mr. Chairman, I would note that, in its report on its portion of the reconciliation bill, the Labor and Human Resources Committee suggested that the military dependents be provided for in the Department of Defense budget. That recommendation and the implications of the impact aid reduction generally have prompted this hearing today. The Labor and Human Resources Committee also suggested that our responsibilities for the education of Indian children might be satisfied through the Johnson-O'Malley program operated by the Bureau of Indian Affairs. I would only note that, as the Johnson-O'Malley program will be funded in fiscal year 1982 at slightly more than \$29 million and the Indian component of the impact aid program in fiscal year 1981 was at least \$129 million, it cannot realistically be looked to as an alternate source.

In closing, I would like to say that I do not have a solution to this problem. The Labor and Human Resources Committee stated in its report that it would be "useful" to consult with the Select Committee on Indian Affairs in seeking a solution. I agree with this recommendation and am willing to work toward a solution. It is late in the day, however, and we should begin to do so quickly.

Thank you, Mr. Chairman.

Chairman TOWER. Let me first call on the representatives of the Department of Defense—Mr. Korb, who is the Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics, and Mr. Taft, who is the General Counsel of the Department of Defense.

Gentlemen, you may present your testimony in any way you see fit.

I might note at the outset that if witnesses want to summarize their statements, we will include their entire printed statements in the record. They may summarize them if they choose to.

Let me recognize the gentlemen from DOD. I don't know which one drew the black bean to proceed first, but I will turn it over to you.

JOINT STATEMENT OF HON. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER, RESERVE AFFAIRS, AND LOGISTICS, AND WILLIAM H. TAFT IV, ESQ., GENERAL COUNSEL, DEPARTMENT OF DEFENSE

Mr. KORB. I guess I drew the black bean.

Mr. Chairman, members of the committee, I appreciate the opportunity to appear before you to discuss the effect on the Department of Defense of the various proposals before the Congress on impact aid.

The impact aid program, managed by the Department of Education, offsets the cost to public school districts for the education of Federal dependents. Federal funding for educating military children goes back more than 100 years, under various laws, when it was determined to be in the public interest to provide public schools for the dependents of military personnel.

For approximately 150 years, different Federal agencies provided necessary funds for the education of the dependents of Federal employees. It was not until 1950 that these various programs were consolidated into the current impact aid program.

Over the years the impact aid program has been expanded far beyond its original scope to include dependents of Federal civilian employees and civilians living in low-rent housing.

A number of States and local school districts have responded to the proposals to reduce impact aid by threatening to charge tuition to military dependents living on base. Virginia enacted a statute permitting tuition to be charged if impact aid funds received by a local district do not equal 50 percent of the cost of educating nondomiciliary dependents who reside on military or naval installations.

The Governor of Texas recently signed into law a provision permitting tuition to be charged up to the per capita amount of local district funds expended for the education of a dependent living on base.

New Hampshire has similar existing authority. Delaware law provides that no local school district may expend its tax revenues on behalf of children residing on Federal property. Last week North Carolina enacted into law authority to charge tuition to nondomiciliary dependents of military personnel living off base as well as on base.

School districts which encompass both the U.S. Military Academy at West Point in New York and Offutt Air Force Base in Nebraska claim that existing authority permits them to deny military dependents living on base access to their public schools or require that they pay tuition. Other States are seeking to enact statutes similar to those discussed above.

Further, these statutes are not gathering dust. The local school districts of Highland Falls, N.Y., and Fairfax and York Counties in Virginia, have already forwarded letters to the local military installations stating their intentions to charge tuition during the upcoming school year.

In York County, a letter was sent to individual military parents informing them that unless the local district receives "fiscal assur-

ances" that payments on behalf of military dependents will be obligated by July 1, military parents must commence making tuition payments on August 1.

Although those payments are refundable if Federal money is received later this is hardly reassuring to military personnel.

Other local districts are threatening similar actions.

A somewhat different tactic has been pursued by two local school districts in New York State. On May 27 they filed suit in the Federal District Court in Brooklyn, N.Y., seeking to enjoin Secretary of Education Bell from terminating their impact aid payments.

The Department of Defense views these actions by States and localities as an attempt to hold military personnel hostage in their efforts to resist the proposed reductions in impact aid. Of course, we respect the right of States and local districts to disagree with the Federal priorities. The proper vehicle for such disagreement, however, is through their representatives in Congress, not through disruptive actions which strike at the morale of individual servicemen, which is essential for an effective armed force.

The General Counsel of the Department of Defense has advised that there is serious doubt whether these State laws will withstand scrutiny under either the Federal or State constitutions. Under certain circumstances tuition payments may be considered as analogous to a tax in violation of the doctrine of intergovernmental tax immunity pursuant to article VI, clause 2, of the U.S. Constitution. The various State laws also create numerous classifications subject to challenge on equal protection grounds under the U.S. and State constitutions.

Secretary Weinberger has directed that all military members be advised that he is determined that "no soldier, sailor, airman, or marine will be forced to pay tuition for the public school education of his or her dependents."

The reconciliation process, as this committee is aware, has produced a substantial revision of the administration's original proposal.

The Senate package includes \$200 million for partial impact aid payments for dependents living on Federal property.

The House reconciliation package provides impact aid payments for military and civilian dependents living both on and off Federal property at a reduced percentage of the current levels of payments to school districts.

The impact aid portion of the reconciliation package as passed by both the House and the Senate committees poses a new and equally serious problem for us. Funding for section 6 schools—schools which are located on military installations and normally staffed by Defense employees, with all costs assumed by the Department of Education as part of the impact aid program—was deleted entirely in both houses.

The Department of Defense has 21 schools funded under section 6 authority across the country which educate 33,000 children. There was \$75 million in the fiscal year 1982 administration budget proposal for maintenance and operation of these schools. If the House and the Senate pass the reconciliation bill and do not include funding for these section 6 schools, 33,000 children of military members will not have a school to attend this fall.

It is important to analyze what enactment of the various proposals would accomplish and what problems they would leave unresolved.

The House reconciliation package would not prevent the imposition of tuition charges in Virginia, since funding will not be equal to 50 percent of the cost of education per student as stipulated by the Virginia statute. A similar result occurs under the Senate reconciliation package, since it does not provide sufficient funds for all dependents on military installations.

The House reconciliation package would prevent tuition charges from being imposed on nondomiciliary dependents living off base, as is authorized by the North Carolina statute. The Senate proposal provides no funds for military dependents living in the local community.

Further, neither the House nor the Senate proposal would prevent local districts in States such as Virginia and Texas from charging military personnel tuition.

We need to insure that no tuition can be charged military dependents. The Department of Defense supports enactment of legislation prohibiting tuition charges or other discriminatory action against dependents of military personnel. Such legislation represents the only effective guarantee that States and localities will not be permitted to impose tuition charges on military personnel in their attempt to make ends meet with reduced Federal funds.

Proper resolution of the problem requires that we rid ourselves of the fundamental misconception that the Federal Government should pay off States and localities who would make servicemen hostages for more Federal aid and, instead, focus on the fact that their conduct is interfering with the authority of Congress to raise and support armies and navies in support of the Federal military function.

Precedent for the necessity and constitutionality of prohibitive legislation may be found in the Soldiers and Sailors Civil Relief Act of 1940. That legislation granted relief to military personnel from complying with certain State obligations, both of their State of residence and assignment, on grounds that compliance might make them subject to discriminatory state actions and unnecessarily divert their attention from their principal function of military service.

Decisions upholding this legislation stress the far-reaching power of Congress to enact necessary and proper legislation pursuant to the provisions of the Constitution vesting Congress with the authority to raise and support armies and navies in support of the Federal military function.

The recent actions of some States and local school districts have already had a detrimental effect on the morale of individual servicemen. Imagine yourself as a serviceman earning \$1,200 per month who is faced with annual tuition charges in excess of \$3,000 per child. Such circumstances will be counterproductive to the high priority placed on recruitment and retention of personnel by the Reagan administration.

Moreover, if tuition charges are applied, the services may be obligated to rearrange personnel assignments to best avoid their impact. Eventually, it might be necessary to even realine activities if such impact cannot be avoided. Such actions could come at great expense to the taxpayer.

The Department of Defense urges the passage of legislation prohibiting States and localities from charging tuition. It is imperative

and just that military dependents continue to receive a free public education of the highest quality. Military personnel cannot be expected to make outrageous tuition payments, which would range up to \$10,000 in some localities, contingent upon the location of their assignment. Nor can we expect military families to accept a lowered quality of education.

Relationships between local residents and the military are being subjected daily to increasing tensions.

Last, and most important, the boost to military morale created by congressional and administration actions to date will almost certainly be destroyed if military people are subject to paying for their "free" public education.

Secretary Weinberger and the Department of Defense are committed to taking every possible measure to prevent the imposition of any tuition fees by State and local governments.

We appreciate the concern of this committee.

Chairman TOWER. Thank you, Mr. Korb.

Mr. Taft, do you have a statement?

Mr. TAFT. I have no statement, Mr. Chairman. I associate myself with Mr. Korb's remarks. We decided it would be better to combine them in one statement.

Chairman TOWER. Senator Stennis, do you have any questions?

Senator STENNIS. I should like to make a few comments and maybe an inquiry or two. This problem of impact aid affects many States. It certainly affects mine.

I really think, to be frank about it, that the school system can make more of an effort in getting some kind of adjustment in this matter than the military can. They have been very effective over the years in getting money from this source.

This reduction is scheduled for a vote tomorrow. We don't want any States to start doing something drastic and I am sure they do not want to.

What is the situation now with reference to the matter of the budget? I did not get here in time to hear your opening statement. What is the situation as to the amount of money?

Chairman TOWER. Mr. Korb, can you respond to that?

Mr. KORB. Basically, Senator Stennis, right now the reconciliation process has revised the administration's basic proposal. The Senate package includes \$200 million for partial impact aid payments for dependents living on Federal property.

The House reconciliation package provides impact aid payments for military and civilian dependents living on and off Federal property at a lesser percentage.

Neither the Senate nor the House version has funding for section 6 schools, which are schools located on our military installations.

That is basically where it is now.

Senator STENNIS. For those located on the installations?

Mr. KORB. There is no money in either version for those schools located on military installations and staffed by Department of Defense employees.

Senator STENNIS. That is all I have now. I suppose you will outline some proposals. Mr. Korb?

Mr. KORB. We are here to ask the Congress to make sure of two things: No. 1, that this dispute is not resolved by charging the military people tuition and that it be resolved through the legislative process.

We also want to point out that the reconciliation package right now, to the extent that it has changed the administration's proposal, has caused problems for our section 6 schools.

Senator STENNIS. Every year we have passed authorization for the impacted areas. We always have a big scrap about it. It finally became accepted policy.

Now, when you take that money away from the States, they are going to fight back; they will ask us to keep them from charging tuition. I don't want to charge tuition. Certainly, they will fight back and try to get the Government to give them this money. The time is so short. I don't think the States can be blamed just because they are protesting the matter. That is all I have, gentlemen.

Chairman TOWER. Senator Warner?

Senator WARNER. Thank you, Mr. Chairman. I appreciate that from my request and the request of others you have initiated these hearings.

We have a situation which, in my judgment, the Congress is going to have to solve and solve very swiftly. It is intolerable to think that the military people will have to pay tuition. This committee led the fight to begin to provide those benefits necessary to retain career people in the military. We made progress last year. Hopefully we will make more progress this year. At the same time the communities cannot be expected to pick up this bill. One county alone in Virginia, York County, would have to increase its taxes 100 percent in order to provide for the education of the military children.

Incidentally, the military children are very much desired in the schools because they take an active role in the community and school life. So, it is a tragedy that this has come to pass.

Mr. Chairman, this question is so serious in my judgment that if we can't find a resolution for it I think the Defense Department is going to have to absorb this cost this year and we may have to take those steps here in Congress to see that the bill is adjusted so that those costs are borne by the Department of Defense, thereby giving the Congress and the administration next year together with the States to try to resolve this thing in a manner that will cause less severe impact. I am prepared to take that initiative.

Chairman TOWER. Or let us look for some other source other than DOD. We should not be pitting impact area aid against vital defense programs every year.

Senator WARNER. Mr. Chairman, I certainly have fought side by side with you on that. As you know, we are coming down the wire on that tonight. I will submit my prepared statement for the record.

[The prepared statement of Senator John Warner follows:]

PREPARED STATEMENT OF SENATOR JOHN W. WARNER

Mr. Chairman: I am pleased this committee is holding this important hearing today to examine the potential impact of proposed budget reductions in impact aid funding, and particularly to address the effect on military families with dependents enrolled in public schools.

Currently the United States owns more than one third of all available real estate in the entire country, much of this land, of course, is in national parks and

forests and in Federal grazing lands and has little or no impact on local school districts. I must point out, however, that in Virginia, where the Federal Government owns 9.2 percent of available real estate, a significant amount of that acreage is in heavily populated areas where the impact on school districts is great, particularly because of federally owned office buildings and military installations.

In addition, the value of this property throughout the United States has tripled since 1953, to the point today it is worth more than one billion dollars—all exempt from local taxation.

While it is obvious that Federal installations attract new business and are economically beneficial for localities where they are situated, I also contend that the Federal Government must pay for the goods and services it uses.

Impact aid funding is rightly determined on the basis of the burden which Government activities place on school districts.

As James J. Kilpatrick recently said, if the United States forces school districts to educate children of illegal aliens, then surely they should be expected to educate the children of their soldiers.

But at whose expense? In an earlier meeting, Dr. Bruno informed me that if the administration's proposals become law, York County will either have to raise its property tax 100 percent or charge nondomiciled military personnel tuition for their dependents. Clearly, neither of these proposals is acceptable.

Last year the Armed Services Committee successfully worked to increase benefits for military personnel. It does not make sense now to force those same military families to pay their hard earned salaries for tuition to send their children to public schools.

It is my intention to continue working with all members of this committee, as well as the entire Congress, in an effort to reconcile the difficulties school districts are encountering in educating children whose parents live and/or work on Federal property.

Mr. Chairman, I thank you for this opportunity.

Chairman TOWER. I think we might have to look elsewhere or there will be an inclination to make all sorts of economies and take the matter out of the hide of the Department of Defense.

Senator Nunn?

Senator NUNN. I will pass at the moment.

Chairman TOWER. Mr. Humphrey?

Senator HUMPHREY. Mr. Chairman, I have a statement which I will enter into the record, if that is agreeable with you, but first of all I want to compliment you, Mr. Chairman, for your statement, especially for stating that the Federal Government has, at the very least, a moral obligation to provide the States with financial assistance to offset educational costs generated by the presence of military installations and activities. That is very true, we do have an obligation to provide assistance to the affected communities. The impact aid program, unlike so many programs we have, is not a giveaway program. It is a program to reimburse communities for expenses they incur, essentially involuntarily, in educating the children of military personnel.

Impact aid represents a commitment and responsibility which I believe we must keep and honor.

There are two sides to the issue. On one hand, we don't want to fail to keep our commitment to the communities. On the other hand we don't want to fail to keep our commitment to our military personnel. That is, we must avoid having military personnel pick up the cost of tuition.

So I commend you, Mr. Chairman, for holding this hearing. I want to associate myself with the remarks of my colleague, Senator Warner, that the hour is very late and we have to do something about this in the next 48 hours.

[The prepared statement of Senator Humphrey follows:]

PREPARED STATEMENT OF SENATOR GORDON J. HUMPHREY

Thank you Mr. Chairman, I would like to compliment the distinguished chairman for his dedication to this Nation's armed services and his willingness to meet even the unexpected problems, such as that of Impact Aid, head on. Scheduling today's hearing to examine the consequences of reductions in Impact Aid on our military personnel and their local school districts will help prevent the looming crisis which will be caused by reductions in Impact Aid funding.

As you know, several of my colleagues and I introduced a resolution yesterday to encourage negotiations between the Executive Departments and Senate Committees which have mutual interests in the Impact Aid program.

As we have already become painfully aware the mere prospect of cuts in the Impact Aid budget has led schools in several states to threaten tuition charges for the children of military personnel. Not only does this grim approach make it even more difficult to improve the morale of this country's military servicepeople but it promises to cost this Government dearly in litigation expenses and tuition payments.

One overriding premise is clear to all of us: Military personnel should not be compelled to pay tuition for the public education of their children. Likewise, the local school districts cannot be expected to shoulder the entire financial burden of educating children from military bases where no property taxes are levied.

Particular problems are raised in States such as New Hampshire where state contributed aid to education is among the lowest in the country. Indeed education in New Hampshire is funded almost entirely through Federal contributions and property tax revenues. The loss of these revenues through Federal ownership of large parcels of property, compounded by the loss of Impact Aid places an intolerable burden on these school districts.

I am deeply interested in the testimony of our distinguished panel of witnesses here today. I am sure they will clarify for us the dimensions of the problem and hopefully will shed some light on options we can explore.

I look forward to cooperating with my colleagues on this committee and the Senate Labor and Human Resources Committee to achieve an equitable solution to this problem.

Chairman TOWER. Senator Exon?

Senator EXON. Thank you, Mr. Chairman.

Mr. Korb, thank you for coming this morning. The remarks which you have made and the remarks which several of my colleagues have made indicate the seriousness of the situation that confronts us. I join my colleagues in thanking the chairman for arranging this very timely hearing. Let us get a few things on the table if we can.

One of the things which triggered this hearing was the request from the Defense Department to myself and Senator Jepsen for a prohibition against any Defense Department funds being used to pay public school tuitions as part of the Jepsen-Exon pay bill. I think that both Senator Jepsen and I opposed this, at least I do. I suspect from what has been said on the committee so far this morning an outright prohibition is not likely to pass this committee, at least I hope not.

At the same time I share the chairman's views that it might not be the wisest thing in the world to get back into putting the vital defense needs of this country pitted against the educational needs, but the situation is a very real one. It may be that at least for this year, if nothing else can be worked out, we are going to have to insist that the Defense Department carry on the responsibilities which are primarily theirs, in the opinion of this Senator, with regard to the education of the students associated with military bases.

Let me ask this question. How many section 6 schools—I think that is the correct terminology—how many section 6 schools or schools operated fully at the expense of the Defense Department now are in existence and how much money is expended for such schools out of the Defense Department budget at this particular time?

Mr. KORB. Senator, there are 21 schools. The amount of \$75 million is expended but it is not by us. It is in the Department of Education expense account.

Senator EXON. From where does the money come?

Mr. KORB. It is voted by the Congress as part of the impact aid program and it is paid by the Department of Education. The schools are on the bases, staffed by employees, but the expenses are paid by the Department of Education. Right now we do not pay directly for it.

Senator EXON. But it is part of the overall administration budget that is recommended to the Congress and passed?

Mr. KORB. That is correct.

Senator EXON. Mr. Chairman, I would like to say that I certainly agree with the comments that have been made by Senator Warner that the Congress has an obligation to solve this problem. very definitely. I also would add that it is an administration problem also. I do not think it suffices to say just because one department has funded this in the past, that it should not be changed in the future.

Getting back to these schools, however they are funded, let me ask you for the rationalization of the Department of Defense on this type of scenario. Suppose a section 6 school student moves from a facility where he is a student in a section 6 program and he moves to Bellevue, Nebr., for example, which has no section 6 school.

It is my understanding of what is now being proposed that the local citizens in the State of Nebraska would be expected to pick up all or most of the total funding simply because that school child moves from a section 6 school to a public school in Bellevue, Nebr. Is there any fairness connected with such a proposal in your opinion?

Mr. KORB. Senator Exon, the proposal before the Congress by the administration is consistent with what the chairman said. We feel we have a moral obligation to compensate the districts. The question really is not so much whether in fact we ought to do it but in what proportion the aid ought to be given. The previous year's impact aid went not only for military dependents but civilian dependents who worked for the Federal Government lived in the local community, paid all the State and local taxes, and were residents of the community.

Senator EXON. Wait a minute. I was talking about a student.

Mr. KORB. I understand. If you have a military dependent who moves from a section 6 school to Bellevue, Nebr., it is our opinion if he lives in the community and pays property taxes the school district ought not to get as fully reimbursed as they would have if the military person lived on a military base.

Senator EXON. What about the A students? Do you think they should be fully compensated?

Mr. KORB. As the chairman indicated in the beginning, I think there ought to be funding to school districts in proportion of the burden that they bear for military dependents, but it should not all be the same. It should vary. It should not be the same for dependents of both military and civilian Federal Government employees.

Senator EXON. One last question, Mr. Chairman.

If nothing else can be worked out, is it still your belief that regardless of what happens we should not fund any money for impact aid out of the Defense budget?

Mr. KORB. That would be our preference, yes, sir, that it not be funded out of the Department of Defense budget.

Senator EXON. Thank you, Mr. Chairman.

Chairman TOWER. Senator Nunn?

Senator NUNN. Mr. Korb, you mention in your statement the House position on impact aid and the Senate position on impact aid and how those have changed. What is the administration's position on impact aid?

Mr. KORB. Basically, the administration's position is that the \$401 million that we put in should be apportioned based upon the burden that is borne by the local community.

Senator NUNN. How much was the impact aid before the cuts were made? \$400 million compared to what? How much did the administration cut impact aid?

Mr. KORB. The Carter administration budget proposal for fiscal year 1982 was \$401 million also.

Senator NUNN. That is a nice way to state it. You can go back and say the Truman budget proposal had no funding for impact aid, too, but that was not what Congress passed. What is the Reagan proposal for impact aid compared to what Congress funded in fiscal year 1981? What is the Reagan proposal in 1982 compared to fiscal year 1981?

Mr. KORB. We proposed \$401 million in fiscal year 1982.

Senator NUNN. What was the 1981 funding?

Mr. KORB. My best recollection is about \$800 million overall.

Senator NUNN. So, the Reagan administration is cutting impact aid about 50 percent?

Mr. KORB. That is correct.

Senator NUNN. Then is it accurate to portray these reductions as all something that has come about in the House and Senate as you do in your statement?

Mr. KORB. No, Senator. My statement said that we feel that it is the right of State and local districts to disagree with Federal priorities but the proper vehicle for the disagreement is through the legislative process, not through imposing tuition on military dependents.

Senator NUNN. So your position is if they disagree with the administration's proposal over the House and Senate action, they should come up and lobby us against the administration proposal but not take action to increase the tuition?

Mr. KORB. That is correct, not charge military students.

Senator NUNN. Of course you will oppose them vigorously in their trying to change your proposal. You say "Come on and fight, guys. We will fight with you and beat you but don't do anything different, if you lose." Is that what you are saying?

Mr. KORB. Basically our position is, as I mentioned in response to Senator Exon's question, that military students, depending upon whether they live on the base or in the local community, depending on the number in the school district, do impose a burden and we have a moral obligation. It is our feeling that the \$401 million was sufficient to provide in a just manner for what happens as a result of having military students.

Senator NUNN. Of course you realize that when a Federal installation comes in what you have is a tax base only for civilians that work

there, it is nothing but a house they live in. You have no industrial tax base at all. I think it is a bit ingenuous to divide those up, that if someone builds a house it is enough for him to pay for the children to go to school. We have bases all over Georgia where they don't have a tax base from industry because the Federal Government is the dominant industry there. The administration is proposing to eliminate help for a district that has no industrial base because the Government is the dominant industry, but they have civilian housing. Is that your position? Is that the administration position?

Mr. KORB. Again the administration position basically is that we felt that \$401 million was adequate to deal with —

Senator NUNN. \$400 million?

Mr. KORB. Was adequate to deal with those things.

Senator NUNN. But you are cutting out all help for school districts where they have civilians living on base, are you not?

Mr. KORB. Basically, yes, impact aid is being reduced in districts where there are civilian and military employees living in the civilian community and contributing to the property tax base.

Senator NUNN. Do you think that is fair?

Mr. KORB. I think in most cases that it is fair but where there are particular situations, as you mentioned, those should be settled through the legislative process, not through charging tuition to military students.

Senator NUNN. But this administration is asking Congress to pass a law preempting State and local rights, is that right, in this area?

Mr. KORB. I don't think so, Senator.

Senator NUNN. What is your proposal? It is my understanding you are saying we should pass a law precluding any State or local government from charging tuition.

Mr. KORB. That is right. We think that is a violation not only of the Federal Constitution but the constitutions of many States. It is not that we are trying to preclude that right but we are saying that their action they are taking is unconstitutional.

Senator NUNN. What is the constitutional grounds?

Mr. KORB. In my statement tuition payments can be considered as analogous to a tax in violation of the doctrine of intergovernmental tax immunity pursuant to article II, clause 2, of the U.S. Constitution.

Senator NUNN. Is there any precedent for that, any cases that would lend strength to that argument?

Mr. KORB. I would like to confer with the General Counsel.

Mr. TAFT. It is not our position that the States and localities could not charge tuition for their education services. Our position is that they should not be allowed to charge tuition to military dependents where they do not charge it to their own citizens. It is discrimination against the military dependents that we object to.

Senator NUNN. What if they didn't say military dependents but they passed legislation at a local level and say all people who do not pay property taxes shall make tuition payments? Do you think that is unconstitutional?

Mr. TAFT. I think that would be a much closer case.

Senator NUNN. It would be the same result, would it not?

Mr. TAFT. No, because there are people who do not pay property taxes. Renters do not pay property taxes.

Senator NUNN. Renters pay indirectly because landlords pay. Is that your constitutional ground?

Mr. TAFT. It is discrimination against the military dependents.

Senator NUNN. Could not the same result be achieved by State and local law if it were carefully worded that those who do not pay property taxes directly or indirectly shall pay tuition? Would that be unconstitutional?

Mr. TAFT. I do not want to advise the States and localities as to how they could make their legislation withstand constitutional challenge.

Senator NUNN. I am sure if this committee and the Congress go along with the administration's proposal there will be a lawyer somewhere that will have enough intelligence to come up with that approach.

Chairman TOWER. We did not go along with the administration's proposal. In fact the Senate cut it in half. So we are talking about an internal problem in the Senate as well as in the administration. The Senate cut the administration's recommendation in half.

Senator NUNN. I understand. I am talking about the proposal now, not the amount of money but the proposal to preclude State and local governments from charging tuition.

Mr. TAFT. Yes, sir, that is our proposal. As the lawyer for that proposal, I would not have any doubts as to its constitutionality if it were adopted.

Senator NUNN. Lawyer for which proposal?

Mr. TAFT. The proposal to prohibit the imposition of tuition charges.

Senator NUNN. It is not going to do any good. All you are doing is putting a temporary plug in the situation, waving your arms and saying you have done something. Any good lawyer can draw a constitutional statute that could be based on tuition in lieu of any kind of property tax. What good is it going to do? You are going to pass this law, go through this, and some State lawyer is going to figure out a way to do it in a different way.

Mr. TAFT. No, sir. I think that we could pass legislation that would essentially preclude that result.

Senator NUNN. And not let them do that even if there are people who don't pay property taxes? You are saying you want a law that is broad enough to preclude both that and the direct charge on military personnel?

Mr. TAFT. My purpose would be to draft a statute that would prevent the charging of tuition to military dependents attending the same schools that the citizens of the State attend for free.

Senator NUNN. Is your proposal broad enough to preclude a statute at the State and local level that says forget military personnel, forget civilians, forget Government employees; we simply will charge tuition for students whose parents do not pay any property taxes directly or indirectly? Is your statute broad enough that you are advocating before this committee to preclude that kind of local initiative?

Mr. TAFT. I would draft my statute to cover the situation where the effect of whatever legislation the State developed was to permit military dependents to be charged tuition and to permit other school-children to attend school without paying tuition. Yes, sir, I would draft it to cover that situation. That would be the effect.

Senator NUNN. You are asking for a very, very broad Federal pre-emption of State and local tax privileges, aren't you?

Mr. TAFT. What I am asking for is an assertion by the Federal Government of a very important and fundamental interest in having our military personnel not bear this type of burden.

Senator NUNN. That type of statute would go far beyond military personnel and would get into State and local taxing powers.

Chairman TOWER. Senator Nunn, I think your time is up.

Senator NUNN. Thank you, Mr. Chairman. May I ask one more question? Do we have a statute before us that the administration is advocating?

Mr. TAFT. We have drafted some legislation and submitted it to the staff.

Chairman TOWER. Senator Warner?

Senator WARNER. I have a question for the General Counsel. Does your research indicate that the illegal aliens are now not paying taxes in local communities?

Mr. TAFT. My understanding is that illegal aliens do not generally pay taxes and that their children, in contrast to military children under some State statutes are guaranteed free tuition.

Senator WARNER. Likewise, welfare persons living in public housing do not pay.

Mr. TAFT. That is correct.

Senator WARNER. So, the only category that would be paying then is the military people under your theory?

Mr. TAFT. If some of the statutes are enacted and enforced, their effect will be to require only military dependents to pay tuition.

Senator WARNER. Have you any idea what the charges will be? Can you give us an example of how much tuition the average military family will have to pay?

Mr. TAFT. I will go back to Mr. Korb on that.

Mr. KORB. It varies. We are talking \$2,000, \$3,000, \$4,000 basically. I would say the average is probably about \$2,500 per student.

Senator WARNER. Per student?

Mr. KORB. Yes, sir.

Senator WARNER. This brings to mind a problem. Each year the Congress is asked to appropriate funds for the construction of military housing on military bases. If we were to continue to do that we are providing a haven, so to speak, off the tax base of the local communities and it begins to exacerbate this problem.

Mr. KORB. Yes, sir, it does. The administration proposal all along has been that where you have that problem, the localities ought to be compensated for it. I think that is important to keep in mind. The main thrust of the administration proposal, before being modified by the Congress, was that impact aid continue to be paid in those particular districts, like York County for example, in your own State.

Senator WARNER. Thank you, Mr. Chairman.

Chairman TOWER. Mr. Korb and Mr. Taft, I have some additional questions which I would like to submit to you for response for the record in writing. I would like to have a response within 24 hours.

Mr. KORB. Yes, sir.

Chairman TOWER. Are there any other questions?

I might remind the members of the committee that we do have our public witnesses representing the school districts. We are running into time constraints.

Senator EXON?

Senator EXON. I would like to ask a question of Mr. Taft. On this matter of constitutionality, if the constitutionality is challenged on anything we pass, would it not generally be the Justice Department which would either defend or get involved in such a challenge? It would not be your Department, would it?

Mr. TAFT. Yes, sir, we have been consulting with the Justice Department on this subject for that very reason.

Senator EXON. What does the Justice Department say about the constitutional question we have been discussing?

Mr. TAFT. They have reviewed the legislation that we have drafted and they think that Congress could constitutionally accomplish, pursuant to its article I, section 8 powers dealing with the military forces, the result that we seek.

Senator EXON. Thank you.

Mr. Korb, is it the basic feeling of the Department then that these people who live off the base are taxpayers like anyone else working in the community and therefore there should be no compensation basically from the Federal Government in the form of impact aid? Is that the basic position of the administration?

Mr. KORB. The basic position is that it should be less for those people living in the civilians community than people who live on the base. Again it would also depend upon whether the people you are talking about are military or civilians.

Senator EXON. Let us take a military person. Now we are in the B student area.

Mr. KORB. Yes.

Senator EXON. What is the position of the administration on B students?

Mr. KORB. Basically, unless it can be shown that the B students produce an adverse impact on the ability of that district to raise funds, they don't have as great a claim as the A student.

Senator EXON. It is not the position of the administration at all that PX's should be closed down to people who live off the base, is it?

Mr. KORB. No, sir.

Senator EXON. You are familiar with the situation, of course, that sales taxes do play an important part in this and the people who use the PX's have extensively, more and more all the time, are basically not paying that form of local taxes either? Has that been taken into your consideration as you come up with your suggestion?

Mr. KORB. Yes, sir, it has. I think it is important to keep in mind that what we are talking about is a question of priority. We would stay within the funds that are available, the \$401 million, and the main beneficiaries ought to be where you have a military family living on the base that pays no property taxes and probably pays very little sales taxes because they do most of their shopping at the PX.

Senator EXON. Thank you, gentlemen. Thank you, Mr. Chairman.

Senator STENNIS. Mr. Chairman, I won't take but 1 minute.

Chairman TOWER. Senator Stennis?

Senator STENNIS. Let us be sure we have the figures correctly stated now about reductions. As I understand now, the administration proposed a reduction from fiscal year 1981 in round numbers of \$400 million.

Mr. KORB. To the best of my recollection that is correct.

Senator STENNIS. Now, the Senate committee reduces that proposal by \$200 million additional.

Mr. KORB. That is correct.

Senator STENNIS. The measure we have on the floor is \$600 million below fiscal year 1981.

Mr. KORB. That is correct.

Senator WARNER. Mr. Chairman, may I ask one further question?

Chairman TOWER. Senator Warner?

Senator WARNER. The severity of this decision can be framed as follows: If this matter is not resolved by the Congress the military will suffer on retention of those middle grade petty officers and officers which are now leaving in unacceptable numbers.

Mr. KORB. That is correct.

Senator WARNER. That will be a heavy impact on retention, a step back; is that correct?

Mr. KORB. That is correct, Senator.

Senator WARNER. If you are forced to make a choice between losing those people and having fewer guns and tanks, which would you take?

Mr. KORB. My preference would be to take the people.

Senator WARNER. Save the people and forfeit a few guns and tanks this year and hopefully resolve the problem?

Mr. KORB. If I had to make that choice, yes, I would.

Senator WARNER. Thank you.

Mr. TAFT. Senator, since 1950 this matter has been in the Education Department budget. All of the tradeoffs that have been made for this program in the past have been against other Education Department programs.

Senator WARNER. I could not agree with you more.

Mr. TAFT. The tradeoffs have never been made against other Defense programs. The question you pose contemplates changing that.

Senator WARNER. I share the chairman's viewpoint that we must attempt to find this money elsewhere. If the committee can't do it, we nevertheless must resolve this problem and we may be forced here in the Congress between those two distasteful alternatives. I wanted the record to show the Department's preference.

Chairman TOWER. We could take it out of the tobacco subsidy.

Senator WARNER. I think I have my cigar with me, Mr. Chairman. I am thinking about lighting up. [Laughter.]

Chairman TOWER. Let me ask members of the committee to be brief.

Senator Nunn?

Senator NUNN. I have a couple more questions. I don't think this administration proposal is going to go anywhere. I don't think anybody else does. The question becomes what level of funding will the administration support in terms of restoring funding of impact aid? At what level will the administration support efforts in Congress?

Mr. KORB. My understanding is \$401 million is the ball park figure with some adjustments made to deal with particular problems that we may not have seen when we first proposed to give it only to the "super A" districts where A students constituted at least 20 percent of the district's environment.

Senator NUNN. You say you might go beyond the administration's original \$400 million?

Mr. KORB. I am saying that within \$401 million the necessary allocations to heavily impacted districts can be made.

Senator NUNN. You are saying \$400 million is the top level that the administration will support?

Mr. KORB. That is correct.

Chairman TOWER. In other words, they would support restoration of the \$200 million that the Senate Budget Committee cut?

Mr. KORB. Basically, yes.

Senator NUNN. But not above that?

Mr. KORB. No, sir.

Senator NUNN. You are still going to have a lot of districts that will have problems left with \$400 million funding. You still will have districts that will try to charge tuition or have something to make up for it. This law is not going to pass. What are you going to do then?

Mr. KORB. Secretary Weinberger has been very strong, as I mentioned in my statement, that "no soldier, sailor, airman, or marine will be forced to pay tuition." We will make sure they don't.

Senator NUNN. How will you do if you don't get a congressional act passed? You can't use a gun against them? I think we are beyond that point.

Mr. TAFT. We are hopeful that our proposal will be enacted.

Senator NUNN. This dog is not going to hunt; I think everybody knows that. [Laughter.]

Mr. KORB. We will find the money if necessary. How we do it will depend on the way legislation is passed and the relief in the Congress but the Department will not let our service people pay this tuition. I don't know exactly now how we will do it. We obviously have to consult with our lawyers but we are determined, and make no doubt about that, that no military members will pay a cent from their own pocket.

Senator NUNN. It will take money some way or other.

Mr. KORB. We understand that.

Chairman TOWER. Thank you. Thank you, gentlemen.

Mr. KORB. Thank you, Mr. Chairman.

Chairman TOWER. We will now hear from the witnesses representing the school districts in three States: Mr. James A. Francis, associate superintendent for administration, El Paso Independent School District; Mr. Donald S. Bruno, superintendent of schools, York County, Va., and Dr. Wayne Paxson, assistant superintendent of schools, Bellevue School District, Nebraska.

I might note all three of these witnesses have brought some backup witnesses with them. We will not ask them to testify but if they want to use them to respond to questions, we will permit that.

Gentlemen, I don't know whether you have drawn lots or anything or agreed among yourselves as to who is to proceed first. Is there any established order that you gentlemen prefer?

Mr. BRUNO. No; we have not.

Chairman TOWER. We have Mr. Francis first on the notice, So we will go ahead and hear from him first.

STATEMENT OF JAMES A. FRANCIS, ASSOCIATE SUPERINTENDENT FOR ADMINISTRATION, EL PASO INDEPENDENT SCHOOL DISTRICT, EL PASO, TEX.; ACCOMPANIED BY CLARENCE HAM, PH. D., SUPERINTENDENT OF SCHOOLS, KILLEEN, TEX., PRESIDENT, TEXAS ASSOCIATION OF IMPACTED AREA SCHOOLS; AND EDMUND D. CODY, SUPERINTENDENT OF THE NORTHSIDE SCHOOL DISTRICT, SAN ANTONIO, TEX.

Mr. FRANCIS. Mr. Chairman, distinguished Senators, I am James A. Francis, associate superintendent for administration in the El Paso Independent School District of El Paso, Tex.

Before I begin my testimony, I would like to introduce my two colleagues, Dr. Clarence Ham, superintendent of schools in Killeen, Tex. Dr. Ham is the president of our Texas Association of Impacted Area Schools; and Mr. Edmund D. Cody, superintendent of the Northside School District in San Antonio, Tex.

Our purpose here today is to share with you some of our deep concerns with considered changes in Public Law 874.

We want to point out the serious negative impact that a loss of these funds or a considerable decrease in funding will have on our school districts and public education in our State.

First of all, we must recognize that business conducted in the support of military bases is a positive economic stimulator in our communities. There is no way to measure all of the wealth it brings in; but it is considerable. Trade flourishes, our people have more jobs and better jobs because of this economic stimulus.

In Texas military personnel have been welcomed to our cities. They have earned our respect as good citizens. They support community activities. Texans like them and they like us. In Texas there is a healthy interpersonal climate for the location of military personnel. We have established a long, successful record of cooperation and mutual appreciation. My fear today is that this relationship will be endangered if military-connected children in our schools are allowed to become a major liability to the local property taxpayer.

While these military bases do stimulate our economy, they also bring about heavy financial liabilities. The population impact requires us to build more streets, hire more policemen and firemen, expand our health facilities and utility services, all at great cost to the taxpayer. Certainly we must build more schools and hire more teachers to provide for the education of military-connected boys and girls.

In Texas we rely mainly on the ad valorem property tax to provide for essential city, county and school-district services. Texas does not have either a personal or corporate State income tax. It is doubtful that our people will decide to have one anytime in the near future. The major source of State revenue is the sales tax; counties, municipalities and school districts get most of their revenue by taxing property.

Property taxpayers in Texas, just like those in other States, are beginning to resist any additional tax burden. They may not be willing

to replace the funds we may lose from Public Law 874 with new tax money drawn from their wealth in homes and businesses. If they are called on to do this and they do followthrough, the raise in taxes is most likely to be accompanied by resentment that will affect our highly positive climate for military populations.

There are presently some 240 Texas school districts receiving impact aid. The President's proposal would limit this to only six districts. Our State received \$32.3 million of this aid last year. His proposal would reduce this to \$9.8 million.

The six school districts that would continue to receive some aid are: Del Valle, Franklin, Lackland, Fort Sam Houston, and Randolph. The last three mentioned are districts where boundaries are contiguous with the military reservation.

The small Burkburnett Independent School District is a good case in point. This small district has a student population of 3,382 students. About 19 percent are category A students, or approximately 642 students who reside on nontaxable Federal property. Under the President's proposal, Burkburnett will lose all of their funding, about \$653,000. This loss will require the permanent residents to have to pay about \$237 per child more money for the education of each of their own children in order that the military children can be accommodated in school along with them and that there will be no reduction in the quality of education.

The Killeen School District has 15,849 students. Sixty-five percent are associated with the Federal impact; 33 percent are category A's and are funded at \$960 under the impact aid legislation; 24 percent are military B's, funded at \$354 under the impact legislation; 8 percent are civilian B's. There is a difference between the funding of the A student and the B student built into the present legislation. This school district will lose \$2 million under the President's proposal. Dr. Ham has submitted more specific written testimony concerning Killeen's position and from the perspective of Texas in his capacity as president of the Texas Association of Impact Area Schools.

Chairman TOWER. Mr. Francis, we will be glad to accept any additional information that you have for the record that might have been provided by representatives from other school districts. That will be included in full in the record.

Mr. FRANCIS. We appreciate that very much.

Chairman TOWER. That applies also to all the witnesses representing the various school districts.

Mr. FRANCIS. Northside School District in San Antonio is a district having a large number of category B children and relatively few category A. As previously stated, school districts in Texas rely mainly on ad valorem property tax. Revenue from the property tax comes from taxes paid by business and industry parcels as well as residential parcels.

The category B impact aid funds paid to a school district are paid because the places of employment of the military-connected personnel are not taxable. If category B funds are eliminated, a school district must either raise the tax rate to offset the loss of revenue or reduce the quality of the educational services provided to all children in the district.

Mr. Cady has submitted more specific written testimony concerning category B impact aid and Northside School District's position.

The point is this: Local taxpayers probably aren't going to be willing to make up the huge school deficits that will result in Burkburnett, Killeen, Northside, and other impacted school districts in Texas. The result is that wherever military families are assigned in Texas, their children are going to be destined to attend underfinanced schools. These schools are going to be underfinanced because the Federal impact will so dilute community resources that an inferior educational program can be the only result.

The warm relationship that exists between Texas communities and their military citizens rests to a great degree on the tenuous thread of Public Law 874 payments. Not only the quality of education for military-connected children but also educational quality for all children in the approximately 240 Texas districts is at stake.

Recognizing the severity of this problem, the 67th Texas Legislature has just enacted senate bill 180 amending the Texas Education Code with a new legal provision that most of us pray will never have to be implemented. This new law will allow school districts to charge tuition for the attendance of a student who resides in military housing that is exempt from taxation by the district. The tuition rate can be as much as the district's average expenditure per pupil from local funds. In the El Paso Independent School District this amount would be \$462.86 per year. This is because of equalization funds provided by the State legislature and the type of funding we receive for students in attendance.

I do not know any school board member or any school administrator that is eager to implement this law. The financial blow to the military families, especially those with several children, would be severe. Military pay is not adequate to afford this. Litigation would undoubtedly result; and this litigation would only be a further abrasion to the harmony that has existed between the military and civilian people in Texas.

Tuition from the military child is not a good solution to the problem. An increased tax burden on the local property owners is not a good solution. The best solution is the one we have in place right now—an adequately funded program under Public Law 874 that allows the Federal Government to provide school districts with funds in lieu of taxes.

Let me turn now to a description of the problem as it exists in my own school district in El Paso, Tex., the situation I know best.

The El Paso Independent School District is comprised of 212 square miles of territory; only slightly over half of this territory is taxable for educational purposes because 101 square miles of it is the Fort Bliss Military Reservation. The business of national defense that takes place here has much valuable property but it cannot be taxed. National defense is the major industry in our community.

Compare this situation with a more typical city whose major industry is manufacturing. In these cities the place where the parent works pays a school tax and the home the student resides in also provides tax money. But for more than 3,000 children residing on Fort Bliss there is no tax base at all.

The El Paso community cannot afford to take over the expense of educating these additional children. Extreme poverty exists in our community. Among our school enrollment of approximately 61,000 children are 36,827 who meet poverty guidelines and receive free or reduced-price lunches. This indicates that about 60 percent of our children come from families who are unable to adequately provide for the education of their own children. These same families are now being asked to pick up the educational costs of others.

If the President's proposal is implemented, the El Paso Independent School District will receive no funds under Public Law 874. The educational effectiveness of my school district, just like the effectiveness of most schools in Texas that enroll children from military families, will be severely impaired.

For fiscal year 1980-81, El Paso Independent School District's Public Law 874 entitlement was \$3,454,171. These funds will not be available to us in 1981-82. Since these funds represent general aid to education, their loss will have a seriously negative effect on the school district.

Our total budget from all sources in 1980-81 is \$93,463,011. The loss of Public Law 874 funds is about 4 percent of our total budget. Replacement of these lost funds will fall on local taxpayers. The local maintenance tax will have to be raised in order to replace the lost funds.

The impact of this on the owner of a homestead assessed at \$50,000 will be to increase his school taxes by \$38.25 to provide for the education of the student brought into our community by the Federal impact.

Mr. Chairman, distinguished Senators, a quality public school education is an essential opportunity for all Americans. Military-connected children should not be placed in underfinanced and thus unequal public schools. Their schools should be staffed with teachers who are as well qualified because they are as well paid as those in any other school.

Military-connected children should not be in overcrowded classrooms because their schools can afford no more teachers and no more rooms. The curriculum offered to the military-connected child should provide as many opportunities as are enjoyed in this country by other public school children. I do not believe you want this to happen to these children. I do not believe you want the educational opportunities for any child to be diminished because his place of residence is adjacent to military property.

The obligation of the Federal Government for funding schools for military dependents, history tells us, had its beginning in 1821. That commitment should remain a responsibility of the Federal Government.

Our request of you today, made on behalf of the military and civilian populations of Texas, is that you help us preserve quality public schools and the warm relationship between the military and civilian populations in our State.

The interest of the Armed Services Committee in the quality education of the children of military dependents, which also enhances the education of all children, is deeply appreciated.

May I express our gratitude for the invitation to address this committee. At the proper time we will be ready to respond to your questions.

Chairman TOWER. Thank you, Mr. Francis.
[Addendum to prepared statement of Mr. Francis follows:]

ADDENDUM

1. General comments concerning Federal Impact Aid addressed to Congressman Richard White, Senators Lloyd Bentsen, and John Tower, March 11, 1981
2. El Paso Independent School District memorandum regarding problems associated with loss of Public Law 874 funds, June 4, 1981
3. Extract from S.B. 180, 67th Texas Legislature
4. Letter addressed to Senator Tower and Senator Bentsen, June 4, 1981

EL PASO PUBLIC SCHOOLS,
El Paso, Tex., March 11, 1980.

Hon. RICHARD WHITE,
*2266 Rayburn House Office Building,
Washington, D.C.*

DEAR CONGRESSMAN WHITE: I am sure you are aware of how important "Impact Aid" is to school districts such as El Paso Independent School District.

Recently we gathered facts and figures concerning the Federal impact on our school district and the need for funds to replace lost tax revenues and educate children in our school district whose parents have federally connected employment. This report should assist you in supporting improved funding for the program.

If I can be of further assistance in this matter, please let me know.

Sincerely,

BILL SYBERT,
Assistant Superintendent.

GENERAL COMMENTS CONCERNING FEDERAL IMPACT AID

Of the 212 square miles which comprise the El Paso Independent School District, 101 square miles are military property.

El Paso Independent School District consists of a central city area of declining residential potential with little room for growth within the district. It is bounded to the south by Mexico; it is bounded to the north and west by New Mexico. To the east it is bounded by the Ysleta Independent School District. El Paso has only two areas where growth may occur within the district. One direction is rough terrain, and the other is Fort Bliss, a military reservation of 1.1 million acres which severely restricts the growth of the district.

In 1963, El Paso Independent School District was further reduced in area by the Chamizal settlement, in which 193 acres of U.S. land was given to Mexico. An additional 45 acres was made into a federal memorial and park.

During the 1950's and early 60's, great fluctuations in the number of troops stationed at Fort Bliss wreaked havoc upon the El Paso Independent School District. Periods of intense overcrowding within the schools were followed by school closings and teacher layoffs.

The impact of a reduction in SAFA funding is one which El Paso can ill afford: Forty-six percent of El Paso's students are eligible for free lunches.

Sixty-eight percent of our students are members of racial or ethnic minorities.

Fifteen percent of the heads of El Paso's households are jobless.

El Paso's tax base is one of the lower ones within the state.

El Paso needs the SAFA program because it is the only federally-funded program that provides direct unrestricted general aid to the schools.

Impact Aid's low administrative costs and its discretionary nature make it one of the most useful federal aid to education programs.

Impact Aid serves to fill the gaps which are left by categorical aid programs.

While Impact Aid is a small program in many respects, the funds it provides act as a dampening effect on pressure to continue increasing property tax rates.

FEDERAL PROPERTIES IN AND AROUND EL PASO INDEPENDENT SCHOOL DISTRICT

Fort Bliss—Federal Property Code Number 53 141 2110 0010. Large military reservation of 1.1 million acres, employing 22,000 people. Fort Bliss is the largest employer in the El Paso Independent School District.

William Beaumont Army Medical Center—Federal Property Code Number 52 141 2100 0040. Medical center associated with Fort Bliss.

White Sands Missile Range—Federal Property Code Number 41 013 2100 0030. Largest overland missile range in the United States. Located 45 miles from El Paso, it employs over 10,000 people.

Hollman Air Force Base—Federal Property Code Number 41 035 5710 0020. Located near Alamogordo, New Mexico, this base is 85 miles from El Paso. Hollman Air Force Base is engaged in various air defense activities.

U.S. Naval, Marine, and Army Reserve Training Centers—Federal Property Code Number—Naval and Marine, 53 141 1720 0050. Army, 53 141 2120 0080. Engaged in training, support and other reserve activities.

U.S. Court House—Federal Property Code Number 53 141 4710 0100. Contains the following offices: Bankruptcy Department, Federal Bureau of Investigation, General Services Administration, Immigration and Naturalization, Office of U.S. Congressman, U.S. Attorney, U.S. Courts, U.S. Department of Justice, U.S. Marshall, U.S. Probation, and World Health Organization.

La Tuna Federal Prison—Federal Property Code Number 53 141 1520 0010. Federal Correctional Institution.

International Boundary Commission—Federal Property Code Number 53 141 1910 0010. Operates a warehouse and dam on the Rio Grande.

U.S. Reclamation Dutch Riders Station—Federal Property Code Number 53 141 1472 0010. Operates agricultural water dispersal system.

U.S. Reclamation Office—Federal Property Code Number 53 141 1470 0010. Operates an office and warehouse.

International Bridges—Federal Property Code Number, Bridge of Americas—53 141 4730 0070, Del Norte—53 141 4730 0090, Good Neighbor—53 141 4730 0080, and Ysleta and Fabens—53 141 1530 0120.

U.S. Border Patrol—Federal Property Code Number 53 141 1530 0050. Operates office and detention center.

Federal Aviation Administration—Federal Property Code Number 53 141 6911 0110. Operates office and flight service station.

U.S. Customs—Federal Property Code Number 53 229 1530 0010. Operates activities from Fort Hancock Bridge.

Weather Bureau—Federal Property Code Number 53 141 1350 0050. Operates office from international airport.

Chamizal National Memorial Park—Federal Property Code Number 53 141-1460 0020. Park and activity center.

Low Rent Housing Projects—Federal Property Code Number 53 141 8630 0220. Alamita, L. B. Johnson; Guillen, Baird; DeWetter, Paisano; Eisenhower, Rio Grande; Pooley, Salazar; Roosevelt, Sherman; Sandoval, Tays; Robinson, Valle Verde; Hart, Bean; Machuca, Sun Plaza; and Kathy White.

EL PASO PUBLIC SCHOOLS—DEPARTMENT OF EVALUATION, RESEARCH, AND PLANNING

Dr. RONALD McLEOD,
Board of Trustees, EPISD,
Superintendent's Council

PROBLEMS ASSOCIATED WITH LOSS OF PUBLIC LAW 874 FUNDS

Congressman Richard White has advised us that our prospects for additional Public Law 874 funding next year are very poor. We cannot safely include this money in next year's budget.

Pending legislation will make several changes in the funding of Public Law 874 (aid to federally impacted school districts).

No funding will be provided for students whose parents work on federal property, but who do not reside on federal property.

No funding will be provided for students who live in federal housing projects.

Unless a school district is impacted to the degree that 20 percent or more of its total enrollment is made up of students who both reside on federal property and have a parent who is employed there, there will be no funding for these students.

With these new regulations, the El Paso Independent School District will receive no funds under Public Law 874.

For fiscal year 1980-81, EPISD's Public Law 874 entitlement was \$3,454,171. These funds will not be available for the operation of the school district in 1981-82.

Since these funds represent general aid (noncategorical) to education, their loss will have a devastating effect on the school district. Our total budget from all sources in 1980-81 is \$93,463,011. The loss of Public Law 874 funds is about 4 percent of our total budget.

Replacement of these lost funds will fall on local taxpayers. The local maintenance tax would have to be raised by slightly more than $8\frac{1}{2}$ cents per \$100 of property value in order to replace the lost funds. The impact of this on the owner of a homestead assessed at \$50,000 will be to raise his school taxes from \$302.10 per year to \$340.35, an increase of \$38.25 to provide for the education of the students brought into our community by the federal impact.

In respect to Category A children (those residing on Fort Bliss), there is no tax base to provide for their education. There is no tax placed on the parent's place of employment (the military reservation). There is no tax on the house that the family lives in. Other families in the El Paso ISD pay their share of the costs of teaching children through a property tax assessed on business and industry and on the family home.

A further consideration is the welfare of the military connected child. He should not be subject to being placed in a poorer school district than other school districts not affected by the federal impact. If local taxpayers refuse to replace the \$3,454,171 of lost federal money, the effectiveness of this school district will be decreased by at least 4 percent. This loss of funds will result in military connected children attending schools with more limited programs and more overcrowded classrooms than are found in other communities.

The El Paso Independent School District comprises 212 square miles of territory; 101 square miles of this territory is non-taxable military property. Fort Bliss is the major industry in this community. Our major industry is non-taxable. Compare this situation with a typical city in Texas whose major industry may be petroleum processing or banking and finance. In these cities, the place where the parent works pays a school tax and the home the student resides in also provides tax money. But for more than 3,000 children residing on Fort Bliss there is no tax base at all.

The El Paso community cannot afford to take over the expense of educating these additional children. Extreme poverty exists in this community. Among our school enrollment of approximately 61,000 children are 36,827 who meet poverty guidelines and receive free or reduced-price lunches. This indicates that about 60 percent of our children come from families who are unable to adequately provide education for the children of others.

Local tax collections for EPISD in 1980-81 are anticipated to be \$26,757,017, or about \$462.86 per child. Combined with state funds, these monies provide for an educational program of quality, but with few frills. We have no budget surplus or substantial fund carryovers from year to year.

The 67th Legislature has just enacted S.B. 180 amending Subchapter B, Chapter 21, of the Texas Education Code to allow Texas school districts to charge tuition for the attendance of a student who resides in military housing that is exempt from taxation by the district. The tuition rate can be as much as the district's average expenditure per pupil from local funds (\$462.86 per year).

We should not be forced to implement the provisions of this new law. Military pay is not that good. The financial blow to military families, especially those with several children, would be severe. But when we consider the financial blow to the low income families that will come through greater taxes on their homes, this is an alternative the school district may be forced to take.

BILL SYBERT,
Assistant Superintendent.

EL PASO PUBLIC SCHOOLS,
El Paso, Tex., June 4, 1981.

Senator JOHN TOWER,
*142 Russell Senate Office Building,
Washington, D.C.*

DEAR SENATOR TOWER: Pending legislation will make several changes in the funding of Public Law 874 (aid to federally impacted school districts).

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Replacement of these lost funds will fall on local taxpayers. The local maintenance tax would have to be raised by slightly more than 8½ cents per \$100 of property value in order to replace the lost funds. The impact of this on the owner of a homestead assessed at \$50,000 will be to raise his school taxes from \$302.10 per year to \$340.35, an increase of \$38.25 to provide for the education of the students brought into our community by the federal impact.

In respect to Category A children (those residing on Fort Bliss), there is no tax base to provide for their education. There is no tax placed on the parent's place of employment (the military reservation). There is no tax on the house that the family lives in. Other families in the El Paso ISD pay their share of the costs of teaching children through a property tax assessed on business and industry and on the family home.

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The Board and the administration of the El Paso Independent School District is deeply concerned with these problems. A good quality public school program is essential to our realization of the American dream, the preservation of the fundamental values of our way of life, and our national security. Excellent educational opportunities for the children of members of our armed forces is important to maintaining a strong, capable manpower for our nation's defense.

I know you share our concerns. Your assistance in working through the legislative process to retain current funding formulas and appropriations for Public Law 874 is solicited. We are confident you will be able to help.

Sincerely,

JAMES A. FRANCIS.

SECTION 9. Subchapter B, Chapter 21, Texas Education Code, as amended, is amended by adding Section 21.0312 to read as follows:

SEC 21.0312. TUITION FOR CERTAIN MILITARY DEPENDENTS. A school district may charge tuition for the attendance of a student who is not domiciled in Texas and resides in military housing that is exempt from taxation by the district. The tuition rate may not exceed an amount equal to the district's average expenditure per student from local funds.

Chairman TOWER. We will hear from the other witnesses before we go to questions, then we will question you as a panel.

Our next witness is Mr. Donald S. Bruno, superintendent of schools, York County, Va.

It is my understanding, Mr. Bruno, that you also have some backup people with you this morning, would you care to introduce them?

STATEMENT OF DONALD S. BRUNO, SUPERINTENDENT OF SCHOOLS, YORK COUNTY, VA., PRESIDENT, VIRGINIA COMMITTEE FOR FAIR IMPACT AID FUNDING; ACCOMPANIED BY DR. EDWARD BRICKELL, SUPERINTENDENT OF SCHOOLS, VIRGINIA BEACH, VA., SCHOOL DISTRICT; DR. ALBERT AYARS, SUPERINTENDENT OF NORFOLK, VA., SCHOOL DISTRICT; AND JAMES E. ROOKS, SUPERINTENDENT OF PRINCE GEORGE'S COUNTY, VIRGINIA SCHOOL DISTRICT

Mr. BRUNO. Thank you, Mr. Chairman.

I am Don Bruno, from York County, Va., a very historic area, an area that in the next 90 days will celebrate the 200th anniversary of this Nation's victory over tyranny.

I have with me today from the Commonwealth of Virginia Dr. Edward Brickell, from the Virginia Beach School District. Dr. Brickell has some 22,000 military children in his schools, both A's and B's; and Dr. Albert Ayars, superintendent of schools in the Norfolk system, the largest naval facility in the world. Dr. Ayars has in his school system 14,000 military category A and B pupils. And from Prince George's County, Va., Dr. Jim Rooks. He has 2,400 pupils in his school division.

York County is a unique area. The land area of York County is small but 40 percent of that land area is controlled and owned by the Federal Government. We have it all—Air Force, Army, CIA, Navy, Coast Guard—and the center of our county has the famous national historical park.

The State of Virginia has 70 school divisions that receive impact aid at the present time. Under the President's proposal, only two school divisions in our State would receive funding—York County and Prince George's. You might say to yourselves, "Mr. Bruno, since you are going to get paid, why are you up here?" Simply because the proposals that have been put forth by the administration, by the Congress of the United States, really do not address the needs of the super A districts or any school districts that have heavy military impaction.

I heard Mr. Korb earlier from the Defense Department speak to the committee in terms of those 21 defense schools, \$75 million in section 6, \$75 million to operate 21 schools.

Ladies and gentlemen, the public schools of this Nation are giving the military and the Federal Government the greatest bargain that I have ever seen. We charge on the average \$958 per year for each A pupil that we educate. If you will do a little bit of division and divide those 21 schools into the \$75 million, you can see that it is costing the Federal Government through its quasi-arrangement with the Education Department some \$2,300 a year.

We are generous in the public sector. In York County in our 8,800 pupil school system we have built at least three schools without Federal assistance to handle Air Force, Navy and Army people. The taxpayers of our county will be paying those mortgages for the next 25 years.

The city of Virginia Beach has just recently completed four schools for military dependents, an expenditure of \$12 million. You know, when we talk about equity and the problem, I have heard the comment here "Let us not put it in our budget, let us get it over in the Education budget; let us get it over in the State Department." The State people say put it in the local budget.

It reminds me of the story where the preacher went over to the southside where he had his first parish. He went into preach that day; he noticed the light was sort of bad. He could not see the documentation. After the sermon he went to the budget man and he said, "Look, we need a chandelier in our church." The committee chairman said, "We will take care of that. We will take it up with the budget committee." He comes back a few days later. The preacher said, "Did you take it up with the budget committee?" He said:

Yes, sir. We have a problem with your request. That problem is threefold: One, the man who makes the orders out doesn't know how to spell "chandelier"; second, we don't have anybody in our church who knows how to play the chandelier; third, we have been saving our money for lights.

Now, I think that this particular story is a good analogy to what goes on with every school superintendent each year. There are people up here who do not recognize, or fail to recognize, what the public schools of this Nation have done for military families for the last 100 years. We have an equal partnership.

The purpose of my testimony here today is not to defend impact aid. I feel it needs little defense. Our local and State governments are truly amazed at the proposals that the administration has put forth, \$401 million. That is a unique proposal. \$75 million of that is to go to section 6 schools; about \$237 million of that amount of money will go for super A districts with 20 percent impactation at the 90-percent level, 90 percent based on data that is 2 years old.

Now, you tell me if you can go out and buy anything today, a brand new item, at 90 percent of cost based on a value of 2 years ago?

What distresses us about this, and why we are here—and we are thankful to this committee for giving us this opportunity—is the fact that, really, the time has come for somebody to acknowledge responsibility for the military dependent child.

Our school division, reluctantly—very reluctantly—has moved to the tuition program on a contingency basis.

Senator Tower, on June 17 the base commanders delivered to my office registration forms for some 4,000 pupils to register for

the York County schools next year. That has been one of the most distasteful things in my education career, to have to do that. Frankly, we have no choice. With 25 percent of our budget coming from impact aid, and we are a super A district, with 28 percent of the kids coming off Federal lands, our options are limited.

We have been told by the taxpayers of York County they are not going to raise their taxes 100 percent. Dr. Brickell has been told by the taxpayers of Virginia Beach they are not going to raise taxes. In fact, they cut his budget \$5 million.

The city of Norfolk has told Dr. Ayars his budget will not be increased; it is decreased.

Here we are in Washington on our annual pilgrimage, in a new room, with a new committee. Hopefully we are here to find an answer to the problem that we have.

For 30 years the impact aid program has been the vehicle that has provided the money for dependent children. You know, that vehicle has broken down; it has been repaired, and we have added a couple of trailers to it over the years. We have thrown in low-rent housing. We put refugees in that program. Somehow, we got the dependents' schools in there. We have disaster assistance in the program.

You know what has happened in those 30 years is that we moved away from what the basic concept of the program was to start with. The basic concept was to pay school divisions for military A and military B pupils.

Frankly, it is my feeling it is now time for the Congress of the United States to look at what the basic intent of the law was supposed to be and is. You know, the law in 1950—in fact, the law really goes back to 1940—I heard the General Counsel here speak of the impact aid in 1950—there was an amendment to the Lanham Act in 1940 that basically added money for school construction for military dependents. But the impact aid money has served as a valuable tool for solving the problem.

Now, on Monday of this week the attorney general of the State of Virginia and a spokesman for the Governor of Virginia and the State superintendent of instruction has a meeting in Richmond, and they publicly announced that the State and Commonwealth of Virginia fully intends to stand behind every school division that imposes tuition. The State of Virginia does that with reluctance.

The qualifier was, one, that the Federal Government has an obligation to support the military dependent children.

There are many arguments about what a military base will bring to a community in ways of extra money. I would suggest to the Congress and the committee that you examine this document that is called, "An Examination of Payments in Lieu of Taxes for Federal Real Property," put out by the Commission on Intergovernmental Relations in November 1980.

This document says, quite plainly, that there is an obligation for in-lieu-of-tax payments. It is our feeling now in York County and other school divisions in the State of Virginia that we have two options. I want to discuss some of those options with you. I will not go into the pain that has been caused. My colleague from Texas here has done that, I think, very adequately, for the military families.

I think the first option is that we request that the Department of Defense establish schools for dependent children or pay the school division for the necessary tuition in advance for children whose parents are in the uniformed services. The Interior Department can make arrangements for the Indian reservations. That is No. 1.

Now, if you want to open up those section 6 schools, keep in mind what I said in the beginning. It won't cost you \$958 a year; it is going to cost you \$2,100 or \$2,200.

The second option is that you charge parents tuition for the children's education. While we are talking about that, Senator John Warner indicated about the need for more military housing. I am here talking to you today about our county having to charge tuition and building permits are being issued on our weapons stations to build 300 more naval houses with 3 and 4 bedrooms. Those houses will be ready by June of next year.

We recognize that the Armed Services Committee has the responsibility for overseeing the defense of this Nation and recommending those financial commitments that must be made to assure servicemen that their families will have the same opportunities as other people in our society.

Might I be so bold as to suggest to this committee—and I think it has already been suggested by Senator Warner—that this matter be solved once and for all and be taken out of the political arena? The lives of our military families are too precious to have us go through this exercise up here every year and leave them hanging out on a limb.

I think we have to recognize this. One, that the Department of Defense has an obligation to support the local educational effort for dependent children; two, that that obligation can be met through Public Law 874 either through transferring to the Department of Education or supplying the Congress with realistic funding levels for military dependents' children each year prior to this law being considered by appropriation.

There is another fact. The Department of Defense for years has said—and I believe Senator Nunn brought this out: "You fellows out in Education take care of it for us. Go up there to Washington and get the money for our families." They won't touch the impact aid program with a 10-foot pole simply because they don't want to put an airplane or tank or something else into jeopardy. I think that attitude has to be changed.

If the Department of Defense works with the Education Department each year and says, "We have these many A people, military A's, military B's, this is the funding we are going to need; if you have to transfer from Defense over to Education, you make that transfer." Then let the Education Department worry about low-rent housing and let them worry about disaster assistance and the Indians.

The educators like impact aid and the reason we like it is that it is the most nonbureaucratic program that we have to deal with. Superintendents will tell you that you can take title I, you can take title II, title III, IV, V, VI, B, C, all of those categorical funds, and if you would put it into a program like impact aid where the check comes directly to the school division, then every dollar that we receive is going to give you a dollar's worth of value.

Let me give you option No. 1, because I think we are here to look for solutions today. I think somebody will have to do something in the next 68 days or we will have people who cannot pay tuition who cannot come into school. We are going to have confrontation. I am sure we will. But if the Department of Defense will look at a plan like this.

One, a nationwide count of all military dependents' children be conducted on October 1 of each year. These pupils will be counted once during the school year.

Two, the following entitlements be established without tiers, without proration or absorption factors.

Let us face it, friends, if it cost \$2,000 down in York County to educate a child, you can't change that figure up here in Washington by saying, "We are only going to pay you 90 percent." It is still going to cost \$2,000.

I identify these people as class I pupils. I think that has more of a military ring than A, B, and C. Let us get it into military language. For a class I pupil for a military family that works on post and the child attending public schools, we would ask you to pay 50 percent of that child's educational cost based on the preceding year's average cost for two things—for operation and debt retirement. Why debt retirement?

They are building 300 more houses down in my area. I have to go to the taxpayers and have a bond referendum to build a school for those folks. I think the Federal Government has an obligation to help pay for that building.

A class II pupil, a military family that works on the military reservation but they have a residence or rent a trailer or an apartment in the community, that has been controversial over the years. If you look at the Commission's report and if you will look very carefully in that report at the Soldiers and Sailors Relief Act, in our county when we send out the registration forms to see how many people are domiciled in the State of Virginia, less than 5 percent pay taxes in our State. Do you want to know where they are domiciled? Florida, Connecticut, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming.

There is no broad-based State income tax in those States. That is why they are domiciled there. Frankly, if I were in the service I would be domiciled there, too, with the low pay the service people receive.

Class III pupils—in tidewater Virginia, we are considered a compassionate duty station. This means that people with handicapped children, dependents with handicapped children, request transfer to Virginia Beach or Norfolk or York County and Newport News so that they can take advantage of the broad-based handicap services we have.

What do those services cost? They range from \$4,000 to \$5,000 a year for a handicapped child for one person. How much comes from title IV from the Federal Government to support that—\$185 each year? How much comes from impact aid? If you have an A pupil, you would get 150 percent, which would be basically \$1,300. Who pays the rest of that? The local taxpayer has been paying it in the Commonwealth of Virginia.

So, my class III student would identify that handicapped person because I think that is only fair.

I would suggest that the Department of Defense make payments of 90 percent of the cost of tuition by February 1. We have to contract teachers for a whole year. Why should the locality be expected to put up millions of dollars from September to June without any prospect of having their money on time to pay their bills?

The last 10 percent will be paid by August 31st.

I will indicate that the auditing of this program should be done by the General Accounting Office each year. We have the cards; the General Accounting Office comes in, checks the cards, checks our accounts, and we are in business. It would not take a new bureaucracy up here to do it. My guess is that 25 people could do this for the severely impacted military impacted districts of this Nation.

That is my first option. How much is that going to cost? It will certainly cost more than \$400 million, the \$200 million that the Senate has approved. My best estimate is that for this year it will take \$524 million, \$424 million to pay for the A pupils 100 percent and \$100 million to pay for the B military people and to take care of the handicapped.

In fiscal year 1983 it should take \$574 million; in fiscal year 1984, \$631 million.

Frankly, I think that the committee should look at those figures. They could go up or down a tad, but basically I am in the ball park.

Option 2 essentially says let us take the impact aid program and transfer the moneys over there. I don't know a superintendent who would not agree with that.

Option 3 just says take \$1 billion and go out and educate the children, yourselves. That gets back to the fact that I still think we are giving you a tremendous bargain.

As I said, in a short time we celebrate the anniversary at Yorktown and we appreciate all the efforts of this committee to make that a significant event. I would be remiss and my local board of supervisors would be a little out of sorts if I did not convey that to you, Chairman Tower, we do appreciate your recognition.

The Armed Forces of this Nation deserve the same consideration from the Congress as other people. Wars are won with people, not machines. Either impact aid or money through the Department of Defense to pay for the military child's education is absolutely necessary.

We are running out of time. We have 68 days to get ready for a normal school year. We would hope that this committee and the Congress would help us solve that problem.

Thank you.

Chairman TOWER. Thank you, Mr. Bruno.

[The prepared statements of Mr. Bruno and Dr. Albert L. Ayars follow:]

PREPARED STATEMENT OF DONALD S. BRUNO, SUPERINTENDENT, YORK COUNTY PUBLIC SCHOOLS, GRAFTON, VA.

Mr. Chairman: the purpose of my testimony today is not to offer a defense of the impact aid program, but rather to get to the heart of the serious matter that confronts school systems and military dependent families across this Nation. Frankly, time is of the essence if we are to be able to provide quality educational services to the children of military families for the 1981-82 school term.

Our local and State governments are amazed at the recent chain of events regarding impact aid funding: The President proposed supporting military pupil funding at 90 percent of entitlement for super "A" districts; congressional committee action has ranged from zero to \$414 million. Up to this point we have not heard of any proposal from the Congress or the administration that addresses the problem that severely impacted school districts must face in the next sixty days. That problem is simple: In 1940, through an amendment to the Lanham Act, the Federal Government authorized aid for construction, maintenance, and operation of schools in federally impacted areas. In 1950, school assistance for federally affected areas was initiated, in further recognition of the responsibility of the United States for the impact which certain Federal activities have on the local educational agencies in which these activities are conducted. The legislation was in response to conditions existing in 1950 which have not substantially changed since that time. In 1950, we faced the Korean war build-up; in the 1980's we face the problem of building a superior military force. We accepted military dependent children from the dependent schools in the 1950's because this was the cost effective and right thing to do. With this acceptance came the understanding that the Federal Government would assist with the cost of educating the children. What was right in 1950 is more than right for 1981.

For thirty years the impact aid program has been the vehicle through which the Federal Government has met its responsibility for paying its fair share of the cost of military dependent children's schooling in the continental United States. The vehicle has broken down, been repaired, and has had a couple of trailers added to it. Frankly, I believe we are in the present "mess" because of the "political repairs" that have been made to what started out to be a sound, basic, simple program. We now face the prospect of court action, tuition payments, school closings, and a complete breakdown of the good relationships that many of us have worked years to develop between our communities and military posts.

It seems to me that we share joint concerns relative to solving this problem and getting on with the planning for the 1981-82 school year. I am of the further opinion that Federal judges or courts are not the appropriate forum for the resolution of this matter. Although the Attorney General and Governor of Virginia have announced that State's firm support for its tuition law and the responsibility the Federal Government has for supporting military dependent children's education, There will be no winner in the Federal court. We will still have the financial problems and you will have the massive morale problems that have plagued the services for the past decade.

Gentlemen, our county cannot accept the Federal responsibility for educating dependent children. We do not have the tax base, and we do not receive any appreciable sales tax from military families. Neither are we a commercial or industrial hub. With forty percent of our land owned or controlled by the Federal Government and with over 4,000 of the present 8,820 students federally connected, we have two options for the 1981-82 school term. They are:

1. Request that the Defense Department establish schools for the dependent military children or pay the school division the necessary tuition, in advance, for the children whose parent is in the uniformed service. (The Interior Department would have to make provisions for the children residing on property of the Colonial National Historical Park.)

2. Charge parents tuition for their children's education.

The problem is simple—there is no free public education. Each partner must pay his fair share, and the Federal obligation must be met, either through the Defense Department or Education Department budget.

WHAT IS NEEDED

I recognize that the Senate Armed Services Committee has the responsibility for overseeing the defense of this Nation and recommending those financial commitments that must be made to assure servicemen that their families will have the same opportunities as other people in our society. Might I be so bold as to suggest to this committee that this matter be solved once and for all, and be taken out of the political arena by recognizing the following:

1. The Defense Department has an obligation to support the local educational effort for dependent children.

2. That obligation can be met through Public Law 874, either through transferring funds to the Department of Education, or supplying the Congress with realistic funding levels on an annual basis so that the law has the support of the defense community.

School people like impact aid because it is not bureaucratic, has no strings attached, and it delivers a dollar's worth of educational service for a dollar. At this point in time we need financial assurance from the Defense Department and a firm contingency plan if we are to provide educational services to military families without charging tuition. Those options are:

Option I

If the Defense Department administers the plan, I would suggest the following:

1. A nationwide count of all military dependent children be conducted on October 1 of each school year. (Pupils could only be counted once during the school term.)

2. That the following entitlements be established, without tiers, proration, or absorption factors:

Class 1 pupil—military family works and resides on Federal land. Tuition payment to be at 50 percent of preceding year's per pupil operating and debt service cost.

Class 2 pupil—military family works on Federal property. Tuition payment to be at 25 percent of preceding year's per pupil cost for operation and debt service.

Class 3 pupil—handicapped child living on Federal property. Tuition payment to be 75 percent of actual cost of providing services.

3. Defense Department would make preliminary payments (of 90 percent) on or before February 1, and the final payment of 10 percent by August 31. All checks should be made payable directly to the school systems.

4. Auditing of pupil count cards would be conducted by the General Accounting Office.

	Fiscal year—		
	1982	1983	1984
Projected cost:			
Class 1 pupils.....	\$424,000,000	\$464,000,000	\$510,000,000
Class 2 and 3 pupils.....	100,000,000	110,000,000	121,000,000
Total.....	524,000,000	574,000,000	631,000,000

Option II

Impact aid funding to provide for fiscal year 1982 entitlements of 100 percent for super "A" districts and payments for military "A" and "B" pupils where the membership of military "A" and "B" pupils constitutes at least 5 percent of the total school population.

Maintenance and operation—Public Law 81-874

	<i>Millions</i>
Payments for "A" children (Sec. 3A).....	\$424
Payments for "B" children (Military "B").....	90
Payments for other Federal agencies (Sec. 6).....	75

589

Payments for construction (Public Law 81-815)—\$64,000,000 should be a part of the Defense Department's budget.

Payments for disaster assistance belong in a separate category.

Option III

Transfer all military dependent children to Defense Department operated schools, or lease public school facilities to the Defense Department.

	<i>Millions</i>
Cost of educating "A" pupils.....	\$848
Cost of educating "B" pupils.....	180
Leasing of space or construction.....	Undetermined

1,028

Option IV

Payment of tuition by the Defense Department to local educational agencies for "A" pupils, assuming the State would continue to pay its share.

	<i>Millions</i>
Cost of educating "A" pupils.....	\$424

Since the 1950 enactment of the impact aid law we have had at least three major studies to determine the equity of the in-lieu of tax payments and the obligation of the Federal Government to assist with the dependent children's educational program. All of these studies affirmed the fact that the United States Government has such an obligation. In fact we have just spent a million dollars of the taxpayers' money to finance a Presidential commission review that simply confirms what has already been confirmed.

We have sixty-eight days before the next school term begins. Schools do not have the luxury of debate. Contracts must be issued to teachers, bus drivers, aides, and custodians, and textbooks must be purchased before August 1, 1981. We need positive action on this matter by July 20, 1981, if we are to open schools in a normal manner.

On October 19, 1981, we celebrate the bicentennial of the surrender of Cornwallis at Yorktown. That rag-tag Army fought for "fairness" and a better life for this Nation. The Armed Forces of this Nation deserve the same consideration from the Congress of the United States. Wars are won with people not machines, and impact aid is the best method of insuring that families of military dependent children will have the same opportunities for a quality education as their civilian counterparts.

PREPARED STATEMENT OF DR. ALBERT L. AYARS, SUPERINTENDENT OF SCHOOLS,
NORFOLK, VA.

IMPACT AID

Mr. Chairman and distinguished committee members, I appreciate the privilege of thinking with you on a vitally important subject, Impact Aid. I represent a large urban school district whose students have benefited immensely in the past from Impact Aid. Norfolk has long been cited as a shining example of the communities justifying Impact Aid, its rationale, and its contribution to equity in education.

The Norfolk, Virginia, Public Schools enroll approximately 44,000 students after experiencing a decade of enrollment declines common to city school systems across the country. Of this number, over 13,000 students are military dependents. About 10,000 of these young people live off military posts in housing throughout our community and over 3,000 of them live on post but attend schools in our city. There is no public school on any military base in Norfolk.

As members of the Armed Services committee are aware, I am sure, Norfolk is the home of the largest naval facility in the free world and a key link in national security. The relationship between the community and the military is an exemplary one. Because of the excellent port and land facilities and because of the immense federal presence, the relationship is a mutually beneficial one also. However, it is estimated that the untaxed land in Norfolk utilized by the military would generate 16 to 20 million dollars in local tax revenues if the land were privately owned. That is merely one reason for continuing Impact Aid.

The administration's proposal for the payment of Impact Aid to so-called "Super A" school divisions really does not address the issue at hand. Under this proposal, Norfolk, despite tremendous financial need and stress, would receive no federal impact funds. Since fewer than 10 percent of our students are "A" students, we would fall far short of the artificially high 20 percent "A" student figure set by the Administration in its proposal. Reduced to its simplest terms, what the Administration's plan means is that the home of the largest naval facility in the free world would not be eligible to receive impact funds. Equity, fairness, and plain common sense would certainly seem to dictate otherwise.

Members of the committee are aware, I'm sure, of the highly publicized plight of many city school systems over the country. There are many others whose fiscal stresses could become equally acute as a result of unwarranted and unforeseen revenue reductions. Curtailments of justifiable federal assistance should be considered carefully, even prayerfully, in light of these very delicate and menacing financial teeterings so important to the fate and wellbeing of millions of our citizens.

In Norfolk the annual payment of 4.3 million dollars for the 13,000 military dependents served is an important factor in our ability to deliver quality educational services to both the military and community at large. To cut Impact Aid as recommended holds severe implications for all our citizens.

Impact Aid is a matter of practical economics vital to our defense effort. Children of military personnel must continue to receive sound education under harmonious circumstances if the military is to attract and retain needed personnel. Without Impact Aid in Norfolk we all face unacceptable alternatives:

1. Reduce school programs to match reduced income. This means the elimination of about 250 teachers and 30 administrators and crippled education for the children of both civilian and military—along with resentment and stress for all concerned. The military is bound to have morale and retention problems under such conditions.

2. Raise local taxes or charge tuition to make up the difference. These likewise breed resentment, stress, disharmony and political strife—not conducive to the building of either good communities or vital defenses. Military morale and retention problems are sure to grow.

We're not talking about providing "add-ons" and "extras" for ongoing programs of education. We're talking about providing basic and essential programs for children of military-connected parents. Don't let anyone confuse the issue for you.

There can be no argument that, were it not for the presence of the federal government, land in Norfolk that currently produces no tax revenue would bring in substantially more than the 4.3 million we currently receive in Impact Aid. Likewise, there can be no dispute with the fact that it costs a good deal of money to educate the 13,000 military dependents who come to our schools each day. The public schools of Norfolk and throughout the country have discharged well their responsibilities to provide military dependents with a sound education.

The issues involved here can be distilled into the basics very quickly. Funds to educate military dependents must be forthcoming from some source. Localities must be compensated for the removal from the tax rolls of valuable property used for federal installations. The fairest, simplest, and most equitable way of doing this would be the continuation of Impact Aid payments at their present levels.

Impact Aid has helped us do the job and I would ask that the members of this committee take the fiscally and educationally sound approach to provide equitable fair and rational funding to match the military and educational need in federally impacted school districts. Thank you for your consideration.

Senator WARNER. Mr. Chairman, might I indicate at this time that Mr. Bruno is forfeiting his vacation to be here and provide testimony today. This indicates the depth of his sincerity in working to resolve this problem. I wish to express appreciation on behalf of the Congress.

Mr. BRUNO. Thank you for the opportunity.

Chairman TOWER. Dr. Paxson?

STATEMENT OF DR. WAYNE PAXSON, ASSISTANT SUPERINTENDENT OF SCHOOLS, BELLEVUE SCHOOL DISTRICT, BELLEVUE, NEBR., ACCOMPANIED BY DR. STAN WILCOX, SUPERINTENDENT, PAPILLION-LA VISTA SCHOOL DISTRICT, NEBRASKA; AND JAMES MAZA, ESQ., GENERAL COUNSEL, ASSOCIATION OF MILITARY IMPACTED SCHOOL DISTRICTS

Dr. PAXSON. I am Wayne Paxson, assistant superintendent, Bellevue public schools, Bellevue, Nebr. I am accompanied today by Dr. Stan Wilcox, superintendent, Papillion-La Vista School District (Offutt Air Force Base), Nebr.; and Mr. James Maza, general counsel of the Association of Military Impacted School Districts.

I hold the somewhat dubious distinction of assisting in the authorship of charging tuition. The Bellevue School District first proposed this in 1970. I assure you gentlemen that you don't want to do it if there is any other choice. It tears a community apart; it has taken us the last decade to recover from it. Fortunately, we did not have to go through the entire process because the Congress passed in very short order a supplementary appropriation that bailed 10 of the most highly impacted school districts in the Nation out for that year, and then the funding was reestablished again in later years.

I should mention our neighboring school district, Papillion, is 38-percent impacted, which is a very high percent of impactation. Our school district is 66-percent impacted. We serve Offutt Air Force Base and headquarters of SAC, and this is really the only significant military impactation in the entire State of Nebraska, although there are Indians and there are other types of impactation.

Within our district, 9,000 is our enrollment, which is about equally divided among military A's, military B's and the nonfederally connected. Our receipts are also about equally divided among three sources—local revenues, State revenues and impact aid. Our budget of \$18 million contains roughly \$6 million of Federal impact aid.

To replace this \$6 million of impact funding, as was threatened in the House only last week with total elimination of the program, would require tripling the local tax rate. I can assure you, gentlemen, that will never happen.

The civilian segment of our district has experienced a military impactation dating back almost 100 years, to the time when Fort Crook was established to protect the settlers against the Indians. I assure you the local taxpayers have had a long experience with military impactation and they have very strong convictions as to where the responsibility lies. You have heard much of that today.

We had an interesting byplay here earlier in the testimony that districts would figure out other ways of circumventing the prohibition against charging tuition. I think you might be interested that this, too, came from the Cornhusker State of Nebraska. We have a law now in Nebraska that says that when a school district becomes so highly impacted that its local tax levy must be higher than the average of the other districts of its class in the county, then it shall become the duty and the responsibility of the county superintendent of schools, to immediately divorce the federally owned property from the existing school district and create a separate school district all by itself.

Now, with no tax base at all, and with \$600 per pupil from the State as a contribution, how is the new school district going to operate? This is an absolute direction in the Nebraska law. The county superintendent will be faced with the responsibility of creating a separate school district of federally owned property.

Now, this is not going to happen. I hope that it is not going to happen. We are a little bit ahead of the tuition charge and the prohibition against it in Nebraska.

Throughout my 15 years of experience with impact aid, I have found no difficulty in explaining the A funding. Everybody agrees—except apparently the administration, that says it should be funded at only 90 percent and then only super A districts—almost everybody agrees A should be fully funded. There is no tax base; they understand that. They have difficulty, however, with B funding. It has been dealt with but I would like to do it one more time.

There are two sources of local taxes, one from residences and one from all the other. The all-other includes business taxes, real estate taxes on business; it includes in our State automobiles, boats, mobile homes, utilities, telephone lines, leased equipment such as leased computers and private aircraft, to give examples.

Half of our taxes nationally come from taxes on residences, half comes from these other sources. I submit to you that the half rate for

the B military pupil is justified in exactly the same way that the full rate for the A pupil is justified. You will have a one-half tax base for a military B pupil and that is all you have. His parents shop at the base so that there is not the local shopping center that is paying taxes. The private airplane clubs are on base and they are not taxed. The mobile homes they own are not taxed. They license their automobiles in their home State of residence and they are not taxed in our State. Don't misunderstand me. They are taxed the legal amount that they are required to be taxed and I have no objection to that existing. I think it is an absolute necessity that these people have the advantages of the Soldiers and Sailors Relief Act.

I just think that you must recognize that for the military B you have one-half of a tax base and that is all. I tell you, our people at home recognize that very clearly with 100 years of history.

I would agree with Dr. Bruno that it will take somewhere in the order of \$500 to \$600 million to fund the program to assure that you will not have charges or tuition or gerrymandering of districts, as the Nebraska plan has been called by some of our friends in DOD, and they are shocked that anybody would think of doing such a horrible thing. I have heard that gerrymandering goes back at least 200 years in the political process.

Chairman TOWER. We are continually shocked by it, too.

Dr. PAXSON. We have one other thing, and I think it is justified at SAC. That is the operation of the principle of exclusive jurisdiction. It is a very complicated legal question, but in effect what it says is that the portion of the base behind the fence is responsible for all of its public services.

You cannot tax anything that is located behind that fence, even though it is privately owned. That means all the telephone lines that normally we would tax in our school district, or we would receive an in-lieu tax, all of the electrical lines, all of the leased computers escape any kind of taxation.

We would be very happy to trade the taxes on the privately owned property on base for the B funding. Very few military installations have to have this principle of exclusive jurisdiction. I don't question that it is necessary at SAC. I don't think we want assessors running around looking at equipment to see if it belongs to the private or the public sector. I have no quarrel with it. I am just pointing out that it exists and we have lost another source of taxes.

Another misunderstanding that I hear quoted oftentimes: If the base is such a burden, why do you always have delegations whenever you have to close a base? I would like to spend just a little bit of time on that.

I have never—and I suspect you have not, either—seen a school person present testifying to keep a base. Why should you? All they do is give you an uncertain funding situation. In our district they own 18 percent of the land. What benefit is there to the community? They have the prime land in the district, it would make a wonderful private airport that would be taxed at some level.

The people who testify for it are Omaha, to our north, who benefit immensely, but not our little school district. We have all of the liabilities and none of the benefits.

The State has a terrific benefit. I would not say there is not an economic benefit. I know there is to the State. Unfortunately, the

State does not recognize that they ought to take some of the benefit and fund the school district to make up for the loss of Federal aid, but they won't do that.

Now, there are States that do. Iowa has not lobbied for impact aid for the last 10 years, since they got a good State aid program that automatically picks up reductions in Public Law 874 when they occur. Why would a district spend money to come out here and lobby when a State is going to fund it?

Another State is New Mexico. They have \$23 million worth of Public Law 874 funding they are going to lose in New Mexico and there is not a school district interested in testifying for it. Why? Because New Mexico picks it all up through their State aid program.

Now, pretty soon—not Iowa, because they don't have enough dollars to make a difference—but pretty soon New Mexico is going to pass a law, I suspect, I conjecture, they will pass a law that says you may not use any local funds or any State funds for military education, because they are going to have to dig up from their State funds \$23 million of lost impact aid unless something changes.

I think you must through one way or another figure out how to fund the A's and military B's. This is the only way you can avert this very horrible situation.

Don, I sympathize with you; you are going to have one of the worst experiences that you have ever had in your school life. I have been there. You are going to have to do things to people that you don't want to do, to people who are totally innocent. Yet I recognize you must do what you have to do, and I just hope that we can exist while you are doing it this time, instead of us, that we can exist for 1 year while you are getting the problem solved.

Mr. Chairman, thank you very much. I have appreciated the opportunity to appear before this committee.

Chairman TOWER. Thank you, Dr. Paxson.

[The prepared statement of Dr. Paxson follows:]

PREPARED STATEMENT OF WAYNE PAXSON, ASSOCIATE SUPERINTENDENT, BELLEVUE PUBLIC SCHOOLS, BELLEVUE, NEBR.

IMPACT FUNDING FOR SEVERELY IMPACTED SCHOOL DISTRICTS

Military impaction at Bellevue, Nebr.

The military impaction in the Bellevue School District dates back to at least 1896 when the Surgeon at Fort Crook noted in his monthly report that as of June 30 that year, sixty-three civilians were attached to the Command; thirty-three adult females, twenty-five children and five adult males.

Reference can be found that the dependents attended the public schools at Crook Town, immediately west of the fort and now a part of Bellevue.

The original brick residences located near the center of the present complex are still used for housing officers and their dependents.

It was in 1951 when the first great influx of federally connected pupils occurred as a result of the Wherry Housing built in the north part of the Base. This date corresponds closely with the passage of impact legislation, PL 874, in 1950.

Again in 1956, a large increase was noted with the first of the six Capehart Housing developments in the southwest portion of the district.

Currently, the approximately 9,000 pupils in the district are divided almost equally among 3(a), 3(b) and non-federally connected pupils. The great majority of the federally connected pupils (all but about 600) are dependents of those in the uniformed services.

In 1978-79, the receipts of the district were divided among the major sources as follows:

	Amount	Total
Public Law 874	\$5, 148, 681 }	\$5, 910, 330
Other Federal	761, 649 }	
State aid	4, 093, 012 }	4, 771, 889
Other State	678, 877 }	
Local property taxes	3, 350, 120 }	4, 093, 289
Other local	743, 169 }	
Grand total		14, 775, 508

On a percentage basis, the totals are as follows:

	Percent	
	Amount	Total
Public Law 874	34.8 }	40.0
Other Federal	5.2 }	
State aid	27.7 }	32.3
Other State	4.6 }	
Local property tax	22.7 }	27.7
Other local	5.0 }	
Total		100.0

As indicated above more than 72 percent of the district's receipts come from sources outside the district, a most unusual situation in Nebraska in which the more common occurrence is that 75 percent or more would come from local sources.

Not only is the Bellevue School District unique in its source of funds in Nebraska, but it is unique in the nation as well. Only a handful of districts in the nation would receive as much as 40 percent of their funds from the federal government. Invariably, these districts are those serving Indian reservations or those serving military installations.

Prior to 1970, the district received full entitlement for both its "a" and "b" children and Public Law 874 accomplished the purpose for which it was designed.

In 1970, the final appropriation for Public Law 874 was prorated across all sections at 74 percent of entitlement. At that time, impact funds made up 60 percent of our district's receipts. Thus, the loss in Public Law 874 funds represented about 15 percent of the district's anticipated receipts. As is common with impact funding, the reduction was not known until half the school year was over. This potential loss left the district without the financial resources to complete the school year. Therefore, it closed school at the spring recess and proposed opening only after payment of tuition for non-residents for the remainder of the year. Fortunately, the Congress rushed through a special appropriation for ten of the most severely affected districts and the district resumed school without having to resort to the highly questionable practice of attempting to charge tuition for those whose legal residence was not within the school district.

Since that time, each contract with the certificated staff bears an addendum that states that in the event that federal funds are reduced to the degree that the district cannot continue salary payments, the contract is terminated within thirty days.

During the past ten years, our district has continued to point out in our testimony before the Congress, the following points:

1. Public Law 874 and its companion, Public Law 815, are designed to work properly only when fully funded.
2. Both bills are sound legislation and, when funded, accomplish the purpose for which they were designed.
3. When not fully funded, priorities should be given to those districts which are most reliant upon the funds.
4. If the wealth of a recipient district is to be a criterion as to whether the district qualifies, this should be written into the law as it is in state equalization plans. If need is to be a qualifier for Public Law 874, it should also apply

to Title I which goes to virtually every district in the nation, regardless of fiscal condition of the district.

5. The intangible economic benefit to the district of the presence of a military installation is an illusion in most districts which are highly reliant upon local property taxes. The only indicator of wealth for most districts in the U.S. is the number of dollars of assessed valuation per pupil.

If, in fact, the presence of the military base has a positive effect upon the fiscal condition of the district, it must be reflected somewhere in the district's financial data. The truth of the matter in our district is:

1. The assessed valuation per pupil is either the lowest or next to the lowest among the 295 unified districts in the state. Occasionally, one of the districts serving an Indian reservation crowds Bellevue out of the lowest rating. Clearly, the presence of the military installation has not increased the taxing ability of the local district.

2. The tax levy (effort) is higher than the districts with whom we are compared and far above the state average. This, despite the facts that (1) the district is one of the largest recipients of state aid per pupil in the state and (2) one of the largest recipients of Public Law 874 in the nation.

3. The expenditure per pupil is consistently \$200 or more below the average of comparable districts and of the state.

4. The number of staff members per 1,000 pupils in the district is approximately 90% of that of comparable districts.

5. Salaries paid by the district are comparable, as is required by the collective bargaining process in Nebraska.

Thus, despite an above average tax rate, the above average state aid payments per pupil and the large Public Law 874 receipts, the expenditures per pupil are only approximately 90 percent of the average. The \$48 million of sales that are made on Base annually and the payroll of \$171,811,000 for active duty Air Force, the \$35,628,000 for active civilian employees, the \$3,704,000 for other active duty military, plus \$33,523,000 paid to 4,673 military retirees in the area have not served as sufficient benefit to the district to place it in a favorable financial position.

These are impressive statistics and clearly they provide an economic benefit to some one or some agency. But where have they helped the school district?

Without question, the taxpayers of Bellevue are paying more for less than the average in the state. How can this be? The answers are obvious:

1. Eighteen percent of the land area of the district is federally owned. However, since much was acquired prior to 1939, the district cannot qualify under Section 2, which requires that 10 percent of the district be acquired by the federal government after 1939.

2. The \$48,000,000 of sales on Base are not supported by property taxes on what would be commercial property in a normal situation nor by assessment of the 1 percent city and 3 percent state sales taxes.

3. The \$200 million payroll is not subject to Nebraska income taxes unless the recipients have declared themselves residents of Nebraska.

4. The 4,693 military retirees in the area may continue to do their shopping at the tax exempt facility on Base.

5. Of the 79,359 licensed vehicles in Sarpy County in 1979, 17,903 or 23 percent were registered as out-of-state and paid no local tax on the vehicle. An unknown number do not even license their vehicles in Nebraska. At \$43 in average tax per vehicle, the non-resident licenses represent \$769,829 in taxes which would be collected in a normal situation.

6. The 3(b) families live in local residences, therefore, pay taxes either directly through ownership or indirectly through rental payments. However, the commercial tax paying property normally associated with the presence of normal population are not present here. These services are provided tax-free on Base. Bellevue's commercial property is largely concentrated in taverns and fast food operations. The largest employers, excluding the Base, the public schools and the city are probably in the real estate business, which generates public school enrollment faster than it generates local taxes.

7. The Base has exercised the principle of exclusive jurisdiction, which means that none of the privately owned property located on Base may be taxed. Examples are leased equipment and utilities. This is not a normal situation, even in military installations, but certainly may be justified in this case

due to the presence of Headquarters SAC. The loss to the district, due to the exercise of exclusive jurisdiction on Base is thought to be of the order of thousands of dollars annually.

It is clear that the Bellevue School District faces unique financial problems which can be summarized as follows:

The economic benefits of having the federal installation located in the area are distributed over a large area. The economic liabilities are concentrated in the Bellevue School District, and to a somewhat lesser degree, in those other districts which serve the Base.

The question then resolves itself as to who is responsible for (1) distribution of funds so that the local property taxes are levied equitably and (2) insuring that the employees of the federal installation, particularly among military installations where assignments are made arbitrarily, are provided adequate educational opportunities for their children.

It has been our contention that this is primarily a federal responsibility and it is so recognized in the introductory statement of Public Law 874. Even though public education is said to be primarily a state responsibility which may be, and often is, delegated to local districts, the experience of highly impacted districts has been that local districts cannot carry the burden and that the states will not do so, with perhaps a few exceptions.

For example, to replace the Public Law 874 payment with local taxes in our district would triple the local tax rate for education. This will not happen nor will the state absorb the additional cost, if past precedent is any guide.

Thus, the district is left with:

1. High millage rates on local property;
2. Relatively small amounts of local property assessment per pupil;
3. High state aid payments per pupil as compared with other districts in the state;
4. High federal payments per pupil;
5. Low expenditures per pupil;
6. Continued efforts by state and federal agencies to reduce payments to the district since they appear, on the surface, to be disproportionately large.

In conclusion:

1. If fiscal need is to be introduced as a qualifier for Public Law 874, our district, along with many others, surely meets that requirement. Section 3(d)2(b) of Public Law 874 does establish need as a qualifier and should always be fully funded.

2. If changes or reforms are needed in Public Law 874, they should be accomplished through an orderly process, not through the meat-axe approach of across-the-board reductions. A 50 percent reduction in Public Law 874 in a district which receives 1 percent of its funds from Public Law 874 represents one-half of one percent reduction in total receipts. In our district, a 50 percent reduction in Public Law 874 represents a 17.4 percent reduction in total receipts.

3. Priorities should be expanded for military impactation due to the effect of the Soldiers and Sailors Relief Act.

4. The half-rate for military "b" pupils has exactly the same justification as the full rate for "a" pupils.

5. The general aid aspects of Public Law 874 make it the most economic and efficient to administer of any of the federal programs. Public Law 874 funding is the purest form of property tax relief, next to the various state aid programs.

6. Little has changed in school financing since 1950 when Public Law 874 was first enacted, excepting the increase in state funding. The law now allows states to take Public Law 874 funds into account when the state has a fully equalized program.

7. Certainly, full Public Law 874 funding is justified for the severely impacted districts. Each of the major studies of impact aid, the Stanford Study in the 1960's, the Battelle Report of the 1970's and the Report of the Presidential Commission of 1981 have so stated. However, if funding is not provided through Public Law 874, it appears that the armed services may be the only agencies left which would insure an adequate education for military dependents.

Thank you very much for the opportunity to appear before you. A written copy of my remarks has been provided for the Committee plus tables of data which verify the comments on the fiscal situation of the district.

ASSESSED VALUATIONS PER PUPIL FOR NEBRASKA'S 15 LARGEST SCHOOL DISTRICTS, 1976-77

District	Assessed valuations (millions)	Enrollment	Assessed valuation per pupil
1. Ralston	\$110,821	4,038	\$27,444
2. Westside	194,912	7,233	26,948
3. Norfolk	78,556	3,369	23,317
4. Lincoln	586,928	25,966	22,604
5. Columbus	63,868	3,014	21,190
6. Hastings	73,868	3,550	20,738
7. Omaha	1,013,163	49,700	20,386
8. Grand Island	127,472	6,376	19,992
9. Fremont	94,080	5,012	18,733
10. Scottsbluff	55,063	2,994	18,391
11. Millard	187,183	10,889	17,034
12. Kearney	57,919	3,402	17,025
13. North Platte	73,584	4,825	15,250
14. Papillion ¹	54,668	5,844	9,354
15. Bellevue ¹	81,210	9,574	8,482

¹ Papillion and Bellevue are the 2 highly impacted districts in the State, both serving Offutt Air Force Base.

RANK OF NEBRASKA'S 15 LARGEST SCHOOL DISTRICTS IN MILLAGE RATES, 1967-68, 1970-71, 1973-74, AND 1978-79

[Rank from highest to lowest]

	1967-68	1970-71	1973-74	1978-79
Lincoln	1	8	11	13
Grand Island	2	3	5	14
Kearney	3	5	13	9
Papillion	4	1	1	1
Hastings	5	2	3	2
North Platte	6	13	12	12
Scottsbluff	7	11	15	10
Bellevue ¹	8	6	9	6
Westside	9	14	7	5
Columbus	10	9	10	11
Omaha	11	12	8	8
Ralston	12	10	4	2
Fremont	13	7	6	3
Norfolk	14	15	14	5
Millard	15	4	2	4

¹ Bellevue consistently ranks near the median, indicating a near-average effort among the 15 largest districts.

Pupil/teacher ratios, 1978-79 for Nebraska's 15 largest districts

District:	Pupil/Teacher
1. Papillion	21.1
2. Bellevue	20.3
3. Millard	19.3
4. Norfolk	18.3
5. Omaha	17.9
6. Kearney	17.8
7. Fremont	17.7
8. North Platte	17.4
9. Scottsbluff	17.4
10. Lincoln	17.2
11. Hastings	17.2
12. Grand Island	17.0
13. Columbus	16.6
14. Ralston	16.1
15. Westside	15.9

Papillion and Bellevue, both serving Offutt Air Force Base, lead the list.

Cost/pupil in Nebraska's 15 largest school districts, 1976-77

District:	Current Expense/ADM
1. Westside.....	\$1,574
2. Omaha.....	1,436
3. Ralston.....	1,398
4. Lincoln.....	1,373
5. Hastings.....	1,312
6. Columbus.....	1,245
7. Grand Island.....	1,227
8. Bellevue.....	1,180
9. Kearney.....	1,172
10. Fremont.....	1,138
11. Scottsbluff.....	1,129
12. Millard.....	1,124
13. North Platte.....	1,055
14. Papillion.....	978
15. Norfolk.....	976
State average.....	1,366
Median of 15.....	1,180
Average of 14.....	1,224
Bellevue.....	1,180

Bellevue ranks at the median among fifteen largest districts; is \$186 per pupil below state average and \$44 per pupil below average of the other fourteen largest districts.

AGE PERCENTAGES IN NEBRASKA'S 93 COUNTIES, 1976

County	District	Percentage over 60 and rank	
		Over 60	Rank
Pawnee.....		33.2	1
Johnson.....		27.1	10
Wheeler.....		25.0	20
Grant.....		24.0	30
Pierce.....		22.5	40
Adams.....	Hastings.....	22.2	43
Frontier.....		21.6	50
Dawes.....		20.0	60
Dodge.....	Fremont.....	19.0	68
Merrick.....		18.8	70
Scottsbluff.....	Scottsbluff.....	17.0	78
Hall.....	Grand Island.....	16.5	80
Buffalo.....	Kearney.....	16.3	83
Lincoln.....	North Platte.....	16.1	86
Stanton.....	Norfolk.....	15.8	88
Platte.....	Columbus.....	15.7	89
Lancaster.....	Lincoln.....	13.6	90
Douglas.....	Omaha, Westside, Millard, Ralston.....	13.1	91
Dakota.....	South Sioux City.....	12.4	92
Sarpy ¹	Bellevue, Papillion.....	4.0	93

¹ The 2 highly impacted districts, Bellevue and Papillion, are in Sarpy County with by far the fewest over age 60.

Chairman TOWER. Senator Nunn?

Senator NUNN. I just want to congratulate all the witnesses on an excellent presentation.

What you are saying is irrefutable in every sense. Something has to give, and we have to solve the problem, but you have to provide in the interim.

Dr. PAXSON. We hope we can survive in the interim without school closings, which is more apt to happen. I think that is the option that will happen most often.

Chairman TOWER. I think what is incumbent on us is to try to provide a short-term solution while we deal with the question of the long-term solution as suggested in Mr. Bruno's testimony.

Unfortunately, this committee does not have jurisdiction over all aspects of this problem. We have probably a more vital interest in it than the committee that does have jurisdiction.

Senator WARNER?

Senator WARNER. Thank you, Mr. Chairman.

Again, I want to congratulate the panel.

When we get into a difficult situation like this, there has to be compromise on both sides.

Can you provide us with a figure—assuming that this committee will take the lead, and I think it will, to try to restore some measure of funding—what is that figure where we strike a balance between what the communities can or are willing to accept and what the Congress must come up with by way of additional funding?

Chairman TOWER. Incidentally, if the question is addressed to a specific panel member, other panel members should feel free to comment or respond.

Mr. BRUNO. The figures I have given the committee are fairly accurate. For the A pupils this year it is \$401 million of this Nation to fund A children. There has never been a debate about the A child until this year—100 percent. I think \$424 million is a good estimate for what that would cost this year.

For the B pupils, between \$90 million and \$100 million. That is military B's, no civilian B's in there, just plain military, and your A pupils, that is \$524 million.

I am not taking into account your section 6 schools. That is \$75 million more.

Dr. PAXSON. It is not taking into account the Indians.

Mr. BRUNO. No. I am not dealing with the Indians here, because this committee's purview, as I understood, was the military children, and you wanted to address the military issue.

From the military standpoint, it would take \$524 million to do the A's and B's and to run your section 6 schools it will take another \$75 million.

You also have to recognize in this particular program, I believe, that the President proposed somewhere in the neighborhood of \$33 million, if I recall, for school construction. We are not addressing that issue.

There is money for disaster. We are not addressing that.

For A's, military B's, your section 6 schools, \$600 million is what is going to be needed to do that. I don't think you can do it with any less than that.

If you ask me, "Now what happens, Mr. Bruno?"—if we say we are going to give you 90 percent funding for your A's and we are not going to pay you for the B's, and so forth, we are going to be on tuition. We will be in the same place on tuition with that proposal as we are with the current proposal. We are going to charge tuition. We have to, and other divisions would have to, too.

Dr. PAXSON. I have not gone to the depth that Don has gone in his study, but I suspect that we could fund the A's, military A, leaving out the Indians, and the B military, and again I think we are talking perhaps of funding at last year's level rather than authorization, and that may be a difference.

Last year it was about \$250 for A's. I think we probably could cut that \$100 million and still fund at last year's level.

Remember, there is still a 5-percent reduction in last year's level that I don't like, either. I think that would be a bottom line that would perhaps stop school closings.

As far as tuition, there may be communities who feel they are not going to subsidize one penny of the Federal Government in this matter. I don't know.

Mr. BRUNO. I still think you are talking about \$500-\$600 million to do the job.

Dr. PAXSON. I would agree.

Mr. BRUNO. I think you could get more accurate information on Maryland Avenue from the Office of Impact Aid. I think they could give you a computer printout in a few hours.

Wayne mentioned something that is interesting. Prior to coming to this meeting, I was trying to figure out how I am going to end this year and pay my bills. When I left Yorktown I was \$300,000 short, simply because we have not received for fiscal year 1981 our payments. Then the President of the United States proposes a rescission of 5 percent of those payments. We are not a forward funding program, which means that we have already contracted and spent the money. We have to absorb in our school division a 5-percent reduction.

My other colleagues from Virginia have had the same problem. This is really a nightmare to work with. We have not figured out how we are going to pay our bills this year. I know school divisions that have gone out to borrow money this year to pay their bills.

Dr. PAXSON. In Nebraska you cannot go out and borrow money if it will exceed 75 percent of your anticipated receipts at any point in time. So, probably in Nebraska and any other State that has that kind of law, school closings will happen more than anything else. You just run out of money.

With this threat, in 1970 we secured legislation in Nebraska that allows us to terminate our teachers immediately when the Federal Government in its infinite wisdom decides they are not going to pay the dollars. Then we close schools and send the teachers home and there is no pay. Ordinarily you are obligated to continue to pay for the rest of the year.

We have taken care of that in Nebraska. That is not going to happen. Nebraska also says you are not going to go out and borrow if you are beyond your anticipated receipts. If your anticipated receipts are zero, your borrowing capacity is zero at that point in time. Nebraska has a reputation for being a white spot and that is one of them. They are very fiscally conservative; they are not going to go broke in Nebraska; they may have no education but they won't go broke.

Isn't that right, Senator Exon?

Senator EXON. That is right.

Mr. FRANCIS. One of the most important aspects of all of this is that we do not get off the track and consider funding only the A's. The impact is still there with the B's. The lack of funding for B's will seriously hamper the quality of education. The quality of education needs to be there for the military people of our communities. It has to be there because they are so mobile, moving throughout our country. They need to get the best education they can everywhere they go in order to maintain and come out with the kind of education they are going to need in the future.

So, please don't get in the ballpark of saying we are only going to do A's and we are going to leave the B's off. We need the funding in both categories. The obligation of the Federal Government is there and I think it should remain.

Mr. BRUNO. Mr. Chairman, the figure I have given on the A's—that figure did include the Indians. I think Mr. Maza has a more accurate figure.

Chairman TOWER. The attorney representing the National Association of Federally Impacted Schools, Mr. Maza, why don't you submit your statement for the hearing record and sit at the table here, so that you can respond, if necessary.

PREPARED STATEMENT OF JAMES W. MAZA, COUNSEL, NATIONAL ASSOCIATION OF FEDERALLY IMPACTED SCHOOLS

Mr. Chairman and Member of the Committee: The National Association of Federally Impacted Schools appreciates this opportunity to present its views on the impact aid program. The Association represents approximately 1,000 of the 4,300 school districts currently eligible for impact aid assistance.

Your Committee's decision to hold this hearing is a timely one. Never in the thirty years that impact aid has been in existence has the prospects for school districts affected by Federal activity looked so bleak. The Reagan proposal called for the elimination of funding for almost 4,000 school districts along with reduced funding for the remaining 400. This reduction would have a significant effect on the education of millions of children, many of whom are the children of military parents. Many schools which rely on impact aid as a major portion of their general support will face fiscal dislocation. In some cases, schools will close or face loss of accreditation. During the Committee hearing you will hear examples of the effect of the Administration proposal as well as the House and Senate reconciliation bills.

The federal impact aid program provides financial assistance to local school districts where the costs and revenues are adversely affected by federal activity. The purpose of the program is to minimize the fiscal inequities caused by both the presence of federal tax exempt property and the increased burden of educating federal dependents whose parents live and/or work on federal installations or in the Armed Forces.

The current impact aid program has roots that extend back through American history. The War Department was the first agency of the government to recognize the need for schools to educate the children of its employees. In 1821, Congress enacted military regulations that provided schools for military dependents. Later, during the Second World War, Congress enacted the Lanham Act of 1940 to assist school districts "impacted" with large numbers of children whose parents worked for the rapidly expanding Armed Forces. Still later, during the Korean conflict Congress began the current Public Law 81-874.

The current law recognizes that local school districts are dependent on tax revenue from (1) residential property of individuals and (2) commercial and non-residential property. Accordingly, impact aid law established two main categories of pupils:

(1) Pupils whose parents live and work on federal installations or in the Armed Services or reside on Indian lands—"A" pupils;

(2) Pupils whose parents live or work on federal tax exempt property—"B" pupils.

Since the activities of the federal government are tax exempt, the presence of a federal installation seriously impairs the ability of the affected school system to raise revenue. Districts derive tax revenue from both commercial and residential property. It is the loss of commercial tax base that supports the "B" category of funding. School districts lose additional revenue due to the exemption of service personnel from local sales tax, income tax, and other taxes on personal property auto registration, etc.

Besides the arguments regarding the tax base and additional cost of increased enrollments there is an additional support for the impact aid program. This third support is found in the nature of the special educational needs of the military child. While it is hard to quantify, the existence is undeniable. The Commission on the Review of the Federal Impact Aid Program which is in the process of completing a two year study of impact aid, summarized this contention:

"Military dependents are highly mobile students. The frequency, suddenness, and unpredictability of military reassignment procedures cause serious social and psychological stress on those students. Education programs which are not consistent from area to area can cause children to arrive far behind or ahead of new classmates, generating a traumatic dislike for school which impedes their adjustment to schools. This stress from the constant movement of military children contributes to the instability of the family . . .

"Poverty is not uncommon to military families. Lower ranks frequently live in public housing and use food stamps at commissaries. A significant number of military parents are married to non-English speaking spouses, thus creating learning problems for children. . . . Constant turnover in a local educational agency's enrollment creates both financial and administrative problems."¹

This year there are approximately 230,500 "A" category pupils whose parents work and reside on military installations. There are approximately 330,500 military "B" pupils presently served by public schools eligible for impact aid.

This Committee, because of its concern for the Armed Services, has a justifiable interest in the education of military children. Good schools are essential for good service morale. It is for this reason that the federal government provides Section 6 and Overseas Dependent Schools. I am certain that this Committee is aware of the tuition laws that have been passed in Virginia, North Carolina and Texas and the effect that such measures will have on military families. While such measures are distasteful to local governments, they represent the refusal of local taxpayers to carry the full burden of educating federal dependents. It is in a sense a true taxpayer rebellion. However, such confrontation has a high price. A far better solution would be for Congress to provide assistance to schools serving military children.

Accordingly, I suggest that this Committee work to insure that Congress adequately fund the current impact aid program to provide payments for military "A" and "B" pupils. The cost of funding "A" category pupils would cost \$270 million and the military "B" funding cost would be \$80 million.

An alternative approach would include the creation of a new program operated by the Department of Defense. The program could operate on a basis similar to Public Law 81-874 with entitlements based on the number of military children served. The rate of payment could be tied to the actual or state-wide cost of education. "A" payments could be at 100 percent of cost and "B" payments at 50 percent.

A fight over tuition payments is a fight neither side can win. Military morale and the relationship between the Federal government will never by the same, if the Federal government wages the war of injunctions. On the other hand, the school districts must continue to force the impact aid issue because it is a battle for the survival of quality education. This is our aim—to insure that no child, be he civilian or military dependent, receives anything less than a free, appropriate and quality education.

Mr. MAZA. Mr. Chairman, we have a figure—which could be verified by staff—of last year's level. Last year there were approximately 230,000 A students and the military cost for A students was \$250 million.

The last report—and this is information based on statistics from the Department of Education—shows where 330,000 military B's, excluding civilian pupils, were served, a cost of approximately between \$70 and \$80 million. The cost, therefore, would be \$250 million for A's, as the best of our data reflects, approximately \$70 to \$80 million for military B's.

Again, as the Department of Defense officials noted, the cost for section 6 students was approximately \$75 million.

Again, I believe we could talk about a scaled-down program, certainly way down from the figures we have presently in the law, to just handle the military problem. I believe at those levels we are probably unified in agreement that that would solve most of the problem and address

¹ Commission on the Review of the Federal Impact Aid Program, draft report p. III-16 (unpublished).

the issue of tuition payments and quality education for service-connected personnel.

Chairman TOWER. Senator Exon?

Senator EXON. What is that scaled-down figure? You didn't say what it was. We had an earlier figure of \$424 million for A's and \$100 million for B's, and we had \$75 million for section 6. What figures are you referring to now?

Mr. MAZA. I am referring to the breakdown. If I can, Senator, if you will help me in my arithmetic, there is currently in this year's authority \$401 million, approximately, for A funding. That includes Indians as well as military.

The information I have received from Mr. Stormer, who is director of impact aid in the Department of Education, is that last year approximately \$250 million was for military-connected A pupils.

I also attempted to break down the military B's from the same source and was told it cost approximately \$70 to \$80 million for military B's. That would be \$330 million.

Then section 6 schools would be \$75 million.

We continue to have construction problems. However, I think this possible solution would get us over the hump for this fiscal year as far as the service-connected children. The figures could be verified.

Senator EXON. This \$400 million that was recommended by the administration, as I understand it, that included some construction and some other figures that might in an emergency situation be passed over?

Dr. PAXSON. Section 2.

Mr. BRUNO. It had \$237 million for A's; it had \$13 million for sections 2, 3, and 4.

Jim, is that the land that is taken off the books?

Mr. MAZA. Yes, that is section 2.

Mr. BRUNO. In that \$75 million was for your section 6 schools, \$12 million for disaster assistance, and \$64 million in there was for construction. When you total those figures up, you come to \$401 million.

I think one of the things we ought to say in dealing with these figures, let us not take last year's figures on what it cost to deal with A's. In our school division and most of the school divisions around us, our costs went up 15 percent for next year. I think when you deal with those figures it would be best to take into account what the actual cost will be.

Senator EXON. In that regard, I recognize that costs are going up in the school systems, like in other sections of government. I will ask my friend from Nebraska. He can probably answer it.

Dr. Paxson, what has been the record on the increase in number of students? The cost has some relation to the number of students?

Dr. PAXSON. In the last 10 years the number of students has been declining somewhat.

Senator EXON. In both A and B?

Dr. PAXSON. In both A and B, but not in a significant number.

Senator EXON. 5 percent, 10 percent?

Dr. PAXSON. Less than that per year; perhaps 10 to 15 percent in total over the 10-year period.

Senator EXON. The costs have gone way up?

Dr. PAXSON. The costs have doubled.

Senator EXON. Gentlemen, I can't tell you how much we appreciate your coming. You have been very, very helpful to us in highlighting the situation. I think that you have sensed the concern of this committee in this regard.

I think primarily as a result of your coming here, we are going to be working very hard to try to work out something constructive to make sure that those schools stay open come September 1.

Thank you very much.

Dr. PAXSON. Thank you, Mr. Chairman.

Chairman TOWER. Gentlemen, thank you very much for presenting some very enlightening testimony. I think it is unfortunate that the total program of impacted area aid has come under fire in recent years because there has been some abuse. Very often the tendency here when we detect abuse in some area is to overcorrect the problem. Sometimes we have a tendency to throw out the baby with the bathwater.

I think we on this committee recognize that what you have presented to us today is an accurate representation of what the requirement is and what the obligation of the Federal Government is. In Texas we get hit several ways. We are compelled to educate even illegal alien dependents and get no Federal support for doing that. So the school districts along our borders, particularly those with military installations like Jim Francis' district in El Paso, are getting a double dose.

I think that we have to consider the consequences of what the Federal Government does or what Federal policy does in terms of the burden it places on our school districts.

I think that, really, we have, as Mr. Francis suggested, a particular obligation to give the best possible education to the dependents of our servicemen, because they are on the move. They rarely spend more than 3 years in one school, sometimes much less than that. Sometimes they go abroad. Some kids are educated in Texas, Japan, and Germany. If you think that is not an admixture.

So, we are strongly conscious of the problem. We are sympathetic to it. We will do our best to see what we can do to bring you some timely assistance while we work with our colleagues on the Human Resources Committee on more long-term solutions to the problem.

Thank you all for your participation today.

Mr. BRUNO. Thank you, Mr. Chairman.

[Questions submitted for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY CHAIRMAN JOHN TOWER

Senator TOWER. Mr. Taft, would you indicate those states which have already enacted statutes requiring tuition from military personnel and whether and on what basis the Administration intends to challenge the enforcement of such statutes?

ANSWER. Only the State of North Carolina has enacted legislation requiring that military personnel be charged tuition. A number of other states, however, have enacted authority which permits a local school district to charge tuition or take other action that burdens military dependents in their efforts to obtain a public education. Depending upon the precise language of the enactments, consideration is being given to challenging these statutes because they violate certain provisions of the United States or state constitutions.

IMPACT AID

Senator TOWER. Mr. Korb, Congress created a 10-member commission to study the federal impact aid program. Has the Department of Defense reviewed the Commission's interim report and, if so, does the Department agree with the findings of the Commission? The Commission on Federal Impact Aid indicates that the economic benefits derived from the presence of military installations are negligible and fall well short of the amounts necessary to adequately compensate states for the additional demands on educational services. Do you agree?

ANSWER. The Department of Defense has not reviewed the Commission's interim report. The Department believes that localities receive positive economic benefits from the presence of military installations.

QUESTIONS SUBMITTED BY SENATOR JOHN WARNER

Senator WARNER. Mr. Korb, has the Department of Defense conducted a study which indicates that communities are economically better off after a base closing than they are with the base in operation?

If so, can we conclude that there is a negligible economic benefit to those communities from the presence of Federal activities?

ANSWER. The Department of Defense (DOD) has not conducted any such study as to whether communities are economically "better off" after a base closing than they are with the base in operation. The DOD does conduct, on a bi-annual basis, a survey on the civilian reuse of former military bases. In the last survey, conducted in 1979, it was found that the civilian job replacements for 91 former military bases (103,212 new civilian jobs) more than replaced in total the civilian employment at the former Defense facilities (88,282 former DOD jobs) at a variety of industrial, commercial, educational, and other public uses. Another 128,400 military personnel were reassigned from the closed bases with spending losses but not job losses to the affected communities. The conversion process often involved a two-to-three-year adjustment period for the impacted communities. In general, the affected communities reflected a more diversified and stronger economic base following the economic adjustment period.

As an element in the Community Impact Assistance study, requested by the Congress in Section 803 of Public Law 96-418, the Department of Defense and the Department of Commerce have analyzed the economic stimulus from military bases in relation to other private sector activities in several representative communities. The analysis indicated that the local economic stimulus for military bases (in contrast with DOD industrial activities) is lower in general than from other private sector activities as a result of: (a) the lack of normal inter-industry relationships between the base and regional industry; (b) the base itself provides a large portion of the secondary employees in the local economy; and (c) the generally lower wage scale for military personnel, in comparison with prevailing local wages. Despite these findings on the reduced economic benefit of military bases in relation to civilian industrial activities, it would be inappropriate to conclude that there is a negligible economic benefit to the communities from the presence of Federal activities.

AMOUNT OF TUITION PAYMENTS

Senator WARNER. Mr. Korb, have any states indicated the per pupil amount of tuition which they intend to charge DoD employees? Have you any specific examples of the amounts which they intend to charge?

ANSWER. Several states and localities have indicated the amount of tuition which they intend to charge military dependents if Impact Aid funds are reduced or eliminated. Some specific examples include:

School district	Military installation	Tuition charge
Highland Falls, N.Y.	U.S. Military Academy at West Point	\$1,339.
Fairfax County, Va.	Fort Belvoir	\$2,800 to \$10,000.
York County, Va.	Langley AFB, Camp Perry, Yorktown Naval Weapons Station	\$1,022 to \$2,044.
El Paso, Tex.	Ft. Bliss	\$462.86.

SCHOOLS ON MILITARY INSTALLATIONS

Senator WARNER. Mr. Korb is there sufficient justification to continue funding for each of the 18 so-called "Section 6" schools or would it be more practical to integrate these children into local public schools and, of course, compensate such school districts for this additional burden?

ANSWER. There are 21 Section 6 schools located on military reservations which educate approximately 33,000 military dependents. Local educational facilities in the areas where these Section 6 schools are located are often not sufficient to absorb these military dependents. Until it becomes possible for the localities to integrate these children into the local school district, it is imperative that Section 6 funds continue to be appropriated so that these 33,000 military dependents are able to attend school.

QUESTIONS SUBMITTED BY SENATOR JOHN STENNIS

IMPACT AID

Senator STENNIS. Mr. Taft, the Department of Defense now operates schools overseas for military dependents. How many schools are there? How many students? How much money is included in the fiscal year 1983 DOD budget to operate these schools?

ANSWER. The Department of Defense currently operates 271 schools overseas involving approximately 136,000 students. An additional 8,500 students are educated in private schools in areas where it is not feasible to operate a Defense school. The fiscal year 1982 DOD budget request for schools overseas was \$486.2 million.

Senator STENNIS. Mr. Taft, I understand that there are 18 schools located in United States on military bases that are run for military dependents by local school districts who are reimbursed by the Federal Government. How much money is involved for the operation of these schools? Have these funds ever been included in the DOD budget?

ANSWER. There are 18 Section 6 schools located on military reservations which are staffed with Defense employees but all costs are assumed by the Department of Education. There are three additional schools which are run by the local school district, but Section 6 funds are used to partially or fully compensate for the costs of education of the attending military dependents.

There was \$75 million in the Administration's fiscal year 1982 budget proposal for maintenance and operation of these 21 schools. These funds have been included in the Impact Aid program at the Department of Education since 1950.

Senator STENNIS. Mr. Taft, what is the remainder of the impact aid funds related to military dependents? How does the number of military dependents translate into specific amounts for impact aid?

ANSWER. The following table illustrates the number of military dependents which are funded under the fiscal year 1981 budget and the Administration's fiscal year 1982 budget request:

[Dollar amounts in millions, fiscal years]

	1981 estimate		1982 budget request	
	Amount	Dependents	Amount	Dependents
Military A.....	244.4	230,466	115.4	230,466
Military B.....	76.8	330,459	-----	0
Sec. 6 schools.....	75.0	33,000	75.0	33,000

Senator STENNIS. Mr. Taft, is it the case that the Department of Defense asked OMB to approve a legislative proposal to authorize the Secretary of Defense to pay tuitions to local school districts if tuition were charged to military dependents?

ANSWER. The DOD has discussed with OMB the possibility of obtaining temporary legislative authority to make tuition payments under protest, pending the outcome of litigation on the validity of any tuition charges that might be imposed. The Administration prefers, however, to resolve this issue by prohibiting tuition charges, rather than encouraging them by agreeing to finance them.

Senator STENNIS. Mr. Taft, in your opinion, is it constitutional for the States or local school jurisdictions to charge tuition to military dependents?

ANSWER. On the basis of statutes we have reviewed, we believe that these attempts by states and localities to charge tuition may violate provisions of the U.S. and some state Constitutions. Each case would have to be decided on its own facts. The Department intends to challenge those laws that, in its judgment, are questionable.

Senator STENNIS. Mr. Taft, you have submitted a legislative proposal to prohibit the States from charging tuition. Is this provision constitutional? Is it constitutional for the States to charge tuition for others, such as diplomatic dependents?

ANSWER. We believe Congress has the power to carry into effect its authority to enact necessary legislation to raise and support armies pursuant to Art. 1, sec. 8, of the United States Constitution. It may be Constitutional for the States to authorize tuition charges under some circumstances involving students from other jurisdictions, but I believe that Maryland's efforts to impose tuition charges against the children of diplomatic personnel was found to be illegal. In the face of a constitutional Congressional prohibition, of course, any such state law would have to give way.

Senator STENNIS. Mr. Taft, why should this money be included in the DOD budget rather than in the Department of Education budget where it has been up until now?

ANSWER. The Department of Defense supports the Administration proposal that funding of the impact-aid program, including funding for section 6 schools, should remain in the Department of Education budget.

Senator STENNIS. Mr. Taft, whatever additional funds are provided for impact aid, do you think the States and local communities will back off any attempts to charge tuition? If the issue of the right of the States and local communities were to go litigation, what is your feeling on which side would prevail? Have you consulted the Department of Justice on these legal issues? What is their view?

ANSWER. It is the position of the Department of Defense that the Administration's proposal on impact-aid is both generous and equitable. Accordingly, it is our hope that those funds will satisfy the states and localities. We note with dismay, however, that there is no precise statutory authority prohibiting tuition charges by states or local school districts for amounts in excess of the impact-aid funds provided by the Federal Government under whatever formula is finally enacted. There is, in short, no way to assure that states and localities will not persist in attempts to charge tuition, regardless of the level of the impact-aid program, in the absence of a federal statute prohibiting such attempts.

If the matter goes to litigation, we are hopeful, that these attempts would be found unconstitutional, but cannot be confident that this would be so on every set of facts. The Department of Justice shares this view.

STATEMENTS SUBMITTED FOR THE HEARING RECORD

Subsequent to the hearing the following prepared statements were submitted to the committee for inclusion in the hearing record:

THE FAIRFAX COUNTY SCHOOL BOARD, FAIRFAX, VA., STATEMENT ON IMPACT AID

For many years, the Fairfax County School Board has been providing free public education for students who reside on the Fort Belvoir Military Reservation. The elementary age students have attended facilities which are located on the military base but which were operated by the school system at our expense. The students in grades seven through twelve have attended county intermediate and high schools located outside the base. Underlying and supporting these arrangements is a federal law (20 U.S.C. 238) which provides for payments to local school boards for providing free public education to students whose parents reside and/or work on federal property. This federal payment, known as Impact Aid, was designed to assist localities which were expected to provide an education to students from military families without being able to receive tax revenues based on personal property, income, auto licensing, commissary sales, or the value of the real property on which the military facilities were located.

Congress is now considering President Reagan's recommendations with respect to these Impact Aid funds. Should Congress reduce the amount of these funds so that the federal payment to the School Board for students residing on Fort Belvoir falls below fifty percent of the total per capita cost of educating these students, we intend to terminate our operation of the base schools and to end the free education of those students from Fort Belvoir who are not domiciled residents of Virginia.

Recent amendments to the Code of Virginia permit, but do not require, local school boards to admit students residing on military reservations and to charge tuition for such pupils if they are not domiciled residents of Virginia and if Impact Aid funding for these students falls below fifty percent of the total per capita cost of educating these students. A tuition charge based on the actual costs of providing an education for each child would range from \$2,800 per year for an elementary student in general education to over \$10,000 per year for certain children who receive intensive special education.

It is not our desire to penalize the students from Fort Belvoir, and we are aware of the burden such tuition charges would place on persons who are serving their country and must be assigned to military facilities in order to fulfill the needs of the Army. We also have no desire to disrupt the cordial relationship we have had with Fort Belvoir over the years. In lieu of charging tuition directly to parents, therefore, we would propose that the Fairfax County School Board enter into an agreement with the Department of Defense or any other appropriate federal agency which would provide for compensation to the School Board for the costs of educating Fort Belvoir students both on and off the reservation. Such agreements are permitted under Section 241 of Title 20 of the U.S. Code. (Of course, that law also permits the Department of Defense to operate its own schools for these students.)

In addition to the Impact Aid payments for the students residing at the Fort Belvoir Military Reservation, the Fairfax County Public Schools also receives Impact Aid for students whose parents either live or work on federal property. For the 1982-83 fiscal year, this school system's budget reflects an Impact Aid estimate of \$6.9 million: \$2.4 million for the Fort Belvoir students and \$4.5 million for the other federally connected students. Obviously, the effect on the Fairfax County schools would be severe if we were to lose all Impact Aid funds or a significant portion of the \$4.5 million for those students who do not reside at Fort Belvoir.

Free public school tuition in Virginia is provided to domiciled residents because those residents fund the schools with their tax dollars. The taxpayers of the locality and of the Commonwealth of Virginia should not be expected to bear the costs of educating students who are not domiciled residents. Students from neighboring jurisdictions who choose to attend Fairfax schools pay tuition. The schools in the City of Fairfax are operated by Fairfax County under a School Services Agreement with payment made according to a tuition formula. Clearly, the cost of educating military dependents should be borne by all taxpayers in the United States as part of the nation's defense.

The Fairfax County School Board believes that Impact Aid funding should be continued at levels which will compensate local districts for the loss of tax revenues and the cost of educating non-domiciled residents.

PREPARED STATEMENT OF THE BOARD OF EDUCATION, FORT LEAVENWORTH
SCHOOL DISTRICT, U.S.D. 207, FORT LEAVENWORTH, KANS.

SCHOOL ASSISTANCE IN FEDERALLY AFFECTED AREAS (IMPACT AID, PUBLIC LAW
81-874)

Our 1980-81 budget per pupil of \$1,784 is \$353 below the \$2,137 median budget per pupil for Kansas school districts in our enrollment category. Our financial plight has entitled us to additional federal funding under Section 3d2B of Public Law 81-874 for fiscal year 1979 and fiscal year 1980. We received these funds in addition to 100 percent of our regular Public Law 81-874 entitlement. Even with this amount of federal aid, the financial status of this district forced us to spend less than our state budget authority for fiscal year 1980 by \$125,000 and we expect to under spend our limit for fiscal year 1981 by approximately \$188,000. Other districts in the State of Kansas normally spend their full budget limitation. Unless the Fort Leavenworth School District receives both its regular Public Law 81-874 entitlement and additional funds under Section 3d2B of Public Law 81-874, we will not be able to continue to provide an education for approximately 1,800 military and federal dependents located in our district.

The U.S. Congress must understand that special provisions are justified and essential for the Fort Leavenworth School District if our federal impact aid under Public Law 81-874 is not funded at 100 percent of entitlement including additional funding under Section 3d2B. We understand that the federal government is not establishing any new Section 6 schools on military bases so the only alternative to funding this district is special legislation.

Failure to provide federal funding as described above will result in closing the schools during the 1981-82 school year. Therefore, we urge the Congress to fund Public Law 81-874 in such a manner that will enable the Fort Leavenworth School District to continue to operate.

Mr. Chairman, the Fort Leavenworth School District is unique not only in Kansas but in the nation. The uniqueness was created by the Kansas Legislature with the consent of the Department of Defense (KSA72-5333a) to meet the needs of the Fort Leavenworth military community.

The boundaries of this district include only federal property: the Fort Leavenworth Military Reservation, the Federal Prison property and a Federal Cemetery. Therefore, this district has no tax base except for the small amount of corporate property that is located on these federal properties and these taxes only provide approximately one percent of the funds necessary to operate the district. All of the homes within our district boundaries are owned by the federal government and are not subject to taxes. Therefore, our district is almost totally dependent upon state and federal aid for our funds. U.S.D. No. 297 is the only school district in Kansas that is not funded under the State Equalization Aid Act. Each year the state legislature makes a special appropriation of funds to this school district and \$712,000 was received in state aid in fiscal year 1981. Some Kansas legislators consider this an unwarranted gift because our school district encompasses only federal property which is not subject to local or state taxes and only a small percentage of the military personnel assigned to Fort Leavenworth pay income taxes to the state of Kansas.

We should, and do receive the majority of our funding from the federal government. In recent years 70 to 80 percent of our funding has come from impact aid under Public Law 81-874. We normally receive 100 percent funding of our entitlement because all of our students are in Public Law 81-874 category 3a, since their parents both live and work on federal property.

PREPARED STATEMENT OF DAVID J. MATTHEWS, ASSISTANT SUPERINTENDENT OF SCHOOLS, PORTSMOUTH SCHOOL DEPARTMENT, PORTSMOUTH, N.H.

The City of Portsmouth, its taxpayers the School Department, and the City Government is extremely concerned over the present status of Impact Aid funding.

Portsmouth is the home of Pease Air Force Base. We are glad that those living on the Base are part of our community, but it must be remembered that Portsmouth cannot collect property taxes for those living on the Base. Despite the absence of those tax dollars, the City must educate the children living there.

We feel it is totally unfair to ask the citizens of Portsmouth, to a far greater extent than any other community is asked, to subsidize the existence of the Base. With the proposed elimination of impact aid, the Government is doing just that.

The "A" students attending Portsmouth schools constitute 28% of the total school population. Obviously, a substantial portion of our 11 million dollar school budget is the result of the large number of students of military connected families. In lieu of property taxes, impact aid is absolutely essential. To not receive the \$1,700,000 to which we are entitled would result in a \$5.23 per thousand increase in direct property taxes to the residents of the City. Is the Defense Department, the Education Department, and Congress saying that this is fair to the citizens of Portsmouth?

We would absolutely need to look for alternatives to this drastic increase in property taxes. One alternative we would certainly investigate is a direct tuition charge to military families, already allowable under New Hampshire law. Do we want to do this? No! Is it fair to those families? No! On the other hand, is it fair to the citizens of Portsmouth to ask them to bear the total cost of this burden? Again, No!

The Government must recognize its responsibility in this matter. To do otherwise would be a travesty. In the end, the kids would be the losers. I don't think there is a person in Portsmouth who does not want to educate all children living on Base, but the Federal Government is placing the residents in a position where their backs are against the wall. The ridiculousness of it all is that we are simply asking that the Federal Government pay its fair share just as Portsmouth requires the small, nearby towns to pay their share of tuition.

DAVID J. MATTHEWS,
Assistant Superintendent of Schools.

PREPARED STATEMENT OF ERWIN M. ALEXANDER, CHAIRMAN, SCHOOL BOARD OF THE CITY OF NEWPORT NEWS

Mr. Chairman and Members of the Committee: Since I am unable to testify in person concerning the need for funding local school districts which have a concentration of dependents of military personnel, I am using this written communication to express the position of the School Board of the City of Newport News.

Newport News is located on the Virginia Peninsula and has a student population of some 25,000 students. Of these 25,000 students approximately 1,300 reside on military reservations and approximately 2,400 are dependents of military personnel residing in the community. Our school system has long had a reputation for providing a quality education for all young people. We have enjoyed a harmonious relationship with the military families in our city. The students have contributed to the academic and extra-curricula programs of our city and many of the parents have been active members of the local Parent Teacher Associations and have served as volunteers in our school system.

Although the cost of education in the city is much higher than the state average, we believe that a good educational program is more important than the cost involved. For the 1981-82 school year, however, our city faces a serious problem if impact aid or some other form of reimbursement is not forthcoming. During the fiscal year 1981 we received almost two million dollars in federal impact aid. Although this money did not cover the cost of educating the children of military personnel, it did supplement the local and state revenues used for education.

The Commonwealth of Virginia permits the charging of tuition to children who live on military reservations. Our school board at its meeting on May 20, 1981, adopted a resolution indicating that it would use every available resource and charge tuition only as a last resort. We find it distasteful that children who

live in our community should have to pay to attend the public schools. However, we now face a dilemma. If some form of federal reimbursement is not forthcoming, the school system will have to delete many of the fine programs it now has in order to make up a deficit of almost two million dollars. We have gone far beyond state and regional accrediting requirements in past years in an effort to offer quality education. Unless some means are found to make up for the loss of some two million dollars in impact aid we would find it difficult to meet accrediting requirements, thus lowering the quality of education not only for military dependents, but for the civilian community as well.

I would strongly urge members of this committee to seek every available avenue to the restoration of federal funds for educating those young people who live on property upon which our city cannot levy taxes. I would support the Option I proposal by the superintendent of the York County, Virginia Public Schools.

Thank you for your consideration.

PREPARED STATEMENT OF MR. VICTOR VAN DYNE, SUPERINTENDENT; AND MR. ROBERT ZERKLE, BUSINESS MANAGER, MASCOUTAH COMMUNITY UNIT SCHOOL DISTRICT NO. 19, MASCOUTAH, ST. CLAIR COUNTY, ILL.

Mr. Chairman and Members of the Senate Armed Services Committee, Mascoutah Community Unit School District No. 19 is located in southwestern Illinois, and has within its boundaries Scott Air Force Base, Headquarters for Military Airlift Command.

For 1980-1981, we received 30 percent of our total revenue from the Impact Aid Program.

	Amount	Percent
Local taxes.....		
State aid.....	\$510, 833	7
Impact aid.....	2, 937, 500	40
Other.....	2, 163, 752	30
	1, 645, 480	23
Total.....	7, 257, 565	100

During 1980-1981, 64 percent of the students we served resided on Scott Air Force Base.

	Number	Percent
3A, military dependents residing on base.....	2, 178	64
3 BM, military dependents residing off base.....	182	5
3 BC, civilian dependents residing off base.....	118	4
Non-Federal connected.....	906	27
Total.....	3, 384	100

For over thirty (30) years, the Federal Government has accepted the obligation of making an "in-lieu-of-tax" payment to local public schools for the educational services that are provided to children connected to federal property. Historically, Congress has recognized this financial arrangement to be far more efficient than to operate the schools at the Federal level. By making a "local contribution" toward the education of federally-connected children, the Federal and State governments share in the financial support of these children in a similar way that local children are financially supported by local property taxes and moneys from the State.

1979-1980 operating costs per student.....	\$1, 867. 00
1979-180 impact aid monies per student.....	934. 96
1979-1980 State aid per student.....	883. 60

Generally, the difference between the operating costs and total moneys received is made up by various fees, such as textbook rental and lunch fees. (Note—not all 1980-1981 figures are available for the above.)

If through the State legislative process and/or local procedures, the children on federal property were considered as non-residents of the State of Illinois, the entire cost of educating the children would be borne, presumably, by the Federal Government.

The following is the effect of the House Education and Labor Committee authorization proposal on Mascoutah Community Unit School District No. 19:

Fiscal year 1981 entitlement :		<i>After fiscal year 1981 rescission (5 percent)</i>
3A—\$2,275,000.....		\$2, 161, 250
3B—\$82,000.....		77, 900
Fiscal year 1982 payments :		<i>Amount of decrease</i>
3A at 65 percent—\$1,404,800.....		\$870, 200
3B at 55 percent—\$42,800.....		39, 200
		909, 400

A \$909,400 cut can be translated into a reduction of 55 teachers, which is 30 percent of the teaching staff.

The following is the effect of the Senate Labor and Human Services Committee authorization proposal on Mascoutah Community Unit School District No. 19:

Fiscal year 1982 payments : ¹		<i>After fiscal year 1981 rescission (5 percent)</i>
3A—\$2,275,000.....		\$2,161,250
3B—\$82,000.....		771900
Fiscal year 1981 Entitlement :		<i>Amount of decrease</i>
3A—\$1,080,625.....		\$1, 194, 375
3B—0.....		82, 000
		\$1, 276, 375

¹ Assume that the \$200 million authorized would pay at a 50-percent level.

A \$1,276,375 cut can be translated into a reduction of 77 teachers, which is 42 percent of the teaching staff.

Obviously, this type of reduction of instructional staff would provide devastating effect on the services provided to dependents of military personnel. This is completely contradictory to the intent of strengthening our country's defense.

We do not feel that the local taxpayer has any obligation whatsoever of absorbing the reduced funding for 3A students. The only fair and equitable basis for financial support of the military dependent is a program such as Impact Aid.

The Mascoutah School District has been and still is a high quality school district. Students have enjoyed and had the opportunity to attend school in safe and well maintained buildings; to have the privilege of using and having available usable and modern texts, equipment, and supplies; a good transportation system; and a well-qualified and competent staff of educators. The mix of local and military personnel has been excellent and of high calibre. This has been good for the educational system. Students have done well as a result. Certainly the Mascoutah School District does not want this altered in any way. However, the schools cannot continue to operate with such a reduction in funds. Funds must be appropriated in some manner or the district will find it necessary to take drastic measures which will affect all students. This must be avoided if at all possible.

PREPARED STATEMENT OF PAUL D. BASLER, SUPERINTENDENT OF SCHOOLS, AND DR. STANLEY WILCOX, ASSISTANT SUPERINTENDENT OF SCHOOLS-FINANCE, BOARD OF EDUCATION, PAPILLION-LAVISTA PUBLIC SCHOOLS, PAPILLION, NEBR.

We would like to thank the Armed Services Subcommittee for the opportunity of presenting this information from our school district regarding the impact of military families on a school district located near a military facility.

The Papillion-LaVista School District is adjacent to Offutt Air Force Base and SAC Headquarters in the Omaha, Nebraska area. The district has both students of military families who live on base, and off base, attending our schools.

We have approximately 250 "A" students, students living on base, and approximately 1,850 "B" students, students living off base, of a total district student population of 5,850. For several years our Impact Aid funds have been gradually dwindling, due to congress not fully funding the entitlement of Public Law 874. It presently appears that we may lose all of our Impact Aid funds, which in school year 1978-79 amounted to \$833,000. We have not as yet received our total entitlements for the 1979-80 school year so, therefore, do not have those figures. Needless to say, the loss of these funds to our school district will require the district to increase property taxes to fund the education of these military students which, in the past, was partially shared by the federal government.

It is our feeling that a public relations problem will be created within the community when full information regarding the tax increase is given to the patrons of our district. Not only a public relations problem for our school district, but certainly one for the military representatives in the community.

It seems unfair that the federal government would discontinue payments historically given to the school district for the financing of the education of military children, especially during a period of inflation, as it presently exists, and at a time when our State of Nebraska has imposed a seven percent lid on the funds which we are able to collect in tax monies.

The Papillion-LaVista Public Schools are located in Sarpy County, Nebraska. The district is composed of three population centers, the cities of Papillion, population 8,000, and LaVista, population 11,000, and the eastern part of the school district which is adjacent to Offutt Air Force Base and does include some Capehart Housing on base, population 6,000. We have a relatively small school district, nation wide, but the seventh largest school district in the State of Nebraska, which has over 1,100 school districts. Our district has, this year, an average daily membership of approximately five thousand eight hundred students (5,800) of which thirty-eight percent are military dependent children. (240 section 3a, 1650 section 3b, 240 section 2b) The military dependent children's father and/or mother is employed either at Offutt Air Force Base or by the Strategic Air Command Headquarters, or supporting military installations. The Papillion-LaVista Public Schools received eight hundred thirty-three thousand two hundred four dollars (\$833,204) from Title I Public Law 81-874 funds last school year, pro-rated from a full entitlement of one million four hundred sixteen, forty-two dollars (\$1,416,042).

These funds equal approximately twelve percent of the total district budgeted revenue. We have had a continual decline in Impact Aid funds during the last three years, due to funds being pro-rated. These funds have decreased approximately thirteen and one-half percent, per year, with the student population increasing in both civilian and military dependents.

The theme so often used to express resistance to funding Impact Aid at the federal level fails to take into consideration the affect a base has on the adjacent schools. Our district has a taxable valuation behind each student of fifteen thousand nine hundred seventy-four dollars (\$15,974) as of the 1980-81 school year. Today, this story has not changed. In fact, when the district was recently ranked in a University of Nebraska study, these rankings were found:

<i>Ranking of Nebraska K-12 school districts, University of Nebraska, Bulletin No. 5— 1980-81 statistics, 292 schools compared</i>		<i>Rank</i>
1980-81 expenditures per average daily membership \$1,372-----		292
1980-81 average teacher salary \$14,676-----		42
1980-81 resident enrollment 5,850-----		7
1980-81 assessed value per pupil \$15,974-----		291

The evidence presented above indicates the lack of financial base which faces our district for the funding of our schools. It is said that a military base brings prosperity to a community adjacent to the base; the facts are just the opposite for our area.

Two acts of congress, the Soldiers and Sailors Act and Title I of Public Law 81-874 are the major concerns of our testimony. We wish to present the following facts regarding these funds and the need for funding at one hundred percent of entitlement:

1. The Soldiers and Sailors Act has provisions within its statutes to enable military families to establish residence in the state of their choosing. Therefore, the majority of the military families in our school district are not residents of Sarpy County or the State of Nebraska. They are, in consequence, not entitled

to vote in local elections or hold local offices. For this reason, the congress has provided, through Title I Public Law 874, funds to replace tax revenue lost to the school district and to the state, to provide educational services to children of military personnel.

2. Military families that do not declare the State of Nebraska as their residence do not pay the full tax bill, even though they do pay property tax for their home. They are exempt from paying personal property tax on their automobile, which averages approximately one hundred dollars (\$100) per year, per car, in Saryp County. The majority of the military families living off base own two cars, which amounts to two hundred dollars (\$200) less tax than their civilian neighbor pays per year. Seventy percent of these funds go to the school district.

3. Military families that do not declare the State of Nebraska as their residence, and the vast majority do not, do not pay income tax to the State of Nebraska. Each resident of the State pays eighteen percent of their Federal Income Tax bill as a State Income Tax. From the State Income and Sales Tax, our district will receive this year twenty-seven percent of the funds needed to operate our schools, approximately three million four hundred thousand dollars (\$3,400,000).

4. The location of a military installation within a given county is not as great an economic asset as claimed by many. Property on a military base is not taxable by local government, as specified by Federal Law. Private contractors who provide services for the Department of Defense are also given the same tax protection, under the law. Rather than have the industry construct facilities off the military installation and paying taxes to the local government agencies, space is provided on base, where the contractor is protected from taxes.

5. The Soldiers and Sailors Act provides for the provision of facilities on base property to provide for a commissary on the military installation. Not only does this relieve the military family from paying state sales tax, but also has a very depressing effect on the commercial development in Saryp County. Our school district, with its approximately twenty-five thousand people (25,000) has, for tax purposes, three grocery stores, two clothing stores, and three drug stores, as an example of depressed commercial development. Ninety-five percent of our real estate taxes are received from either residential housing or rural farm property.

6. The Papillion-LaVista School District, located next to a military installation, is not a wealthy school district. For each student in our district, we have fifteen thousand nine hundred seventy-four dollars (\$15,974) of taxable real estate property. The average for the State of Nebraska is thirty five thousand dollars (\$35,000) per pupil. Therefore, our district has a high mill levy of 48.048 mills to retire the bonded indebtedness and for general fund obligations. (based on 1980-81 figures).

7. The Papillion-LaVista Public Schools have one of the lowest cost-per-pupil in the state, one thousand three hundred seventy-two dollars per pupil, (\$1,372) and one of the highest teacher/pupil ratios, 24.6 students per certified staff member.

Another point is, "Why should a citizen who lives in the Papillion-LaVista Public School District pay for the education of a military "A" child, and a person living in Grand Island, Nebraska, or any other community in the nation, have no responsibility to help educate these children?" It is a national responsibility, not a local responsibility.

During a two-year period of time, our district will lose approximately eight hundred thousand dollars (\$800,000) in revenue for Impact Aid, depending upon which bill is finally authorized by the various governmental bodies. This places us in a severe financial dilemma, and at the same time puts a severe strain on the Board of Education, as to whether they can extend free education to military families, as we have done for so many years.

By ignoring the responsibility of federal level funding of military personnel children's educational program, through Impact Aid, the federal government is asking the local school district to sponsor the educational programs of military children in their school district.

We become deeply concerned at the fact that the Federal Administration is continually moving towards a position that does not recognize the education of Impact students as an obligation to the federal government. This system of playing politics with the children of military families, by the Administration and the Department of Education is inexcusable. The Department of Education takes a stance that they will not fund "B" students, because they know that the Congress, in its history, has always recognized this obligation. This politically puts Congress in the position of expansion of the budget. I think the public in the United States is sophisticated enough that we can be honest with them

in our deliberations, and in so doing, tell them where the obligations lie as far as our military service is concerned. Also, those departments that have certain responsibility to the servicemen involved, must proceed to meet those responsibilities in any community where the serviceman is stationed.

This obligation is not only for the education of the children, but also for the need to construct schools to house these students. Public Law 815 funds, in the past have been appropriated by the Congress and the administration, in the budgeting process, to construct schools to house military dependent children. In our school district we have experienced a growth, during the past five years, of over 500 additional military dependent children. We have received no funds for the housing of these children. This, as well as the educational program is the responsibility of the federal government.

The Papillion-LaVista School District, at the present time, has enacted an application for Public Law 815 funds to provide housing for these students. We feel that this is an important part of the funding program for school districts located near military bases. We urge the Committee to consider these funds, also, in their recommendations. It is our hope that, in the future, we will be receiving funds so that we may construct the necessary elementary schools to provide housing for these military children. Presently, our district is using some twenty-five temporary classrooms, the majority of which are located in trailer/portable units. Federal 815 dollars would help to place the children being educated in these classrooms into permanent buildings.

We wish to express our appreciation to the Committee for allowing us to present our concerns regarding Public Law 81-874 and 81-815. Thank you for giving us this opportunity.

Chairman TOWER. The hearing is adjourned.

[Whereupon, at 12:15 p.m., the committee was adjourned, subject to the call of the Chair.]



