

all interlocked in a way, and we have a responsibility to address them all.

When I look back on what I was trying to do, which was to frame a legislative program that would provide block grants to those States that had programs and encourage other States to develop programs, what I realized was and what seniors told me was we are leaving a lot of people out. We are leaving people out in those States that do not have a program, and it is going to take them awhile to implement. We are leaving those people out whose income levels are sufficiently high that they do not get to participate.

The point is, when it comes to health security, when it comes to retirement security, when it comes to national security, we do not want to leave anybody out. We want to make sure that everybody is covered. We are all a part of this great country of ours. We need to work together to make sure that everybody participates.

Mr. FLETCHER. Mr. Speaker, again I thank the gentleman for joining us tonight, and as he said, two critical things, immediate help, help now.

If we, as we did a couple of years ago, pass a bill out of the House here, we sent that over to the Senate. The Senate did not act on it. Let us hope it is different this year as we look over the next few weeks of passing a bill out here and sending it over to the other body, but I do thank him for joining us tonight and thank him for all the work, for all the citizens, not only in the State of Connecticut, but all over the country.

Let me just say a few things and close out this evening and remark on this. We said no senior should have to choose between food and medicine, and yet that is happening in this country, and yet we are undoubtedly the wealthiest Nation in the world's history. We have developed a tremendous amount of health care technology, including wonderful new medications, prescription drugs that help prevent disease.

We now have medications that prevent hardening of the arteries, that reduce the rates of heart attacks and strokes. We have medications that certainly allow senior citizens to live more comfortably. We have medications that treat and sometimes even cure cancer. That would have been just unimaginable a few years and decades ago, but oftentimes our seniors are having to choose between the food that gives them that comfort, that quality of life and even assures them of prolonged life, and the medicine, having to choose between food and medicine.

So we want to stop that. We have a good plan, and let me just review a little thing on that.

First off, it fully subsidizes premium and cost-sharing up to 150 percent of the poverty level. That means those ladies that are on low income and those senior gentlemen that are on low income do not have to worry about that problem, as we have shown, choosing between food and medicine.

It also provides a subsidy that is phased out between 150 and 175 percent. This is a coverage in Medicare, and it is important to understand that. It is also important to understand that people have a choice.

There are several plans to choose from, so that they can get the medication that they need. It is not just a single formulary that may restrict someone or make it very, very difficult for them to get the particular medicine that they can tolerate and that treats their particular condition the best.

It brings immediate relief of up to 30 percent cost reduction. It helps not only that, but there are a few other things I want to review as we close out.

It protects improvements in Medicare to help reduce adverse drug interactions, provides for electronic prescribing to minimize medical errors which the complexity of medicine now certainly is needed to incorporate all the technology that we have to ensure that we reduce the medical errors to as little as few as possible. It allows pharmacy therapy management for chronic conditions, and I think disease management is part of this prescription drug plan that is very critical as we look to not only just treat the acute problems of our seniors but make sure we manage their condition to give them the best quality of life, again to help them with their retirement security, to secure their health for as long as possible.

So as I close we have a plan that we will be rolling out soon to provide immediate relief that is available for all seniors that will ensure no one has to choose between food and medicine, that will also provide choice and freedom. It will also make sure that those people that have drug costs that become quite expensive, that they are not going to go bankrupt because of runaway drug costs.

□ 2215

Mr. Speaker, it is an excellent plan. I certainly hope that we can get bipartisan support for this plan as we bring it to the House floor.

As I mentioned a year and a half ago, we passed a good prescription drug bill out of this House. I think we have made marked improvements on the plan. I want to share, Mr. Speaker, this plan is not only a plan that we have worked on this year, it is the culmination of several years of work.

What we found is that I think we can get a greater participation in the way this is structured; and again, the Congressional Budget Office predicts that 95 percent of the seniors will sign up for this, this voluntary program, because the benefits are so structured and so good and so attractive that they felt like seniors would sign up for this, and because it is available for all seniors. Again, it provides them with the ability to keep the plan that they have. If they have a retirement plan, and it provides prescription drug coverage, this does not impede their ability to keep that plan.

It also, again through better negotiating power, gives them an immediate 30 percent estimated in their cost. We have a great disparity in this country in the fact that most people who are working can walk into a pharmacy and they can get prescription drugs at a markedly reduced cost because they have an insurance plan that negotiates the cost of those drugs and gets a reduced cost, but our seniors do not have that. They pay a substantially higher price when they walk in to buy their prescription drugs. Why, unless they have some sort of plan other than Medicare, they do not get the benefit, the negotiating power, to reduce the cost. This plan brings that power to every senior that takes advantage of this plan.

I just wanted to share those few things, and let seniors know that not only providing this plan for the reasons we have mentioned because of the necessity of improving certainly retirement security and the security of our seniors' health, but it is a matter of equity. Medicare provides for acute care, and will provide, for example, bypass surgery for someone who needs surgery, but it will not provide the prescription drugs for hypertension or lowering cholesterol that are necessary.

EDUCATION TAX CREDITS

The SPEAKER pro tempore (Mr. KELLER). Under the Speaker's announced policy of January 3, 2001, the gentleman from Colorado (Mr. SCHAFFER) is recognized for half the time remaining before midnight, or approximately 50 minutes.

Mr. SCHAFFER. Mr. Speaker, tonight I rise to discuss the issue of education in America and the topic more specifically is around education tax credits, a proposal which has been circulating through some of the back rooms in Congress so far. We have been talking about this publicly for a long time and many States know quite a lot about this. We have been working to construct a bill which is almost ready for introduction. We are dealing with some of the final discussions with the committee of jurisdiction in that legislation.

If we have Members interested in the topic of education tax credits and would like to participate, I would like to invite my colleagues to join me. I know there are several Members who I anticipate will be joining me shortly.

Education tax credits are probably the most exciting innovation with respect to education that we will have a chance to consider this year in Congress. First, perhaps, I would explain a little bit of the history of how we got to the point of putting a pretty serious education school choice initiative to the point where we will be bringing it to the floor and considering it in Congress. That history goes back to the Presidency of George W. Bush, when he campaigned for the Presidency.

He did so on a strong education component of his platform, predicated on the great accomplishments that he had achieved for the State of Texas when he served as governor of that State. That was amplified on a national level in his proposals that called for increasing accountability through testing and other diagnostic measures with respect to school performance and closing the achievement gap between underserved children and those of greater means financially.

The second proposal that President Bush spoke about was school choice, and the third most important element of his platform involved school flexibility. In other words, having the government propose that the Federal Government would eliminate all of the rules and red tape, strings, and the heavy oversight that the Federal Government has become known for with respect to administering Federal education programs through the States and ultimately to local jurisdictions, to school boards and local schools.

When the President became the President and got himself elected and came up to the Hill proposing a pretty bold plan to follow through on those campaign proposals, he put together a proposal called Leave No Child Behind which had those three key elements, accountability, flexibility and school choice, which were a part of that initial plan.

It was met with tremendous fanfare, as Members recall. There were big press conferences which rolled this bill out. Particularly those who are active members of the Committee on Education participated in the drafting of that legislation.

Unfortunately, something happened on the way back to the President's desk, and that is just a sliver of the President's initial vision remained in that bill which was titled H.R. 1, and that is the fault of the Congress, certainly not of the President, because as that proposal was introduced, before it had its first hearing, the school choice components were ripped out of the bill, which were the core elements of the President's proposal, the most important part. And the same with the flexibility provisions, those provisions were watered down considerably to the point where after the Senate finished with that proposal, they were barely recognizable. To the credit of the Congress, the one portion that the Congress maintained in the President's initial vision was the accountability provisions, and that we see carried out through a massive new Federal effort toward national testing.

Having said all that, the most important provisions of the President's vision have still been unresolved, and we still have to achieve them and that is what this tax credit initiative is about trying to accomplish. We are looking for a way to provide more flexibility to parents and to school boards and to local schools to try to find a way to create a new wave of private, voluntary

investment in America's schools, a way to eliminate the discrimination between government-owned institutions and those owned by nongovernment entities, whether they are nonprofits or churches, or perhaps owned by private organizations of other sorts.

And finally, we are trying to find a way that really gives parents the power that they need in order to make greater choices as to the kind of education and academic settings that are available to their children, and this academic education tax credit plan helps to accomplish that. It does so by bypassing the Federal Government all together. The tax credit proposal does not envision changing Federal education law or even tampering with the U.S. Department of Education. Instead, this proposal is one that addresses the Federal Tax Code and provides a direct tax benefit to American taxpayers if they will send their cash that they otherwise would send to the Federal Government to a local school.

Mr. Speaker, I yield to the gentleman from Michigan (Mr. HOEKSTRA) to explain the history and where we are trying to go with this tax credit proposal.

Mr. HOEKSTRA. Mr. Speaker, I thank the gentleman for taking the leadership position on this education tax credit proposal. A few years ago, the gentleman and I embarked on a process with members of the Subcommittee on Select Education of the Committee on Education and the Workforce, to talk about education at a crossroads. What we wanted to do was identify what the Federal role in education was, and we also wanted to go around to America and find out what is really working in education.

What we discovered in terms of what happens to the Federal dollars and what happens in terms of decision-making is that we found that the person who is doing the work and paying the taxes by April 15, they send their money to the Treasury Department. We in Washington, whether it is H.R. 1, or any series of education bills here in Washington, will allocate that money and say we are going to spend this much money here and this much there. Politicians get into the debate where exactly the money is going to go.

As we found out in the welfare reform debate recently, that debate, pretty much the way that the debate on education went, we forget about how we are trying to serve. In the welfare reform debate, the debate was not whether the policies and programs would help the people on welfare, the debate was where the decision would be made as to how those dollars would be spent. Some of the politicians here in Washington were scared because we were actually going to make some of the decisions not here in Washington, but move some of the decisionmaking down to lower levels.

So it was not worrying about what worked and what did not, but who gets to make the decision. We had some of those same debates on education as to

what policies are we going to mandate in Washington to make sure that people at the State level, people at the local school district level, and people at the local schools make the right decisions.

So it goes through this process of politicians in Washington deciding what we are going to do. The money flows down to the States and the States decide how it is going to be allocated, and it goes down to the local school. What we find is we have this whole bureaucracy in place deciding how we are going to spend the Federal education dollar, forgetting about who paid the taxes in the first place and forgetting too often about the child that we are trying to educate.

What we found out was a couple of things. Number one, when you put a dollar into the top of the funnel, at the end you only get about 65 cents into the classroom actually educating the child. The other thing that we found is the most effective programs at the State and local level.

□ 2230

When we talked to parents, when we talked to principals, when we talked to superintendents, when we talked to teachers, and said, what is really working in your schools, we were hoping that they would come back and say, well, you know, we only get 7 percent of our money from Washington, but, boy, that English as a second language, man, that is the right program, that is the program that is really making a difference, or any one of the alphabet type of programs that we have here.

That was not what we got. They said all we get from Washington is bureaucracy, mandates, paperwork, and those types of things. What really works is local innovative programs because those can be tailored to an individual school.

So as the gentleman from Colorado (Mr. SCHAFFER) said, we are not talking about changing the system. We tried that. We tried to move more decision-making to the State and local level, tried to move more decision-making to parents. We did not win on that. The bureaucracy and the folks who wanted control here in Washington, they won that battle. So we are just saying, okay, this system stays in place. For those who want those controls and those types of things, it is going to stay here. It is well funded. This is a healthy budget. It continues to get healthy increases, and we are not going to try to slay that dragon.

What we want to do is we want to create another mechanism to get more dollars to the student, and maybe my colleague would like to take us through exactly the difference between this model and how a tax credit complements this in terms of growing our investment, moving decision-making down to a local level, and it really forms a very nice complement to what this system is not able to do.

Mr. SCHAFFER. Mr. Speaker, before we move on, it is important just to underscore that this really is a picture of

the way Federal education dollars go from taxpayer down to student, and it is a system that is not designed by accident. It is one that is very deliberately conceived here in Washington and put into place over years and years of Federal tampering and meddling in the whole education system; and it is important, before we go on to why a tax credit is important and why it is important to try to connect in a more direct way the taxpayer with the child, to go through each of these agencies just so we have a sense, once again, of why the politics are so difficult here in Washington to put children first.

The Treasury Department is a huge agency in and of itself, and we have had to go meet with the Treasury Department, and we just did that last week, with respect to this tax credit proposal. They are interested in the way we are proposing to change the tax law because they are the ones who administer it. So it is important to them and they care about it. The politicians here represent those of us here in Congress.

Mr. HOEKSTRA. If the gentleman will continue to yield, Mr. Speaker, when we met with the Treasury, great folks, but it was not about what is best education policy. It was what is best tax policy.

Mr. SCHAFFER. Mr. Speaker, that really is the whole point and why it is so important here because the Treasury Department people, their focus is the Tax Code. That is their job. That is their mission in life. That is what they do for a living, and when we go meet with them to talk about tax credits, that is the level of discussion we have to raise is how do we utilize the Tax Code to accomplish what we think, as representatives of our constituents, is in the best interest of the people. So we have to talk in Treasury language when we go to the Treasury Department. And they were genuinely helpful. I appreciated that meeting, and I think things are going great over there, but the child down here at the bottom was not the focus of that discussion is the point.

The legislators, and the politicians here in the Congress, of course, we respond to a great variety of priorities throughout the country. There are 435 of us just in the House. Across the Capitol here, there are another 100 of us. So we have got all kinds of priorities we are trying to balance. So politics becomes the important element in how we establish priorities here in the House and in the other body.

The Department of Education, of course, their function is to answer to the Treasury Department and to the politicians; so when we give the money to them, we have got another bureaucracy, a whole other culture that exists in the Department that deals with answering questions up here in committee hearings and also sending these dollars further down this education bureaucracy.

Mr. HOEKSTRA. If the gentleman will yield, again on the oversight com-

mittee, we finally I think are getting a handle on this, but for much of the nineties, this Department of Education that gets about \$40 to \$45 billion per year could not even give us a clean audit. They could not tell us where the money was going or how it was being spent. That is interesting. If you get to a local school board, those things are audited. If there is a problem with the books, immediately there is a State takeover. Here you have got a \$40 billion agency, like I said, that now I think finally under the Bush administration, there is accountability here, they know where the money is going; but for the longest period of time, they did not even think enough about \$40 billion to actually account for where the money was going.

Mr. SCHAFFER. They have to account for how those dollars are spent by States which is where those dollars go next. Once the money goes to the States, the States have those dollars distributed by more politicians, State legislators, those dollars go to their State departments of education, from there to the school districts, from the school districts through the political process there, ultimately to the school, and then finally down there to the child. My point being is that each one of these agencies within this bureaucratic model, they have their own function, their own focus, their own set of goals and objectives; and often they do not match up. They are not consistent.

Here in Washington as conservatives who are just kind of antibureaucracy types like those of us represented here tonight, when we try to change this system and make it more efficient, we step on a lot of toes, as you can see. These agencies, these State bureaucracies, and the school districts, they have tremendous political influence here in Washington. In fact, the teachers union is probably the most, I do not think you would get much argument, is the most powerful political influence here in Washington, D.C., in terms of a single special interest group. So this is a huge, massive bureaucracy, that has a tremendous political force here in Washington.

Talking about changing, this is something we need to do and will continue to do. We are not going to give up on that, but we have not been too successful, unfortunately. So the tax credit proposal is a way to try to just cut all that bureaucracy out of the middle. We have not invented this idea in Washington. This idea actually originated in several States, one of which is the State of Arizona. I yield to the gentleman from Arizona (Mr. SHADEGG) to tell us a little bit about the experience of education tax credits in his State.

Mr. SHADEGG. I thank the gentleman for yielding. What I would like to do, I will talk a little bit about our experience in Arizona, but I also would like to kind of get down to the nitty-gritty questions that I think a lot of people ask, and people who might be watching tonight might be curious

about. People are interested in improving education in America and want to know how to do that. But I think that is critical.

I guess I ought to begin by saying that I come at this from the perspective of someone who my entire education was in the public school system, but more recent experience than that is my wife is a public school teacher in Phoenix, Arizona. She teaches kindergarten. I have two sisters, both of whom are teachers, both in the public school system in Arizona, and then I have a niece who is a teacher in the public school system in Tucson, Arizona. And so I come from a family that is pretty deeply steeped in public education. Of course to achieve any kind of reform, and you were just talking about how difficult it is to achieve reform, you have to kind of convince people to take a leap of faith, to try a new idea.

As you pointed out, we in Arizona tried a new idea. We have tried education tax credits, and I think they have worked extremely well. That does not mean that everybody in Arizona is yet convinced or already on board and it does not mean that the teachers and the teachers unions in Arizona are not still skeptical, but I think it would be important for either of you as the lead proponents on this legislation to kind of lay out what you believe tax credits will do and why public school teachers like my wife, my two sisters, and my niece ought to embrace this idea. Because we have to win them over. We cannot achieve this without them.

I know our experience in Arizona has been that by creating a tax credit for education, in Arizona it is capped at \$500, we have been able to allow young children trapped in schools that were not meeting their needs to get a scholarship that enables them to go to a school of their choice and to get a high-quality education, because money is made available to them that they could not otherwise access. That money lets them go to a different school. I also believe it has not only not damaged the public education system in Arizona, it has helped the public education system in Arizona because these are essentially additional resources for education. It is not less money to educate America's schoolchildren; it is, rather, more money to educate our schoolchildren. But I think that is a critical question, and I would invite your response to it.

Mr. SCHAFFER. You are precisely correct. If you once again take a look at the bureaucratic model of getting taxpayers' cash to children, this system really serves no one well. It really creates a nightmare for public school teachers, for public school administrators. What we want to do is start to treat these teachers and administrators like the real professionals that they are. That is why not only should they be enthusiastic about education tax credits, but they really are.

Look at this. This is how tax credits work. We replace this bureaucratic

model of getting taxpayer dollars to children with one that is much more direct, one that is better represented by this chart here, where we have the same taxpayer, the same child, no bureaucracy in the middle.

Here is how it works. Here is how our proposal would work. An individual who makes a \$500 contribution to a school, either a public school or to a scholarship fund to allow children who are poor or are just challenged with respect to the financial means to attend the school of their choice, the taxpayer who contributes to those kind of organizations would get half of their cash back in the form of a tax credit. This is money that today the same taxpayer is funneling here to Washington, D.C., if they would give those dollars to the child, give it to the scholarship organization, the Federal Government is going to give them a portion of that cash back. We are essentially by changing the Tax Code making it easier to just give your dollars directly to the educational pursuit in your community, the priority that makes sense to you, rather than send it here to Washington and have it go through all that nonsense that is represented by the education bureaucracy.

Mr. HOEKSTRA. Remember, this is the model that says the taxpayer puts in a dollar and 60 to 65 cents makes it to the classroom. On the other hand, this model says we have gotten rid of all this stuff in the middle and the taxpayer puts in \$2, and it only costs the government a dollar. So here we grow our investment in education and we grow it for all students, public schools, private, parochial schools, we grow the dollar. In this one we shrink it. What a sharp contrast.

Mr. SCHAFFER. The reason teachers and administrators in public schools and private schools are excited about tax credits is because they play more of a leadership role in getting these dollars to the children who need it the most.

Mr. SHADEGG. I just want to go over a couple of points you made because I think it is important to understand. One, I emphasize the fact that my wife, both of my sisters, and my niece are all public school teachers. You made the point in your remarks that these dollars can go by a donor to a public school. That is, I think, one of the points that people have concern about. The other point, and people get confused, when we talk about cost to the government, I just want to make it clear that we understand this. As this system works, if you give a dollar directly to an educational institution, be that a public school in your neighborhood or a private school, or to an organization that creates scholarships, I take it, for a public or a private school, that dollar goes directly to that school and is used by that school.

When you say it only costs the government 50 cents, or it only imposes a cost upon the government of half of that, what you are saying is that it, as

an inducement or a way to encourage taxpayers to engage in this activity, the taxpayer's tax liability to the government goes down by half of what they give. So you are actually doubling the amount of money that goes to education, because they give \$500, would be the max, and they get a tax credit, that is, they can reduce their check at the end of the year that they owe to the government by half of that. In this case it is \$250. So not only are these resources that can go to public or private education without all the bureaucracy that you talked about, but on top of that, it is double the money. To get a \$250 tax credit, reduction in your tax bill, you have to give \$500. We are essentially doubling the money going to education.

Mr. SCHAFFER. It is more than a win-win situation. Every dollar that the government spends today or that every taxpayer spends today through their Federal Government gets filtered through this bureaucratic process. In doing so, every dollar does not make it to the child by the time it gets down to the bottom of this filter. Only about 60 percent of the money spent on education alone gets to the child. The education tax credit does just the reverse. Rather than losing cash, which is what the government does today with your education dollar, the education tax credit actually doubles the money. The reason it does is because of one fact, and, that is, Americans really are willing to contribute their own cash to American schools and American education. If we can make that investment a little sweeter by offering an education tax credit, sure it still costs the government a little bit in the end, not nearly as much as the bureaucratic process, but the result is for every dollar the Federal Government spends through a tax credit that we are proposing, \$2 actually make it to a child.

So when we describe this idea to administrators and schools and teachers and business leaders and people who are involved in the education bureaucracy and have dealt with it for so many years, they are genuinely excited about this.

□ 2245

The people who are most excited about it are the groups represented by the two figures on this chart; the taxpayers, who are tired of seeing their money squandered in Washington and just through government bureaucracy in general, and the others are actually these children. We brought them here to Washington, who have been the beneficiaries of state tax credit proposals and other scholarships throughout the country, and it is a remarkable thing to see 10- and 12-year-old kids testifying before Congress about how this model has changed their lives and really opened up their futures to educational opportunities.

Mr. HOEKSTRA. The other people that really do get excited are the school officials at the local level, be-

cause under the bureaucratic model, the dollars that come from the Treasury come with strings attached saying, "you are getting a dollar and you will spend it this way. And, as a matter of fact, we are going to monitor you to make sure you spend it the way we want you to spend it. When we send you the money, we are going to require you to report back to us that you spent it exactly the way that we mandated that you do, and because we don't really trust you, we will send in auditors on a periodic basis to audit your reports, because we don't trust you are going to tell us exactly the truth." So you get this whole bureaucracy in here that does nothing, that totally does not consider the child.

With this model, local officials, they have got an accountability, but they have only got it to the taxpayer, their local taxpayer, in that they have to convince a local taxpayer that says, "For our school or district or our kids, this is what we want to do. Would you please support us?" And if the money comes in and they have made a compelling case, it will come in.

That is what my colleague learned in Arizona, that when local school districts make a compelling case that says we get this money from the State and Washington, but our district is just a little bit different and we have got some special needs, at that point people at the local level will step up with the tax credit or the folks will step up and write that extra check and these school officials can meet some very specific needs for their school district, for their kids. They recognize the accountability is not to some faceless bureaucrat in Washington, D.C., but their accountability is to the kids, to the parents of the kids, and to the local taxpayers; and that is exactly where our schools need to have the primary focus, is back into their communities.

Mr. SCHAFFER. We have some opponents to the plan, unfortunately, and I think that opposition is somewhat premature. It is almost reflexive because of the battles that have been traditional here in Washington. When we talk about having a closer connection between taxpayer and child, some people in this bureaucracy over here seem to be threatened by that.

I just want to point out for those interested in preserving this bureaucracy, that is not a goal of mine particularly, but I just want to make it clear the tax credit proposal does not touch this bureaucratic model. We are not messing with the Department of Education laws or the bureaucracy in any way. We are changing the Tax Code, which is different.

But this whole bureaucracy is going to continue to grow. If history has shown us anything, it is that it does not matter who is in charge of Washington, whether it is a Republican or Democrat, this bureaucracy grows by massive proportions from year to year, and that is not something to be proud

about or brag about from my standpoint as a conservative, but that is the reality.

For those who believe that a tax credit means that there will be fewer dollars spent in the traditional bureaucratic way in schools, Arizona is a perfect example. Arizona passed a tax credit proposal similar to what we are proposing here and the result was actually a benefit to Arizona's public school finance law. What happened was the per-pupil operating level actually increased in Arizona schools, and, not only that, but the Arizona school finance laws continued on without any change or any amendments to the way the school finance acts works in Arizona.

I yield to the gentleman from Arizona to highlight that point, perhaps, or anything else he would like to add.

Mr. SHADEGG. I would just like to drive home a couple of the points the gentleman has made and make it very clear that what we are talking about here is more resources for education.

It is kind of interesting, as the gentleman points out, in Arizona we adopted a tax credit. The Arizona tax credit is different than our proposal here in Washington, which is not a dollar for dollar match, but rather a one for two match. If you give \$2 to education, you get a tax credit, that is to say in simple English, a reduction in your taxes due, the amount of money you have to pay, of \$1. That doubles the amount of money going to education before you even factor in the loss of whatever it is, 25 cents, 35 cents, in the bureaucracy, taking the dollar that goes to Washington down to only 65 cents by the time it gets back to the education system or to the child.

But on top of that, in Arizona, ours is a dollar for dollar. We did not have the multiplier effect. I think the multiplier effect of the proposal here is a very good one, because no one can say this will divert resources from education, because by definition you have to give twice as much in order to get the single deduction, that is, you give \$500, you get a tax credit of only \$250. That means there is twice as much money for education, and that is a true benefit.

In Arizona, as the gentleman pointed out, the experience has been very positive; and it has encouraged, not discouraged, the funding of education. It has been a boon. It has been good to watch people get excited.

I think our colleague from Michigan pointed out that the accountability is a huge factor. In Arizona, they created what is called the Arizona School Choice Trust, which is a nonprofit charitable organization which collects contributions from people all over the State and then awards scholarships to low-income children trapped in failing schools who want to get a good education and whose parents want a good education for them.

I have known a number of people involved in that effort, and it is very ex-

citing to see the kind of, as the gentleman described, the students who come to Washington, to see the excitement in the eyes of the adults, some of them very wealthy, some of them very ordinary means, who have decided to make this kind of contribution, give money for a tax credit, and then see that money used usefully.

We are in a very competitive world. This is a different world than perhaps our parents or grandparents faced, in that education now is absolutely critical. We all know the stories about America falling behind in education and the ongoing debate about we need more resources.

In Arizona there is a very heated debate, do we not need to put more money into education, more money into education? I am not one of those who believes that money creates a direct link to success in education, but it is true that we do need to pay teachers well, we need to be able to give them the resources to do their jobs.

The gentleman mentioned the professionalism of educators. I am obviously biased in my own view of my wife and two sisters and my niece, but I find they are all intentionally dedicated, concerned individuals. They give a great deal of money out of their own pocket. They go out and buy supplies. My sisters go out and buy supplies for their classrooms. My wife, to my chagrin, goes out forever and buys supplies for her bulletin boards and candy to give away to the kindergartners that she works with to provide rewards when they do well in their performance. My niece in Tucson is a math teacher, and she gets excited when she can help kids.

Giving those teachers the resources they need to educate young minds and to make them be able to be competitive in this globally competitive world we are entering is, I think, one of the greatest challenges we face here as a Nation.

Doing it by the tax credit means, which lets people get personally involved and say okay, I am going to write a check this year for \$500. I know I will only get a reduction in my taxes of \$250, so I am giving away an extra \$250. But I care. I care about the education of kids in general. Business owners care about getting educated workers to come into the workforce.

I think this is an idea that kind of cuts around all of the bureaucracy of other reforms that, as the gentleman pointed out earlier, we might make in the overall system, that indeed the President was trying to make with H.R. 1. He believed he hit upon something that might make education more accountable.

Tax credits let individual people put their money where their mouth is, so to speak, and do something to help educate the kids right in their neighborhood and create a one-on-one relationship with the parent or with the child or even with the school administrator and say hey, I made a \$500 con-

tribution this year in Arizona. I gave it to your school, I expect to see you make that money work. The administrators that I have seen in Arizona are very excited about this program, and they believe that they are being given a chance to manage these resources.

I think it is a huge success, and I am very, very hopeful that we can enact here in Washington a modest beginning of this program and get it started across the Nation.

Mr. SCHAFFER. That kind of accountability that the gentleman just described in Arizona is what we are trying to achieve throughout the country. It is the accountability that goes from the recipient of funds, public funds, to the one who donated those funds. Right now school leaders have become proficient in the language of Federal education bureaucracy. They know the language to use in order to get the grants and satisfy the bureaucrats in Washington in order to get the money to the school.

What we want to do is provide really an opportunity to try to reform this whole education culture, so that the relationship goes right back to the neighborhood. The gentleman is right, individuals when they actually physically hand that check over to a school or hand that check over to a scholarship fund are more inclined to follow up than people here in Washington are.

Here is the bill right here. The other element that I think is very attractive, and I just want to clarify this, is you do not have to have a child in order to benefit from the tax credit under this proposal. As long as you are paying taxes, you would be eligible to receive a tax credit if you contribute to a scholarship fund for low-income children to go to the school of their choice, or to an enrichment fund that would be established by a traditional public school. But you do not have to have children in order to be a part of this, to be part of your community education and to be part of the accountability process that goes along with that to create better schools.

Mr. SHADEGG. Every American taxpayer can participate.

Mr. SCHAFFER. Absolutely. I would just like to point out, when I say that existing public school leaders are enthusiastic about the idea, I brought proof with me tonight from Michigan. The Michigan School Board Leaders Association sent us a letter just last week that says, "Dear Congressman Schaffer, the Michigan School Board Leaders Association supports the proposed legislation allowing tax credits for contributions for both private and public education expenses. This legislation represents a win-win solution. It encourages more corporate giving to public schools, while it also encourages corporate and personal giving to organizations that assist low income children. Such initiatives are essential given that the latest test results," this is kind of a Federal benchmark, "show that 63 percent of the low income children essentially cannot read at the

fourth grade level. The Michigan School Board Leaders Association applauds you in offering fair legislation which creates incentives for investment in the future of America's children, regardless of whether they attend school."

This is signed by Lori Yakland, the executive director of the Michigan School Board Leaders Association. So this is not something that just appeals to private school leaders, but those that have been involved at the leadership level and business level in trying to promote quality public education in America. This addresses all schools, the American education system. It does not discriminate, this tax credit bill does not discriminate between government-owned institutions and non-government institutions. Its focus is rather on all children, all American children; and it treats them all equally.

Mr. HOEKSTRA. I think that is why, for a lot of our public school folks, this is a very exciting proposal, because they only get about 7 percent of their money from Washington to begin with. A lot of that money comes with the strings attached and very little flexibility, but when they see this tax credit proposal, they see it as another avenue to get money to come into their schools, because they are confident that they have built the relationship with their constituents, with the corporations back in their districts, with the parents and the taxpayers in their district, that they have got confidence in their local schools, and with this incentive we are providing through a tax credit, they believe they can go into their community and raise the funds necessary to do some of the special things that they would like to do for their schools.

In a lot of places today, the State of Michigan, it is very difficult for a school district to raise any extra money for operating expenses. I guess it is next to impossible for them to raise operating money for their schools. It all comes on a formula basis out of our State capital.

So what they are saying is this is now a new revenue source for us. They do see it is more money coming into their schools, because they have got a high degree of confidence that the programs and the efforts that they wanted to put in place will be supported by the people in their local districts.

So it really is a good complement, one set of funds coming through the bureaucracy, and another set of funds for their operating coming directly from the taxpayers in their community. It creates a new accountability stream, the one that I think they treasure the most, which is their accountability, number one, to the kids, number two, to the parents of those kids and their schools, and, thirdly, to their communities, because a lot of our communities recognize that their future depends on the quality of the education that their kids are receiving today.

□ 2300

Mr. SCHAFFER. Mr. Speaker, one other element I want to mention is just a little bit about the strategy of bringing this bill to the point we are at now. The school choice components of the Leave No Child Behind bill, H.R. 1, which passed last year, were taken out by the House and never really considered. So we went back to the President and asked him, Mr. President, since the school choice provisions were not part of H.R. 1, we want to continue on with that part of your vision, this vision of leaving no child behind.

The President has committed to helping us with this tax credit proposal. In fact, it is largely because of the discussions we started on this a year ago that we have since secured commitments from our own leaders here in the House: the Speaker, the majority leader, our majority whip, and key committee chairs, to bring this proposal to the floor. So I just want to commend our President for the promises he has made to back the tax credit proposal that is about to be introduced here in the House; and I want to commend the leadership of the House for its commitment to bringing this bill to the floor and get a fair markup in the Committee on Ways and Means and for the team effort that has really led to what I think is just really perhaps the most exciting prospect that we have for reforming American schools.

Mr. SHADEGG. Mr. Speaker, if the gentleman will yield, I would like to begin by saying that the gentleman deserves a lot of credit, along with the gentleman from Michigan (Mr. HOEKSTRA), having been in the lead on this fight. You are both on the committee of jurisdiction, the Committee on Education and the Workforce, and I think you have done a great job on leading this issue.

Whenever we do these Special Orders, it sometimes occurs to me that we sometimes may be talking around or over the heads or past the listening audience. I thought maybe it would be worth just a couple of minutes to explain some of the concepts here. I know that I get in discussions where I use the words "tax credit," or I use the word "deduction," and people do not understand. I mean they do not want to say, I do not understand what you mean, Congressman. But in America, with the withholding structure that we have where both wages and taxes are withheld out of your check, you file a form at the end of the year and you get a check back from the government; I think a lot of people do not really understand what a tax credit is and what a deduction is and why there is such a critical difference.

I think it might be important to kind of walk through the fact of what this would mean for, as the gentleman pointed out, any taxpayer in America who even does not have a child; let us say they are used to filing their tax return and they get a check back from

the government saying that they have overpaid their income taxes for the coming year. Let us say they get a check back right now of \$1,000 in a given year, and that is because they owed everything else that they had paid in, except that \$1,000.

This is not a deduction that reduces the amount of money on which they have to pay taxes; this is rather a reduction, a lowering, of the dollars that they must pay in taxes themselves. So a tax credit means they get, they actually get money back, whether their check refund is larger or whether they write a smaller check to the government at the end of the year; is that not correct?

Mr. SCHAFFER. Yes, sure, the gentleman has described it accurately. Let us just use, for example, the base benefit amount that exists in this proposal, which is \$250. That would be the tax benefit to an American taxpayer.

Mr. SHADEGG. So just to make clear, Mr. Speaker, a taxpayer decides, once this bill is in place, I am going to give \$500 to help low-income children in my neighborhood or in my State. They give that \$500 check. Come the end of the year, they get either a refund check that is \$250 larger or, if they owe money at the end of the year, they write a check to the government that is \$250 smaller.

Mr. SCHAFFER. Mr. Speaker, that is correct. Because without the bill, as the law stands today, let us just assume Americans who pay taxes, they will be forced to just pay that \$250 to the Federal Government. That is where that money will go without our bill.

What we are saying is that if you make a \$500 contribution to a school, to a school project or a scholarship fund, you take that \$250 that you have given to a school and you no longer send that to Washington. So you are going to pay that money to somebody anyway. What we want to do is give you a choice. You can send the money to the bureaucracy here in Washington, let it go through the political process that we described here before, or you can add a little bit of your own cash to it and take it to the school down the street, which is reflected here on this chart. And you have effectively used the \$250 that would have gone to the bureaucracy and instead, taken that, along with another \$250 of your own cash, and given it to the kid who needs it.

Mr. SHADEGG. And, Mr. Speaker, of critical importance, for those who say we are underfunding education at the Federal level already, we should not be doing any of these schemes, we should not be diverting dollars, we should not be reducing the amount of money that goes into education. By using this device, by saying you get a \$250 tax credit, but only if you make a \$500 contribution to education, that argument goes away. Because we have not reduced the amount of money going to education by \$250; we have increased the amount of money going to education by \$250 that would not have been

there to begin with. And if \$500 went to education, not \$250, and in a sense we know that out of the \$250, only 65 cents out of each dollar would get to the student, we have, as we said earlier, more than doubled the amount of cash going into education, which is why teachers across America, teachers' unions, school superintendents, school administrators, people who are professionals and care about resources for education ought to be excited about this idea.

Mr. SCHAFFER. They are, Mr. Speaker. And from a taxpayer standpoint, most taxpayers are going to be excited about this, I think, especially people who have children in schools and who are familiar with the academic settings in America today.

Some Americans just do not care, and we know this, and that is unfortunate, and some of our colleagues here in Congress do not care. They will be content to continue sending cash to Washington as they always have.

Mr. SHADEGG. As the only mechanism.

Mr. SCHAFFER. Yes, some will just do that, because it will be simpler. Frankly and honestly, it will be easier just to continue shoveling money to Washington, D.C. and letting us spend it here. But for those who believe that getting more bang for the budget, who believe that it is going to help more children, this tax credit really speaks to them, and that is the partnership that we are trying to create that just shows a better way. It does not threaten the bureaucracy which I mentioned before, because there are enough people that want to preserve that system that exists now. I hate to admit that, but that is the cold, hard facts and realities of Washington, D.C. But for those Americans who are taxpayers, who are parents, or who work in public schools who want to see dollars getting directly to children, this tax credit proposal offers them a unique option that they do not have today. It is really, I just think, an important element of new hope in American schools for children.

Mr. HOEKSTRA. Mr. Speaker, my colleague was talking about what is a simpler process for the taxpayer. This is fairly simple to begin with, but the gentleman is right. Having your taxes withheld every week makes this a very attractive, or not attractive, but it is the process that is there, and they have been doing it for years. But this process is very, very difficult for our local school district. They have to clamor with the State, they have to raise a ruckus with us to make sure that they get their fair share, and then they have all the bureaucracy that goes with it.

I mean when we are talking about what is the easiest and what is the fairest method for kids and for local taxpayers, this is the posture that clearly works. There is no bureaucracy, there is a lot of flexibility with how the money is spent to make sure that at the end of the day, what do we want? We want this American child to be the

best educated child in the world. It does not mean that we do not want other kids and the rest of the world to be as educated as well as they are; we do. But at the end of the day, this kid cannot come in fifth, tenth, fifteenth, seventeenth, nineteenth like they are on some of the tests today on math and science and those types of things.

Our goal and our objective is to have ours to be the best educated kids in the world. We want to make sure that every child has an opportunity for a great education; that we cannot have 60 percent of our kids getting a good education, we want all of our kids to get a good education.

We want all of our kids to be in safe and drug-free schools. As one of my friends said, the only thing we want our kids to be afraid of when they go to school is the exam tomorrow afternoon, that is it; not fearful of walking from the classroom to the locker to the lunch room or anything like that.

So we have a great vision for education. This really empowers taxpayers at the local level to help build that vision into a reality at the local level.

Mr. SHADEGG. Mr. Speaker, the "leave no child behind" phrase is such a great one, because every American believes in that. No American wants to leave a child behind, and it is a great way to point out what we want to do as a country for our children.

□ 2310

But I just want to point out that as a necessary corollary to what the gentleman was saying just a moment ago, the only reason that one would oppose tax credits would be either that one wants to retain the bureaucratic control in Washington, D.C., to be able to order those districts around, or wants fewer dollars to go to education. I just want to make that clear, because I think people are out there debating, who is opposing this and why? I think it is important to understand that.

Given that under this structure we leave the existing structure in place, and it still gets the resources that are directed to it, the Federal dollars to education that are flowing through the Department of Education are still there, and they still go out with all the strings and all the bureaucracy.

This is not in place of that, this is an add-on in addition to that.

The SPEAKER pro tempore (Mr. KELLER). Under the Speaker's announced policy of January 3, 2001, the gentleman from Colorado (Mr. SCHAFFER) is recognized for the remainder of the hour, or approximately 10 minutes.

Mr. SCHAFFER. Mr. Speaker, I yield to the gentleman from Arizona (Mr. SHADEGG).

Mr. SHADEGG. Mr. Speaker, to continue the point, this tax credit proposal is on top of the existing Federal funding for education. It is more dollars without the control.

So I thought the gentleman did such a good job of making that point, that these are extra dollars and they go

without the control; that the only reason one could oppose it would be if one is a bureaucrat in Washington, D.C. and does not want Federal money of any kind going out to educate kids without those Federal dollars being controlled, and the control of them, and the dictate, saying they must spend it this way, coming from Washington, D.C.

It seems to me, given that, that one has to either oppose additional funding for education or genuinely believe that the people back home in the local schools and school districts cannot spend the money unless they are told precisely how it must be spent by Federal bureaucrats.

Unless one believes one of those two things, one ought to be supporting this kind of idea, because it means more dollars for education, more local control, it means more involvement by Americans in the funding of education in a very direct sense, where they want the accountability to them and they get the satisfaction of knowing their money is helping education.

It is, as the gentleman says, a win-win proposal.

Mr. SCHAFFER. And it matters to American students. I brought a couple of copies of the testimony that occurred in Colorado. My State considered a tax credit proposal, and I regret to say it failed really by one vote in our Colorado State senate just a few weeks ago.

But there was a student, Sasha Ward, 11 years old, who testified before the State legislature again on similar legislation. This is a child who did receive a scholarship and was really speaking to the importance of making scholarship funds available to more children in Sasha's situation, and stressing to the State legislature that that would be possible, that would be achieved, through the kind of tax credit proposal we are proposing here, similar to the one that was being considered in Colorado.

Here is what the 11-year-old said: "My family applied for an ACE scholarship for me to be able to study at the school that I consider a very special place. It is special because it is where I learn the most and where I enjoy learning. It is a place where I can dream and have that feeling that I am going to be successful in my life, successful because of what I am learning right now. In the past, my mom tried to put me in a Catholic school, but she could not afford the tuition for very long. Now I am on my second year in the same school because of these scholarships that she has got for my sisters and me. I will be very happy if I can stay at my school and have the same good school as long as possible. They are special, too."

That was testimony from someone named Sasha Ward, an 11-year-old from Wheat Ridge, Colorado. The State legislature also received testimony from Maureen Lord. Maureen is a supervisor of a child who initially was designated as learning-disabled.

The supervisor here says to our legislature: "Joe Ray was designated learning-disabled in the local public school. At the end of his fifth grade year, he was reading between second and third grade level. He hated writing anything. His distraction level was extremely high; and to complicate things even more, he had some fine-motor problems.

"Being an elementary educator myself, I knew Joe Ray would never be at grade level if he continued in a school system where he had only received an hour of special attention during each day. His future looked dismal and accomplishing the basic skills he needed to go on to middle school and high school seemed remote."

The teacher goes on that one day she heard an advertisement on the radio about the scholarships, and a school that appealed to children similar to Joe Ray, and so this teacher began the application process to try to get one of these scholarships, and succeeded. Here is what happened.

The teacher goes on: "Joe Ray applied for the ACE scholarship and received a 4-year partial scholarship to a private school. With help from his mentor and his mentor's supervisors, the obstacles were falling one by one. Let me tell you more miracles. Joe Ray aced last semester's report card. His teacher says he is a wonderful young man to work with, an eager learner. The multisensory math program is helping him to remember his times tables, and his confidence is growing. He now frequently looks you in the eye when he talks to you. This is just one young boy who is benefiting from the investments that scholarships have made to his future. I hope this encourages some of you."

Again, testimony like that is the kind of testimony we are just collecting every day from people around the country who realize the power and the value of finding a way to create a massive cash infusion in America's education system in a way that benefits children in public schools and private schools, and those who perhaps want to move from one category to another.

The system we have today is a discriminatory one, and it is unfortunate to have to say that, but the reality is, it does discriminate. It discriminates; it gives a tremendous amount of favor to those children who make the kinds of decisions or the parents of these children that make the kinds of decisions that meet the satisfaction of people who work in government.

What we are saying is, no, the people in government, they are nice, we care about them, but we want to make children the top priority. That is what the education tax credit does. It starts putting kids like Joe Ray and kids like Sasha Ward in the driver's seat, makes them the top priority, and really forces in the end I think a reformation of the education process, so all of those involved in the education system start

servicing children, rather than just counting them as numbers to drive dollars through a school finance formula.

Mr. SHADEGG. I think the gentleman said it well. The key is, this is not a replacement for the current system. People in the current system and believers in it should not feel threatened by it. What it is, is a chance to add resources to the current system. It is a chance to make it even stronger. It is a chance to put more dollars behind education. It is a chance to get people more involved in the education of their children. It is a chance to get around the bureaucracy and have the accountability run directly to people in their own neighborhoods.

It is indeed for that reason I think a win-win that should not threaten the education establishment and should encourage them. So I compliment the gentleman and my colleague from Michigan for their very hard work on this project.

Mr. SCHAFFER. I thank the gentleman. I am grateful for my two colleagues for joining me here on the floor for this Special Order. This is a topic we feel very strongly about. We will be back week after week to continue talking about children and education tax credits and the necessity to get this proposal passed to help these children.

WHAT HAPPENS IN AMERICA WHEN CORPORATIONS VIOLATE THE PUBLIC TRUST

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Michigan (Mr. HOEKSTRA) is recognized for the time remaining before midnight, or approximately 41 minutes.

Mr. HOEKSTRA. Mr. Speaker, I want to talk about a little bit different issue. I want to talk about what happens in America when corporations violate the public trust.

Max De Pree, a former Fortune 500 CEO, my former boss at Herman Miller, wrote in his book, "Leading Without Power," about the importance of people having trust and confidence in the American economic system in order for it to work. He states, "When you stop to think about it, it is astounding that anything as complex as the trading of stocks, bonds, commodities, and futures ultimately depends on trust; a value, not a statute, not an SEC regulation, not even a government mandate. The system works on trust."

We have been rocked during the last couple of months with revelations about corporate management and some of the activities that they have been engaged in. It all started with the actions of Enron Corporation and certain employees of Arthur Andersen, where the actions at Enron and Arthur Andersen I believe were clearly designed to do one thing: to deceive shareholders, customers, and employees of the true nature and health of the business.

□ 2320

After that we had Merrill Lynch. Merrill Lynch just settled a lawsuit in New York after allegations that their brokers were advocating investors purchase certain stocks while at the same time acknowledging in internal memos that these were potentially bad investments. Enron, Arthur Andersen, Merrill Lynch, each of these cases, I think, are classic examples of where leaders in the business community violated the trust that was placed in them by the public, including their customers, their shareholders, and their employees.

The other thing that goes on here is that in my State of Michigan, there is even more examples. CMS Energy, a long-established and well-respected business in Michigan, conducted round trip sales of electricity. My belief is that the sole purpose of this phony business activity was to artificially elevate the sales of one of its business divisions of up to 80 percent, again deceiving shareholders, customers and employees of the true health of the business. What is round-tripping? Round-tripping is I will sell you \$1 billion of energy at 9 o'clock in the morning, a billion dollars of electricity at 9:00 in the morning, and at 9:01 you sell it back to me for exactly the same price, and all of the sudden you and I are now both billion dollar companies in the electricity commodities market. And in reality it was a phony sale.

Take a look at this headline recently. Another Michigan company. Kmart, employees at Kmart recently allege that they were forced by management to adjust financial statements to hide the true viability of the business in 2001. The company filed for bankruptcy in 2001. Kmart accused of lying. Whistleblowers came, execs misled, and accountants knew.

What happens when corporations betray the public trust? As we have seen in almost each of these cases, the financial ramifications have been devastating. These companies have even seen their stock values drop; some have been forced into bankruptcy. Worse, innocent people, tricked by these deceptions, have lost their retirement savings, employees have been laid off and investors have seen their investments evaporate. The end result may be that millions of honest businesses in America may be forced to pay a heavy price in new government regulations.

It is really time for the business community and leaders in the business community to become self-policing and to bring forward proposals to address this breaking of the public trust by people in the business community. Remember, the system works on trust.

And then the other thing that happens here is you almost add injury to insult. Many, if not most, of the management people involved in these deceptive activities have not only gone unpunished, they have been rewarded with huge severance or compensation packages. There is something wrong in America when business leaders break