



## NATIONAL CONFERENCE of STATE LEGISLATURES

*The Forum for America's Ideas*

**Representative Daniel T. Blue, Jr.**  
Senior Majority Leader  
North Carolina, President, NCSL

**Thomas R. Tedcastle**  
Director of Bill Drafting and  
General Counsel, Florida House  
Staff Chair, NCSL

**William T. Pound**  
Executive Director

July 20, 1999

The Honorable Neil Abercrombie  
United States House of Representatives  
1502 Longworth House Office Building  
Washington, DC 20515-1101

TO: IBARRA  
SCHOOL  
LITTLE  
MARTIN

Fr: Bill Little

**Re: School Construction**

Dear Representative Abercrombie:

We write on behalf of the nation's legislators to explain our position on federal assistance for school facilities. Burgeoning student enrollment, the aging of existing facilities and the retrofitting demands of the information age have contributed to a growing public consensus that federal assistance is needed to supplement state and local facilities programs, not supplant them.

School construction is generally financed by bond issuance at the local level with bonding authority regulated by 39 states and financial assistance provided by 40 states. Spending by those 40 states amounts to as much as 11.2% of the K-12 yearly budget. In recent years, many states have stepped up to the plate to address facilities issues. Connecticut recently appropriated \$3 billion over 7 years, South Carolina approved \$750 million over 4 years and Virginia, a state with no history of state involvement, passed legislation to provide direct assistance to school districts. Each of these programs bases assistance on the relative wealth of the district, but leaves intact the basic system for local control.

Many thoughtful and helpful proposals for federal assistance have been introduced. We support the following "cafeteria" plan because we believe that a combination of approaches, all of which work within the existing constitutions, statutes and traditions of the states, would be the most effective in addressing this critical issue.

- Liberalizing the arbitrage rebate exceptions, from a number of proposals;
- Allowing advance refunding for existing school construction bonds, from HR 1084;
- Changing the definition of private activity bonds to include school construction with an increase (targeted to schools) in the private activity caps as proposed in S.526;
- Allowing the Federal Home Loan banks to guarantee up to \$500 million in school construction bonds, from S.1134; and

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Website [www.ncsl.org](http://www.ncsl.org)  
Email [info@ncsl.org](mailto:info@ncsl.org)

- Establishing a state revolving loan program based on the highly successful Drinking Water State Revolving Funds pursuant to the Safe Drinking Water Act amendments of 1996. (HR 1648);

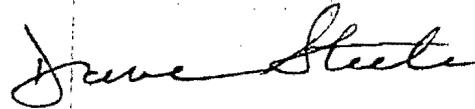
We see the revolving loan funds as the key to this approach. In the case of both school construction and drinking water, a need was identified; public consensus was galvanized for federal assistance but no precedent for federal involvement existed. The State Revolving Funds created a role for the federal government but allowed states to identify needs, establish priorities, allocate money, and provide oversight. The federal seed money created sustainable revolving funds targeted to those most in need. Among the assistance programs being discussed, we believe that this model offers the most hope for poor districts with low bond ratings who have reached their state imposed debt limits or are not able to pass a bond referendum under any circumstances, even interest-free financing.

We believe that these proposals taken together should be authorized at levels at least equivalent to the President's FY 2000 budget recommendations for addressing critical school construction needs. This 'cafeteria' approach will complement existing state and local construction efforts without creating a new, parallel federal school facilities program. We urge you to seriously consider this proposal.

Sincerely,



Representative Daniel T. Blue, Jr.  
Senior Majority Leader, North Carolina  
President, NCSL



David Steele  
Utah Senate  
Chair, Education, Labor and Job  
Training

# Tribal Schools Construction Meeting

Tanya Martin	DPC	456-5228
Daw. I. Beauclien	US Dept of Ed.	260-2431
Amanda Martin	DOI	482-6498
Dennis R. Fox	DOI-BIA	208-4542
Carole Russee	DOI	208-6316
Jerry Schweigert	DOI	208-5690
Richard Kock	OMB	395-3701
Lisa Linnell	Sen. Conrad	224-2107
Bob Shoreman	White House NEC	456-2843
Lynna Ketter	WH-IGA	456-2896
Deanna Digney	Sen. Duroche	224-2321
Joan Huffer	Sen. Daschle	224-5556
Stephanie J. Helfrich	Sen. Johnson	224-5842
Joe Hein	"	"
Mary Smith	DPC	
Mike Anderson	Int	
Mirelle Thompson	Treas	622-2032
Peter Necheles	Treas	622-2139

• Independent on class  
 on 13 - 1000  
 • Coalition of Tribal Schools  
 • Did they have compared

Very few teachers/parents  
 • Susan Marie Simon  
 Scholastic a workplace  
 anecdotal on class by  
 hour

Std's - more than club best  
 • Loachans & ...  
 • Teacher to ...  
 • Approved research  
 • Manage ... of studies  
 • Imp standards

- Implementation

Open hinges upon manageable class sizes

- Rigorously tracked - over countries

Sit still

Cross-cultural primary school sizes

TIMSS

Class-size

Msc business research

away from large Henry Ford

local level sat

business  
small desktop

technology

9/23/97

Note to

Mike Smith  
Gerry Tirozzi  
Scott Fleming  
Susan Frost  
Charlotte Fraas  
Jack McGrath  
Pauline Abernathy  
Bill Wooten  
Don Feuerstein  
Tanya Oubre, DPC

Attached is a side-by-side comparison of the Administration and Daschle-Gephardt school construction bills, which we prepared at the request of Bob Shireman.

Tom Corwin



Attachment

## Comparison of the Administration's Proposed School Construction Program and Daschle-Gephardt

### Administration

### Daschle-Gephardt

<p><u>Funding</u></p> <p>Appropriates \$5 billion in mandatory spending, available for obligation over five years.</p> <p>No specific offset.</p>	<p>Appropriates \$1.9 billion in mandatory spending in fiscal year 1998, to be available until expended.</p> <p>Reduces the "carryback period" on unused foreign tax credits from 2 years to 1, and extends the "carryforward period" from 5 years to 7, in order to create a specific offset.</p>
<p><u>Allocation of funds</u></p> <p>Allows the Secretary to reserve up to 2% of the total fund for Bureau of Indian Affairs schools and territories.</p> <p>50 % of the remaining funds go to State formula grants.</p> <p>50% of the remaining funds go to direct local grants.</p>	<p>Allows up to 1.5% of the total funds to be spent on "Indian schools," .5% to be spent on territories, and .1% to be spent on data collection and evaluation.</p> <p>67% of the remaining funds go to State formula grants.</p> <p>33% of the remaining funds go to direct local grants.</p>

<p><u>Eligible projects</u></p> <p>Authorizes construction projects that:</p> <ul style="list-style-type: none"> <li>• remove environmental hazards,</li> <li>• increase school safety,</li> <li>• accommodate individuals with disabilities,</li> <li>• enable the use of educational technologies,</li> <li>• increase energy efficiency,</li> <li>• build new schools to accommodate enrollment growth or replace old schools, and</li> <li>• provide charter and community schools</li> </ul>	<p>Authorizes construction projects that:</p> <ul style="list-style-type: none"> <li>• remove environmental hazards,</li> <li>• increase school safety,</li> <li>• accommodate individuals with disabilities,</li> <li>• enable the use of educational technologies,</li> <li>• increase energy efficiency,</li> <li>• build new schools to accommodate enrollment growth, and</li> <li>• engage in other construction activities the Secretary believes achieve the purpose of this program.</li> </ul>
<p><u>Allowable uses of funds</u></p> <p>Federal funds would pay a portion of the interest cost on bonds, certificates of participation, or other forms of indebtedness; for credit enhancements; or for other expenditures that leverage funds for additional school construction.</p>	<p>Federal funds could subsidize only bond interest, unless the State or local bond authority receives a waiver from the Secretary to use the funds to subsidize other financing mechanisms.</p>
<p><u>Amount of subsidy</u></p> <p>Limits the subsidy to one-half the interest cost of repaying bonds, or an equivalent amount if an alternative financing mechanism is used. The Secretary or the State, as applicable, would determine the precise amount of the subsidy, taking into account the percentage of low-income children residing in a locality.</p>	<p>Caps the subsidy at between 10 percent and 50 percent of the interest cost, determined under a sliding scale based on the percentage and number of low-income children in the locality. In addition, States could apply for a waiver, allowing up to an 80 percent subsidy, for hardship cases.</p>

## State grants

<p><u>Formula</u></p> <p>Allocates funds based on the share of Title I basic grants each State would have received under the preceding year if the child count for the districts receiving local grants under this program were not counted.</p>	<p>Allocates one-half of the funds based on Title I basic grants and one-half based on Title VI (i.e., same as the Goals 2000 formula) if the LEAs that receive direct grants are excluded.</p>
<p><u>State administrative unit</u></p> <p>Requires the Governor to designate a State agency with the concurrence of the chief State school officer.</p>	<p>Designates the State agency with authority to issue bonds for the construction of educational facilities as the recipient; the agency must be designated by both the Governor and chief State school officer if there is more than one such agency.</p>
<p><u>State survey</u></p> <p>Requires States to survey the construction needs within the State unless it has already done such a survey.</p>	<p>No comparable requirement.</p>
<p><u>Supplemental funds</u></p> <p>Requires that grants to States and subgrants supplement spending that would have been made without the availability of the Federal funds.</p> <p>Requires States to ensure that construction spending during the four years after receiving the grant will be at least 125% of the amount in the preceding four years.</p>	<p>Requires States, in their applications, to assure that grant funds will be used to increase the amount of school construction funding compared to the previous fiscal years.</p>
<p><u>State matching</u></p> <p>No required State match.</p>	<p>Appears to require States to contribute \$1 for every \$1 in Federal funds.</p>

State sub-allocations

Permits the State to use the Federal grant to subsidize State bonds and other State-level expenditures, or to make subgrants or loans to localities. Selection of localities would give the highest priority to those with the greatest needs (inadequate facilities plus low level of resources) and greatest potential to leverage Federal funds.

Allows use of State funds for both State-level financing or local subgrants. Highest priority is given to localities with high numbers or percentages of poor children; low fiscal capacity; unsafe, old, or inadequate facilities; and to projects that would not be completed without grant assistance.

State reports

Requires States to issue periodic reports to the Secretary regarding their implementation of the program.

No required reports.

## Direct Local Grants

<p><u>Eligible LEAs</u></p> <p>Authorizes direct grants to the 100 LEAs with the highest numbers of children from low-income families.</p>	<p>Authorizes direct grants to (1) the 100 LEAs with the highest numbers of children from low-income families and (2) 25 additional high-need LEAs selected by the Secretary.</p>
<p><u>Distribution of grants</u></p> <p>Distributes 70% of the amount for local grants by a formula (based on share of Title I funds) to 100 recipients and 30% on a discretionary basis.</p>	<p>The amount of all grants would be discretionary.</p>
<p><u>Local administrative unit</u></p> <p>Designates LEAs or an LEA's designee.</p>	<p>Designates local bond authority with the ability to issue a bond for the LEA.</p>
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## General provisions

<p><u>Federal liability</u></p> <p>Exempts the Federal government from debt liability associated with construction funded under the program.</p> <p>Requires that financial instruments include a statement that indicates they do not represent obligations of the Federal government.</p>	<p>Exempts the Federal government from debt liability associated with construction funded under the program.</p>
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ED/OUS/DESVA  
9/23/97

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*can't*

*clear to funds*

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*during  
1990s*

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ED/OUS/DESVA  
9/23/97

**TO:** Mike Cohen

**FROM:** David Beaulieu  
Office of Indian Education  
U.S. Department of Education

Joann Sebastian-Morris  
Office of Indian Education Programs  
U.S. Department of the Interior

**DATE:** 10/27/97

**SUBJECT:** American Indian Education  
Suggested Areas for Support and Development

## **INTRODUCTION**

As a follow-up to our meeting on American Indian Education, we are providing you a list of possible ideas and solutions to respond to the needs of the American Indian learners. We will be pleased to elaborate on any of the ideas listed.

## **Suggested Areas for Support and Development**

### **I. INFRASTRUCTURE**

#### **Statement of Problem**

\* The Federal government has primary responsibility to provide basic support for two types of schools: Tribal or Bureau of Indian Affairs operated schools and state school districts which have Indian students living on trust status tax-exempt land within the district. Both school systems have significant operational and education facility construction needs. These needs reflect serious health and safety concerns in current facilities, inadequate education resource support for classrooms and overcrowded classrooms caused by large increases in Indian learner populations and a reliance on trailers and makeshift classrooms. Efforts at education and school reform for American Indians are mitigated by poor facilities and inadequate basic infrastructure support to the education program of students for whom the Federal government has primary responsibility

\* BIA and tribally operated schools are dependent entirely on the federal government for basic support. This typically is the type of money generated from state and local revenue sources for the operation of state school districts. State public districts which enroll Indian children residing in trust status tax-exempt reservation lands are dependent upon the federal government to provide support for that which otherwise would have been generated by local tax revenue. Both

systems of education within Indian reservations look to the federal government to meet their needs for construction.

\* The Bureau funds 185 schools which house about 51,000 students in 2,298 education facilities. Approximately 25 percent of the education facilities are more than 50 years old, 50 percent are more than 30 years of age, and three percent are more than 100 years old. Approximately 40 percent of our students are housed in portable classrooms. The education facilities comprise 16,616,000 square feet of space. The Bureau's total backlog of needed facilities repair (excluding quarters) was in excess of \$550,000,000.00 in April 1991, and has increased to more than \$800,000,000.00 as of January 1997. This constitutes an increase of approximately \$250,000,000.00 in the six-year period, or an average of \$42,000,000.00 per year. Inadequate facilities operation and maintenance funding has contributed to the significant backlogs. In addition, the backlog of new school construction totals \$126,000,000.00.

\* All Indian reservation land is held in trust by the federal government for the Tribe and cannot be taxed by state or local government. Most local school construction bonds are paid back through property tax assessment. A local State public school district that has a large portion of federally owned land not subject to tax cannot float a bond or borrow money for its public schools because it has no revenue stream with which to pay back the money it borrows.

#### **Proposed Ideas and Solutions: Infrastructure Needs**

\* The Federal government as a primary provider of basic support for Tribal or Bureau operated schools and state public school districts educating American Indian learners living on Trust status lands must either through direct appropriation or through developing creative new ways of providing capital for school construction respond to the infrastructure needs of schools educating American Indians within Indian reservations.

**1. Through the Impact Aid program, provide an appropriation for school construction for school districts educating American Indian learners residing on Trust status, tax exempt lands. Representatives of the Indian Impact Aid Association, the Navajo Tribe and school districts within the Navajo Reservation have requested funding for Construction under Section 8007 of P.L. 103-382 at a level not less than 100 million per year.**

**2. Consider the development of a national Indian bonding authority for BIA funded schools, such as Senator Tim Johnson of South Dakota introduced last year. This may be a solution for tribally operated schools. There may also be a possibility to create unique joint Federal -State programs for School construction uniquely affecting State School districts within Indian reservations.**

**3. Provide an appropriation for new school construction to fund the remainder of schools on the Bureau's school construction list. Nine schools on the list need to be constructed. After the completion of the construction of all the schools on the priority list, the Bureau will request additional applications for school construction.**

4. Provide an appropriation to sufficiently fund the BIA operation and maintenance program.
5. Increase the set-aside for BIA schools to 10% in the pending Daschle-Moseley-Braun legislation.
6. Increase the Impact Aid basic support appropriation above 1997 level.

## II. TECHNOLOGY

### Statement of the Problem

\* Ninety percent of rural Indian reservation communities do not have access to the Internet. Bureau of Indian Affairs and Tribal operated schools and colleges have not adopted computer technology to aid in instruction and distance learning. There is a need to adapt technology to the management and evaluation of schools serving American Indian learners

### Proposed Ideas and Solutions: Technology Needs

\* Financial resources need to be made available to Tribal and Bureau of Indian affairs operated schools to connect to the Internet, purchase computers and software, to incorporate technology into instruction, to improve the management of schools serving American Indian learners and to effectively evaluate efforts and to train teachers.

*focused on BIA schools*

*how* 1. Provide Internet access to all Indian communities through public schools, Bureau-funded schools, and Tribal colleges.

2. Provide financial support to Bureau of Indian Affairs and funded schools and colleges to purchase computers and software to support and enhance their educational programs.

*Memo tool* 3. Create an Indian student data base for schools serving American Indians to improve the management and evaluation of education programs (see page four, Indian student mobility). - Similar to migrant-tracking - of students in multiple sites

4. Develop a comprehensive technical assistance strategy on technology and learning for all BIA funded schools.

5. Provide information to Indian communities and schools educating Indian students on LAN and WAN standards to ensure quality standards are met.

*Non-challenging* 6. Provide funding opportunity information regarding technology to communities and tribal governments, such as that provided by the NSF, Department of Education, Department of Energy, and Department of Defense.

7. Conduct educational technology conferences for Indian Tribal governments, schools, and communities.

### III. INDIAN STUDENT MOBILITY

#### Definition of the problem

Within Indian reservation settings the mobility of American Indian learners is very high. Students often withdraw and change schools more than once in a particular school year. Most school transfers are not for educational reasons This causes disruption in their education programs which is a major predictor for student failure.

#### Proposed Ideas and Solutions: Indian Student Mobility

\* The effect of mobility on Indian students would be minimized through developing a system to share student records and student data among all schools serving learners of an American Indian Tribe. Enhance the role of tribal governments to deal with mobility-related issues.

1. Develop a shared computerized common student data base for all types of schools educating American Indians in a regional reservation area so that information on students is readily available for all schools when students transfer and to allow the development of a tribal educational profile. Migrant education is developing something similar which could be adopted by Tribal governments for a similar purpose.

2. Enhance the role of tribal government to regulate transfer behavior and to develop similar standards and programmatic offerings and approaches among all schools serving the same communities through agreements with school districts by developing tribal government education departments. Provide an appropriation for sec. 9125 ESEA as amended Title IX Grants to Tribes for Education administrative planning and development.

### IV. INTERGOVERNMENTAL COMPLEXITY

#### Statement of the Problem

\* Good ideas and effective approaches for Native learners modeled in Federal Indian education grant programs are often discouraged or isolated. These programs or the creative and innovative curricular and instructional approaches of Tribally operated schools have little impact or influence on curriculum or instruction practice within State public school districts as a whole. There exist a general inability for School districts to sustain innovation and change in the interests of American Indian learners overtime.

\* Federal legislation mandates the active involvement of Indian parents in the development of Indian education programs. Tribal governments have an underdeveloped albeit a significant and

Red hole model

similar some off budget standards

Bidny report with budget

mechanism for doing this? Funding Title IX grants

Sustained innovation

central role in defining and representing individual and community based educational needs and to support American Indian parental involvement. Opportunities for collaboration between tribal governments and state government and local LEAs are underdeveloped as well.

**Proposed Ideas and Solutions: Intergovernmental Complexity**

**1. Provide an appropriation for Sec. 9125 ESEA as amended Title IX "Grants to Tribes for Education Administrative Planning and Development"** *Build tribal capacity*

**2. Change the regulations for a number of education programs so that state public school districts and tribal schools might jointly apply for projects of mutual benefit.**

**3. Create a Tribal/State education partnerships program which would provide incentives for Tribal governments, state government and local state LEAs within a reservation to develop regional comprehensive reform strategies and approaches for the education of American Indian learners.**

**4. Reconsider the funding formulas for Tribally operated schools and Impact Aid so that Indian student transfers don't affect the budget capacity of schools.**

**5. Consider changes in IASA which would require States to develop a comprehensive plan for the education of American Indians based upon parental and Tribal input which recognize the "special educational and culturally related education needs of American Indian learners. (Note: The current statute requires such plans for an LEA but does not require their review by SEAs or the development of such a statewide plan. This could be approached also from the point of putting Title IX language regarding recognition of culturally related needs of Indian learners into the other Titles. This would cause the kind of planing desired by the comprehensive plan language for LEAs in Title IX and would cause SEAs to uniquely consider Indian learners in their consolidated plan.)**

*pathbreaking examples - MN, SD*

**V. STANDARDS AND ASSESSMENT**

**Statement of Problem**

\* All Bureau of Indian Affairs-funded schools are recipients of Title I funds provided by the Improving America's Schools Act and participate in the Goals 2000 reform effort under the Educate America Act. Therefore, as required by those pieces of legislation, Bureau-funded schools are involved in implementing new content standards and a new assessment system. These efforts require schools to rewrite their curricula to incorporate the new content and align the curricula with the new assessment system. A great deal of staff development is then required to retrain teachers to teach the new, more challenging content and to assess students in a new way. The standards and assessment piece of the school reform effort requires a great deal of planning time and intense, sustained staff development. Schools often lack the expertise and resources needed to provide and guide this important endeavor. The development of a sound

*New Amer Schools?*

assessment system to determine student learning of the new content is of utmost importance to improving Indian education and is a high priority for the Bureau of Indian Affairs, Office of Indian Education Programs. This effort also requires major focus and allocating of resources.

\* Because different types of schools serve American Indian learners within the same reservation communities, there is a need for education standards which are congruent for all types of schools and which reflect the needs of Indian learners.

**Ideas and Solutions: Standards and Assessment Needs**

\* The creation of new more challenging curricula and a more appropriate assessment system is critical to the improvement of education for American Indian children. This rare opportunity must be seized and implemented in a manner of the highest quality to reap the full benefit.

**1. Coordinate an initiative to fully develop and implement a more challenging curricula and quality assessment system which will incorporate cultural wisdom and values, language and culture to make it meaningful to Indian students in Bureau-funded schools and in public schools which serve a significant number of Indian students.**

**2. Create collaborative opportunities for Tribal governments and state public school districts to develop appropriate standards and assessment strategies for American Indian learners. (Note: See Intergovernmental Complexity Recommendations 1-5.**

*Send culture standards back through content groups  
Send web sites created link*

**VI. LANGUAGE AND CULTURE**

**Statement of the Problem**

The role of American Indian social and cultural uniqueness in education is not solely a curriculum issue resolved by making the content of the instructional program more sensitive or appropriate for American Indian learners. Nor is the uniqueness of American Indian learners a distinction which can be compartmentalized out of context with what goes on in schools. The entire school arena, its policies procedures, the manner whereby instruction is offered, and the style of pupil and staff interaction affect and impact on the ability of the school to be effective and provide meaningful educational programs and services for American Indian learners.

\* The school learning environments for the majority of American Indian learners are incongruent with their communities culture. They are for the most part not linguistically, culturally or developmentally appropriate with a dedicated well prepared teacher who is competent and knowledgeable of effective teaching strategies for learners with unique educational and culturally related academic needs.

\* American Indian children often do not come to school ready to learn. They have often had face serious health and safety issues which may have mitigated their potential to learn. They do not

have access to early childhood education programs which are linguistically, culturally, and developmentally appropriate.

\* The current state of the social, health and safety issue facing American Indian Children and youth is also a threat to the future health and viability of the linguistic and cultural heritage of Tribal societies. There can be no culture without the communities young people making viable, culturally appropriate transitions to adulthood and meaningful family and community roles and responsibilities.

\* The maintenance of the linguistic and cultural heritage of American Indian Tribal societies is threatened as never before. Schools and educational institution serving American Indian learners are seen as both the a part of the threat and as the primary vehicle for impacting a change. American Indian Tribes believe that the maintenance of their tribes linguistic, cultural and historic heritage as being central to their survival as peoples.

**Proposed Ideas and Solutions: Language and Culture**

- 1. Make early childhood education and parenting with language development a key priority for Indian education at the federal level by establishing a grant program to focus this effort or focus funding priority under Sec. 9121 ESEA as amended Title IX.**
- 2. Focus a national priority on Indian children and youth. Create coordinated federal tribal and state health and safety programs which focus on the needs of Indian children and youth with schools as a primary partner. Allow the development of a Federal block grant or other necessary funding approach for the coordinated application of all available federal programs affecting children and youth to reservation communities.**
- 3. Establish a consortium of Indian Education Demonstration sites which seek to establish and model intellectually challenging programs to meet community and individual academic needs.**
- 4. Make the preservation of the linguistic and cultural heritage of American Indian Tribes a priority. Convene a White House meeting to examine the issues related to the maintenance of tribal languages and cultures.**
- 5. Review and amend existing language and education-related legislation to fund and/or support programs to strengthen Native American languages, permit students to learn their Tribal languages as a first or second language in school, develop curricula for restoring lost languages, etc.**

## VII. PROFESSIONAL DEVELOPMENT

### Statement of the Problem

There is a need for a significant increase in the number of Indian professionals in teaching and education leadership roles within Indian communities. There is a high need for dedicated and competent teachers for Indian children who are knowledgeable of effective teaching strategies for learners with special educational and culturally related academic needs. There is a need for principals who are knowledgeable of reform strategies which are effective in Indian Schools.

\* Professional development strategies and Teacher education programs and for principals and education leaders need to reflect current best practices for learners with special educational and culturally related academic needs as well as effective long term approaches to school improvement.

### Proposed Ideas and Solutions: Professional Development

- 1. Provide an appropriation for Sec. 9122 ESEA as amended Title IX, Professional Development to promote the creation of undergraduate and graduate fellowships and educational profession development programs.**
- 2. Provide for an Indian set aside and allow for Tribal College eligibility within Title V of the Higher Education Act which focuses on the development of teachers for high poverty rural and urban areas.**
- 3. Provide an appropriation for Sec. 9131 ESEA as amended Title IX Improvement of Education Opportunities for Indian Adults.**
- 4. Create an Indian principals academy to give opportunities for Indian administrators to share their experiences with their colleagues and to learn of school improvement strategies.**

## VIII. STATISTICS AND RESEARCH NEEDS

### Statement of the Problem

\* As an ethnic group, American Indians comprise less than one percent of the total population of the United States. Statistical data on American Indians and Alaska Natives is extremely limited and most data currently available would be nonexistent without additional resources to augment research efforts.

\* Each year, the Congress and the Administration need various types of statistics from the Bureau of Indian Affairs concerning the 51,000 American Indian and Alaska Native students it serves in 185 elementary and secondary schools. Currently, there is no automated student data

base which allows the BIA to describe the overall student characteristics of the total student population.

\* Indian students transfer between the public schools and the federal schools after official student count dates each school year. This means that students arrive at a new school after the official student count is taken and the new school does not receive any funds to educate the child.

\* Currently, the only descriptive research being conducted in BIA schools is the Youth Risk Behavior Survey (YRBS) for health-related descriptors developed by the Center for Disease Control. There is no current program of basic or applied education research within the BIA which focuses on the educational process itself.

**Ideas and Solutions: Statistics and Research Needs**

\* It would be beneficial, both to the Congress and the Administration, to develop and maintain an automated data base on the 51,000 Indian students educated by the BIA. Currently, the BIA has initiated a process to implement a school statistics initiative within the 185 schools. This initiative needs to be supported by the Administration and the Congress until it is fully completed.

\* The BIA and the National Center for Education Statistics should design a process whereby the student count process in public and federal schools could be adjusted to provide funds for those students transferring in after the official student count date. The process should also address future education research needs of the BIA school system.

**1. Provide an appropriation under Title IX, The Indian Education Act of 1972 as amended to support research, evaluation, data collection, and other national discretionary activities to respond to the critical need to information on the educational status and needs of the Indian population and for evaluations of Indian Education programs.**

**2. Provide financial support to fully implement the BIA school statistics initiative.**

**3. Provide financial support to the BIA-NCES partnership to examine the student count process and educational research needs.**

## Appendix A

### Education Situation and Status of American Indians and Alaska Natives

There are approximately 600,000 Native American children in the United States, slightly less than one percent of all school-aged children. Eighty-seven percent of these children attend public schools; approximately ten percent attend Bureau of Indian Affairs (BIA) schools. Census data show that the Native American population has increased over the last three decades. Significant concentrations of Native Americans are at ages 10-19.

Most of the Native American population lives west of the Mississippi River, and almost half live in five states (from highest to lowest): Oklahoma, California, Arizona, New Mexico, and Alaska. Other states that have higher than average concentrations of Native Americans include Washington, North Carolina, Texas, New York, Michigan, South Dakota, Minnesota, and Montana. In the states of Alaska, Oklahoma, and New Mexico, Native American students make up at least 9 percent of the public school enrollment. Navajos, Cherokees, and Alaska Natives constitute the three largest groups.

**Native American are disproportionately affected by poverty.** Problems of unemployment and substance abuse are also great among Native American populations.

- According to the 1990 Census, the Native American poverty rate is more than twice the national average--31 percent of Native Americans live below the poverty level, compared to 13 percent of the total population. Nearly 38 percent of Native American children above age 5 were living below the poverty level, compared with 11 percent of non-minority children.
- American Indians have the lowest high school completion rates of any minority group, with significant gaps in achievement in reading and math when compared to other learners. American Indian children and youth are faced with very serious health and safety issues which directly impact their ability to effectively participate in school. The statistics provided by the Indian Health service describe an Indian learner population which have severe challenges to their health and safety.
  - \* The alcoholism death rate for Indians 15-24 is over 17 times the national rate.
  - \* The accidental death rate for Indians 5-14 is nearly double the national average
  - \* The suicide rate for Indians 15-24 is 2.4 times the national average
  - \* Homicide is the second leading cause of death among Indians from 1-14 years of age and the third leading cause for 15-24 year olds.
  - \* 33 % of the Indian population is under the age of 15
  - \* 45% of all Indian mothers have their first child under the age of 20

**In addition to challenges from their environment, Native American students also face significant challenges at school:**

- An estimated 30 percent of children entered in BIA-funded schools spoke a language other than English in their homes. In 1997, over half of students in BIA schools were served in bilingual education programs.
- The 1994 National Assessment of Educational Progress (NAEP) showed that more than 50 percent of Native American 4th graders scored below the basic level in reading proficiency, compared with 42 percent of all students. Forty-nine percent of Native American 4th graders scored below the basic level on the 1994 NAEP History Assessment, compared with 39 percent for the nation. The 1992 NAEP Assessment showed that 55 percent of 4th grade Native American students scored below the basic level in mathematics, compared with 41 percent of all students.
- Native American students have the highest dropout rate of any racial or ethnic group (36 percent), and the lowest high school completion and college attendance rates of any minority group. As of 1990, only 66 percent of Native Americans aged 25 years and older were high school graduates, compared to 78 percent of the general population.

**Schools that serve Native American students often exhibit high need, but have limited resources:**

- Approximately one-half of BIA/tribal schools (54 percent) and public schools with high Native American student enrollment (55 percent) offer college preparatory programs, compared to 76 percent of public schools with few (less than 25 percent) Native American students enrolled.
- Sixty-one percent of students in public schools with Native American enrollment of 25 percent or more are eligible for free or reduced-price lunch, compared to the national average of 35 percent.
- The National Education Longitudinal Study of 1988 showed that 31 percent of Native American 8th graders came from single parent households, a greater percentage than any other ethnic group except African Americans.

**At the same time, when provided with the opportunity, Native American students have shown significant academic progress although the need for improvement remains:**

- In 1994, 44 percent of Native American high school graduates earned the core credits recommended by *A Nation at Risk*--a dramatic increase over the 7 percent reported in 1982. This demonstrates the high levels to which Native American students can achieve.
- Scores on the Scholastic Assessment Test (SAT) for Native Americans have improved between 1982 and 1996. Native American students' scores increased by an average of 15 points for verbal and 19 points in mathematics. Likewise, between 1986 and 1996, Native Americans showed the largest gains among all racial groups on the ACT assessment--an increase of 1.5 percent for Native Americans compared to an increase of .8 percent or less for all other races and ethnic groups.
- Native Americans represented .4 percent of all Advanced Placement (AP) test-takers, less than half their representation in the student population. The number of Native Americans taking AP exams in all subjects increased by 1071 percent from 1982 (330 students) to 1996 (3535 students) compared to an increase of 273 percent for all races and ethnic groups.

According to the National Science Foundation and National Research Council, from 1978-79 to 1990-91 the number of Native American students who earned degrees in science increased by 12 percent for undergraduate degrees and by 30 percent for graduate degrees. These figures compare to a decline of one percent in the number of undergraduate degrees earned by students of all races and an increase of 6 percent in the number of graduate degrees.

## **Appendix B**

### **What Works**

#### **Statement of the Problem**

Many program approaches have been developed that work but have not been sustained. These programs do and have had an impact on the preparation of American Indian children and parents for school, addressing the unique needs of American Indian children in Bureau funded residential programs, getting schools to help each other and working with State Education Agencies and public school districts to work together with each other.

#### **Family and Child Education (FACE) program**

The FACE program was designed to implement a family literacy program using the Parents As Teacher's (PAT) home-based model and the National Center for Family Literacy's (NCFL) center-based model. In the home-based setting services are provided utilizing the following components: home visits, parent meetings, screening, referrals, and adult education. In the center-based setting services are provided in four components: adult education, early childhood education, parent and child interactive time, and parent time.

#### **Therapeutic Community School Project**

The off and on reservation residential elementary and secondary schools and peripheral dormitories have been increasingly faced with the unique task of being funded to operate like a "regular" school but having to house and educate students that are not merely "at risk" but are very high risk students. Most of the students are from very dysfunctional parents and have been involved with alcohol and substance abuse, trouble with the law, etc. These students have used all local resources and they have been sent to the Bureau funded residential programs. These schools are not equipped to deal with these types of high risk students. The Therapeutic Community School Project was developed by representatives of the Bureau funded residential schools, Indian Health Service and the Office of Indian Education Programs. This program works but is not implemented in all residential programs.

#### **Schools Helping All Reach Excellence (SHARE) program**

The Bureau of Indian Affairs' (Bureau) National Goals 2000 panel reviewed portfolio applications submitted by Bureau-funded schools wishing to be involved in the Goals 2000 SHARE program. Eighteen groups of schools were selected to receive SHARE grants. In each SHARE group one school acts as the lead school with two or more schools to develop a mentor/mentee, consortia, or partnership relationship in supporting the Goals 2000 school reform effort.

The SHARE participants agree to work together, meet and address the eight areas required in their portfolio applications. The eight areas are: Implementation of new content standards in mathematics and language arts; alignment of curriculum with new content standards; utilization of authentic assessment; integration of Tribal culture(s) into the new curricula; higher levels of parental, tribal and community involvement; on-going, sustained and intense staff development; restructured use of time, staff and resources; and evidence of growth on the eight goals of each school's consolidated school reform plan.

#### Bureau and State Department of Education

The Office of Indian Programs is presently collaborating with State Departments of Education. Meetings with Bureau representatives and state managers for Improving America's Schools Act and Goals 2000 programs have begun. The intent is to assist in local collaboration between public schools and Bureau funded schools to better address education issues of American Indian children that both serve.

#### ***Proposed Ideas and Solutions: What Works***

- 1. The FACE program helps parents to better prepare their child as they develop. This model needs to be in every Bureau funded school and be shared with Indian Communities.**
- 2. The Therapeutic Community School works and should be integrated into every Bureau funded residential school.**
- 3. Collaborative efforts between the Department of Education, Bureau of Indian Affairs, State Departments of Education need to put the education of American Indian Students as a priority. These joint efforts would be in the best interests of the children and would benefit society.**



UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

March 30, 1998

Dear Friend of Education:

I invite you and your organization to join the growing nationwide effort to build, repair and modernize our nation's schools. As U.S. Secretary of Education I have visited schools all across America in the last five years, and I can assure you that many of them are either overcrowded or in disrepair.

Research shows that a safe, welcoming, and up-to-date learning environment is an important building block for student academic success. This is why I am joining parents, teachers, community leaders and business people who are working hard to get broad public support to rebuild and modernize our nation's schools.

Today there are many schools in desperate need of repair, and other schools without adequate space to accommodate growing student enrollments. According to the GAO an estimated \$112 billion is needed to build new schools and modernize old ones. A recent report card by the American Society of Civil Engineers, which rated America's infrastructure by category, gave our schools an *F*, citing the fact that "one-third of all schools need extensive repair or replacement."

Education, community and business organizations such as yours are now launching public forums to explain why it is so important to fix broken school buildings and to discuss how to design schools to meet today's and tomorrow's challenges. I will be joining Vice President Gore in kicking off an initial group of conversations in early April, which will be followed by a continuing dialogue during that month.

These forums are being developed in different ways. Some are organized as roundtables for interested citizens in local schools, while others are being planned as town meetings. In all cases, you are cordially invited to participate. The enclosed materials provide background information as well as resource and contact information.

As we prepare to enter the 21st century, it is essential that school facilities be safe and that they provide the learning environment all children need to achieve during the school day and at school-based after-school learning programs. Better education is everybody's business, and everyone can make a positive difference in children's learning by getting involved in these school construction forums. Your participation is welcome.

Yours sincerely,

  
Richard W. Riley

Enclosure

*"There is nothing more important for America's future prosperity and strength than giving our children a world class education. To meet this challenge, we must provide our communities with safer, smaller, smarter, cutting-edge classrooms and schools —places where teachers can focus on teaching, and students can concentrate on learning."*

—Vice President Al Gore

**AMERICA'S SCHOOLS ARE EITHER OVERCROWDED  
OR WEARING OUT — THEY NEED HELP NOW!**

**JOIN VICE PRESIDENT GORE AND EDUCATION SECRETARY  
RILEY IN HOSTING A PUBLIC FORUM TO HIGHLIGHT THE NEED  
FOR SCHOOL CONSTRUCTION AND MODERNIZATION**

Vice President Gore has announced plans for a series of forums in April in cities and communities across the nation that will highlight the need for school construction and modernization. These forums will also provide parents, teachers, and others the opportunity to talk about what newly built or modernized schools can best meet the needs of their children and community (e.g. schools that can accommodate smaller class sizes and the effective use of technology and be centers of communities for after-school programs and other community uses).

The centerpiece will be a day of forums on April 8, and there will be additional events across the country during the month of April. Forums will be led by Vice President Gore, Secretary Richard Riley, members of Congress, mayors, and State and local education officials, and will involve parents, teachers, students, and other members of the community.

Confirmed locations for the forums on April 8 include: Bridgeport, CT; Portland, ME; Providence, RI; Paterson, NJ; Buffalo, NY; Wilmington, DE; Pittsburgh, PA; Loudon County, VA; Miami, FL; Orlando, FL; Atlanta, GA; Hattiesburg, MS; Spindale, NC; Memphis, TN; Chicago, IL; Cleveland, OH; Milwaukee, WI; Poteet, TX; Phoenix, AZ; Los Angeles, CA; and Seattle, WA.

**HOW TO GET INVOLVED:**

If you or your organization would like to be involved in these forums or would like more information, please contact:

**Menahem Herman**  
U.S. Department of Education  
(202) 401-0960  
fax (202) 205-9133  
[menahem\\_herman@ed.gov](mailto:menahem_herman@ed.gov)

# SCHOOL CONSTRUCTION FORUMS EVENT PLANNING MATERIAL

## *— Contents —*

The following documents will help you plan your school construction forum:

▶ **Ideas for Creating an Event**

This piece includes some ideas to get you started as you create an event emphasizing the need and importance of school construction in your area. Examples include:

- How to define the local angle of your community;
- How to create a discussion panel;
- How to obtain and use positive feedback; and
- How to target individuals and resources which already exist in your own community.

▶ **Discussion Questions**

This piece includes questions we would like you to answer and return to us, summarizing the discussions you have throughout your community. Each discussion question should be addressed throughly at the local school construction forum.

Please mail or fax a brief summary of your discussions to:

Menahem Herman  
U.S. Department of Education  
600 Independence Avenue, SW  
Room 3233  
Washington, D.C. 20202-3510  
fax: (202) 205-9133

▶ **Media Tips**

Included are tips to help engage your local television stations, radio stations and newspapers. Also included is the press release that the U.S. Department of Education will release on April 3, 1998.

# **SCHOOL CONSTRUCTION FORUMS**

## **-- Ideas for Creating an Event --**

*Here are some ideas to get you started as you create an event emphasizing the need and importance of school construction in your community:*

### **1) Define the local angle for your community**

What is the need for school construction in your community? Is your community succeeding in promoting these basic needs? If not, what challenges are being faced? What efforts already exist in your community --partnerships and successful programs --that address this area in education? What more can be done to help every student learn to his or her potential?

### **2) Discussion**

Convene a panel of members of the community who are involved in the issue. Have different perspectives represented --parents, teachers, principals, superintendents, business persons, leaders of community organizations, etc. Include one respected community member to be the moderator. Before your event, the moderator and panelists should be given the opportunity to tour the school to observe the condition of the facility. Depending on the size of your audience, you may convene either a large town meeting discussion, or a smaller roundtable discussion.

Have each panelist present a short statement, and then have the moderator ask questions. Enclosed are questions for you to use during this discussion. Also, allow time for questions from the audience.

### **3) Follow-up**

Have a sign-in sheet for the audience that requests their addresses and phone numbers. Solicit comments from the audience after the program that focus on how the topic relates to your community.

Ask for a volunteer to write down ideas from the audience that are action steps for how your community can organize around this topic or build on existing efforts to improve this area of education.

By way of follow-up, send audience members a copy of the ideas they contributed during the meeting. Include names and phone numbers of any local organizations that audience members may want to contact to get more involved in this area in education.

### **4) Focus on a specific local program in your community**

Invite representatives of the program to speak to the audience, including students who are being assisted. Ask one representative to give an overview of the program. Have students tell how they are benefiting from the program.

Define for the audience how they can get involved in the program. Can businesses donate resources such as computers? Are volunteers needed for tutoring or mentoring?

# **SCHOOL CONSTRUCTION FORUMS**

## **— Discussion Questions —**

**We are asking that you send a brief summary of your discussions so that they can be shared with others and considered by a national symposium on school design that Vice President Gore and I will lead later this year. Each of these questions should be addressed at local forums:**

- 1. Why is it important to build, repair, and/or modernize public schools in your community? Please share anecdotes or data highlighting local needs.**
- 2. Describe local "success stories" about how a newly built or modernized school or wing of a school is improving student learning, supporting good teaching, or addressing community needs.**
- 3. What do local parents, teachers, students, school officials, community leaders and others want to see in their newly built or modernized public schools? Specifically, how can the physical design of the school best address local needs? (For example: parents and community members might want a school that is a center of community for after-school programs and other activities; teachers and students might want a school with smaller classrooms that can also accommodate the effective use of technology; business leaders might describe schools that house cutting-edge science labs.)**
- 4. Who do you think should be involved in discussions about what a new or modernized public school should look like (For example: parents, teachers, school officials, students, business leaders)? Please share any "success stories" about how broad involvement in school design has strengthened a community and/or led to a well-designed school or wing of a school.**

**Please mail or fax a brief summary of your discussions to:**

**Menahem Herman  
U.S. Department of Education  
600 Independence Avenue, SW  
Room 3233  
Washington, D.C. 20202-3510  
fax: (202) 205-9133**

# SCHOOL CONSTRUCTION FORUMS

## — Media Tips —

The U.S. Department of Education will issue the attached press release prior to the beginning of these school construction forums. In addition, each local site should issue its own release, notifying media in your community of your event and giving the specific logistical details, participants and agenda of your particular forum. This should be given to media shortly before your event, with a local contact making follow up phone calls to key radio, television and print reporters the day before the forum to ensure coverage. You can include any of the information in this packet in your release if applicable.

Here are a few tips that might help with your local television, radio and newspapers:

**Newspapers:** Regional and local newspapers should be your primary target for getting information about the local event to the public. Almost all daily newspapers have someone assigned to cover education — find out who it is and give them a call. Keep written materials brief and respect the deadlines of the newspapers. Names are news, so share with the newspaper all of the names of the people who are working with you and those who will be serving on your local panel. Many reporters seek opportunities to do feature stories on activists so encourage them to focus on your efforts to improve local education.

**Television:** Remember, it's just another meeting, so event has to have some "hook" to make it attractive to television producers. Are there VIPs involved in your effort; is this event part of a larger community strategy to promote education improvement? Many TV stations do local morning shows; offer them your best spokesperson.

**Radio:** Don't forget radio. Provide radio stations with notices about your event well in advance — and don't just mail them in. Most radio and television station have Public Service Directors who look for opportunities to serve the community. Ask them to be on your planning committee; ask them to help do radio spots to promote your event. And don't forget local talk shows.

**With all media, be persistent. And one more BIG TIP:** If you can, find a way to involve the media early on as part of your planning team. When they have a stake in the success of the event they will be more likely to publicize it. The attached press release will be distributed nationwide prior to the beginning of all the school construction forums — feel free to refer to any information included in this packet for your written materials.

Also, **SEND US YOUR CLIPS!** We want to record your success with the media and share it with the staff of the department. Send clips to: Julie Green, U.S. Department of Education, 600 Independence Ave SW, Washington, DC 20202.

For Release: April 3, 1998

Contact: Julie Green (202) 401-3026

**SCHOOL CONSTRUCTION FORUMS TO BE HELD IN COMMUNITIES  
NATIONWIDE APRIL 6-10**

Responding to Vice President Gore's request for a national dialogue on the physical condition of America's school buildings, the U.S. Department of Education and local organizations will hold forums across America between April 6-10 to discuss the need for school modernization projects in those communities. (See attached list for site information)

"Schools remodeled and constructed now should be built with an eye to the future," said U.S. Secretary of Education Richard W. Riley. "They will very likely be in the community for 30-50 years. These forums will discuss how to design schools to be safer, smaller, more useful to the community after hours, and help support high quality teaching and learning."

"Too many of our nation's schools are overcrowded, in dire need of repair, and cannot be wired for technology," said Riley. "These forums will be an important opportunity for students, parents, educators and community leaders to share ideas and develop positive approaches to modernizing our schools. The federal government is ready to help in this critical effort, but local communities must determine their own school needs and what can be done to address them to ensure that students have the best possible learning environment now and in the future."

As part of his FY 1999 budget request, President Clinton proposed a \$22 billion initiative to build, renovate and modernize 5,000 public schools. The President's plan calls for federal tax credits to pay interest on two types of bonds: School Modernization Bonds and Qualified Zone Academy Bonds. The request is now pending Congressional action.

Under the new School Modernization Bond initiative, the federal government would

subsidize the issuance of \$19.4 billion in special 15-year bonds over the next two years -- \$9.7 billion in 1999 and \$9.7 billion in 2000. Half the bond authority would be allocated directly to the 100 school districts nationally with the largest number of children from low-income families, in proportion to the shares of funding those district received under the Elementary and Secondary Education Act Title I basic grant formula. The other half would be allocated to states and territories to provide districts in need of assistance in accordance with each state's plan.

In addition to this new proposal, the President has requested \$2.4 billion to expand the existing Qualified Zone Academy Bond program, which can be used to fund improvement projects in eligible public schools. This authority subsidizes the issuance of bonds to support schools in empowerment zones or enterprise communities, or in which at least 35 percent of students are eligible for free or reduced price lunches. Both school construction initiatives will be administered by the Treasury Department.

###

# **PRESIDENT CLINTON'S SCHOOL CONSTRUCTION AND MODERNIZATION PROPOSAL**

## **— Contents —**

The attached documents regarding the President's School Construction and Modernization proposal may be distributed to the attendees of your forum and used for reference in preparation of your forum:

- ▶ **“Modernize Schools for the 21st Century” fact sheet**

This fact sheet provides information about the President's School Construction and Modernization proposal that would provide Federal tax credits to pay interest on nearly \$22 billion in bonds to build and renovate public schools.

- ▶ **“The Need for School Modernization Assistance”**

This document summarizes a 1995 report by the General Accounting Office (GAO) regarding the condition of America's school facilities and examples of the need for school repair. This document also provides information regarding enrollment growth from the National Center for Education Statistics.

- ▶ **“How Could School Modernization Bonds Help Schools in My Area?”**

This document outlines how School Modernization Bonds would work in various communities: a rapidly growing school district; a school district with school buildings in need of renovation; and a school district on a poor Indian Reservation.

- ▶ **“Impact of Inadequate School Facilities on Student Learning”**

This two-page document summarizes research linking student achievement and behavior to the physical building conditions and overcrowding of their schools.

- **“Construction Initiative: Distribution of \$19.4 Billion in Bonding Authority”**

This document provides initial estimates of the distribution of bonding authority to States and to the 100 school districts with the largest number of low-income children.

## Modernize Schools for the 21st Century

In order for students to learn and to compete in the global economy, schools must be well-equipped and they must be able to accommodate smaller class sizes. To address these and other critical needs, the President's FY 99 Budget proposes Federal tax credits to pay interest on nearly \$22 billion in bonds to build and renovate public schools. This is more than double the assistance proposed last year, which covered up to half the interest on an estimated \$20 billion in bonds. The new proposal provides tax credits in lieu of interest payments for investors in two types of School Modernization Bonds: Qualified School Construction Bonds (a new proposal) and expansion of the Qualified Zone Academy Bonds (created last year). The Department of the Treasury estimates that the revenue loss associated with the bonds would be \$5 billion over 5 years and over \$11 billion over 10 years.

### Qualified School Construction Bonds

\$19.4 billion in zero-interest bonds (\$9.7 billion in 1999 and \$9.7 billion in 2000) is proposed for construction and renovation of public school facilities. The Department of the Treasury would allocate the rights to offer these special 15-year bonds to States, territories, and certain school districts that have submitted school construction plans to the Secretary of Education.

Half of the bond authority would be allocated to the 100 school districts with the largest number of low-income children, in proportion to their share of funds under the Title I Basic Grant formula in the preceding year. In addition, up to 25 additional school districts that are in particular need of assistance, such as districts with a low level of resources for school construction or a high level of enrollment growth, could receive these allocations. These funds would be spent in accordance with the school district's plans.

The other half would be allocated to States and territories to provide to school districts in need of assistance in accordance with each State's plan. The bond authority would be allocated in proportion to each State's share of funds under the Title I Basic Grant formula in the preceding year, after subtracting the Title I shares of the 100-125 school districts (above).

**School Construction Plans:** In order to receive a bond allocation, States, territories, and the eligible 100-125 school districts would be required to submit a plan to the Secretary of Education. The plans would (1) demonstrate that a comprehensive survey has been undertaken of the construction and renovation needs, such as the need to provide access to students with disabilities, in the jurisdiction and (2) describe how the jurisdiction will ensure that the bond funds are used for the purposes intended by this proposal, including the requirement that they will supplement, not supplant, amounts that would have been spent on construction and renovation in the absence of the bonds. State plans would also describe how they will ensure that localities with the greatest need – as demonstrated by inadequate facilities coupled with a low level of resources to meet the needs – would be served.

### Qualified Zone Academy Bonds

This program, created by the Taxpayer Relief Act of 1997, provides a tax credit to pay interest on bonds for a variety of expenses (including building renovation) related to certain public school-business partnerships. The FY 99 Budget would expand these bonds to cover school construction, and would increase and extend the bond authority by \$2.4 billion (an additional \$1 billion, to \$1.4 billion, in 1999, and \$1.4 billion in 2000). This bond authority is allocated to States on the basis of their respective populations of individuals with incomes below the poverty line.

## **THE NEED FOR SCHOOL MODERNIZATION ASSISTANCE**

The President's proposal to create School Modernization Bonds is designed to address a nationwide school facilities crisis. These funds are necessary because: (1) the cost to repair existing schools is high, and States and communities can stretch their efforts and dollars further with these interest-free bonds; (2) enrollment growth is surging; and (3) better school facilities lead to better academic achievement.

### **The Cost to Repair Existing Schools Is High**

In a 1995 report, School Facilities: Condition of America's Schools, the General Accounting Office (GAO) estimated that the cost of bringing the Nation's schools into good overall condition was \$112 billion. GAO's report revealed:

- One-third of all schools, serving 14 million students, need extensive repair or replacement; and
- About 60 percent (including some schools in generally adequate condition) of all schools report needing at least one major building feature to be replaced or extensively repaired.

According to GAO: 28,100 schools serving 15 million students have less-than-adequate heating, ventilation, and air-conditioning systems; 23,100 schools serving 12 million students have less-than-adequate plumbing; and 21,100 schools serving 12 million students have less-than-adequate roofs.

GAO cited horrific examples of the need for school repairs:

- Heating depends on a fireman's stoking a coal furnace by hand at a high school;
- Raw sewage was backed up on the front lawn of a junior high school because of defective plumbing
- At an elementary school, a ceiling weakened by leaking water collapsed just 40 minutes after students had left for the day; and
- Another elementary school had asbestos, chipping and peeling lead paint, and boarded windows.

### **Enrollment Growth is Surging**

The National Center for Education Statistics projects that elementary and secondary enrollments will swell from 52.2 million in 1997 to 54.4 million in 2006. State and localities will need to build some 6,000 new schools to serve additional students in the next decade.

### **The Condition of Schools Is Related to Student Achievement**

Several research studies indicate that the condition of school buildings affects student achievement. For instance, a 1991 study in the District of Columbia found that students in school buildings that were in poor condition had achievement 6 percent below students in schools that were in fair condition and 11 percent below students in schools in excellent condition.

## **HOW COULD SCHOOL MODERNIZATION BONDS HELP SCHOOLS IN MY AREA?**

School Modernization Bonds would work differently in various communities. Below are three examples that illustrate differences among communities based on their: (1) school construction needs; (2) authority to issue bonds; and (3) ability to issue bonds.

### **School District A – A Rapidly Growing School District**

School District A needs funds to construct additional schools to educate its rapidly growing enrollment. The State would allocate bond authority to School District A. When this community passes a bond initiative, it would then enter into an agreement with a financial company to sell the bonds to bond holders in order to raise funds to build schools in the community. The school district would use these funds to plan, design, and build additional schools. The community would repay the principal on the bonds to the bond holders, but it would not have to pay interest on the School Modernization Bonds. The bond holders would receive a tax credit equivalent to the amount of interest they would ordinarily have received on the loan.

### **School District B – A School District with School Buildings in Need of Renovation**

School District B needs funds to renovate its aging school buildings. This school district would receive a direct allocation of bond authority from the Federal Government because it is one of the 100 school districts with the largest number of students in poverty. This community has already passed a bond initiative, so it does not have to go to its citizens to gain the authority to issue bonds. The district is still eligible to issue School Modernization Bonds because it has not yet issued all of the bonds its citizens authorized it to issue. It would issue the bonds through a financial company to raise the funds necessary to renovate its schools. School District B would use these funds to renovate its facilities taking into account the need to accommodate modern educational technologies; provide access to individuals with disabilities; improve the energy efficiency of its buildings; and to bring its buildings, including its roofs and boilers, into good overall condition. The bond holders would be repaid as they would under the example for School District A. One difference would be that School District B would be able to use money saved from its energy bill to help it repay the principal on the loan.

### **School District C – A School District on a Poor Indian Reservation**

This poor public school district needs funds to renovate a school and build a new school but is unable to issue bonds itself because of its small tax base. School District C would receive a heavily subsidized loan from the State. The State would subsidize the loan either by contributing the State's own funds toward the loan or by decreasing the amount of the subsidy other communities would receive under School Modernization Bonds in the State. School District C would not issue the bond itself, the State would issue it on behalf of School District C and several other school districts. School District C would use the funds to plan, design, and construct its new building and to renovate its existing school. The State could guarantee that School District C would repay the loan by retaining State aid in event that the school district stopped making payments. School District C would pay only a portion of the principal on the loan to the State because the loan is subsidized. The bond holders would be repaid as described in the above examples, except the State rather than the community would repay the principal to the bond holders.

## Impact of Inadequate School Facilities on Student Learning

A number of studies have shown that many school systems, particularly those in urban and high-poverty areas, are plagued by decaying buildings that threaten the health, safety, and learning opportunities of students. Good facilities appear to be an important precondition for student learning, provided that other conditions are present that support a strong academic program in the school. A growing body of research has linked student achievement and behavior to the physical building conditions and overcrowding.

### **Physical Building Conditions**

Decaying environmental conditions such as peeling paint, crumbling plaster, non-functioning toilets, poor lighting, inadequate ventilation, and inoperative heating and cooling systems can affect the learning as well as the health and the morale of staff and students.

### *Impact on Student Achievement*

- A study of the District of Columbia school system found, after controlling for other variables such as a student's socioeconomic status, that students' standardized achievement scores were lower in schools with poor building conditions. Students in school buildings in poor condition had achievement that was 6% below schools in fair condition and 11% below schools in excellent condition. (Edwards, 1991)
- Cash (1993) examined the relationship between building condition and student achievement in small, rural Virginia high schools. Student scores on achievement tests, adjusted for socioeconomic status, was found to be up to 5 percentile points lower in buildings with lower quality ratings. Achievement also appeared to be more directly related to cosmetic factors than to structural ones. Poorer achievement was associated with specific building condition factors such as substandard science facilities, air conditioning, locker conditions, classroom furniture, more graffiti, and noisy external environments.
- Similarly, Hines' (1996) study of large, urban high schools in Virginia also found a relationship between building condition and student achievement. Indeed, Hines found that student achievement was as much as 11 percentile points lower in substandard buildings as compared to above-standard buildings.
- A study of North Dakota high schools, a state selected in part because of its relatively homogeneous, rural population, also found a positive relationship between school condition (as measured by principals' survey responses) and both student achievement and student behavior. (Earthman, 1995)
- McGuffey (1982) concluded that heating and air conditioning systems appeared to be very important, along with special instructional facilities (i.e., science laboratories or equipment) and color and interior painting, in contributing to student achievement. Proper building maintenance was also found to be related to better attitudes and fewer disciplinary problems in one cited study.
- Research indicates that the quality of air inside public school facilities may significantly affect students' ability to concentrate. The evidence suggests that youth, especially those under ten years of age, are more vulnerable than adults to the types of contaminants (asbestos, radon, and formaldehyde) found in some school facilities (Andrews and Neuroth, 1988).

### *Impact on Teaching*

- Lowe (1988) interviewed State Teachers of the Year to determine which aspects of the physical

environment affected their teaching the most, and these teachers pointed to the availability and quality of classroom equipment and furnishings, as well as ambient features such as climate control and acoustics as the most important environmental factors. In particular, the teachers emphasized that the ability to control classroom temperature is crucial to the effective performance of both students and teachers.

- A study of working conditions in urban schools concluded that "physical conditions have direct positive and negative effects on teacher morale, sense of personal safety, feelings of effectiveness in the classroom, and on the general learning environment." Building renovations in one district led teachers to feel "a renewed sense of hope, of commitment, a belief that the district cared about what went on that building." In dilapidated buildings in another district, the atmosphere was punctuated more by despair and frustration, with teachers reporting that leaking roofs, burned out lights, and broken toilets were the typical backdrop for teaching and learning." (Corcoran et al., 1988)
- Corcoran et al. (1988) also found that "where the problems with working conditions are serious enough to impinge on the work of teachers, they result in higher absenteeism, reduced levels of effort, lower effectiveness in the classroom, low morale, and reduced job satisfaction. Where working conditions are good, they result in enthusiasm, high morale, cooperation, and acceptance of responsibility."

A Carnegie Foundation (1988) report on urban schools concluded that "the tacit message of the physical indignities in many urban schools is not lost on students. It bespeaks neglect, and students' conduct seems simply an extension of the physical environment that surrounds them." Similarly, Poplin and Weeres (1992) reported that, based on an intensive study of teachers, administrators, and students in four schools, "the depressed physical environment of many schools... is believed to reflect society's lack of priority for these children and their education."

### **Overcrowding**

Overcrowded schools are a serious problem in many school systems, particularly in the inner cities, where space for new construction is at a premium and funding for such construction is limited. As a result, students find themselves trying to learn while jammed into spaces never intended as classrooms, such as libraries, gymnasiums, laboratories, lunchrooms, and even closets. Although research on the relationship between overcrowding and student learning has been limited, there is some evidence, particularly in high-poverty schools, that overcrowding can have an adverse impact on learning.

- A study of overcrowded schools in New York City found that students in such schools scored significantly lower on both mathematics and reading exams than did similar students in underutilized schools. In addition, when asked, students and teachers in overcrowded schools agreed that overcrowding negatively affected both classroom activities and instructional techniques. (Rivera-Batiz and Marti, 1995)
- Corcoran et al. (1988) found that overcrowding and heavy teacher workloads created stressful working conditions for teachers and led to higher teacher absenteeism.

Crowded classroom conditions not only make it difficult for students to concentrate on their lessons, but inevitably limit the amount of time teachers can spend on innovative teaching methods such as cooperative learning and group work or, indeed on teaching anything beyond the barest minimum of required material. In addition, because teachers must constantly struggle simply to maintain order in an overcrowded classroom, the likelihood increases that they will suffer from burnout earlier than might otherwise be the case.

**CONSTRUCTION INITIATIVE:  
DISTRIBUTION OF \$19.4 BILLION IN BONDING AUTHORITY  
INITIAL ESTIMATES**

State		Estimated Allocation (000s)
Alabama	SEA Allocation	188,621
	Birmingham City	39,997
	Mobile County	<u>56,461</u>
	State Total	285,079
Alaska	State Total	36,902
Arizona	SEA Allocation	193,994
	Mesa Unified School District	24,703
	Tucson Unified District	<u>39,260</u>
	State Total	257,957
Arkansas	State Total	145,925
California	SEA Allocation	952,974
	Bakersfield City Elementary	27,470
	Compton Unified	43,160
	Fresno Unified	80,447
	Long Beach Unified	69,115
	Los Angeles Unified	697,045
	Montebello Unified	31,435
	Oakland Unified	50,643
	Pomona Unified	25,840
	Sacramento City Unified	45,359
	San Bernardino City Unified	45,845
	San Diego City Unified	98,043
	San Francisco Unified	40,589
	Santa Ana Unified	38,573
	Stockton City Unified	<u>34,480</u>
State Total	2,281,018	
Colorado	SEA Allocation	112,253
	Denver County 1	<u>53,528</u>
	State Total	165,781
Connecticut	SEA Allocation	78,494
	Bridgeport Sch District	35,420
	Hartford Sch District	54,958
	New Haven Sch District	36,208
	State Total	205,080
Delaware	State Total	36,902
District Of Columbia	State Total	75,395
Florida	SEA Allocation	231,777
	Broward County Sch District	89,008
	Dade County Sch District	291,857
	Duval County Sch District	66,958
	Escambia County Sch District	35,641
	Hillsborough County Sch	85,096
	Orange County Sch District	61,791
	Palm Beach County Sch District	60,501
	Pinellas County Sch District	52,118
	Polk County Sch District	42,814
	Volusia County Sch District	<u>29,867</u>
State Total	1,047,028	

**CONSTRUCTION INITIATIVE:  
DISTRIBUTION OF \$19.4 BILLION IN BONDING AUTHORITY  
INITIAL ESTIMATES**

State		Estimated Allocation (000s)
Georgia	SEA Allocation	299,538
	Atlanta City Sch District	86,192
	Chatham County Sch District	28,745
	Dekalb County Sch District	36,464
	Richmond County Sch District	25,116
	<b>State Total</b>	<b>476,055</b>
Hawaii	<b>State Total</b>	<b>40,984</b>
Idaho	<b>State Total</b>	<b>43,483</b>
Illinois	SEA Allocation	315,854
	City Of Chicago School District	<u>595,601</u>
	<b>State Total</b>	<b>911,455</b>
Indiana	SEA Allocation	182,029
	Gary Community School Co	31,697
	Indianapolis Public School	<u>62,669</u>
	<b>State Total</b>	<b>276,395</b>
Iowa	<b>State Total</b>	<b>103,120</b>
Kansas	SEA Allocation	95,734
	Wichita	<u>31,087</u>
	<b>State Total</b>	<b>126,821</b>
Kentucky	SEA Allocation	212,921
	Jefferson Co	<u>64,194</u>
	<b>State Total</b>	<b>277,115</b>
Louisiana	SEA Allocation	232,979
	Caddo Par Sch Brd	40,897
	East Baton Rouge Par Sch	41,153
	Jefferson Par Sch Brd	40,262
	Orleans Par Sch Brd	<u>107,926</u>
	<b>State Total</b>	<b>463,217</b>
Maine	<b>State Total</b>	<b>61,639</b>
Maryland	SEA Allocation	79,112
	Baltimore City P S System	149,630
	Baltimore County Public	34,907
	Prince Georges Co Public	<u>42,839</u>
	<b>State Total</b>	<b>306,488</b>
Massachusetts	SEA Allocation	229,535
	Boston Sch District	89,668
	Springfield Sch District	<u>35,775</u>
	<b>State Total</b>	<b>354,978</b>
Michigan	SEA Allocation	412,678
	Detroit City School District	363,675
	Flint City School District	46,404
	Grand Rapids City Sch District	<u>34,523</u>
	<b>State Total</b>	<b>857,280</b>

**CONSTRUCTION INITIATIVE:  
DISTRIBUTION OF \$19.4 BILLION IN BONDING AUTHORITY  
INITIAL ESTIMATES**

State		Estimated Allocation (000s)
Minnesota	SEA Allocation	130,886
	Minneapolis Special Sch	54,221
	Saint Paul Sch District	35,713
	State Total	220,820
Mississippi	SEA Allocation	224,864
	Jackson Public School District	28,683
	State Total	253,547
Missouri	SEA Allocation	189,077
	Kansas City Sch District 33	47,341
	St Louis City School District	77,713
	State Total	314,131
Montana	State Total	52,274
Nebraska	SEA Allocation	46,138
	Omaha Public Schools	32,817
	State Total	78,955
Nevada	SEA Allocation	13,846
	Clark County Sch District	57,971
	State Total	71,817
New Hampshire	State Total	36,902
New Jersey	SEA Allocation	237,228
	Camden City	43,936
	Jersey City	45,705
	Newark City	87,398
	State Total	414,267
New Mexico	SEA Allocation	96,870
	Albuquerque Public Schools	48,700
	State Total	145,570
New York	SEA Allocation	412,507
	Buffalo City Schools	83,473
	New York City	1,611,612
	Rochester City Schools	58,423
	State Total	2,166,015
North Carolina	SEA Allocation	262,774
	Mecklenburg County	34,623
	State Total	297,397
North Dakota	State Total	36,902

**CONSTRUCTION INITIATIVE:  
DISTRIBUTION OF \$19.4 BILLION IN BONDING AUTHORITY  
INITIAL ESTIMATES**

State		Estimated Allocation (000s)
Ohio	SEA Allocation	376,469
	Akron City Sd	37,195
	Cincinnati City Sd	70,108
	Cleveland City Sd	139,125
	Columbus City Sd	73,459
	Dayton City Sd	40,079
	Toledo City Sd	<u>46,535</u>
	State Total	782,970
Oklahoma	SEA Allocation	134,270
	Oklahoma City Sch District	35,821
	Tulsa City Sch District	<u>32,952</u>
	State Total	203,043
Oregon	SEA Allocation	117,410
	Portland Sch District U	<u>37,977</u>
	State Total	155,387
Pennsylvania	SEA Allocation	444,218
	Philadelphia City S D	345,261
	Pittsburgh S D	<u>62,677</u>
	State Total	852,156
Puerto Rico	State Total	494,937
Rhode Island	SEA Allocation	30,194
	Providence Sch District	<u>41,994</u>
	State Total	72,188
South Carolina	SEA Allocation	167,082
	Charleston County Sch District	<u>30,933</u>
	State Total	198,015
South Dakota	State Total	38,002
Tennessee	SEA Allocation	164,525
	Knox Co Sch District	23,860
	Memphis City Sch District	98,024
	Nashville-Davidson Co Sc	<u>44,710</u>
	State Total	331,119
Texas	SEA Allocation	828,570
	Aldine ISD	31,393
	Austin ISD	39,433
	Brownsville ISD	49,978
	Corpus Christi ISD	32,234
	Dallas ISD	141,973
	El Paso ISD	67,608
	Fort Worth ISD	61,104
	Houston ISD	206,115
	Laredo ISD	34,663
	San Antonio ISD	78,386
	Ysleta ISD	<u>42,640</u>
State Total	1,614,095	

**CONSTRUCTION INITIATIVE:  
DISTRIBUTION OF \$19.4 BILLION IN BONDING AUTHORITY  
INITIAL ESTIMATES**

<b>State</b>		<b>Estimated Allocation (000s)</b>
Utah	State Total	66,771
Vermont	State Total	36,196
Virginia	SEA Allocation	198,345
	Norfolk Cty P S	32,815
	Richmond Cty P S	<u>27,702</u>
	State Total	258,862
Washington	SEA Allocation	204,181
	Seattle	<u>32,414</u>
	State Total	236,595
West Virginia	State Total	142,557
Wisconsin	SEA Allocation	168,546
	Milwaukee Sch District	<u>163,855</u>
	State Total	332,401
Wyoming	State Total	33,059
Outlying Areas		28,975
Potential reserve for additional LEAs		<u>600,000</u>
<b>TOTAL</b>		<b>19,400,000</b>

NOTE: Numbers may not add to totals due to rounding. Estimates are based on the best available data as of 2/10/98.

## Education Zone Academy Provisions

Section 226 of the Tax Relief Act of 1997 provides an interest-free source of capital for startup costs incurred by public school systems in connection with the establishment at the K-12 level of special schools (or special academic programs within a school). The startup costs which may be paid with this capital include facility rehabilitation or repair, purchases of equipment, development of course materials, and training expenses.

The program is available for public schools in empowerment zones or enterprise communities and also is available for schools in other areas so long as at least 35% of the students in the school are eligible for free or reduced-cost lunches under the Federal school lunch program. To be eligible to participate in the program, the school must join in a partnership with private businesses to design its academic program. In addition, the local school system must have commitments of private business support equal to at least 10% of the amount of the interest-free capital provided under the program.

The program enables businesses to enhance the impact of their contributions by providing the school \$5 in net benefits for each dollar of private business contribution. Businesses do not receive enhanced tax benefits for their contributions, but are eligible for the normal charitable deduction.

The program provides the interest-free capital by permitting the local government to borrow money from financial institutions without interest costs. The proposal provides a tax credit to the financial institution in an amount equal to the interest that would otherwise be required to be paid. The amount of the credit is treated as taxable interest income to the financial institution. The local government is required to repay the principal amount of the borrowing, but the term of the indebtedness is set so that the local governments' obligation to repay in present value terms will be 50% of the borrowed amount.

The amount of the indebtedness eligible for the credit is limited to \$400 million per year for the next 2 years. The overall limitation is allocated among States in proportion to their respective populations of poor residents. The State education agency would be responsible for allocating the state's share of the limit among the schools in that state.

## FACTS ABOUT

### Education Zone Academy Bonds for Elementary and Secondary Education

*These partnerships of school and business will build a stronger bridge between what the global marketplace is demanding and what our schools are teaching. I hope we can increase our communities' support for public education and the kids who will be our Nation's future workforce. But most importantly, I hope these partnerships will allow kids who have been dreaming about going to college to actually get there.*

—Rep. Charles B. Rangel

Section 226 of the Tax Relief Act of 1997 (Public Law 105-34) provides an interest-free source of capital for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community.

The following is a description of the newly enacted provisions written as questions frequently asked and the appropriate answers.

1. What schools can take advantage of this new source of capital?

The program is available to public schools located in empowerment zones or enterprise communities (including zones and communities designated in the future) and public schools located in other areas where there is a reasonable expectation that at least 35 percent of the students (or participants in the program) will be eligible for free or reduced-cost lunches under the Federal school lunch program.

The eligibility criteria are applied on a school-by-school basis not a system-wide basis. For example, if a specific school meets the 35 percent requirement

described above, that school is eligible even if it is part of a system that does not meet that requirement overall. Under the National School Lunch Act, free meals are provided for students from families whose income is below 130 percent of the Federal poverty level; subsidized meals are provided if the family's income is between 130 percent and 180 percent of the Federal poverty level.

2. What actions must a school undertake to participate?

The school must enter into a public-private partnership. This means that the academic program of the school must be designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce and that the school must have commitments of substantial business support. The program does not exempt the school from requirements applicable to other schools in the system. Therefore, students in the school must be subject to the same academic standards and assessments as other students educated by the local school system, and the comprehensive education plan of the public school must be approved by the local school system.

3. How does a school meet the requirement of substantial business support?

The local school board that establishes the school or program must have written commitments from private entities that the private entities will make "qualified contributions" to the school in an amount not less than 10 percent of the interest-free capital provided under Act section 226.

Qualified contributions are contributions (of a type and quality acceptable to the local school board) of

- ▶ equipment for use in the school (or program), including state-of-the-art technology and vocational equipment;
- ▶ technical assistance in developing curriculum or in training teachers in order to promote appropriate market-driven technology in the classroom;
- ▶ services of employees as volunteer mentors;
- ▶ internships, field trips, or other educational opportunities outside the academy for students; or
- ▶ any other property or service specified by the local school board.

In general, it is intended that the value of qualified contributions will be determined in the manner used to determine the value of charitable contributions under current law. Under current law, if an employer contributes services of an employee, wages paid to the employee and allocable to those services may be deductible under section 162, not section 170. It is intended that wages allocable to donated services performed by employees will be taken into account in determining the amount of qualified contributions. If the contribution is to be made in the future, it will be discounted to its present value as of the time the interest-free capital is provided.

#### 4. What is the new source of capital?

In summary, the program permits local governments to borrow money from financial institutions interest-free. A federal income tax credit will be provided to the financial institution in an amount equal to the interest that would otherwise be paid by the local government. The amount of the credit is treated as taxable interest income to the financial institution. The local government is required to repay the principal amount of the borrowing, but the term of the indebtedness is set so that the local government's

obligation to repay in present value terms will be 50 percent of the borrowed amount.

5. What are the qualifications and conditions associated with this new capital source?

Specifically, the local government can issue a "qualified zone academy bond." To qualify,

- ▶ 95 percent or more of the proceeds of the issue must be used for a qualified purpose with respect to a school described above in questions 1 and 2 by local school board.
- ▶ The bond must be issued by a State or local government within the jurisdiction of which the school is located.
- ▶ The issuer must designate the bond for purposes of this provision.
- ▶ The issuer must certify that it has written assurances that the private business contribution requirement (described under question 3) will be met with respect to the school, and must certify that it has the written approval of the local school board for the issuance.
- ▶ The term of each bond in the issue cannot be longer than the Secretary of the Treasury estimates will result in the present value of the obligation to repay the principal on the bond being equal to 50 percent of the face amount of the bond (rounded up to a whole year).

6. What are the qualified purposes for which this interest free capital may be used?

The qualified purposes are the following:

- ▶ Rehabilitating or repairing the public school facility.

- ▶ Providing equipment for use at the public school.
- ▶ Developing course materials for use in the program.
- ▶ Training teachers and other school personnel.

7. Who can purchase these bonds, and how is the interest subsidy provided?

The local government's bond issue can be purchased by banks (within the meaning of Internal Revenue Code section 581), insurance companies (to which subchapter L of the Internal Revenue Code applies), and corporations actively engaged in the business of lending money.

Rather than being paid interest by the bond issuer, the purchasers will receive a Federal income tax credit for the same amount. Each month the Secretary of the Treasury will determine the credit rate for bonds to be issued in the succeeding month (based on current interest rates and the length of the bond). The Secretary will establish a single credit rate which he estimates on average will permit schools to borrow money without interest cost and without discount. Since it is a single rate applicable to all school systems which may have different borrowing rates, it is possible that some of the borrowing may have a bond premium or discount.

The tax credit cannot exceed the purchaser's net Federal income tax liability. The credit allowed to the purchaser will be included in the purchaser's income.

This tax credit effectively makes the bond purchaser whole as though the financial institution purchased a taxable bond. However, the State or local government benefits because, as the issuer, it repays only the principal on the bond and no interest. The net benefit to the State or local government issuing

the bond will be approximately 50 percent of the amount borrowed.

8. What would happen if money were borrowed under the program and the businesses failed to meet their commitments?

If the local government entered into a partnership with private businesses in good faith and the businesses subsequently failed to meet the commitments they made under the partnership or the partnership otherwise is dissolved, the amount borrowed would continue to be qualified for the tax credit if the local government makes good faith efforts to reestablish the partnership with other businesses. The local government may choose to prepay the borrowed amount, but it would not be required to do so.

9. How will a financial institution know that it is eligible for the credit?

In this respect, the program will be administered in the same way as tax-exempt bond financing. Bond counsel for the school district or borrower would provide an opinion whether the borrowing is qualified.

10. Are there limits on the amount of bonds that can be issued under the program?

Yes. Up to \$400,000,000 in bonds can be issued nationwide in 1998, and \$400,000,000 in additional bonds can be issued in 1999. This limitation or cap will be allocated among the States by the Secretary of the Treasury on the basis of each State's respective population of individuals below the poverty line (as defined by the Office of Management and Budget). The limitation amount allocated to a State by the Secretary then will be subdivided by the State education agency to qualified schools. If a State does not use its allocation in 1998 or 1999, the unused portion can be carried forward for use in a later year.

# **EDUCATION ZONE BONDS**

**The Honorable Charles B. Rangel  
Ranking Democrat  
Committee on Ways and Means**

## Education Zone Academy Provisions

Section 226 of the Tax Relief Act of 1997 provides an interest-free source of capital for startup costs incurred by public school systems in connection with the establishment at the K-12 level of special schools (or special academic programs within a school). The startup costs which may be paid with this capital include facility rehabilitation or repair, purchases of equipment, development of course materials, and training expenses.

The program is available for public schools in empowerment zones or enterprise communities and also is available for schools in other areas so long as at least 35% of the students in the school are eligible for free or reduced-cost lunches under the Federal school lunch program. To be eligible to participate in the program, the school must join in a partnership with private businesses to design its academic program. In addition, the local school system must have commitments of private business support equal to at least 10% of the amount of the interest-free capital provided under the program.

The program enables businesses to enhance the impact of their contributions by providing the school \$5 in net benefits for each dollar of private business contribution. Businesses do not receive enhanced tax benefits for their contributions, but are eligible for the normal charitable deduction.

The program provides the interest-free capital by permitting the local government to borrow money from financial institutions without interest costs. The proposal provides a tax credit to the financial institution in an amount equal to the interest that would otherwise be required to be paid. The amount of the credit is treated as taxable interest income to the financial institution. The local government is required to repay the principal amount of the borrowing, but the term of the indebtedness is set so that the local governments' obligation to repay in present value terms will be 50% of the borrowed amount.

The amount of the indebtedness eligible for the credit is limited to \$400 million per year for the next 2 years. The overall limitation is allocated among States in proportion to their respective populations of poor residents. The State education agency would be responsible for allocating the state's share of the limit among the schools in that state.

described above, that school is eligible even if it is part of a system that does not meet that requirement overall. Under the National School Lunch Act, free meals are provided for students from families whose income is below 130 percent of the Federal poverty level; subsidized meals are provided if the family's income is between 130 percent and 180 percent of the Federal poverty level.

2. What actions must a school undertake to participate?

The school must enter into a public-private partnership. This means that the academic program of the school must be designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce and that the school must have commitments of substantial business support. The program does not exempt the school from requirements applicable to other schools in the system. Therefore, students in the school must be subject to the same academic standards and assessments as other students educated by the local school system, and the comprehensive education plan of the public school must be approved by the local school system.

3. How does a school meet the requirement of substantial business support?

The local school board that establishes the school or program must have written commitments from private entities that the private entities will make "qualified contributions" to the school in an amount not less than 10 percent of the interest-free capital provided under Act section 226.

Qualified contributions are contributions (of a type and quality acceptable to the local school board) of

obligation to repay in present value terms will be 50 percent of the borrowed amount.

5. What are the qualifications and conditions associated with this new capital source?

Specifically, the local government can issue a "qualified zone academy bond." To qualify,

- ▶ 95 percent or more of the proceeds of the issue must be used for a qualified purpose with respect to a school described above in questions 1 and 2 by local school board.
- ▶ The bond must be issued by a State or local government within the jurisdiction of which the school is located.
- ▶ The issuer must designate the bond for purposes of this provision.
- ▶ The issuer must certify that it has written assurances that the private business contribution requirement (described under question 3) will be met with respect to the school, and must certify that it has the written approval of the local school board for the issuance.
- ▶ The term of each bond in the issue cannot be longer than the Secretary of the Treasury estimates will result in the present value of the obligation to repay the principal on the bond being equal to 50 percent of the face amount of the bond (rounded up to a whole year).

6. What are the qualified purposes for which this interest free capital may be used?

The qualified purposes are the following:

- ▶ Rehabilitating or repairing the public school facility.

the bond will be approximately 50 percent of the amount borrowed.

8. What would happen if money were borrowed under the program and the businesses failed to meet their commitments?

If the local government entered into a partnership with private businesses in good faith and the businesses subsequently failed to meet the commitments they made under the partnership or the partnership otherwise is dissolved, the amount borrowed would continue to be qualified for the tax credit if the local government makes good faith efforts to reestablish the partnership with other businesses. The local government may choose to prepay the borrowed amount, but it would not be required to do so.

9. How will a financial institution know that it is eligible for the credit?

In this respect, the program will be administered in the same way as tax-exempt bond financing. Bond counsel for the school district or borrower would provide an opinion whether the borrowing is qualified.

10. Are there limits on the amount of bonds that can be issued under the program?

Yes. Up to \$400,000,000 in bonds can be issued nationwide in 1998, and \$400,000,000 in additional bonds can be issued in 1999. This limitation or cap will be allocated among the States by the Secretary of the Treasury on the basis of each State's respective population of individuals below the poverty line (as defined by the Office of Management and Budget). The limitation amount allocated to a State by the Secretary then will be subdivided by the State education agency to qualified schools. If a State does not use its allocation in 1998 or 1999, the unused portion can be carried forward for use in a later year.

**21<sup>st</sup> Century Education and Training Initiative**

**A Strategy to Facilitate the Implementation of**

**Congressman Charles B. Rangel's**

**EDUCATION OPPORTUNITIES TAX ACT OF 1997**

**BUSINESS AND EDUCATION ROUNDTABLE**

**September 17, 1997  
Rayburn Office Building  
Washington, D.C.**

**Theodore J. Gershon  
Princeton Training Associates, Inc.  
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## Education Legislation

President Clinton has signed into law an historic budget reconciliation bill which includes the Education Opportunities Tax Act of 1997, an initiative sponsored by Representative Charles B. Rangel (D-NY). Congressman Rangel, who sponsored legislation creating Empowerment Zones, and Enterprise Communities in 1993, introduced an initiative creating Education Zones which will establish public/private sector partnerships in support of public elementary and secondary schools.

Congressman Rangel devised the Education Zones paradigm with a coalition of educational, labor, and business leaders. The initiative provides \$400 million per year for the next two years in cost-free capital to schools for infrastructure and curriculum development, as well as training and equipment. Schools located in economically distressed communities that establish partnerships with the private sector would be eligible for Education Zone designation. Based on a Partnership Agreement with participating schools, businesses could receive tax credits for rebuilding America's schools.

Congressman Rangel feels that school/business partnerships will help to develop a revolutionary synergy between what the global marketplace is demanding and what our schools are teaching.

The Education Empowerment Zone program will generate a new investment in America's youth and facilitate the preparation of a new generation for the global challenges of the 21st Century. The focus on economically-distressed communities will better ensure that all Americans are included in the promise and hope of the new millennium.

## Education Zone Description

The legislation provides cost-free capital to elementary and secondary schools, by permitting local governments to borrow money from financial institutions to improve those schools. The borrowed amounts could be used for school repair or renovation, equipment purchases, course materials, or teacher training.

The bill provides a tax credit to the lender in an amount equal to the interest that would otherwise be paid by the local government. The Federal tax credit permits the local government to obtain these funds with no interest cost. The term of the borrowing is set so that the net benefit to the school is 50 percent of the borrowed amount.

This program will be available for schools in empowerment zones and enterprise communities. Schools in other areas would be eligible based on at least 35 percent of their students being classified as coming from homes below the poverty level.

To be eligible to participate in the program, each school must join in a partnership with a private business, which would make contributions to the school. The contribution made by the business could consist of goods, expertise, training, or other approved services.

The amount of bonds eligible for the credit would be limited to \$400 million per year for the next two years. The overall limitations would be allocated among the States. Each State's education agency will be responsible for allocating the State share of the limit among the eligible schools in that State.

## Definitions

The legislation defines Qualified Zone Academy as any public school (or academic program within a public school), which is established by and operated under the supervision of an eligible local education agency, to provide education or training below the post-secondary level if -

*such public school or program (as the case may be) is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce;*

*students in such public school or program, will be subject to the same academic standards and assessments as other students educated by the eligible local educational agency;*

*the comprehensive education plan of such public school or program is approved by the eligible local education agency, and there is a reasonable expectation that at least 35 percent of the students attending such school, or participating in such programs, will be eligible for free or reduced-cost lunches in the school lunch program established under the National School Lunch Act.*

## Eligible Local Education Agency -

*The term "Eligible Local Education Agency" means any local education agency as defined in section 14101 of the Elementary and Secondary Education Act of 1965.*

## Qualified Purpose -

*The term "qualified purpose" means, with respect to any qualified zone academy: rehabilitating or repairing the public school facility in which the academy is established;*

- *providing equipment for use at such academy;*
- *developing course materials for education to be provided at such academy; and*
- *training teachers and other school personnel in such academy.*

## The legislation defines Private Business Contribution Requirements as one of the following:

- *equipment for use in the qualified zone academy (including state-of-the art technology and vocational equipment);*
- *technical assistance in developing curriculum, or in training teachers, in order to promote appropriate market driven technology in the classroom;*
- *services of employees as volunteer mentors;*
- *internships; field trips, or other educational opportunities outside the academy for students, or any other property or service specified by the eligible local education agency.*

### **Education Zone - Implementation**

The 21st Century Education and Training Initiative is predicated on the design of a creative alliance between communities, educators, labor and business. The partnership concept is grounded in the need to revitalize America's urban schools through the introduction of state-of-the-art instructional strategies, market-driven technology, and curricula reflecting rigorous standards of achievement, assessment, work values, and discipline essential for participation in the global economy of the 21st Century.

Employers articulate a lack of confidence in the ability of the educational establishment to prepare young people for the workplace. In a study conducted for the U.S. Departments of Education and Labor, employers reported that in selecting workers, they tended to disregard grades and school evaluations, and relied more on the job applicant's attitude, behavior, and job experience. Employers expressed concerns regarding recent graduates' cognizance of appropriate social skills, or employability competencies, which are essential in today's workplace. The report suggests that "employers have given up on public schools, and by giving-up, they've lost their ability to influence them".

### **The 21st Century Education and Training Initiative addresses critical issues facing the future of urban education and economic development by:**

1. providing the leaders of business and industry with the opportunity to develop a better understanding of the education, training, and economic development needs of those urban communities which are characterized by low economic development, high unemployment, and low academic performance.
2. providing parents, educators, and community stakeholders with the opportunity to accelerate development of workplace-responsive strategies to integrate rigorous academic and technical standards of achievement, assessment, work values, and discipline into school curricula.
3. providing educators, parents, and urban school districts the opportunity to participate in a partnership with post-secondary institutions to integrate workplace internships, national education standards, and a vision of community, business, and education partnership.
4. providing high school students with the opportunity to select a career major through interaction with the business community, post-secondary institutions, and workplace mentors.

The need for building an alliance between business and education is critical to America's national security. Our future economic growth will depend on our ability to compete with foreign markets in the emerging global economy. There has been substantial debate recently over the correlation between education and economic development. In order to facilitate the transition from welfare dependency, jobless communities, and economic stress, parents and teachers must internalize the realistic expectations of the modern workplace in the context of a high technology, comprehensive workforce development paradigm.

The American education, labor, and business communities must develop a partnership model which can easily be customized for use by this nation's small and medium sized companies. Recently introduced federal legislation will facilitate dialogue between business and education to articulate the standards, workplace values, skills, and expectations of the workplace.

The proposed model is generic and not specific to any particular occupation. The concept is focused on providing broad exposure to the expectations and rigorous performance standards of the workplace. The model can be customized to a particular community, employment environment, or collaborative effort between various business and government sponsors.

The partnership should be designed to reflect community educational and business needs. While there is no single model for developing a working partnership, all relevant stakeholders should be included in the design of the program. The local partnership should also determine which students will benefit from the program and the best way to implement it.

The integration of workplace expectations into the school curriculum is critical for youth transitioning directly from high school to the workplace, or for high school graduates who plan to enter traditional four year academic institutions or pursue targeted postsecondary technical training. The educational strategies implemented to support this program may also be applied to persons on public assistance and those preparing to enter the workforce for the first time.

The first step is providing business with the opportunity to understand the challenges facing the education community. The education and business communities do not speak a common language. We must establish common ground and an appreciation for the role each plays in our security, quality of life, and economic strength. Inner-city schools must contend with crime, dissolution of family structure, overcrowded classrooms, inadequate plant and facilities, and teachers who have not had the opportunity to explore the workplace of the 21st century. Teachers, as well as teacher-educators, will have the opportunity to work with representatives of a business partnership to identify the most appropriate type of training or work-based experiences to be included in the instructional program.

### **The Education Zone Academy**

The Education Zone Academy functions as the catalyst for bringing together the resources of the private sector, schools, organized labor, and faith-based/community-based organizations, to provide technical assistance to educators, parents, and the emerging entrepreneurial community.

The project provides business with the opportunity to demonstrate leadership in the community through the articulation of required employability competency skills, and the development of world-class academic and workplace standards. This alliance presents a positive foundation for school, community, and business partnerships in the recognition that there are no expendable human resources in this country. America's economic future is predicated on our ability to direct our youth to a path of full employability and life-long learning.

The Academy concept provides America with a paradigm for business involvement in revitalizing schools and developing the entrepreneurial spirit in the residents of economically and educationally disadvantaged communities. The project provides assistance in the introduction market-driven technology, international business development, computer applications, distance learning, workplace contextual academic learning, and development of targeted workplace competency curricula.

The Academy will provide workplace experiences, internships and mentoring for community leaders, educators, students, and parents. The program further provides the opportunity for the mentoring of corporate employees who demonstrate the need to become more cognizant of the needs of women and the minority

community. This process provides business leaders with the opportunity to experience the obstacles and opportunities facing today's urban youth.

The Academy program, based within local education agencies, and extending the classroom to community-oriented facilities, or directly in the workplace of the corporate sponsor, will provide a specific menu of programs and services directed at prospective urban education majors, teachers, parents, and in-school and out-of-school youth.

Through school and workplace mentoring programs, the exchange of corporate employees and managers, and involvement at all levels of the corporate organization, the company can create a laboratory to develop workforce training strategies. The program will provide a platform for corporate responsibility, and a vehicle to carry forward the corporate commitment to education, employment, and diversity in the workplace.

This initiative provides schools with the unique opportunity to interface with corporate leaders, and to expose educators to the most recent trends in business and manufacturing technology. The project will create greater parental and private sector involvement in the development of rigorous learning standards, performance-based accountability, and assessment of the quality of education.

#### **Education Zone Academy Goals:**

1. To develop workplace/schoolplace articulation activities involving teachers, parents, faith and community-based organizations, unions, and the business community, which will serve as a national model designed to integrate existing federal education initiatives and the skills required in the workplace. Articulation activities would include the development of work-based, industry specific technical and contextual academic curricula, which reflect rigorous educational standards of achievement, assessment, selection of a career major, work values, and discipline essential for participation in the global economy of the 21st century.
2. To provide business with the opportunity to interact with representatives of various segments of the education community, and a forum for the development of a new paradigm in school-based, community-based, and business-based articulation.
3. To develop a schoolplace/workplace skills training strategy which stresses the workplace values, self-management, community responsibility, social skills, and employability competency skills required in the workplace.
4. To develop industry-based instructional materials designed to address the competencies identified in the U.S. Department of Labor's SCANS Report. The curriculum should support America's efforts to close the gap between what the schools are teaching and what employers and the global market place demands.
5. To generate minority and female business development and recruitment opportunities for corporate sponsors to employ individual minority and female participants from schools and community-based projects.
6. To provide prospective teachers with the opportunity to participate in a unique model predicated on national education standards, industry based employability competencies, and the technical skill standards that are essential in the corporate environment.
7. To provide for cross-cultural exchanges for corporate employees who demonstrate a need to become sensitive to the issues confronting women and minorities in the workplace.
8. To provide opportunities for school-place and workplace mentoring by corporate employees, and mentoring to corporate employees by community leaders.

### **SchoolPlace/Workplace Employability Skills Training Strategy**

Recent research conducted for the U.S. Department of Education and Labor indicated that employers report that one-fifth of American workers are not fully proficient in their jobs. They express a lack of confidence in the ability of public schools and colleges to prepare young people for the workplace. Many employers reported that they no longer hire students straight out of school and place them into career-track jobs. Employers reported they were far more likely to seek out other sources of training for their own employees.

This study provides schools and corporate partners with rich statistical material to support and justify the development of a workplace competency program which integrates community development activities with the development of the basic workplace skills essential for the 21st Century. The following are examples of employability competency skills required for successful employment:

### **Suggested Topics: Employability Competency Skills Training Curriculum**

- Listening and oral communications in the workplace
- How companies recruit and select employees
- Workplace expectations vs. school expectations
- Building self-esteem
- Economic skills development
- Learning how to learn on the job
- Time management at work
- Setting standards and taking responsibility
- Self-management
- Decision making on the job
- Interpreting verbal messages and cues
- Teamwork: collaborative learning
- Cultural diversity in the workplace
- Good customer service: Social skills in the workplace
- Integrity on the job
- Problem-solving skills
- Personal and work values
- Critical thinking skills
- Workforce readiness skills
- Understanding the work environment
- Adapting to change
- Skills transferability
- Understanding "cause and effect" on the job
- How to earn the promotion after you earn the job
- Dressing for the job
- Technology in the workplace

**Suggested Topics: Entrepreneurial Training Skills Development Curriculum**

- Applications of technology in the emerging global economy
- Risks and rewards of starting a business
- Business ownership and self-employment
- Information technology and business development
- Developing a business plan
- Market research
- Financing strategies
- Return on investment
- Record keeping for the small business
- Business insurance
- Government procurement procedures
- Sales and selling techniques