

# ECONOMIC OPPORTUNITY AMENDMENTS OF 1971

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## HEARINGS

BEFORE THE

COMMITTEE ON EDUCATION AND LABOR

HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

ON

H.R. 40, H.R. 185, H.R. 357, H.R. 1619, H.R. 2518,  
H.R. 2630, H.R. 6360, H.R. 6361, H.R. 6362, H.R.  
6363, H.R. 6394, H.R. 7288, H.R. 7563, and Over-  
sight on the Administration and Extension of  
the Economic Opportunity Act

BILLS TO EXTEND AND AMEND THE ECONOMIC OPPORTUNITY  
ACT OF 1964

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### PART 2

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HEARINGS HELD IN WASHINGTON, D.C., APRIL 20, 21, 22, 26,  
27, 28, 29, AND MAY 4, 1971

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CARL D. PERKINS, *Chairman*



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## ECONOMIC OPPORTUNITY AMENDMENTS OF 1971

TUESDAY, APRIL 20, 1971

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON EDUCATION AND LABOR,  
*Washington, D.C.*

The committee met, pursuant to notice, at 9 a.m., in room 2175, Rayburn House Office Building, Hon. Carl D. Perkins (chairman of the committee) presiding.

Present: Representatives Perkins, Mazzoli, Hawkins, Scheuer, Brademas, Clay, Reid, Landgrebe, Veysey, and Kemp.

Chairman PERKINS. The committee will come to order.

We are delighted to have back with us again today the Director of the Office of Economic Opportunity, Mr. Carlucci.

You come around and bring your witnesses with you and you can handle this situation any way you prefer and take all of the time you wish to take today in connection with your educational voucher program.

STATEMENT OF HON. FRANK CARLUCCI, DIRECTOR, OFFICE OF ECONOMIC OPPORTUNITY, ACCOMPANIED BY DR. JOHN WILSON, ASSISTANT DIRECTOR, OFFICE OF PLANNING, RESEARCH, AND EVALUATION, OEO; AND JEFF SCHILLER, ACTING DIRECTOR, EXPERIMENTAL RESEARCH DIVISION, OFFICE OF PLANNING RESEARCH, AND EVALUATION, OEO

Mr. CARLUCCI. Thank you, Mr. Chairman.

I have a brief prepared statement that I would like to go through.

Chairman PERKINS. Go ahead.

Mr. CARLUCCI. Mr. Chairman, distinguished members of the committee, I welcome this opportunity to appear before you today to discuss the philosophy underlying our recent efforts in the field of education.

The OEO has launched two experiments designed to find ways to improve access to a quality education for children from poor families. The first is our experiment in performance incentive contracting, which will be completed in June. The results of this experiment will be available in early fall.

The second, the regulated voucher experiment, is designed to test the effect of a financing system which places a premium on the admission of poor students and which promotes diversity in educational options for the children of the poor.

These experiments were conceived in an effort to develop innovative methods of providing more adequately students from poor families with sound schooling, and thus improving their chances of finding a productive place in American society.

I would not attempt to predict the outcome of these experiments. I do know, however, that they address in exciting new ways a problem which we can all agree is one of the primary causes of poverty, a lack of adequate education.

The experiments were designed within both the spirit and intent of the Economic Opportunity Act, which stated that OEO was developed "to mobilize the human and financial resources of the Nation to combat poverty in the United States." The findings and declaration of purpose of the act elaborate:

The United States can achieve its full economic and social potential as a Nation only if every individual has the opportunity to contribute to the full extent of his capabilities and to participate in the workings of our full society.

It is therefore the policy of the United States to eliminate the paradox of poverty in the midst of plenty in this Nation by opening to everyone the opportunity for education and training, the opportunity to work, and the opportunity to live in decency and dignity.

The intent of the Congress is further defined in section 232(a), which authorizes research and pilot programs:

The Director may contract or provide financial assistance for pilot or demonstration projects conducted by public or private agencies which are designed to test or assist in the development of new approaches or methods that will aid in overcoming special problems or otherwise in furthering the purposes of this title. He may also contract or provide financial assistance for research pertaining to the purpose of this title.

It was in the spirit that OEO developed Headstart, Follow Through, and other programs. It is clear that the Congress intended the Office of Economic Opportunity to provide services and assistance to the poor, and to conduct research leading to new approaches that would help the poor lift themselves out of poverty.

It seems equally clear that the Congress intended the OEO to address itself not only to the financial well-being of the poor, but also to the entire spectrum of problems that comprise the roots of poverty.

No one doubts that an inadequate education effectively hampers an individual's chances for financial well-being. I find it strange that some of our critics, or supporters, I am not always sure which, argue that OEO must be strengthened to fight the root causes of poverty, while at the same time demanding that we cease those activities designed to find better ways to educate the poor.

It is, of course, comparatively easy to develop politically appealing programs that only involve spending more money and thereby supplement, rather than challenge, existing institutions.

It is much harder to examine critically basic, existing institutions, such as our educational system, that are not meeting the needs of the poor. It is also, in my judgment more important to do so. This is what we ask our community action agencies to do at the local level, and we should ask no less of ourselves at the national level.

The relationship between poverty and education has been well documented. The incidence of poverty for persons with a high school education or more was 5.7 percent in 1969; but for those with only 1 to

5 years of schooling, it was six times as great. When we look only at the working-age poor, the difference is equally significant.

Some 55 percent of the poor white males of prime working age had less than a high school education; less than 25 percent of the nonpoor white males had that low a level of education.

Some new data from a 5-year survey involving a large sample of poor and near-poor people also highlight the importance of education for the poor. These data, from the first 3 years, show that 83 percent of the 22- to 64-year-old heads of household who were poor all 3 years had less than a high school education.

In contrast, only 35 percent of those who remained out of poverty over the time span had less than a high school education.

In the face of such statistics, a few experts in the field would disagree that current compensatory education efforts have largely failed. Some would, of course, argue that the answer to the education problems of the poor lies in increasing expenditures for existing programs, primarily title I of the Elementary and Secondary Education Act, and Headstart.

Yet a recent evaluation by the Office of Education of programs and services funded under title I showed that:

Under the legislatively prescribed formula, title I funds in 1968 did not flow to the school districts and their disadvantaged students proportionately to their needs. Place of residence remains a primary determinant of the quality of services available to the Nation's disadvantaged pupils.

And,

Compensatory reading programs did not seem to overcome the reading deficiencies that stem from poverty. Poor students who took part in these programs showed less progress in reading achievement than more affluent students who took part.

Indeed, testing administered before and after title I programs found that only 19 percent of all participating children showed significantly improved reading skills; the remaining 81 percent continued to fall behind those classmates who did not participate in the programs.

Thus, despite the expenditure of ever-increasing millions of dollars, financial assistance from the Federal Government to preschool, elementary, and secondary schools has increased 400 percent in the last 5 years, it is clear that we have not found the long-sought breakthrough in education for the poor.

From its very inception, the Office of Economic Opportunity has attempted to develop new concepts to overcome the educational handicaps of the poor.

In each case, these concepts were tested within the Office of Economic Opportunity, brought to maturity, and finally transferred to the Office of Education or the Department of Labor for permanent operation.

Our performance contracting and education voucher experiments flow from that tradition, a tradition that is aimed not at destroying or competing with existing educational institutions, but directed rather at finding new methods by which we can better educate poor children.

I think it is desperately important, for the sake of these children, that we not spend money simply for the sake of spending money, but

rather that we do everything possible to insure that the money is spent in a fashion that will most benefit them.

If we are to avoid the unanticipated problems that have plagued massive new efforts like medicare and title I, we must analyze new approaches rather carefully in an experimental fashion before programs are implemented on a nationwide basis.

The cost of such vital experimentation, compared with the potential payoff, is amazingly low. The total OEO research and development budget for fiscal year 1972 amounts to \$73 million, of which only a portion goes to the experiments we are discussing today. The \$73 million represents less than 4 percent of the total funds administered under the Economic Opportunity Act, and just two-thousandths of 1 percent of the \$31.1 billion that the Federal Government spends annually on the poor.

The agency is undertaking such experiments amid numerous indications that the general public, nonpoor as well as the poor, is increasingly dissatisfied with the education American children are receiving. Witness, if you will, these developments:

Since 1957, when these figures first were reported, the rate of bond issue approval has never been lower than it was in the 1968-69 school year, the last year for which figures are available. The percentage of bond issues approved in 1968-69 was 43.6; a proportion that has declined sharply and steadily from a high of 79.4 percent in the 1964-65 school year.

In some cities, parents are urging that large public school districts be decentralized so parents can regain control over the education of their children; at the same time, parents are fighting attempts at school consolidation that would dilute their influence over the decisionmaking process.

As indicated by a recent Gallup Poll, the public has an appetite for more information about the schools and what they are doing or trying to do. Some 75 percent of those surveyed favor a system of national tests to compare the educational achievement of their children with that of students in other communities; 67 percent favor a system that would hold teachers and administrators more accountable for the progress of their students.

And it is not only the adults who are dissatisfied. Several months ago I met with a group of teenagers in the Hough area of Cleveland and we talked about 4 hours. I would say that 3 of those 4 hours were devoted to complaints by these students, most of them minority students, disadvantaged students, about their schools such as inadequate teachers, the unresponsiveness of the system, meaningless work, and so forth. These students wanted to see a change.

Statistics indicate that inadequate education correlates closely with poverty. Evaluation after evaluation indicates that existing compensatory programs are not succeeding. Given these facts, it is my duty, my obligation as an advocate for the poor, to seek out answers to their problems in education.

I look at the Economic Opportunity Act and I look at the problems. From these I am convinced that we must continue to experiment with new ways and techniques.

If OEO were complacent about the education problems of the poor, we would be failing in the most important part of our mission. The



futures of the poor children we serve depend on our ability to make as many improvements in education as possible, through both past efforts to create and improve efforts like Headstart and Follow Through, as well as our current efforts in early childhood development, our experiment in performance contracting, and in examining in much more detail a possible demonstration of education vouchers, or even some completely different approach yet to be found.

Many of those who would exclude us from educational experiments are those who most highly praise OEO's previous successes and argue against any proposed changes in OEO's structure.

If we have been successful in bringing about greater institutional responsiveness, then why prevent us from looking at the most important of institutions from the perspective of the poor, the educational establishment?

How can those who in one breath urge us to be advocates for the poor argue in the next breath that we cannot even experiment, much less advocate, where it counts the most? We do not have all the answers, nor are we committed to a particular solution.

We do know that a problem exists and that new ideas need to be tested.

The experiments I have discussed here today speak to two issues, accountability in education, and equalizing educational opportunity.

The performance contracting experiment is an attempt to find out whether children learn more when how much they learn is the measure by which an educational system is judged.

In other words, it makes learning, rather than the number of new classrooms, or the numbers of teachers with doctoral degrees, the criteria for determining educational success.

The educational voucher experiment, if it proves viable to undertake, would empower parents to choose among several alternatives in selecting their children's schools. Surely this relates to OEO's mission in that opportunity, in the most basic sense, is really a matter of having alternatives from which to choose.

As one who is committed to the concept that legal services should be equally available to all, regardless of economic circumstance, I must also support this effort to give the poor equal access to educational opportunity.

The experiments may fail, but, if they do, we as a nation will have learned from the failure. We may on the other hand successfully demonstrate ways to improve education for the poor, and if we do it, it is up to society, the Congress, local school boards, not OEO, to make the decision on implementing new methods.

The problem is difficult but the stakes are high for the poor and for this country.

My belief is that we must continue to move forward.

Thank you, Mr. Chairman, and Dr. Wilson has a prepared statement which he can submit for the record.

Chairman PERKINS. Without objection, the prepared statement of Dr. Wilson will be submitted and placed in the record.

Dr. WILSON. Mr. Chairman and members of the committee, I would like to submit two prepared statements, one I have describing educational vouchers and the other on the performance contracting and,

in brief, summarize the proposed educational vouchers with the use of charts which I believe you have in front of you.

Mr. Carlucci has dealt with the relationship of education to poverty and with the Office of Economic Opportunity's interests in experimentation and research.

I would like to cover some of the specific features and issues associated with our proposed experiment in educational vouchers.

Briefly, our proposed experiment in educational vouchers would operate as follows: the parents of each child would receive a voucher equal on the average to the per pupil amount of local and State funds now being spent in that particular demonstration area. The parent would then use the voucher to buy his child education.

We are contemplating only making the vouchers available to elementary school students. The parents could then use the voucher at any school approved by what we call a local educational voucher authority, which could be either the school board, reconstituted to bring in new membership, or newly elected boards, something that will be similar to the local educational authority now existing, drawn to represent the interests of those schools that participate.

The schools at which these vouchers can be cashed must be approved by this local board and must meet State regulations as under our present educational system.

The educational voucher authority would administer the system. It would establish the criteria for participating schools. It would certify those schools eligible to participate. It would distribute vouchers to parents and cash vouchers presented by the schools and would establish the students selection procedure.

I would like to briefly review the manner in which decisions to carry on this experiment will be made if we can go ahead with the experiment. The decision to go forward with the experiment with educational vouchers will reside largely with State and local educational authorities in the communities interested in the voucher system.

We have intentionally required that the local public school board be the grantees for our planning and feasibility studies. All of our pre-planning grants were made to local school boards.

Each school board was required to establish a planning board directly responsible to it to design and examine a voucher model, and we urged participation of the Governor's office, State superintendent of schools, teachers and other interested groups within the community.

We strongly believe that the groups who are responsible for education in the local community should have the major role in shaping any program of education that is introduced into that community.

The second element that has to be present before we can go ahead with the experiment is passage of enabling legislation at the State level. Since most of the school districts derive their power from the State constitution and a substantial portion of their resources from the State tax system, the State enabling legislation is required to permit creation of the new education voucher authority.

Finally, the Economic Opportunity Act requires that any program such as this receive the support of the Governor and of the local community action agency, and, thus, before we proceed with an experiment in educational vouchers it must have broad support at the local level. It must have the support of the local school board, the super-

intendent, the Governor's office, the State government assembly and the local community action agency.

All of those elements and institutions have to support and agree to go with an educational voucher experiment before we feel it can be undertaken.

If I could, I would like to turn to the chart I have handed to you so I can summarize some of these issues that have been raised in reference to the voucher experiment and some of the questions we hope to answer in this experiment.

Although, of course, we will not be able to address all issues, there are a number of primary and secondary questions we hope to be able to answer.

The primary questions we want to examine in the voucher experiment are the following: Is the education of poor children improved under this system? Are parents and the community more satisfied with the educational system?

In addition to looking at these issues, the voucher experiment will give us information on several other areas of great importance.

These secondary questions are: Can increased and more acceptable social and racial integration be achieved under a neighborhood school concept or other alternatives? Is there a voucher system administratively feasible?

To what extent will parents choose to take advantage of the new freedom they have in selecting schools for their children?

Will existing public schools become more innovative and diversified? We talked to many principals and superintendents and teachers who told us that the present system stifles innovation. We need more flexibility and we want to examine under a voucher system if indeed the flexibility does occur within a public school system.

I would also like to state what we are not trying to do.

First, we are not advocating the adoption of a voucher system on a permanent, operational basis; rather we believe the concept holds enough potential benefits for the poor to merit testing.

We are not talking about a broad nationwide program nor indeed would we even advocate a statewide program. What we are talking about is permitting a limited number of communities to examine the concept under limited conditions.

Second, we are not attempting to discredit or destroy the public school system in this country. We have indeed asked representatives of that school system to carry out our feasibility studies and be responsible for coordinating the development of the specific voucher model that will be tested.

Finally, contrary to a lot of popular opinions and statements in the press, we are not attempting to devise a new means of supporting religious schools. We do hope they will be able to participate because they represent a major alternative source of education. Should it be determined that it is unconstitutional for religious schools to participate in the program however, we would still advocate the continuation of the experiment.

This is an experiment, as I said earlier, to see if we could improve the education of poor children.

We would expect there will be changes and hope there will be changes in the schools.

What are some of these changes that we might expect? If you look at chart 2 I list several. We would anticipate the principals and teachers will determine each school's program, curriculum, and emphasis.

We hope there will be more flexibility for the principals and the teachers within each individual school.

Each school would have to attract students, rather than having the children assigned automatically on the basis of their residence.

Each school will have only the revenue from the vouchers it collects on which to operate. Now, this is important because this introduces the concept of accountability. If a school is not successful in attracting students, therefore obtaining revenue necessary to operate, it may go out of business or it will change and examine more innovative approaches. Thus, change will be induced through this method of accountability.

Much of the discussion concerning the voucher concept is mixed up in numerous types of vouchers. Indeed, I think one thing that the Office of Economic Opportunity has done so far is generate a very good discussion of what we mean by a voucher concept. Everybody has their own image of what a voucher system of financing education really is. You have the unregulated voucher concept that has been proposed by Milton Friedman, University of Chicago, and advocated by the American Conservative Union last week. In the unregulated system they advocate, there would be no requirements on how that money was spent, there would be no regulations on supplementation, there would be no effort to prevent segregation, there would be what I would call a more complete free enterprise type of system for education.

That is not what we are talking about. We do not support an unregulated voucher system.

Six States in the South have also tried voucher systems to circumvent court desegregation rulings. Fortunately, the courts have struck down that use of vouchers.

Some States also are discussing a partial voucher system in which the States make the State funds that go to education available to parents on a voucher basis.

As I would interpret this partial voucher, many States seem to be using vouchers to encourage parents to help their children in parochial schools.

That is again not what we are talking about. OEO is proposing a full voucher system, a regulated voucher system. The types of regulations we would propose in the experiment are listed on the chart No. 3.

I think it is important to list these regulations so that we understand the type of voucher experiment that is being discussed.

The first regulation is that no school may discriminate on the basis of race. Indeed we require that all schools accept minority students at least in proportion to the minority applicants.

So that if a school has 40-percent minority applicants, they must accept 40-percent minority students.

The schools must be open to all applicants irrespective of where they live.

The voucher must be accepted as full payment. No school can require that a student or the parents of a student supplement the basic

value of the voucher which, as I said earlier, will equal the average per pupil expenditure on public school students of State and local funds within the proposed demonstration area.

Parochial schools can participate only if it is constitutional. This is not an experiment in aid to parochial education. We indeed want to invite and encourage participation of parochial private neighborhood schools or community schools so a broader variety of options is available to the parents.

Along with what Mr. Carlucci said, we are requiring the schools to provide information to parents on the nature of the schools. We know that parents want to know more about education given to the students, the types of schools their children go to, and we are going to make a large effort to provide this information. It is very important to the success of the experiment that information on the nature of education that is occurring in alternative schools be made available.

We intend with OEO funds to supplement the value of the voucher for disadvantaged students.

Now there are two reasons we want to do this. First, it is alleged it cost more to educate a disadvantaged student. No one really knows, but if it is we want to make up the difference in cost.

Second, we want to encourage schools to admit disadvantaged students by making the value of the voucher more for the disadvantaged student.

Finally, all participating schools in the voucher demonstration area must be certified by the local voucher authority.

The issues that have been raised concerning vouchers fall in three areas which I have outlined on chart No. 4. There seems to be differences of opinion about the potential impact of a voucher system on the public schools.

We believe that a voucher system will lead to a significant improvement in public education and that a voucher system may lead to increased and more acceptable sociable and racial integration.

I want to add we don't know whether this will occur or not, nor indeed does anybody know whether these improvements will be forthcoming. We do say that there is enough evidence that the present system does not perform adequately for the children of the poor and disadvantaged.

There is enough evidence to indicate that we need to continue looking for better ways to educate in this Nation. There is ample justification for examining the educational voucher and performance contracting concepts in much greater detail than they have been examined heretofore.

The final issue is to what extent should nonpublic schools participate in educational vouchers.

I would like to take up these three issues in the order I presented them there. Opponents of the voucher plan argue it will destroy the public school system. While the reasons for this allegation are seldom stated, they appear to include one or more of the following. There seems to be a fear that children will overwhelmingly choose private schools over public schools.

There is a fear that public schools will become dumping grounds for those who are hard to educate. There is a fear that private entrepreneurs may offer cheap education that ignores the desires of society.

And they feel the initiation of the voucher system will reduce funds available to public education.

I think in considering these points of view it is important to bear in mind the competitive advantage possessed by the public school system. The public school system, of course, provides nearly 90 percent of the total education in most urban areas where we are considering undertaking this experiment.

The public school system is the dominant provider of educational services in this country. The capital facilities exist, the schools exist, and the teacher and support services are already in place and ready to function, and substantial administrative services can be provided right now. Indeed, we have worked through the public school system in trying to set up a proposed voucher demonstration.

I think to argue that under these circumstances that individuals will leave the system in large numbers implies that either the public school system is either very inefficient or very unpopular. I have seen no evidence to suggest that this is true.

We recognize the public school system needs to be improved. That is what we are seeking to do. I sincerely doubt there will be mass exodus from public to private education under the regulated voucher system we propose.

I think that the people who fear the voucher system are more concerned about an unregulated system, which would permit parents to supplement the basic value of the voucher.

That is not what we are talking about. We recommend no supplementation because of our fear that supplementation would permit economic segregation.

There is also the importance of considering the expected reaction on the part of the public schools themselves. Public schools can be expected to change to compete more effectively and we want to enable the teachers and principals of local communities to have flexibility to undertake innovative change.

We feel indeed there will be a very strong beneficial impact of the voucher system on public education, because the public schools would be freed from the necessity of trying to please everyone in the attendance area, a practice that often results in a policy that really pleases no one.

Parents would be able to assume a more significant role in shaping their child's education.

But there would be a range of schools under a voucher system, so that administrators and teachers could arrange curricula to appeal to a particular group or reflect a particular school of thought on educational methods. Equally important, the resources for aid to disadvantaged and poor students would be channeled directly to the student rather than going to the school system as under the current approach. Therefore you will get a much closer tie of compensatory aid with the disadvantaged student. Further, there would be a strong element of accountability introduced to education since parents would be free to move from one school to another and not have to go to a mandatorily assigned school primarily based upon residential location.

Now, I would like to turn to chart 6 and discuss briefly what we feel the impact of the voucher system would be on integration. I think

there are three elements that will make integration effective and possible.

First is parental involvement. Parents must be given options to choose schools for their children on a basis other than residence. This is behind the open enrollment scheme which has been tried. There will be a strong element of open enrollment in the voucher concept—that is at the base of the voucher concept—but the parents will have power to move the children from one school to another.

In the voucher system, all children will be free to change schools, not a limited number as under the present open enrollment scheme, and all spaces would be open to them in participating schools. As a second element, you will have active participation by the schools themselves. I think they have to go out and try to recruit and induce students to come to their schools. Simply to make the offer open to the students and say that they can go from the inner city school to another school, without any encouragement by the school, will not be overly successful.

The voucher system induces a strong incentive to the schools to recruit all students, and to recruit disadvantaged students since we are going to add compensatory payment to the value of the voucher.

The public schools will have opportunity to become more innovative and hopefully appeal to a broader range of students.

The third element is direct intervention by local educational authority and courts. This experiment is subject to court review, as is any program affecting equality of educational opportunity.

The courts have taken a firm stand on integration.

Furthermore, the local education voucher authority will have the power to withdraw school certification and right to cash vouchers. If schools do not admit minority students in the same proportion as they apply, their certification can be revoked.

Whereas, in the past integration efforts have emphasized one or the other of these aspects, the educational voucher experiment has heavy emphasis on all three.

We don't know if this emphasis on all three, the aspects I have outlined in chart 6, will lead to increased integration, but we feel that it certainly merits examination.

We don't know how to achieve it under the present system effectively yet. Certainly, we shall not close the door to other alternatives.

Finally, in chart 7 I outline the conditions under which nonpublic schools can participate in the experiment. They can participate only if it is constitutional. Some States say that aid cannot be given to parochial schools and other States say it can. There are several cases pending before the Supreme Court now.

They will give us some indication of this. But only if it is constitutional will nonpublic schools participate. Those schools that participate have to be certified by the local authority. They have to comply with State legislation. They must employ a nondiscriminatory open admission policy and select at least one-half of their voucher students on the basis of a lottery and they cannot charge tuition worth more than the basic value of the voucher.

In conclusion, we at OEO are quite aware of the problems associated with the voucher concept. We do think however that just as

society has learned how to regulate public utilities, regulate corporate activity and indeed regulate private education, it is possible to regulate the system of vouchers to achieve many of the benefits that might be attainable under such a system without encountering grave problems that an unregulated system could generate.

No one knows all of the answers and for that reason we ask the committee to give your support to this search for better ways.

Chairman PERKINS. Any further statements, Mr. Director?

Mr. CARLUCCI. That is all.

Chairman PERKINS. I notice, Mr. Director, you state that \$73 million has been spent on educational vouchers. Why are these contracts awarded?

Mr. CARLUCCI. What I referred to was the projected fiscal year 1972 figure for research, development, and evaluation in the OEO budget which is \$73 million or slightly less. Of that we estimate only approximately one-fifth will be spent on educational programs.

Chairman PERKINS. How much did you spend last year on educational vouchers?

Mr. CARLUCCI. We didn't spend anything last year. Excuse me, let me correct myself.

Chairman PERKINS. That is in the present fiscal year, how much?

Mr. CARLUCCI. In the present fiscal year, well, I will ask Dr. Wilson.

Dr. WILSON. \$60,000 has been spent for preplanning grants made to three communities. Gary, Ind., received \$23,600 and Alum Rock, Calif., received \$19,200 and Seattle, Wash., received \$17,400.

Chairman PERKINS. That is all you spent up to the present time?

Dr. WILSON. In addition, we spent money at the Center of Policy Analysis at Cambridge, Mass., for the voucher report and that amounted to \$200,000. So far we spent about \$260,000 on the direct voucher, proposed voucher experiment.

Chairman PERKINS. But you contemplate next year spending how much for the educational voucher experiment?

Dr. WILSON. I would contemplate this: On the experiment, if it goes forward in the three communities, we'll spend approximately \$3 million per year in each community. This, of course, depends on the specific model that is developed. We do not anticipate starting the experiment in any of the three communities in the next fiscal year, however. Some additional moneys may be made available at the end of fiscal year 1972 to start the experiments in the 1972-73 school year.

Chairman PERKINS. How will those contracts be awarded?

Dr. WILSON. The next step is to make a planning grant or contract to the local school board to continue the planning. Then, if they go ahead with a demonstration, we would make the grant to the local educational voucher authority. If the local school board says it wants to broaden its representation to include parochial school interests, private school participation, and community school participation on the board, we make money available to that local authority.

Or the local school board could simply be reconstituted as an education voucher authority (EVA) and we would give it the grant.

Chairman PERKINS. How much money do you contemplate for research overall for fiscal 1972?

Dr. WILSON. \$73 million.

Chairman PERKINS. \$73 million.



I think we will adhere now to the 5-minute rule for questions this morning.

Mr. Reid?

Mr. REID. I have no questions.

Chairman PERKINS. Mr. Hawkins?

Mr. HAWKINS. Mr. Carlucci, I am quite sure that all of us applaud the fact that the OEO is going to experiment. I think we certainly agree with that. Some of us however disagree with the expenditure of this amount of money on experimental programs that are not only being undertaken by other agencies and by a lot of groups throughout the country at a time when we are cutting back on some of the programs that have proved to be highly successful so that my questions do not oppose the idea of the OEO remaining as an agency that will engage in experimentation, which I think is highly desirable; however, it seems to me that in education that there is very little reason for the Office of Economic Opportunity to be engaging in such a comprehensive program as you have contemplated.

Among all of the groups that have appeared before this committee, there has been very little support for this concept. I am somewhat wondering just where is the support coming from when the civil rights groups have opposed the idea and practically all of the religious groups that have appeared before the committee have opposed it and I am not so sure that those who did not appear would support it but they just didn't appear before the committee.

The labor groups have also opposed it and all of the educational authorities of a reputable nature have opposed the idea, so it seems you are engaging in something that is highly speculative and I wonder, first of all, why is it there is so much opposition to this idea if it is as justified as you seem to contend that it is?

It certainly is not comparable to Legal Services, for example.

Mr. CARLUCCI. Mr. Chairman, as I indicated in my prepared statement, I feel that there is a very direct link between education and poverty. We are experimenting in education solely for the purpose of trying to help poor people help themselves out of poverty, which I think is fully consistent with the purposes of our act.

In the performance contracting field, although not in the voucher field, it is true that there are other groups that have projects in some ways similar to ours. But ours is the only performance contracting project that includes a scientifically structured evaluation design. This design will enable us to state which experimental effects are replicable and what results are caused by the experiment, rather than by other factors.

As I indicated also in the prepared statement, the amount of money being spent on this project as compared to the overall Federal budget for the poor is relatively small. I think the poor deserve to have some money spent on trying to find better ways to help educate them.

Mr. HAWKINS. Mr. Carlucci, I am not disagreeing with what you are saying, and I am certainly in agreement that the poor are entitled to this, but I am simply suggesting that there are other groups that are doing this, there are other committees of this committee that are vitally concerned with this problem and are doing something about it and there are bills pending to do exactly what you are suggesting should be done for the poor.

There is a bill on the Senate side, Mondale bill, seeking to obtain one and a half billion dollars to do something in this field, something that is meaningful. There is a tremendous amount of interest in this subject by those who perhaps are better qualified to do the job than the Office of Economic Opportunity.

I am not saying that it is not a worthwhile project, but I am simply saying that there are others that can control and monitor and put the type of money into the program and can really draw, I think, much better results than the Office of Economic Opportunity tinkering with something which is rather far afield of its main objective.

Mr. CARLUCCI. Sir, as I tried to indicate, we don't think it is far afield. We think education is very relevant. I know of no plans in any other Government agency to run an experiment in educational vouchers, nor do I know of any other controlled experiment which gives the kind of evaluation we think is necessary of performance contracting.

Mr. HAWKINS. Are you saying the Office of Education in its experimental programs, that all of the laboratories that have been established around the country, some 21 I believe in number, that all of these are not engaging in controlled experiments in fields that are identical if not certainly identical with this experiment—I mean it is not that I feel that something cannot be learned, but I feel that what you are seeking will lead us astray rather than get us back to some fundamentals in the field of education.

No one has said that simply experimenting with a voucher system is going to end up in better education. No educators have come before this committee to support the idea. It is just to the contrary. Everyone has opposed it. You have not yet indicated what educators, or what groups are really backing this idea.

Mr. CARLUCCI. First of all, sir, let me repeat, I know of no comparable experiments being run by the Office of Education.

Second, we find that there is support at the local level. We had more applications for our performance contracting experiment than we could handle.

Third, as Dr. Wilson has testified, we will only go forward with a controlled regulated voucher experiment if the local school board supports it. We have some people here today from the local level who I think can indicate there is support for this kind of experimentation at the local level. Let me ask Dr. Wilson if he has something?

Dr. WILSON. Mr. Hawkins, I might add we have some results from a survey finding at Alum Rock, Calif., which you recall is one of the three communities we anticipate might conduct a voucher program.

Mr. HAWKINS. Where is this district?

Dr. WILSON. Outside of San Jose, Calif., and the superintendent of elementary education from Alum Rock is here today and will be speaking later.

We have been going through a preplanning phase, examining the voucher concept in Alum Rock. Surveys we have taken indicate that 59 percent of the teachers agree that Alum Rock should continue to explore the voucher plan as a possible source of action and 35 percent are against it.

Of the administrators, 48 percent are for and 23 percent are against it.

Of the parents, 40 percent are for it and 16 percent are against it.

Of the principals and vice principals, 56 percent are for it and 8 percent are against it.

These are results from Alum Rock in our preplanning phase. The survey indicates there is a large body of teachers, administrators, parents, principals, and vice principals, who are for a continued examination of the voucher as a possible demonstration or experiment.

It indicates that the number of those who are dead set against it at the local level is relatively small, and that there is a large group which is undecided and evidently wants to look at it further.

Some more interesting figures from there state that three-fourths of the teachers and three-fourths of the administrators felt that new alternatives are needed in public and private education. Only 9 percent of the teachers and 10 percent of the administrators did not concur.

I would suggest that these figures and Gallup Poll findings would indicate that at the local level where education is occurring there may be some slight difference of opinion than the type of testimony we hear in Washington.

Mr. HAWKINS. I am not going to continue on this, because I think you overlooked entirely what we are saying; that is, that we are not opposed to experimentation, not opposed to alternatives in education, you are saying exactly what I think most of us are saying, but what we are trying to impress on you is there are other alternatives other than the OEO doing it.

I would suggest if you really want to help the poor, you go over to the Senate and support the Mondale bill which provides one and a half billion dollars to get us into a real program of desegregation, not only rational desegregation but also social isolation.

If you want to do something, that is the best way to help the poor, not tinkering around with some experiment which I think you are not capable of conducting and certainly you are not putting the money into it that is needed and I would think you would get back to some of the basic programs that will help the poor rather than experimenting in this particular field.

Mr. CARLUCCI. I quite honestly don't feel the value of the experiment can be measured by the amount of money put into it. I think the value depends upon the way it is structured and the quality of our evaluation.

You have consistently, sir, been a supporter of OEO and indicated OEO has been very successful in many fields. I would hope we would be able to gain your support in this effort and in a field which I think is very vital.

Mr. HAWKINS. Well, I certainly am not going to conclude that it is completely wrong, but it just seems to me there are better alternatives available to the people of this country. I just think that we have learned a lot in education and that we are not putting the right amount of money into it that we are putting into some of the basic programs and we keep saying that because we are putting money into experimentation we are doing something, but it seems to me what we need to do is desegregate the schools and get the poor in those environments where they will learn from other children.

I think you might read the Coleman report and a few others that have been made as a better solution to this problem. If you can convince me, I certainly hope I have an equal crack at trying to convince you.

Chairman PERKINS. Mr. Reid?

Mr. REID. Mr. Carlucci, I would like to welcome you this morning and say that I am delighted you have had a chance to make a case here this morning. It seems to me our school system does need to be opened up. We need new approaches and I think some of the evidence in your testimony is very clear that many throughout America are not satisfied with the results in schools, whether it be in reading or in equal opportunity or catching up with what might be called relevant learning, which is essential.

I would commend you for trying these experiments. I think they are consistent with the statute and I think if the educational system needs anything, it needs new ideas, new approaches, better experiments that are carefully tested.

Would you care to comment on what some of the initial results seem to indicate? I noticed that one of the experiments won't be completed until June. Are there any indications on which you care to comment?

Mr. CARLUCCI. The performance contracting experiment will not be completed until June. The voucher experiment, as we indicated earlier, and I don't know if you were present, is in the preplanning stage in three communities.

Let me ask Dr. Wilson if he has preliminary results on the performance contracting experiment.

Dr. WILSON. Sir, as you stated, the performance contract experiment will not be producing the final result until late in summer. I can talk about some of the impressions, some of our initial indications that we have on performance contracting.

OEO found that at the elementary level where the performance contracting project is taking place, students have become much more excited about school and about learning. We have noticed a very large drop in the absenteeism rate.

This was indicated in the Office of Education project in Texarkana, and seems to be verified in our nationwide experiment.

We have also learned a lot about the administrative complexity of getting into performance contracting. That is one of the initial reasons the OEO designed and undertook the experiment. We are very cognizant of the fact that a lot of information is required before a school system can contemplate performance contracting.

Performance contracts are hard to administer and design. Our experiment has given us a great deal of invaluable experience in this regard. But we have no data yet on any improvements that may have been accomplished in the children's reading and mathematics skills.

Mr. REID. Do you have data that would relate the problem and I think it is clear, namely, that some children between ages 1 and 4 seem to learn as much as others between 4 and 13?

At the moment, lacking adequate preschool nutrition and health day care center facilities, there are many children who start school even in kindergarten or first grade substantially behind the others and it is hard for them ever again to catch up in the reading levels.

If that is true, do we not have a substantial number of children who

never really catch up to reading levels and therefore isn't the criteria of some performance on reading and what relates to comprehension and learning at an adequate rate and at an adequate date germane to what you are trying to do?

Dr. WILSON. Of course, one of the main reasons for setting up the Headstart program, as you are well aware, was the concern over the disadvantaged student being behind as they entered school.

I would say that Headstart experience has suggested that this type of program has not had the large and rapid results as all of us would desire in closing the educational gap.

That is one reason we want to look at other projects such as performance contracting. Performance contracting, is examining a system and saying, "Is it possible to achieve rapid gains with heavy concentration on very complex subjects such as reading and math in a purely compensatory setting?"

We don't know the answer yet.

There also has been a shift in emphasis to the years even earlier than Headstart deals with. I would say the emphasis within OEO and within the Office of Child Development has been on the children of 1, 2, and 3, recognizing the interaction between parent and child which can be important in the first formative months in the first year.

We don't have hard data on this. In fact, we are just examining it in detail now.

Mr. REID. Let me add one final question and put it slightly differently.

Absent the preschool, parent-child involvement, some new approaches to the learning experience, greater emphasis and relevance on reading or math or whatever is essential, absent from very new approaches are we not going to continue to have a generation growing up that is going to be markedly behind in some of the skills such as reading, perhaps so far behind they will never again catch up?

Therefore, isn't it essential we get new approaches and open up the system to new ideas for the coming generation itself, give them the chance they should have?

Dr. WILSON. I think it is absolutely essential if we don't want a generation going through 12 years of education and reading at the 6th grade level. This is indeed what we are generating now, the average grade level increase for the disadvantaged student is about half a grade level per year and so after 12 years they only have a sixth grade education.

We don't want another generation of students in this situation, so we have to seek new alternatives, and new methods and improve the current ones.

Mr. REID. Thank you, Mr. Chairman.

Chairman PERKINS. Mr. Brademas?

Mr. BRADEMAS. Thank you, Mr. Chairman and Mr. Carlucci and Dr. Wilson, I appreciated hearing your discussion.

I want particularly to address some questions to you with respect to the voucher program.

I recall that in the last Congress, when we conducted hearings in another subcommittee on child development legislation, preschool legislation, Dr. James Coleman of Johns Hopkins testified in support of the application of the voucher approach to preschool programs.

I asked him a number of questions at that time, which represented concerns in my own mind about the viability of such an approach with respect to preschool programs. I would now put similar questions to you.

Let me say, however, that while I do have some reservations about the voucher approach, in general I would applaud this effort because it seems to me that our country is so big and the problems of education so many and complex that we ought to bring an open mind to all sorts of experiments that may hold out hope of improving ways of learning and teaching.

If it can be shown—on pragmatic, empirical grounds—that the voucher approach will have such an effect, I am sympathetic to it and if it won't work, then I am not.

It seems at least to this member of this committee, that effectiveness ought to be the touchstone.

One question that does concern me is how you go about, as it were, educating the parents who will be making the decisions with respect to how they are going to use those vouchers? How do you educate the parents about available alternatives and about questions of evaluation and assessment?

You are imposing, as I understand this approach, a considerable responsibility in this respect on the parents.

Mr. CARLUCCI. Well, sir; we are also requiring all of the participating schools to make an actual disclosure of information to the parents on their courses. In addition, the parents would have available to them the educational voucher authority which could give them information on the various participating schools, that is, which school might suit their particular needs, or the inclinations of their children.

We feel that because of the way the experiment is structured more information coming to parents than there is now. If parents want to stress the arts with their children, the educational voucher authority could tell them which schools might specialize in that area, or if they wanted to stress mathematics, the educational voucher authorities can tell them which schools are in that area and then be able to get full information from those schools.

Mr. BRADEMAS. Well, in my judgment, that is not an altogether satisfactory response for this reason. This assumes what I suppose the economists used to call perfect competition. We have found, at least we found in my own Indiana district years ago, when the Studebaker plant was shut down overnight, that simply announcing to unemployed workers that manpower training slots were available was not effective in getting them actually to sign up, even if they were to get stipends. What do you say—and you understand that my questions are not hostile here but designed to get some response—but what do you say to the suggestion that the voucher program is basically a kind of middle-class concept which assumes that you have parents who are pretty well informed on whether or not they want their children to have mathematics or arts, to use your two examples? I can see how the voucher program might work more effectively when you have rather sophisticated, well educated parents at home with some fairly sophisticated knowledge about education. Do you see my point?

Mr. CARLUCCI. Yes, sir; I do.

Let me say that the educational voucher authority, as we see it, would have responsibilities in this area. First of all, it would have the responsibility to see that the proper types of courses are being offered.

Second, we would envisage that the educational voucher authority could work with various community groups such as our community action agencies in keeping, in informing low-income people, the poor people. It would help to perform the outreach function that would bring them in and give them the information on the range of options that are being made available to them.

We see this as a vital function of the educational voucher authority. Dr. Wilson has a point.

Dr. WILSON. We can't give you a definitive conclusive answer, and that is why we conduct experiments.

We know from surveys that parents want this information. They indicate it in the Gallup Polls and other surveys across the Nation. You hear it when you talk to them about education problems: They want to know more about what goes on in the schools. Whether it will be possible for them to act on the information or whether they prefer to stay in the neighborhood schools because they are the closest, we don't know.

But it is one of the things we want to test in the experiment. We would hope at the conclusion of the project, or even part way through it, we can give you a much sounder indication of the extent upon which parents indeed will act upon information.

Mr. BRADEMAS. I am saying that from what I, at least, have observed, that if you are assuming that by sending a mimeographed letter out it will get the job done, you have assumed too much.

Mr. CARLUCCI. We are not naive enough to assume that because of our experience in the outreach function. We envisage a positive strong role by educational authorities in the form outreach, counseling, and making alternative education information available to parents. We feel it is a very important and positive aspect of the project; the impact certainly will be far greater than simply sending information through the mail.

Mr. BRADEMAS. Just a couple of other questions, Mr. Chairman.

A voucher program, as I understand it, really is based on the supposition that there will be viable alternatives for the parents. How do you go about assuring that in point of fact there are viable alternatives to the local public school system so that we are not talking about something that is not real?

Mr. CARLUCCI. This would be one of the purposes of the preplanning grants, to see what alternatives can be made available and how the experiment can be structured. We would not want to run an experiment if there is not a sufficient range of alternatives made available.

Mr. BRADEMAS. Take Gary, Ind., in my own home State, where I think you are running such an experiment, is that right?

Mr. CARLUCCI. No; we have given a preplanning grant to Gary, but are not running any voucher experiment.

Mr. BRADEMAS. All right. This is one of the cities you are considering. There are public schools in Gary and parochial schools in Gary and those are two alternatives, I take it?

Mr. CARLUCCI. That is right.

Mr. BRADEMAs. What else is possible? Are you, for example, in a city like Gary, thinking about starting a third or fourth or fifth or sixth school system so that the parent who is given the voucher can say: "Let's see which one will I choose for my child?"

How do you answer that kind of question?

Dr. WILSON. Each of the communities to which we have awarded preplanning grants has a good mix of public, private, and parochial schools.

In Gary, Ind., 13 percent of the present student body are in parochial and private schools and there are 16 parochial schools and two private schools in Gary now, and 34 elementary and public schools. So out of a total enrollment in the Gary area there are 25,000 public school students, 3,700 parochial and private.

Second, we want to encourage other schools to be creative, community schools. We hope in the planning phase to develop a system whereby new schools could be generated, well recognizing that first and initial reliance is upon existing alternatives.

Mr. BRADEMAs. Let's linger on the last point a minute because you can't, I think, just let the question slide past quite that easily. We want to encourage community schools as a third alternative to public schools and parochial schools, right?

Dr. WILSON. Right.

Mr. BRADEMAs. Now, put a little flesh on the bones of that. Encouraging community schools—what does it mean to say that? It means teachers, it means some sort of facilities, I take it?

Dr. WILSON. Right.

Mr. BRADEMAs. You don't really create a school system overnight?

Dr. WILSON. No.

Mr. BRADEMAs. So how do you go about creating, this is the real point, how do you go about realistically creating genuine alternatives?

Dr. WILSON. We recognize this is a difficult problem and recognize many of these alternatives are being created as a matter of fact with the decline of parochial schools and closing of them.

For example, in Milwaukee, at least five of them have been closed and turned into community schools in the black ghetto areas.

In Detroit I would assume with the closing or proposed closing of the 56 parochial schools announced this week there will be community groups that want to preserve the schools and have private schools.

What we anticipate is establishing a revolving fund to loan money to groups who want to either set up a school or take over one closed such as the case I enumerated. We would loan them money to operate on, for some defined period. If given the money to lease and to maintain the facilities, they could establish a new school, be accredited by the local authorities, and comply with the State legislation.

I think that new alternatives will be created in this fashion. They are being already.

Mr. BRADEMAs. Let me ask one other question if I may.

It would seem to me that essential to the effectiveness of this kind of approach would be the integrity and capacity of the educational voucher authority and of its evaluation and assessment procedures, because if those procedures are not ones that can be relied upon as being honest and of quality and realistic, then you have a bogus system on your hands.



And also, they must be procedures that are susceptible of understanding and are not too complicated and are in the real world.

How do you propose to structure the educational voucher authority and to enable it to establish and carry out the kind of assessment and evaluation procedures I have discussed?

Let me add a footnote. One of the great complaints about education in the country today is that we don't know enough about how to evaluate and assess the public school system, but here you are proposing an experiment which is almost totally based on your capacity to come up with reasonable alternatives. Yet they are reasonable only if you can intelligently make judgments about which one is better than another, which presupposes some sort of standards. That is a mighty big chunk you have bitten off. We don't do it very well in the public school system, so why do you think you can do it better in this program?

Dr. WILSON. I agree at the present time we cannot assess the quality of the public school system. This has generated a lot of frustration.

Speaking only of accreditation, voucher schools of course would have to comply with all State and local certification standards.

Mr. BRADEMAS. Let me interrupt to say, that is a blind alley. I am not talking about accreditation. The whole point of the education voucher programs as I understand it is not to give a parent a choice of alternatives among accredited institutions, but rather what you are after is giving parents alternative choices about how to get the best education for their students and accreditation may or may not be relevant here.

We assume accreditation for all of them. It happens that I am not a parent but here let me hypothesize that I am a parent, and you give me vouchers and you say, "You can send your child to the Horace Mann School in Gary or St. Thomas Aquinas School in Gary or you can send your child to the Martin Luther King Community School in Gary" or there may be still two or three other alternative schools.

I am assuming they are all accredited. But the parent still needs to know what is the difference between A, B, C, D, and E schools in terms of their effectiveness in teaching my child. How do you answer that?

Dr. WILSON. I wish I could give you a very simple answer to that question because it would certainly eliminate a lot of the problems that everyone in the education field faces.

I would say we have to pursue the effort made to try to measure educational performance both on objective and subjective criteria. We anticipate in the voucher experiment that information will be made available about the nature of education that is occurring. Schools will state whether they place an emphasis on compensatory education for disadvantaged students in reading and math, or whether it's an open school, or one which stresses vocational education or the arts.

Certainly I think we have to recognize there are standard measures by which we as a society and as parents can make some judgments upon the type of education our children receive.

All you have to recall is the situation when Dr. Clark tried to implement the reading program in Washington, D.C., and the reading levels of all of the elementary schools were published in the front pages of Washington Post. There was a big hue and cry as parents quickly

observed their child was going to school which was on the average two or three grades behind another elementary school which was only a matter of blocks away.

Chairman PERKINS. Mr. Veysey? Time has expired.

Mr. VEYSEY. Thank you, Mr. Chairman.

I have some questions to put to Mr. Carlucci and Mr. Wilson but before I do that I feel that I should make an observation in response to the comment of my distinguished colleague from California, Mr. Hawkins. He quite correctly observed that at the earlier meeting of this committee on the question of the voucher plan, we did hear from a long line of witnesses speaking for the standard educational establishment who said they did not like the idea of a voucher plan.

They did admit that there are inadequacies in the public schools, that there is indeed an increasing ground swell of parental complaint about the quality of education, but their standard response was: Yes, we want to innovate, we want to change, but not the voucher plan. We don't want to experiment with the voucher plan. We want more money to do more of the same things we have been doing with programs with decreasing success.

But, I am heartened to see that on the agenda today are several who will, I think, be speaking on the other side, three from California, who will be here shortly, Dr. William Jefferds of the Alum Rock District. It has been mentioned that they have been working on devising a possible plan for the voucher experiment.

Also, Mr. George Gustafson, education consultant in the Department of Finance for the State of California, where the attention of the State has been directed to the need for a new leavening in the educational process.

And a colleague of mine of a number of years standing in the State Legislature in California, Assemblyman Leo Ryan, who is carrying legislation there this year to make possible the experimentation we talk about. There is considerable interest in California in these areas and I am sure you will hear these people a little later.

Now, my question to Mr. Wilson initially is this: We understand that what you are talking about is a carefully controlled small scale experiment to find out whether the idea of a voucher plan has merit, whether it will improve the education of poor children, whether it is acceptable to the users of education, the parents and the children themselves?

I think that some of those that testified before this committee at the last meeting constantly lost track of the fact this is a small scale carefully controlled experiment. They tended to talk in generalities about voucher plans and what disrupting effect this would have on public education.

Now I want to talk about the experiment. If it is to be an experiment, I assume you are approaching this with a kind of scientific detachment about what you are going to find out in this experiment rather than saying: Well we have a few million dollars and will throw these out here and see what happens.

Now, what can you tell me about your appraisal of the chance that you will, though this experiment, actually determine whether the voucher plan is a beneficial thing or not for education—what it will actually do?

In other words, will you be able to isolate sufficiently this one variable, this one change, and note the results that flow out of it and will you be able sufficiently to evaluate those results to have a definitive answer as to whether this is a way to go?

Dr. WILSON. That is a very tough question. First, I would like to say that the vouchers project is not an experiment in the sense that performance contracting is an experiment or that our project in graduated work incentives is an experiment. The vouchers project is really a demonstration.

I will be the first to say to you that the vouchers is not an experiment, it is more a demonstration. I would not want to mislead you and say I could come back 3 or 4 years from now and say that this one particular policy variable out of many had this quantifiable impact.

It is really a demonstration that goes far into the depths of changing the educational institutions itself.

It is a demonstration that is looking at opening up viable alternatives, inducing more innovation and at this point in time I cannot hand you a structured experimental design and say with 95 percent certainty that I can come back and say why a certain effect did or did not occur.

Indeed change will occur. We will have to make use of inferences, subjective and objective analyses, to say what happened and why.

Mr. VEYSEY. I am impressed with some of the thoughtful work you people have devoted to this project and some of the careful analysis that has gone forward under the grant to Harvard University's School of Education and their work on it. I am impressed with some of the thoughtful examination that is being given to the whole concept in California where I happen to be aware of the stirrings out there.

But tell me this: Why should this be done by OEO rather than within the Office of Education—I suppose your remarks would have to be balanced a bit on one side, but I am interested in knowing why you say this should be done within your shop?

Dr. WILSON. Yes, sir.

I think the concept of social experimentation that has been tried in OEO is very innovative.

The OEO has more experience in social science experimentation than any other agency or department of the Federal Government; in fact, we have the only real experience in this field. We pioneered with the New Jersey experiment in graduated work incentives, built on that experience with the rural experiment in graduated work incentives, and continued with the performance contracting experiment.

This experience uniquely qualifies the OEO to mount this type of effort.

And I cannot overemphasize the need for this type of work. We saw with medicare and medicaid what can happen when major new policies are implemented without any prior field experience. Experiments such as those we are conducting—and hope to conduct in education vouchers—will give policy makers and legislators concrete ideas of what can be expected of a particular program before it is implemented on a broad, nationwide basis. The New Jersey experiment, for example, has taught us a great deal about the administrative problems that can be expected if a program like the President's welfare reform proposals are implemented. We've learned that administrative costs are very

low; we've learned a great deal about the impact it could be expected to have on work incentive.

Similarly, the performance contracting experiment will indicate what results can be expected from that new concept, how much it will cost to achieve specific grade level advances, and so on.

Chairman PERKINS. Congressman, if I may add a word to that looking at it from a slightly different perspective.

We believe we have a mandate under the act to try to look at the whole range of problems impacting the poor. If we look at the lives of the poor people, individual poor people and try to see what one thing, help them most in getting out of poverty clearly education comes very high on the priority list, if not at the top.

Our act not only gives you the authority but quite clearly the intent of the act, that we should experiment in these areas out of our responsibility to act as an advocate for the poor.

Mr. VEYSEY. I agree with you 1,000 percent that education is a way out of poverty in almost all cases. Is it safe to say that the traditional approaches represented probably by the Office of Education, the establishment orientation, have failed to solve the problem, indeed I guess we are seeing more complaints, and more money being spent on standard approaches and probably less results obtained out of them? Is that right?

Mr. CARLUCCI. That is correct.

It is our belief the standard approach has not worked and therefore we have an obligation to look at new and different ways.

Mr. VEYSEY. Thank you very much and Mr. Chairman.

Chairman PERKINS. Thank you, Mr. Veysey.

Now, Mr. Director, several questions are in my mind and I will only take 5 minutes at this point.

I personally feel that the Office of Economic Opportunity should be the office that speaks for the poor. I know you have various research functions and that that research is one of the chief functions, but to my way of thinking it is not the real purpose of OEO.

I like to look upon OEO, when we created the Office of Economic Opportunity, as the voice for the poor.

Do you expect the educational voucher experiments to result in substantial gains in reading and math on the part of the students in the communities where the experiment is being carried out and, if so, why, and, if not, why not?

Mr. CARLUCCI. Of course, sir, that is the purpose of the experiment, to see if this will indeed result. We believe that we have sufficient evidence: one, of the relationship between poverty and education; two, of the present dissatisfaction with the existing school system; and, three, on the basis of preliminary studies done to date, to have a reasonable degree of expectation that improvements might occur. With that reasonable degree, we felt warranted in going ahead with an experiment.

If I may, Mr. Chairman, several weeks ago, I addressed the plenary session of the National Association for Community Development in Seattle, about 1,000 CAA Board members, and CAA Executive Directors.

I had a question and answer period for over 1 hour afterwards. This question came up: Why are you experimenting in education?

When I said to them that I didn't feel that my children were getting adequate education and I knew that the children of poor people were not getting adequate education, I got a very spontaneous applause.

Chairman PERKINS. Let's go a little farther. If reading and math gains results, how will you know that it was the result of the voucher experiment and not merely the admission of \$200 or \$300 per pupil expenditure?

Mr. CARLUCCI. We are not going to supplement the per pupil expenditure in the voucher experiment, except for the poor children. The local school board will contribute its existing sources of revenue to finance the experiment, and the vouchers for all but poor children will be equal to current per pupil expenditures.

Obviously, as Dr. Wilson said, we can't give a precise answer as to which one of the variables might be responsible but we will certainly evaluate the voucher experiment very closely.

In performance contracting we have a way of measuring the progress more closely.

Chairman PERKINS. Then, if there are no reading or math gains or none anticipated, how are you going to justify this experiment?

Dr. WILSON. Mr. Chairman, I think to look at the voucher experiment as simply an experiment to attain increase in reading and math and solely that, would be looking at it too narrowly.

It is a far broader experiment than that. Our performance contracting experimentations are concerned solely with gains in reading and math.

What you would hope to find, of course, are gains in reading and schools, reduction in the dropout rate, decline in vandalism and surmath and other educational performance, increased satisfaction in the veys on the attitude of parents.

Will they simply continue to send their children to the neighborhood school with which they are most familiar? You will want to get measures of degree of integration that occurs over the present level of integration.

You will want to see to what extent new schools will become available. Suppose a school decides to open or a particular principal wants to emphasize reading and math, will a lot of students go to that school and take advantage of the program?

Chairman PERKINS. Let me interrupt you at that point.

You made a comment in connection with title I not producing results. The most recent surveys that have been conducted by this committee show that the reason is the inadequacy of funding.

We have an authorization of over \$4 billion and we are merely spending \$1½ billion. The evidence is conclusive that where we have the funds to concentrate on the disadvantaged that then great results are being obtained and it is only in these areas where the moneys are scattered that we are not getting the achievement that we anticipated.

Don't you feel that we should be putting additional money into title I since we have already identified the areas of need of more money in order to get better results for the disadvantaged?

Dr. WILSON. Mr. Chairman, as you know we have numerous compensatory educational programs in addition to title I. You are well aware of Headstart and Follow Through and emphasis on early child de-

velopment and other titles of ESEA. All of these are attempts in a programmatic sense to improve education.

Chairman PERKINS. How can you justify additional experiment when we are only reaching about one-third of the Headstart youngsters in your shop that are now eligible? How are we going to justify this experiment?

Dr. WILSON. I don't view it as having to make a choice between funding experiments and ongoing programs.

I think we need to have a reasonable balance. While we operate and will continue to operate the nationwide educational programs, we must also seek through research and demonstration efforts new alternatives for the future.

Chairman PERKINS. I don't mean to insist on this but you are in a better position than the Office of Education to conduct this experiment.

Dr. WILSON. Let me add, we are being encouraged by the Office of Education and by HEW to continue our pursuit of performance contract and educational vouchers.

We work closely with them. OEO in the past has been the innovator and hopefully we will continue to be in the future.

Chairman PERKINS. Thank you very much.

Mr. Scheuer?

Mr. SCHEUER. I yield to the gentleman from Indiana.

Mr. BRADEMAS. Thank you, Mr. Scheuer, because I just want to take a moment, Mr. Chairman, after my colloquy with Mr. Carlucci and Dr. Wilson, to express my own thanks to them for their observations and to say that while I think there are all kinds of problems posed by the educational voucher experiment, I regard it as a most valuable venture in the effort to seek better ways of teaching and learning in the United States, and I will follow with great interest the results of their efforts.

Mr. SCHEUER. Mr. Chairman, I have been very much interested in the discussion and testimony this morning. There is absolutely no question that the proposals for education vouchers and performance contracts raise all kinds of questions which we are not going to be able to answer this morning or indeed in the next year or two until the results are in.

But I must confess that I think it is quite appropriate that the OEO increase their funding of ways to change the educational system.

This committee produced the title I program. We spent several billion dollars, yet the results, while not insignificant, to me have been disappointing.

We have not been able to change the system. Too frequently we have done too much of more of the same.

We haven't produced new models and new approaches and new innovations that have given us a benchmark by which to plan future progress.

In New York City—and I look forward to hearing from two great experts on New York City, including our former distinguished school superintendent, Mr. Donavon—even with the benefit of \$70 or \$80 million of title I funds we are still saddled with a system that stifles innovation. It has a kind of ossification and rigidity that defies the efforts of pupils, parents and teachers alike to achieve a learning relationship between teachers and pupils which will make these kids viable in a complicated, automated, urban society.

The education establishment—the principals, the superintendents, the whole establishment at 110 Livingstone Street—has almost totally failed in New York, where I have some familiarity, to create a learning environment whereby teachers can relate to kids and we can liberate the talents and energies of the kids and the teachers too.

Now we still have that basic job to do. While I am quite cognizant of the problems we face, this is real innovation and I think it is a most appropriate way of spending \$3 million a year or more. I hope that you will monitor the results with continuing surveys, analyses and appraisals, as you go along, so we know what we are doing.

In January or February 1965, I sat here and heard Sergeant Shriver testify about the poverty program. I asked him at that time whether we would be able to measure the impact of the poverty program and whether we would be able to do a cost benefit analyses of the various ways of lessening poverty with preschool child development programs or the Job Corps. Where would be the best place to put the money?

I remember Mr. Shriver telling us every single person impacted by the poverty program would have a file and we would be able to identify their achievements and their release from the bondage of ignorance and inability to learn. The inability of the poverty establishment, OEO, to produce that kind of information, on which we could intelligently legislate, has been a cruel and a bitter disappointment, and I use those words advisedly, to me and other members of this committee, and I think to the 25 or 30 million people in the poverty category around this country.

Now I desperately hope you will conduct the most painfully honest, scientific, thoughtful and scholarly evaluation of what is happening in these demonstration programs. It would help us learn in a city like New York that has suffered so long under the dead hand of this incredibly petrified educational establishment above the teacher level. It could show us how we can create an environment that stimulates a relationship between the child and a willing and eager teacher, that produces identifiable, visible, demonstrable and provable progress in learning.

That is about all I have to say.

Chairman PERKINS. Mr. Mazzoli?

Mr. MAZZOLI. Thank you, Mr. Chairman.

And, Mr. Carlucci and Dr. Wilson, I appreciate personally having read and heard your statements this morning. They are very interesting.

I share the concerns that have been voiced by many of the committee on whether or not these innovative programs will be successful but I likewise feel that they ought to be at least explored and I think to simply throw the baby out with a wash water is, of course, a pretty harsh remedy.

I would like to ask a couple of questions to cheer me up on some things. I believe Dr. Wilson mentioned momentarily ago that your relationship with OEO with respect to this type of programing is pretty good; is that correct?

Dr. WILSON. Yes; I will keep OE informed. We have developed a working relationship in the sense that once we design an experiment and undertake it, we work with OE on how it might be implemented on an operational basis. We would not implement it in OEO—that would be OE's prerogative.

MR. MAZZOLI. I am not sure whether you gentlemen are aware but I believe it was last week that representatives from the teacher groups appeared before the committee and testified quite flatly against even so much as experimenting with the programs. They rather got themselves into a logical trap because they first said it should be under OE and then they decided it should not be under OE, that it should not be, period.

Let me suggest or question then some response from you gentlemen on the matter of this: If you have at this point so little cooperation by teacher organizations toward these plans, can they be successful even in the demonstration stage?

I am not looking for results as far as the end result is concerned but can they even be undertaken in a demonstration way?

DR. WILSON. I would be the first to admit if no one wants to undertake it then they will not be successful. That is quite clear.

I would also suggest, Congressman, that there is support at the local level for this experiment in education vouchers—from teachers, administrators, and parents.

If the local school board, superintendent, Governor, local community action agency, local State superintendent of instruction, say they want to set up a demonstration and that demonstration complies with our regulations, then we should go ahead and review it.

MR. MAZZOLI. You feel it will not be a serious impediment as you proceed along the course of experimenting with this?

DR. WILSON. I cannot stand here and say that the national interest groups are not going to be working to prevent it, but I think we are going to be able to continue. We feel strongly that we will pursue the proposed demonstration at the local level as long as local people want to.

MR. MAZZOLI. Are you Dr. Wilson, or Mr. Carlucci in touch with the organization of teachers as you might be in touch with OE people?

DR. WILSON. We talk to them frequently.

MR. MAZZOLI. Do you keep them posted on developments?

DR. WILSON. Yes.

MR. MAZZOLI. Let me ask you this: Perhaps again, Dr. Wilson, do you see any mixture in these proposed schools, mixture of students going on vouchers and students who are being paid regular per capita charge by the school systems?

DR. WILSON. Do you mean by that whether the voucher demonstration will be full saturation, cover the whole school district?

MR. MAZZOLI. No; maybe I had better rephrase it.

Do you envision in a particular school where some students are going into vouchers there will be some students under some other system?

DR. WILSON. All students in public schools will be receiving vouchers. Some parochial or private schools may want to open up only a certain percent of their enrollment to voucher students, so then you will have a mixture of both.

MR. MAZZOLI. What do you think will be the best approach?

DR. WILSON. The best is for all students in the school to be receiving vouchers.

MR. MAZZOLI. Voucher students?

DR. WILSON. That is what we are pursuing.



Mr. MAZZOLI. Is your interest going to be on converting an existing school to the voucher plan or to create, perhaps as Mr. Brademas suggested, new types of community schools?

Dr. WILSON. Our emphasis, of course, will be on converting existing schools to the voucher plan. That is why we have gone to the local school board recognizing that the present providers of educational services will have to continue to provide those under a voucher plan and initially throughout the experiment will be providing the majority of the educational services.

So the emphasis is on converting present schools and leaving open the possibility and flexibility of new schools to come in.

Mr. MAZZOLI. Do you believe, Dr. Wilson, that you could have a conversion of some few schools within a total school district and still have any degree of harmony between the schools so converted and the regular school system?

Dr. WILSON. I think that what we are looking for is a system that wants to undertake the demonstration and provide feasible alternatives. If a school system came in and said: We have two public schools, and one parochial school that want to participate out of a total of 60 elementary schools we would say, no; it does not provide enough alternatives.

If we had a school system that came in and said: We have 12 public schools and maybe two or three private and parochials that want to participate, I feel, that you would have the making of a feasible demonstration.

I certainly don't feel and wouldn't want to advocate that the total system has to be vouchered in order to make it a successful demonstration.

Mr. MAZZOLI. I thank both of you gentlemen. I appreciate the chance to have heard this information. It certainly is different than the information we heard last week, at least this now shows that you recognize it to be a potential success but that you can only approach it as a demonstration project.

Thank you very much and thank you, Mr. Chairman.

Chairman PERKINS. Any further questions of these gentlemen?

Then let me thank you, gentlemen, Mr. Director and your assistant, for your appearance.

(Statement of Dr. Wilson follows:)

STATEMENT BY DR. JOHN OLIVER WILSON, ASSISTANT DIRECTOR,  
OFFICE OF ECONOMIC OPPORTUNITY

For quite some time massive research and demonstration programs have been launched in an effort to find a means for teaching children to learn better and teachers to teach better. New curricula has been developed; audiovisual equipment and language labs have become much desired machinery in most schools; and teachers are being trained and retrained. It seems that whatever has come along that is new, has been assumed to be better and schools have quickly adopted these innovations in genuine hope of finding an answer. Yet the results of the research and the compensatory efforts, additional books and tutors, smaller classes, and open schools have been, at the very least, frustrating. Children who would learn in any situation continued to be successful achievers, and most children who had difficulty learning continued to fail despite new teaching techniques and new equipment.

These compensatory efforts have emphasized inputs: the provision of more funds, additional books and tutors, summer study programs, smaller class sizes, and counseling. Until recently it has been assumed that positive results would

follow from this marginal provision of compensatory services, and that a greater flow of resources into the schools would guarantee better education.

Performance contracting is an approach which emphasizes outputs, not inputs, i.e., what the children actually learn. The performance contracting system is new to education although it has been tried in other fields. The appeal of this approach to education should be obvious to legislators who are continually presented with demands for larger educational spending, but who are given no indication of what previous spending has accomplished, let alone any information about what further increases may do.

The elements of performance contracting are relatively simple although their execution is somewhat complex:

A contractor signs an agreement to improve students' performance in certain basic skills by set amounts.

The contractor is paid according to his success in bringing students' performance up to those prespecified levels. If he succeeds, he makes a profit. If he fails, he doesn't get paid.

Within the guidelines established by the school board, the contractor is free to use whatever instructional techniques, incentive systems, and audiovisual aids he feels can be most effective. He thus is allowed more flexibility than is usually offered a building principal or a classroom teacher.

The first performance contract in a public school in Texarkana, Arkansas drew widespread public notice and applause. The Texarkana project, funded under Title VIII of the Elementary and Secondary Education Act, was intended primarily as a drop-out prevention program. Teachers and paraprofessionals working for a private company, employed a broad range of teaching machines and other audiovisual devices in a highly individualized curriculum. These features, in themselves, are not revolutionary: teaching machines have been used, and instruction has been individualized. What was unusual about Texarkana was that the contractor's used incentives to trigger the children's learning process. The contractor was paid only to the extent that he was successful in improving the students' scores on standardized reading and math tests.

As reports of success in Texarkana became public in the Winter of 1970, dozens of school district officials visited the project and began to consider performance contracting to meet their own needs. Office of Economic Opportunity staff visited Texarkana at that time and saw great promise in the concept, but they also realized that as the project was designed, it was not an adequate test of the concept and would not provide guidance of the school officials across the country who were considering the new concept.

The Texarkana program did not include the evaluation design or administrative controls necessary to assess the capabilities of performance contracting in a reliable fashion. But even if Texarkana had the most scientific and best design of the concept and would not provide guidance to the school officials across the results achieved there could be replicated elsewhere; whether performance contracting would be administratively feasible to implement elsewhere; or whether the costs would be prohibitive.

A much broader, clearly defined, and carefully evaluated experience was necessary before it could be confidently stated that performance contracting could help poor children learn. Thus, the Office of Economic Opportunity decided to mount a nationwide experiment to provide information that school boards should have before deciding whether to enter into performance contracting.

Two factors of major significance led the Office of Economic Opportunity to launch an experiment in performance contracting. *First* was to test the concept of incentives. What performance contracting is about is *not* bribing kids to learn *nor* is it paying educational technology companies for doing a better job than teachers. What performance contracting is about is providing incentives for teaching poor children in the best way possible and, even more crucial, providing incentives for making immediate changes in teaching methods if the present ones are not working.

In the same vein, poor children cannot afford to be the victims of error, resulting from a school's inclination to adopt a new concept for lack of any alternatives. Therefore, the *second* major reason for the Office of Economic Opportunity's participation in an experiment in performance contracting was to discover, as quickly as possible, whether the concept worked or what parts worked and what parts didn't work.

The Office of Economic Opportunity's experiment in performance contracting was launched in August and September, 1970 in eighteen school districts that contracted with six private firms.

Every major geographical area and every major racial and ethnic minority is included. In each location, underachieving, poor children are involved: 100 per grade in each, in grades 1, 2, 3, and 7, 8, and 9. In addition, there are 100 control students in the same grades receiving traditional instructional methods in nearby schools. Testing is under the direction of an entirely separate contractor. In all, some 28,000 children are enrolled.

To prevent the problem of teaching to the test, several safeguards have been employed which we feel prevent the problem from occurring. First, several tests are in use, not just one and their identity has been blinded. An audit has been conducted of each company's curricula to insure no test items are present. In addition, part of the company payment is based upon criterion-referenced tests which are not nationally normed tests. Finally, all of the subcontracts contain a penalty clause which provides that all funds be returned to the government if it is proven that teaching to the test has taken place.

Obviously, it is hoped that performance contracting will improve the basic reading and math skills of poor students, skills they will need to master virtually every other subject they will confront during their years of schooling. But performance contracting seems to have the potential for effecting a number of other improvements in the education system as well:

Better overall performance. This system forces a school system to decide what it wants to accomplish, how accomplishment will be measured, and how accomplishment will be rewarded.

Accountability. Performance contracting shifts the emphasis from inputs (what is done, how it is done, how much is expended) to outputs (what is learned). It will tell school boards and legislators what performance they are getting for their money, which is an invaluable tool for their decision-making process.

Drop-out prevention. There is evidence that children drop out of school (among other reasons) because they are performing poorly in terms of academic achievement. If their achievement and motivation can be improved, they may be encouraged to stay in school. This theory appears to be substantiated by the Texarkana experience.

Individualization of instruction. Performance contracting may offer a cost-effective vehicle for introducing individualized instruction in the less affluent inner-city school; on a guaranteed basis.

The education lobbies and other critics of performance contracting have charged that the system will:

1. Force the public to lose control over the educational process. It would appear that quite the reverse will happen, since the heart of this system is the contract between the elected school board and the contractor. Performance contracting should help the public (through the school board) exercise more control over the educational process. The school board sets the standards, devises measurement tools, and certifies that the measurement takes place.

2. Result in nonreputable companies selling educational services. Performance contracting is surely the reverse of this process—the Office of Economic Opportunity, the schools, and the companies all will be present at the conclusion of this experiment and expect the results to be subjected to intense public scrutiny. Indeed, that is what the experiment is all about, to determine whether the concept is worthwhile or not.

3. Duplication of Office of Education efforts. Testimony before this committee has indicated that the Office of Economic Opportunity effort is a duplication of the Office of Education efforts in performance contracting this year. This is not true. As I already noted, the Office of Economic Opportunity is engaged in a test of the impact of performance contracting on student performance. Each of the participating sites is being operated under the *same* guidelines and are subject to the *same* evaluation. In 1970 there were twenty-five performance contracts in addition to the eighteen we funded. The twenty-five are in no way related, are different in scope, degree and purpose and not subject to rigorous guidelines or evaluations.

The Department of Health, Education, and Welfare also has a contract with the Rand Corporation to study the process of and problems with performance contracting. One of the major products of this effort is a Performance Contracting Booklet for school officials describing ways in which they might, if they so desire, become involved in performance contracting. We feel that their effort complements ours, which, I reiterate, is designed to assess whether or not performance contracting is an effective educational approach.

Many of our critics have stated that there are problems at several of the performance contracting sites. *They are absolutely correct.*

1. There are problems related to the unique nature of some of the educational system being employed and a sincere skepticism on the part of school administration and teachers.

2. There are problems associated with mistrust between the company personnel and school personnel.

3. There are problems related to unclarity in the performance contracts themselves.

4. There are problems with companies complying with teachers' union contract regulations particularly in the areas of staffing and bonus payments.

5. There are problems with large scale testing of students in inadequate and sometime hostile environments.

6. There are problems in selecting adequate measures for assessing success or failure.

7. There are problems with both the schools and companies complying with our detailed reporting system while at the same time trying to operate an innovative program.

8. And, of course, there are problems with students who have been previously turned off by the learning system.

We are well aware of these and many other difficulties in the experiment. However, this experiment is functioning in a real social world and not in a laboratory setting where all extraneous factors can be controlled. The problems we are facing will occur whenever any *new* program is introduced into some ongoing institution, e.g., a school.

The experiment itself is not an easy process to administer and this gives rise to problems. The introduction of private firms, new techniques such as incentives and the extensive documentation and control apparatus the Office of Economic Opportunity has required to monitor and properly evaluate the experiment have imposed a heavy burden on most schools. In fact, we thought originally that one or two might have dropped out by now. We are immensely pleased, and I believe all school and company staff have reason to be pleased, that the structure of the experiment is intact and that all parties who began the experiment are still in it. However, there have been difficulties, some of them not related to the experiment at all: teachers strikes in Philadelphia and Hartford, for instance, which have hindered the progress of projects. It is quite possible that difficulties we have or might have at individual sites will compromise the data to such a degree that their inclusion in the analysis could be unfair. If this occurs, these sites will be excluded from the final analyses.

What will be learned finally from the experiment? First, we will learn whether the innovative reading and math programs being tested are effective when carried out on a performance incentive basis. We will have results from a variety of students with a variety of backgrounds exposed to different teaching techniques, but measured by the same criteria. Thus, it is hoped the results of this experiment will be replicable across the country. Also, we will have reliable estimates of the cost-effectiveness of these programs. Finally, we will have a great deal of knowledge about how the mechanism of performance contracting works in schools.

When the final report is issued, early next year, the Office of Economic Opportunity will make it available to the Congress, the White House, the education profession and the general public for discussion and conclusions. I have no doubt that it will be subject to careful scrutiny and any weaknesses which may exist will be uncovered. I welcome the scrutiny. If we learn that performance contracting does not produce significant gains in achievement levels, that is impossible to administer, or that its cost/effectiveness ratios make it impractical, obviously we will have to attempt to devise different methods of helping the poor. If, on the other hand, performance contracting is proved successful, educators and government officials will have an important addition to their knowledge of how to educate disadvantaged children. In a sense our entire effort is being devoted to making that information available for debate and consequent action. That is in keeping with the experimental nature of the project. If not successful, we will not be a party to any efforts to boost it. The agency seeks to test promising ideas in any field, not just education. That is a goal upon which we have all agreed in the past and upon which we dedicate our work in the future.

Chairman PERKINS. We have numerous witnesses and I think to accommodate Congressman Scheuer I will call Dr. Bernard Donovan and Mrs. Esther Swanker, president and vice president of the Center for Urban Redevelopment in Education in New York.

**STATEMENT OF DR. BERNARD DONOVAN AND MRS. ESTHER SWANKER, PRESIDENT AND VICE PRESIDENT, CENTER FOR URBAN REDEVELOPMENT IN EDUCATION, NEW YORK, N.Y.**

Chairman PERKINS. Dr. Donovan, it is a great pleasure to welcome you back before this committee again. You have been here on numerous occasions. We certainly want to hear from some people who have some good views on this proposal and without objection your prepared statement will be inserted in the record and you can just proceed in any manner you prefer.

Dr. DONOVAN. Thank you, sir.

Mrs. Swanker will join me in a minute because we divided testimony so that each of us would be brief and touch on different points since we work together.

Mr. Chairman and members of the committee, I am Bernard Donovan, partner in the Center for Urban Redevelopment in Education which is a nonprofit educational research and consulting agency incorporated under the laws of the State of New York.

It is a pleasure to appear before this important committee to discuss some of the educational needs of the Nation.

In my previous appearances before this committee as superintendent of schools of New York City or as president of the research council of the grade city school improvement program, I constantly emphasized the real and pressing financial needs of the schools, particularly of the city schools and more particularly the crying needs of the children in the inner city.

Today I repeat that need for maximum financial assistance for urban school systems whose plight has become more desperate. But my testimony today and that of my partner in educational research and consulting, Mrs. Esther Swanker, is not one concerned directly with finance. But rather, with the improvement of educational opportunity and educational effectiveness.

We are going to present to you briefly today our thought about the educational voucher as a part of the American educational scene.

My entire career has been in and about the public schools. I graduated from public elementary school, public high school and public college. My professional experience was 40 years in almost every position available in the New York City public schools.

It should be apparent that I have a wide knowledge of and ability in respect for public education. I would not knowingly assist in any project which endangered public education.

There are certain basic features of American education that are pertinent to our testimony. First is the traditional and accepted diversity of educational opportunity in this country. Generally, we refer to it as alternatives in education. This diversity was a value chiefly to two groups, the economically advantaged who could afford to send their children to private schools and those who intend to attend church related schools.

The latter served many former minority groups but generally did not serve the blacks.

In the face of critical financial and personnel problems, even the church related schools are disappearing, as educational alternatives.

The second feature of American education flows from the first. Al-

ternative systems have created an admirable competition and a competitive situation which has encouraged innovative thinking and experimentation.

New ideas in curriculum and methodology have started in public, parochial and independent schools. This competition, mild though it has been, has helped to keep American educational thought sensitive to change, and has prevented it from sinking into the complacency which accompanies monopoly.

The other feature of American education which is pertinent to our testimony is the recognized inability of the public schools to provide for our disadvantaged children the same effective instructional program as it has provided for the more advantaged child.

In plain English, the public school has not yet found a way to raise the educational attainments of children in the ghettos so they can really have an equal crack at life.

I am well aware of the many contributing factors to this condition. Broken homes, no educational stimulation at home, disinterested parents, segregated living, unemployment, restricted public school financing, poor teacher training and a host of others, but this complex set of circumstances make the challenge to education even more compelling.

It means that the search for new ways of doing things can never cease. It is in this search for new dimension of education that the education voucher has its place.

Let me make it quite clear that we do not look upon the education voucher as the answer to American education's prayer. The use of education vouchers is complicated. It requires a change in educational thinking and it may develop unforeseen disadvantages.

This is true of most new ideas in education and these aspects can only be evaluated if the idea is given a trial.

We are not suggesting that the concept of education vouchers be adopted. We are merely saying that we believe the idea of education vouchers should be tried out in at least one carefully controlled demonstration and our reasons for that are that it offers poor parents a reasonable opportunity for choice of schools which choice has been available to more economically favored parents.

It stimulates administrators and teachers to seek new avenues to increase effectiveness and some might say it encourages innovation.

I would agree that it does except I believe innovation is merely a symptom of dedication, dedication to the improvement of education. Unfortunately, the word "dedication" seems to have disappeared from the American vocabulary.

It offers a means of supporting alternative schools, but only if these schools are productive according to the consumer's standards.

We would not be interested in a free and unfettered voucher demonstration, because the absence of reasonable constraint could destroy the social and educational advances made at such costs over so many years.

The present demonstration proposal has basic elements which we believe are essential. There is a controlled pupil admissions policy, which should prevent the emergency of segregated schools. There is a provision for the auditing of every participating school's financial records. There is a provision for an educational and guidance program for parents to help in their choice of schools.

There is provision for funds to protect the local school district against extra expense because of this demonstration. There is sufficient time for planning new schools under this proposal which must meet State requirements and cannot be fly-by-night.

There is recommended participation by all interested groups in the community in the planning and in the operation of the demonstrations.

Aside from the necessary minimal constraints, the plan of the demonstration is to be prepared locally.

In closing, may I reemphasize our interest in the education voucher. We are a nonprofit educational research and consulting agency. We don't sell any product and we don't indorse any product. We are concerned with ideas in education and we use our combined 64 years. I hasten to add that 42 are mine, of educational experience to assist superintendents, boards of education, parents, pupils, school staffs and others, to find and develop new ideas.

On this particular matter, education vouchers, the Office of Economic Opportunity has used our services through the center for study of public policy, to be available to public school superintendents and public boards of education for explanation and clarification of the demonstration proposals as it might affect that particular district or area.

In carrying out this responsibility, we have had opportunity throughout the Nation to ascertain the reactions of interested professional and community representatives in various parts of the country.

I would like Mrs. Swanker to tell you about the major questions which have arisen during these discussions.

(Statement of Dr. Donovan follows:)

STATEMENT OF DR. BERNARD E. DONOVAN, PRESIDENT, CENTER FOR URBAN REDEVELOPMENT IN EDUCATION, NEW YORK, N.Y.

Mr. Chairman. Honorable Members, Ladies and Gentlemen, I am Bernard Donovan, partner in the Center for Urban Redevelopment in Education, a nonprofit educational research and consulting agency, incorporated under the laws of New York State.

It is a pleasure to appear before this very important committee to discuss some of the educational needs of the nation. In my previous appearances before this committee as Superintendent of Schools of New York City or as President of the Research Council of the Great Cities School Improvement Program I constantly emphasized the very real and pressing financial needs of the cities' schools and, particularly, the crying needs of the children in the inner cities.

Today I repeat that need for massive financial assistance for urban school systems whose plight has only become more desperate. But—my testimony today and that of my partner in educational research and consulting, Mrs. Esther Swanker, is not concerned directly with finance but rather with the improvement of educational opportunity and educational effectiveness. We are going to present to you briefly today our thoughts about the education voucher as a part of the American educational scene.

My entire career has been in and about the public schools. I graduated from public elementary school, public high school and public college.

My professional experience was forty years in almost every position available in the New York City public schools, from elementary school teacher to the Superintendency. It should be apparent that I have a wide knowledge of and built-in respect for public education. I would not knowingly assist in any project which endangered public education.

There are certain basic features of American education that are pertinent to our testimony. First is the traditional and accepted diversity of educational opportunity in this country. Generally we refer to it as alternatives in education. This diversity was of value chiefly to two groups—the economically advantaged who could afford to send their children to private schools and those who chose to attend church-related schools. The latter served many former minority groups but

generally did not serve the blacks. In the face of critical financial and personnel problems, the church-related schools are disappearing as educational alternatives.

The second feature of American education flows from the first. Alternative systems have created a mild competitive situation which has encouraged innovative thinking and experimentation. New ideas in curriculum and methodology have started in public, parochial and independent schools. This competition, mild though it has been, has helped to keep American educational thought sensitive to change and has prevented it from sinking into the complacency which accompanies monopoly.

The other feature of American education which is pertinent to our testimony is the recognized inability of the public school to provide for our disadvantaged children the same effective instructional program as it has provided for the more advantaged child. In plain English, the public school has not yet found the way to raise the educational attainment of children in the ghettos so that they can really have an equal crack at life.

I am well aware of the many contributing factors to this condition—broken homes, no educational stimulation at home, disinterested parents, segregated living, unemployment, restricted public school financing, poor teacher training, and a host of others. This complex set of circumstances makes the challenge to education more compelling. It means that the search for new ways of doing things can never cease.

It is in this search for new dimensions in education that the education voucher has its place. Let me make it quite clear that we do not look upon the education voucher as the answer to American education's prayer. The use of education vouchers is complicated, it requires a change in educational thinking and it may develop unforeseen disadvantages. This is true of most new ideas in education. These aspects can only be evaluated if the idea is given a trial.

We are not suggesting that the concept of education vouchers be adopted by anyone. We are merely saying that we believe the idea of education vouchers should be tried out in at least one carefully controlled demonstration. Our reasons are as follows:

1. It offers poor parents a reasonable opportunity for choice of schools which choice has been available to more economically favored parents.

2. It stimulates administrators and teachers to seek new avenues to increased effectiveness. Some might say that it encourages innovation. I would agree except that I believe innovation is only a symptom of dedication—dedication to the improvement of education. Unfortunately, the word dedication seems to have disappeared from the American vocabulary.

3. It offers a means of supporting alternative schools but only if these schools are productive according to the consumer's standards.

We would not be interested in a free and unfettered voucher demonstration because the absence of reasonable constraints could destroy the social and educational advances made at such cost over so many years. The present demonstration proposal has basic elements which we believe are essential.

1. There is a controlled pupil admissions policy which should prevent the emergence of segregated schools.

2. There is provision for the auditing of every participating school's financial records.

3. There is provision for an educational and guidance program for parents to help in their choice of schools.

4. There is provision for funds to protect a local school district against extra expense because of this demonstration.

5. There is sufficient time for planning.

6. There is a recommended participation by all interested groups in the community in the planning and operation of the demonstration.

7. New schools must meet state requirements.

8. Aside from necessary minimal constraints, the plan of the demonstration is to be prepared locally.

In closing, may I re-emphasize our interest in the education voucher. We are a non-profit educational research and consulting agency. We don't sell any products and we don't endorse any products. We are concerned with ideas in education and we use our combined 64 years of educational experience to assist superintendents, boards of education, parents, pupils, school staffs and others to find and develop these new ideas.

On this particular matter—education vouchers—the Office of Economic Opportunity, has used our services through the Center for the Study of Public



Policy to be available to public school superintendents and public boards of education for an explanation and clarification of the demonstration proposal as it might affect the particular district or area. In carrying out this responsibility we have had opportunities to ascertain the reactions of interested professional and community representatives in various parts of the country. I would like Mrs. Swanker to tell you about the major questions which have arisen during our discussions.

Chairman PERKINS. Go ahead, Mrs. Swanker.

Mrs. SWANKER. Thank you, Mr. Chairman.

Mr. Chairman, honorable members, ladies and gentlemen. My name is Esther Swanker and I am a partner in the Center for Urban Re-development in Education, a nonprofit educational research and building organization, presently engaged by the Office of Economic Opportunity through the Center for the Study of Public Policies to provide liaison and technical assistance to boards of education and school administrative staff who are interested in pursuing inquiries about proposed voucher demonstrations.

It is a distinct pleasure to greet you again. I was in the past privileged to know many of you as I represented our State education departments and, as Dr. Donovan stated, my request at that time was also greater funds for education.

Since leaving that position with the State of New York, I have had opportunity to see first hand the vast educational complex and many of its facets in most of the larger cities of our country.

We have worked and are presently working with educational leaders throughout the country attempting to put our 64 years of experience to use. This experience, ladies and gentlemen, was in the public schools, all of it.

We see in the proposed voucher demonstration a tremendous opportunity for forward looking educators to create within the public sector a utopian model, possible now but to our knowledge, untried anywhere where poor children can be the beneficiaries.

Since the beginning of our country we, in the public education field, have accepted as fact the concept of a school serving the children residing in the immediate vicinity. This school opens its doors to all children who reside in a given location and attempt to serve their needs.

In effect, the principal and teachers are called on to provide an educational rainbow for the gifted, retarded, for the slow learner, the average learner, under-achiever, highly motivated, in many instances physically, mentally handicapped.

If only that school could concentrate its efforts, could appeal to parents whose children are interested in science or music and art, perhaps some parents with teachers and principals would prefer a school with a strict disciplinary policy and others might prefer nongraded approach. Teachers and principals could be given a long-awaited chance to use their abilities where they are most effective.

How often we have seen a good, very good traditional teacher completely at sea in an individualized nonstructured curriculum, but she has no options.

Under this plan of interest in a school parents might find that their child who had difficulty in learning to read might, instead of being dumped willy-nilly into a local school where he will have a staff of average readers with which to compete, parents might send him to a

school that specializes in reading problems and providing remedial instruction by a specially trained reading teacher.

Some parents may wish to have their children enrolled in a bilingual school and others may choose a school with emphasis on physical education, body building, and sports.

Since we do not have unlimited time this morning to detail all of the possible combinations we shall have to leave it to your judgment to see the possibility inherent in an interest centered system rather than one determined by residence.

Those of you who are familiar with the interest-center type schools in New York and other large cities know that desegregation is not a great problem in those schools. Young people choose the high school of music and art or the school of art and design or the high school of performing arts or any of the other special interest type schools and they have chosen them because that is where their talents and interests lie.

In effect, they become color blind and the schools automatically integrate themselves.

Let me make it clear that this model system we have drawn for you will teach reading and will teach writing and mathematics, however the reading materials in the schools might be to math, the math problems geared to scientific research and the writing assignment in the children's interest field.

It is possible to operate this kind of model under our present educational system but nobody has been given enough financial assistance or enough outside stimulation to try to do it under present conditions.

We are frequently asked and it is usually by a representative of the American Confederation of Teachers or by the National Educational Association, "Why don't you just give the public this money and let them use it to improve education in their own way?"

Unfortunately, their own way has been tried before. For years and years as you well know, the cost of education has been rising. School taxes have been going up. ESEA funds and other Federal and State funds have been added and where does this money go?

It goes to the very same teachers and administrators, in the same schools, in the form of higher salaries to do the things they have been doing for years and in the case of our disadvantaged, our poor children, that same thing has not worked.

We are not promoting a universal voucher system, but education needs a shot in the arm, or any other place it will be effective. Maybe this is it.

One of the fears that opponents of the voucher demonstration has made is it will ruin the public schools. If we, Dr. Donovan and I honestly believed that we would not be here this morning.

I have just described to you a possible public school model of voucher demonstration. We do not feel that demonstration should be limited to the public schools, because some competition might keep these new models on their toes, and provide impetus for accountability which is so desperately needed.

Another fear you have heard carelessly thrown about it is a sneaky device to get money into Catholic churches and other demoninations supporting schools.

We don't believe this either and have our reasons. Since starting our endeavor most of our research has been in the public school sector but we have done some work also for the Catholic schools and it our considered opinion that while initially the voucher demonstration might sound like "manna from heaven" sober reflection will bring the realization that even "manna" has strings attached.

First of all, most of the schools would be the target demonstration area inner city schools. In the Catholic schools as in the public schools, these schools are seriously overcrowded—wall to wall kids, you might say.

Under the regulations which Dr. Donovan quoted it is conceivable that a principal and pastor might have to turn out one half of the present enrollment; children of parishioners who support the church and might accept 50 percent of the school enrollment who might be protestant, Jewish or no religious persuasion at all.

Tempting as the "manna" might be, a pastor might think twice or three times before turning away parishioners' children to enroll strangers.

Second, by OEO regulation, the books of the parish would be open to audit by a public body. Many pastors feel that the church's financial affairs, the contributions of the members, stipend paid the sisters and the rent on the rectory, are no business of the public.

Those same pastors will give careful consideration to this point also.

Finally, with public money go public regulations. While most pastors and principals expect some public regulations in the matter of fire inspections and minimum curriculum regulations, many regard the idea of public regulations and inspections as an anathema. They feel their religious power, the prayers, liturgies, religious education would be a thing of the past once they became a voucher school.

While this last worry may be excessive it is not without ground.

One aspect of the voucher demonstration which should be pointed out is that it should be locally conceived and locally operated planning and programing. The Office of Economic Opportunity has set the five minimum regulations to prevent the abuses most feared by critics of the program, but leave to the local communities the shape, form and regulation of the demonstrations.

Thus, another fear is groundless.

The Office of Economic Opportunity has no desire nor intention, at least as far as we have been able to detect, to take over and run any or some local school systems. They are simply acting as a catalyst, or gadfly, if you will, to seek to bring about educational change to affect the lives of poor children in a carefully controlled monitored demonstration.

We do not believe the voucher demonstration will destroy the public schools. We do not believe it will enrich the Catholic Church or lead to a Federal takeover of the educational system. We do not believe that the voucher system is for every district nor every State. We do not believe that it is a cure-all for the ills of education. We do believe it has promise, as an alternative, to our present unsuccessful methods of educating poor children.

We do believe that like any creation designed to educate children it should be tried on a demonstration basis, carefully controlled, carefully watched, and we do believe it deserves a trial.

We accept competition and free enterprise as the basis of our economic system in this country. Why are we so afraid of it in education?

Thank you.

(Statement of Esther M. Swanker follows:)

STATEMENT OF ESTHER M. SWANKER, VICE PRESIDENT, CENTER FOR URBAN REDEVELOPMENT IN EDUCATION, NEW YORK, N.Y.

Mr. Chairman, Honorable Members, Ladies and Gentlemen:

My name is Esther Swanker. I am a partner in the Center for Urban Redevelopment in Education, a non-profit educational research and consulting organization, presently engaged by the Office of Economic Opportunity through the Center for the Study of Public Policy, to provide liaison and technical assistance to Boards of Education and school administrative staffs interested in pursuing inquiries about the proposed voucher demonstration.

It is a distinct pleasure to greet you again. In the past I was privileged to know many of you when I represented the New York State Education Department, and as Dr. Donovan stated, my quest was also, greater funds for education. Since leaving that position with the State of New York, I have had an opportunity to see first hand the vast educational complex in its many facets in most of the larger cities of our country. We have worked and are presently working with educational leaders throughout the country attempting to put our combined 64 years of experience to use. This experience ladies and gentlemen, was in the public schools, all of it.

We see in the proposed voucher demonstration a tremendous opportunity for forward-looking educators to create, within the public sector, a utopian model, possible now, but to our knowledge untried anywhere, where poor children can be the beneficiaries.

Since the beginning of our country, we in public education have accepted as fact, the concept of a school serving the children residing in its immediate vicinity. This school opens its doors to all children who reside in a given location and attempts to serve their needs. In effect the Principal and teachers are called on to provide an educational rainbow for the gifted, the retarded, the slow learner, the average learner, the under achiever, the highly motivated, in many instances physically and mentally handicapped. If only that school could concentrate its efforts, could appeal to parents whose children are interested in science, or music and art. Perhaps some parents (and teachers and principals) would prefer a school with strict discipline, others a school with a non-graded approach. Teachers and principals could be given a long awaited chance to use their abilities where they are most effective. How often we have seen a very good traditional teacher, completely at sea in an individualized, nonstructured curriculum. But she has no options.

Under this plan of interest-centered schools parents might find that their child who has had difficulty in learning to read might instead of being dumped willy-nilly in the local school where he will have a class of fast and average readers with which to contend, his parents might choose to send him to a school which specializes in diagnosing reading problems and providing remedial instruction by specially trained reading teachers. Some parents may wish to have their children enrolled in a bi-lingual school, others may choose a school with an emphasis on physical education, body building and sports.

Since we do not have unlimited time this morning to detail all the possible permutations and combinations we shall leave this to your judgment to see the possibilities inherent in an interest-centered system rather than one determined by residence.

Those of you familiar with the interest-centered high schools in New York and other large cities know that desegregation is not a problem in these schools. When young people choose the High School of Music and Art or the School of Art and Design or the High School of the Performing Arts or any of the other special interest high schools, they choose them because that's where their talents and interests lie. In effect, they become color blind and the schools automatically integrate themselves.

Let me make it clear that this model system we have drawn for you will teach reading, writing and mathematics, however the reading material in one of these schools might be science oriented, the math geared to scientific problems, the writing assignments in the children's interest field. It is possible to operate this kind of a model under our present educational system, but nobody has been given

enough financial assistance, nor enough outside stimulation to try to do it under present conditions. We are frequently asked, usually by representatives of the American Federation of Teachers or the National Education Association, "Why don't you just give the public school system the money and let them use it to improve education 'their own' way?"

Unfortunately "their own way" has been tried before. For years and years the cost of education has been rising, school taxes have been going up, ESSA funds and other Federal and State funds have been added and where does this money go? It goes to the very same teachers and administrators in the same schools in the form of higher salaries to do things they have been doing for years. And in the case of our disadvantaged, our poor children, the same thing has not worked.

We are not promoting a universal voucher system, but education needs a shot in the arm, or any other place where it will be effective. Maybe, this is it.

One of the fears that opponents of a voucher demonstration have voiced is "It will ruin the public schools". If we, Dr. Donovan and I, honestly believed that, we would not be here this morning. I have just described to you a possible public school model of a voucher demonstration. We do not feel that the demonstration should be limited to the public schools, because some competition might keep these new models on their toes and provide the impetus for accountability which is so desperately needed.

Another great fear that you have heard carelessly thrown about is: "This is just a sneaky device to get money into the Catholic Church and other denominations which support schools". We don't believe this either and we have reasons.

Since starting our new endeavor most of our research has been in the public school sector, but we have done some work also for some Catholic schools. It is our opinion that while initially the voucher demonstrations might sound like manna from heaven, sober reflection will bring the realization that even manna has strings attached. First of all, most of the schools which would be in a target demonstration area are inner-city schools. In the Catholic schools, as in the public, these schools are seriously overcrowded, wall-to-wall kids, you might say. Under the regulations which Dr. Donovan quoted it is conceivable that a Principal and a Pastor might have to turn out  $\frac{1}{2}$  of the present enrollment, children of parishioners who support the church and accept 50% of the school who might be Protestant, Jewish or of no religious persuasion. Tempting as the Manna might be—a Pastor is going to think twice or even three times before turning away parishioner's children to enroll strangers.

Second—by OEO's regulations the books of the Parish would be open to audit by a public body. Many Pastors feel that the Church's financial affairs, the contributions of the members, and the stipend paid the Sisters and the rent for the rectory are no business of the public. Those same Pastors will give careful consideration to this point also.

Finally—with public money goes public regulation. While most Pastors and Principals expect some public regulation (such as fire inspections, minimum curriculum requirements) many regard the idea of public regulation and inspection as anathema.

They fear their religious school (prayer, liturgy, religious education) would be a thing of the past once they become a voucher school.

While this last worry may be excessive it is not without grounds. One aspect of the voucher demonstration which should be pointed out is that it should be a locally conceived and locally operated plan and program. The Office of Economic Opportunity has set the five minimum regulations to prevent the abuses most feared by voucher critics, segregation, elite schools, dumping grounds, but leave to the local community the shape and form and regulating of the demonstration. Thus another fear grounded. The Office of Economic Opportunity has no desire nor intention at least that we've been able to detect, to take over and run any or some local school systems. They are simply acting as catalyst or gadfly, if you will, to seek to bring about educational change to affect the lives of poor children in a controlled, monitored demonstration.

We do not believe the voucher demonstration will destroy the public schools. We do not believe it will enrich the Catholic Church or lead to a Federal take over of the educational system. We do not believe that the voucher system is for every district, nor every state. We do not believe that it is a cure-all for the ills of education. We do believe it has promise as an alternative to our present unsuccessful methods of educating poor children.

We do believe, that like any creation designed to educate children it should be tried on a demonstration basis, carefully controlled, carefully watched. We do believe it deserves a trial.

We accept competition and free enterprise as the basis of our economic system in this country of ours, why are we so afraid of it for our educational system.

Chairman PERKINS. Let me compliment both of you for an outstanding statement. It is always a pleasure to see Dr. Donovan reappear before this committee and we all value his experience.

I personally am impressed with your statement, and you state, Dr. Donovan, that we should have one carefully controlled demonstration. I am of the opinion that the committee will go along with this experiment. I sometimes regret to hear so many people tear down, not these witnesses, but many others, the result of title I. I think you will agree with me, Dr. Donovan, that we have had an inadequacy of funds insofar as concentrating in the ghettos of the country, from the standpoint of obtaining results.

Dr. DONOVAN. Yes, sir; I think there are two factors involved here. One as you correctly say, sir, is a lack of adequate funds to pursue good programs. The second I think has nothing to do with the funds. I think it is a lack of incentive and dedication and ability to try out new things.

Chairman PERKINS. I go along with that.

Mr. Scheuer, I was delighted that you were here today.

Mr. SCHEUER. I am delighted to greet two friends whom I respect very highly for their professional qualifications and enormous experience in public education.

I am sorry that every member of this committee was not here to benefit from your testimony which I think was absolutely brilliant. There is little for me to add or to question insofar as your testimony is concerned, but it was very stimulating, provocative, thoughtful and well conceived in every respect.

I think this committee ought to give the go ahead to a carefully controlled experiment in the voucher system and in performance contracting.

Maybe it is the devil that makes me say this, Doctor, but my curiosity is pushing me perhaps indiscreetly to ask you, having served for 40 years in our school system and having occupied the top position in that school system for a number of years, why are you telling us we need to work outside of the school system? I agree with you that most of us on this committee have learned that we can't only work through school systems. It is not just a question of giving them more resources. You sat on the top of that pyramid in New York, and I am sure you had just as much desire to make that swing a little and be more relevant, more sympathetic and more responsive to the needs of these kids. You have not changed since you left the system. You are the same Berney Donovan now you were then. But what are the reasons that you were not able to accomplish as head of the New York City School System what you think you could accomplish by helping us design and experiment with these two innovative features? What was it that inhibited you from doing, when you were in charge of this system, what you seek to do now outside of the system?

Dr. DONOVAN. I will have to answer as to something you referred to before, I will have to answer as a resurrected corpse since you brought up a dead bureaucracy. I think there are several things that

impede a system, impeded me at the point but I am talking of a system.

In the first place, when you get a large institution of any nature, it tends to become institutionalized and to protect its institutions in its traditional method of opening. That does not mean that everybody in that institution feels that way and that is why, when you receive testimony at this table from organized groups representing teachers, administrators and others, they are not talking for every teacher and every administrator, there are some who wish to be freed but they are in that general bailiwick.

Second, I have to admit in some cases, practically all cases, there was not sufficient funding.

Third, there is that general feeling among human beings that something new is going to take me out of the rut in which I have been so comfortable up to now and that applies to professional people as well as anybody else, even to some of the schools.

It is difficult to come out of that and the bigger the system the more difficult it is because of the inability of the community with everybody in there. Therefore, I believe you have to do two things. You have to continue to work within the system, which by the way has done many good things.

I am not a critic of the public schools except that it has not yet achieved effectiveness that it should. That is my point and I think that by working outside of it as well as inside of it we can create effectiveness, because in the long run the whole purpose of education is the education of that child, not the protection of teachers, superintendents, and principals but the education of the child.

Chairman PERKINS. Mr. Veysey?

Mr. VEYSEY. Thank you, Mr. Chairman. I am very heartened to have two distinguished educators such as Dr. Donovan and Mrs. Swanker step forward here today to give us this very balanced sort of appraisal of the whole problem. And I hope your statement is right, Dr. Donovan, that not the entire establishment is locked in against the change of this sort, that their official spokesman follow that pattern, but that there are many down in the ranks that are giving this consideration.

Let me ask you this: Do you feel there are enough at the teaching level, at the first administrative level, who are willing to undertake in all fairness experiments of this sort so that it has a reasonable chance of fair examination?

Dr. DONOVAN. Yes, sir; I do.

Mrs. SWANKER. If I may, I would like to add a comment to the question.

The reason that we believe this is since we have been working with the Center for Study of Public School Policy we have had numerous questions and are still receiving them from organized groups such as we recently met with the chief administrator of the school of State of Arizona and have an invitation to meet with the same groups in Maryland and groups around the country have invited us of their own accord to come and talk with them about the voucher system and this gives us reason to think there are many individuals and groups who really sincerely want change and think this is perhaps a viable way of achieving it.

Mr. VEYSEY. Thank you very much, Mr. Chairman.

Chairman PERKINS. Let me again, thank you, Dr. Donovan, and the lady for your appearances here today.

I look forward to seeing you back again at some time. I think you are more or less a fixture around the committee and we appreciate your appearances.

We have numerous witnesses today and the other witnesses, outside of Judge Eugene Allen, can go to get their lunch and come back at 1 o'clock.

Now, Mr. Allen, you can come around. I will call you on your Mainstream program since you are up here on another matter.

Now identify yourself for the record and tell us about your Mainstream program in Morgan County, Ky.

**STATEMENT OF HON. EUGENE ALLEN, JUDGE OF FISCAL COURT,  
WEST LIBERTY, KY.**

Mr. ALLEN. I am judge of Morgan County.

Chairman PERKINS. Tell us about the Mainstream program, how it is working in Morgan.

What is the size of Morgan County?

Mr. ALLEN. It is 10,000 population.

Chairman PERKINS. How many Mainstream workers do you have?

Mr. ALLEN. I have 18 under my supervision.

Chairman PERKINS. Is the program working or is it a failure? Tell the committee and if it is working out successfully we would like to know and what the kind of work the Mainstream workers perform?

Mr. ALLEN. The 18 I have working is the Morgan County road system and without this we would not have any road system in Morgan County. We have better than 200 miles of road.

Chairman PERKINS. How many miles of road?

Mr. ALLEN. The county maintains 200 miles. That is what I use the biggest part of the time for. We also remodeled our courthouse and remodeled our jail and numerous things that they are doing in addition and without OEO boys we would be in bad shape in Morgan County as far as our road system.

Chairman PERKINS. Let me ask you, how many miles of road are there to be maintained by the State and by the county in Morgan County?

Mr. ALLEN. The State maintains 136 miles and 202 miles are maintained by the county for which we have \$32,000 in the road fund.

Chairman PERKINS. How much or what contribution do the 18 men make on this 202 miles, Mainstream workers?

Mr. ALLEN. Well, we furnish the materials and things out of the \$32,000 and the OEO boys do the work.

Chairman PERKINS. Do you have any other funds or could you maintain the roads but for these Mainstream workers in your county?

Mr. ALLEN. Definitely not.

Chairman PERKINS. Why not? Tell us.

Mr. ALLEN. We just don't have money to employ them. We don't have the money to keep up the roads without the Mainstream workers.

Chairman PERKINS. Just what type of jobs are performed by the Mainstream worker in maintaining these rural roads? Tell the committee.



Mr. ALLEN. They run heavy equipment such as graders, and they drive trucks. Also, what we do is we keep or try to keep them for 6 months and rotate them. We try to find them jobs. Out of the 18 I have had working, now we have 18 new ones and we placed, I believe eight on heavy equipment on jobs which they draw a paycheck from, and that is not on the OEO any more.

So what we are doing is training them and I think we placed about 10 of them on carpentry work.

Chairman PERKINS. You are telling the committee that your training program and the training of these Mainstream workers has been successful insofar as assisting them in getting jobs later on?

Mr. ALLEN. Yes.

Chairman PERKINS. Now, is 18 all of the slots you are allocated in Morgan County?

Mr. ALLEN. That is all I can get. I need more men.

Chairman PERKINS. How many more do you really need?

Mr. ALLEN. The main thing is the road and at least we need 20 more.

Chairman PERKINS. What is your unemployment rate in Morgan County? Do you have a lot of poor people unemployed?

Mr. ALLEN. I believe a third of the population is unemployed or better.

Chairman PERKINS. Do you believe a third of the population or better is unemployed?

Mr. ALLEN. Yes, sir.

Chairman PERKINS. How is your Headstart program working out in that county?

Mr. ALLEN. Well, they are doing a real fine job. Of course it is handled under our school system. I don't have any record of it but they are doing a fine job, too.

Chairman PERKINS. In rebuilding your courthouse there, what did these Mainstream workers do? What kind of a job of remodeling took place? I would like the committee to know about this.

Mr. ALLEN. They rebuilt or put four additional rooms, additional to the courthouse.

Chairman PERKINS. What materials did they put in in rebuilding and who furnished the materials and the types of material and whether it was carpentry or masonry work or what? Tell us something about it.

Mr. ALLEN. It was carpentry and masonry work and, of course, we paneled the whole court room and all of the offices and added four additional offices on to it. They did carpentry work and masonry work and these boys can do about anything.

Chairman PERKINS. Would that courthouse have been remodeled but for the Mainstream workers there?

Mr. ALLEN. Before the Mainstream workers started it was not even fit to walk in. Now we have a real nice courthouse.

Chairman PERKINS. Was it in a dilapidated condition?

Mr. ALLEN. It had been condemned, yes.

Chairman PERKINS. It had been condemned?

Mr. ALLEN. Yes.

Chairman PERKINS. How about your jail, what took place there?

Mr. ALLEN. We approximately 6 months ago started working on the jail and are still working on it and are remodeling the jail and I am trying to get it up to date and it also had been condemned.

Chairman PERKINS. Are they doing carpentry and masonry work?

Mr. ALLEN. Mostly carpentry on that.

Chairman PERKINS. Mostly carpentry?

Mr. ALLEN. Yes.

Chairman PERKINS. How many people really need employment that are not presently being employed in Morgan County, Ky., and how many people need training that are not presently receiving training in your county, to the best of your judgment, as judge of the fiscal affairs of the county?

Mr. ALLEN. Approximately a third of our population are in need of jobs and training.

Chairman PERKINS. How many thousand would that be? Tell the committee that.

Mr. ALLEN. Between three and four thousand people.

Chairman PERKINS. Which are unemployed and do not have any work in that county of 10,000 people?

Mr. ALLEN. That is right.

Chairman PERKINS. Mr. Veysey, do you want to ask the witness any questions?

Mr. VEYSEY. No, thank you, Mr. Chairman, just to thank him for coming here with this information which we appreciate very much.

Chairman PERKINS. Do you believe that the community action agency down there, is helping in connection with softening the unemployment problems and helping the poor and in other respects?

Mr. ALLEN. They most certainly are. Without these programs, I wouldn't want to be judge of Morgan County.

Chairman PERKINS. Thank you very much, Judge Allen.

We will recess now until 1 o'clock.

I am sorry, I agreed to call Mr. Ryan first, State Assemblyman from San Francisco, to accommodate Congressman Veysey.

Come around, sir. You have a plane to catch and we also want to accommodate the witness.

#### STATEMENT OF HON. LEO RYAN, STATE ASSEMBLYMAN, SAN FRANCISCO, CALIF.

Mr. RYAN. Thank you, Mr. Chairman. I appreciate your indulgence. I do have a plane to catch.

I am Leo Ryan of the California State legislature. I serve on the Education and Ways and Means Committees in California. I served with the distinguished Congressman, Mr. Veysey there.

Chairman PERKINS. How long had you been in the General Assembly of California?

Mr. RYAN. I have been there 9 years and came there with Mr. Veysey in 1963. We came there together. I have, or the reason I am here today is I have the bills which relate to the voucher system in California and we are very concerned about the point of whether or not the voucher system has any chance for survival because in California there are 5½ million children in the schools.

We spend, State and local taxes together, about \$4½ billion on education in California alone.

We believe that education in California today is a sick, if not dying system. It is not producing the kind of education quality we believe is

necessary to move youngsters into the adult world with sufficient training to give them any chance to survive in the adult world.

This year for example it is going to take an additional \$170 million simply to maintain the status quo as far as the present cost of public education. We have a voucher bill which we believe may be an answer and we want the chance to experiment.

This is not the only piece of legislation which I carry, which is in the nature of an experiment. There are other experiments besides.

I have a bill for instance that was proposed to me by several of the superintendents of the larger school systems in the State including Los Angeles school system, San Diego city school system, and so on, that relates to relieving some of the school system on a partial basis of the State code where they intend to try to find some ways in the public system to meet some of the problems that exist because they believe that perhaps some of the State legislation that has been passed may actually inhibit good quality education.

One of those experiments then that we are trying, in relation to vouchers, unfortunately with the voucher system a great deal more money is required and far more than possible to obtain through State financing alone.

I would point out, I think there are essentially two issues which the committee seems to have brought up at this time which I would like to speak to at the moment.

First is whether or not the Office of Education should be allowed to survey or control any experiment in the voucher and I don't believe that it is my prerogative to say at the Federal level which agency should have the job but I do believe it should be done.

I know that over the years the Office of Education has not been particularly sympathetic to genuinely experimental programs we have suggested in California. I have been to the Office of Education many times and on many occasions in the past and not found them too sympathetic with programs that tend to have any kind of effect, or negative effect on the structure that exists.

I was interested in Dr. Donovan's comment about the structure of education in New York City and the difficulty he has with a large system in trying to create change and we have the same situation in California.

It is very difficult to create change where jobs are affected. I can give you specific examples of that but I think I will go on to other things.

There have been any number of comments made by those who are opposed to the voucher system and I was interested in my distinguished fellow Californian, Mr. Hawkins, and his comment that no educators themselves have spoken in favor of the voucher system. There are a few who have but mostly they have not.

But the very fact they have not is an indication to me that perhaps there is reason to go into this further.

Any kind of attack upon the structure itself seems to meet with militant opposition from the educational system. I am even more curious now about the voucher system simply because there is this much opposition within the educational system itself because it may mean some kind of slowing down of the enormous increase in costs that have occurred in education itself in California.

We have watched in the last 10 years or 9 years since I have been in Sacramento, an enormous increase in the cost of education which we have funded primarily through the local property taxes.

Speaking again to the poverty areas and how it would effect the poor, since the Office of Economic Opportunity has that function, I can only say that the poorer the school district in California, the more need there is for additional funds and the less chance there is of obtaining the funds under the present financial system we have in California.

I do believe that the Federal money used for experimentation with the voucher would inevitably lead to additional school support and financial support in the areas where they are most in need.

I had the opportunity sometime ago to, since my own background before I became a legislator, was in teaching, I went 2 years ago down to Mr. Hawkins own congressional district as a matter of fact and taught as a substitute teacher in a school, a high school in Watts.

They didn't know who I was and I taught there for 2 weeks as a substitute teacher and took five classes as any regular teacher does.

In talking to some of the faculty members there, they were almost universal in their agreement that not enough of the money goes to the poorer schools. There is so much administrative overhead that the money simply, or money is spent at the top and simply trickles down in too small an amount to the youngsters themselves.

For example, the social studies department I taught in at the school did not have any kind of facilities, mechanical or electronic equipment with which to teach the youngsters as such. They simply had not ever gotten the money to do so.

There was not a single motion picture projector or ditto machine to develop materials for teachers for use in the classes.

I also talked to some of the teachers about the difficulty in trying to teach young black students who were very much alienated to the system that existed. They don't believe, I don't think that anybody cares about them.

At night I talked to many of the parents in different kinds of meetings. I went around to those meetings with Assemblyman Bill Green who represents the same area. Over and over again the parents say, Mr. Ryan, why can't you give us the money instead of having it trickle down and be strained through all of the mayors of administrative overhead and give us a chance to use the money better than it is being used now?

To me the voucher system would do that kind of thing and would be a much more direct kind of approach, much more direct application of the funds to the places where they are most needed.

There are many objections that have been given by educators to the system, to the possibility of its use, and there is an objection that it will produce a kind of segregated system, which works against the Civil Rights Act and the kind of programs that are encouraged for integration.

Yet, I would point out to you that in California, throughout California, our schools are heavily segregated today, if not by law or by design or by desire, at least in practice. My youngsters go to school in Milbryan in Burlingame, and they are entirely white schools and within 15 miles of where my youngsters go to school there are black

schools almost entirely black, and that is in spite of the fact we have laws on the books in California and Federal laws that prohibit it.

The fact is whatever we say about the systems and whatever we say about hucksters and whatever, there are answers to that. There are at least in hypothesis. The fact is we will never know whether or not this is a particular useful kind of experiment unless we try it.

I guess that is what we are after in California. I would point out to you that the bill that I have answers these objections point by point in a manner which it has been developed.

I would further point out while it has been mentioned there are three States that expressed an interest in developing a voucher system, in each case there needs to be enabling legislation at the State level in order to get it down.

I don't know of another State far along as we are in development of different kinds of educational experiments to try to improve the system. I speak of Indiana for example or the State of Washington and yet in those two States, to the best of my knowledge, no bill has progressed as far as the voucher system or any other kind of innovative educational experiments have progressed to this point.

The bill I have using whatever legislative skills we have there, I am certain I have the bill or the vote to get the bill out of the educational committee this year, and I am working now on the ways and means committee which is the same as your appropriations committee here in the Congress, and I think that we have the votes to get it out there too.

In other words, the bill is moving along. It has some chance of success this year unless the Federal Government by action of this committee and by action of the Congress decides it is no longer interested in the voucher system as such.

If the Federal Congress decides it is no longer interested in pursuing the idea of the voucher experiment, then there is absolutely no chance for my passage of my bill or any legislation like it.

The reason for it is obvious, if it looks to the members of the legislature in California there is no hope of funding such a program and obviously there is no reason then to go ahead.

I have a hunch that is the reason why there is so much opposition expressed before this committee in a prior hearing where I read the testimony. It seems to me that perhaps the fact is used by those opposed to the system is to kill in effect the experiment as such here rather than in California.

We have the capacity in California, I think, to oversee any kind of experimentation in education to a very high degree. We have the capacity to watch it, to look at it, to ask questions and ask tough questions as this committee asked here this morning. But if we don't have the money to back up this particular program, then we have no chance of getting it through.

Finally, there is a question of whether or not this bill would help the poor. I think the bill or the money from the Federal level to go with the State legislation to develop it would go directly to the poor first.

Obviously, no district in California and there are several in California that have expressed interest in this legislation, but they expressed interest because of the fact they are poor. There are two

districts in California very close to my own assembly district that have asked me personally about it and want to apply for the Federal funds if they become available.

The reason they wish to ask for funds is because in fact they are poor, desperate, out of money and their level of support for youngsters is very low. These youngsters deserve the right to be educated as any other youngster is educated in California. The level of support throughout the State for education of youngsters is about \$800 per child.

In the Ravenswood School District near Palo Alto, the level of support is less than \$500. In the Pacifica School District, my own district, level of support is \$540 as opposed to \$800 which is the average.

They have expressed an interest in the voucher system only because they know they can't do otherwise than find some kind of relief and some kind of support from outside of the regular means of financing schools at the State level. That is why they have come to see me asking for assistance. I would suggest to this committee and its members that the bill deserves a chance. I am most curious about the level of opposition because I believe that the level of opposition indicates the reason for it, for giving it a trial.

Those who say in the system, as many have, that such an experiment will destroy public education, by their own words indicate the nature of the problem. I had the same comment made to me by a member of the State board of education when I made a speech to that body more than a year ago about the voucher system and the reason I thought it should be tried.

One member of the board at the meeting came to me and said: "Mr. Ryan, if your ideas are accepted or adopted it will mean destruction of the public school system" and my comment to him at the time was: "What you are saying is you are implying if parents are offered any alternative to the public school system of education we have now they will take it in such large numbers they will effectively walk away from the public school system."

That in itself is an indication to me of the dissatisfaction throughout the entire system throughout the entire State and which indicates to me further this kind of experimentation is necessary if the schools, if the education system in California is to survive.

It is for those reasons we are extremely concerned in the legislature about your actions on this particular bill and this particular support and we would ask you to give us a chance in California if we can get the legislation passed, to give the voucher system a trial and see what value it can have for educating youngsters.

After all, it is not so much survival of the public school system we are concerned about but the survival of youngsters who are within the system and whether or not their education is adequate enough to give them a chance to survive in the adult world and not so much the chance for teachers or administrators to survive in the present system before we consider the children.

Chairman PERKINS. Thank you very much, Mr. Ryan.

Mr. Veysey?

Mr. VEYSEY. Thank you, Mr. Chairman.

Mr. Chairman, I am delighted to see my colleague of a number of years from Sacramento here today on this important matter. Assemblyman Ryan and I each spent 8 years as members of the education committee there and while we are of opposite political parties nonetheless we found a very warm accord in trying to solve the problems of children through our educational system. I am very happy to get this report from Assemblyman Ryan as to the progress of implementing legislation in California.

Now, did I understand you correctly, Mr. Ryan, that it would be your feeling that while there is considerable support for the legislation this year in California, that if this Congress should back away from funding or authorization of voucher experiments through OEO, that would destroy any opportunity to proceed in California?

Mr. RYAN. Very flatly, yes.

I can't conceive of going before any committee, nor do I have any real plans to continue to push for a voucher experiment, or experiments in California, unless there is funding for it in the Federal level.

We simply do not have at this time at the State level the kind of funds over a period of years that we can commit to this particular kind of experiment. Yet, we know that it may have value but it will take a considerable number of millions of dollars over a period of years in order to give this thing an adequate trial.

I am not willing to have it undertaken unless there is adequate amount of money behind it because obviously it can't possibly work without that kind of funding.

Mr. VEYSEY. Approximately how long a period of time do you think it would require to establish an experimental district in California, to conduct the experiment, and to get definitive results letting us appraise the merits of this plan?

Mr. RYAN. That calls I think for a judgmental type of answer since there can't be a final conclusion until we have had a chance to try it.

It seems to me in order to give any kind of private competition a chance to develop of an adequate nature, we would need to have anywhere from, I would think 5 to 7 years from the date when the voucher system experiment actually begins on an ongoing basis, where youngsters are given their vouchers and they have a chance to apply at some school for entrance other than a public school, so we are talking then at least I would say probably, with leadtime, of anywhere from 7 to 9 years.

Mr. VEYSEY. Then, this should not be looked upon as an immediate general solution for the problems of the poor children?

Mr. RYAN. No, sir.

Mr. VEYSEY. Am I right to assume that to solve the problems of public education we have to look pretty far down the road?

Mr. RYAN. I think it is important to stress that point, because there are no immediate answers to the problem of education or problems of education and the two primary problems are financing and quality. You can't have any kind of, or there is no magic bill, there is nothing going to happen between now and next fall that will suddenly take care of all of our problems but one of the problems we face in California, very frankly, is financing.

We know that in California, within the next 5 years, we will have to substantially raise the amount of public commitment, in taxes, to education in its present form. There is increasing and very heavy resistance today to any increase in taxes for educational purposes, whereas in years past the success rate of tax elections and bond elections in local school districts was 70 to 80 percent, today less than half passed on any regular basis.

There are schools today in California that are giving notices to hundreds of teachers in individual school districts, because they have had to squeeze down and tighten up because the public refuses to vote for any further support. There is good reason for it.

In the last 10 years in California the total amount of State commitment of the gross national product to education has gone from 3 percent to more than 7 percent today and if that increase continues in the next 10 years the amount of gross national product devoted to education will be over 10 percent and probably closer to 15 percent.

In order to reach that level I am convinced having been on the finance committee for many years, it will take heavy increases in income taxes, bank and corporation taxes, and sales taxes and we already have a 5-percent sales tax in California and will go to 6, I think, in the next 2 years and God knows where we will go from there and still we won't have any idea of what the upper level or limit of the cost of education will be.

We face the most serious kind of financial problem looking ahead. I think we must find alternative means of educating our youngsters before the public school system collapses, simply for want of funds.

Mr. VEYSEY. Then you are saying that the Federal Government, if it looks to this objective, must be steadfast over a period of quite a few years to really carry on the experiment and find out if it has merit. I take it in the meantime, we must also accommodate the concerns that Congressman Hawkins was expressing this morning for adequate Federal funding of the best known existing approaches that may be available to us.

Mr. RYAN. That is true.

Mr. VEYSEY. And one does not substitute for the other; would that be correct?

Mr. RYAN. I think you are absolutely right. I think that Congressman Hawkins' reservations about the voucher system are certainly worth considering. I also think that if those schools that collapse first as the money becomes less available, as it will in the years to come, those schools that are hurt worse and hurt first will be those that are the poverty schools and the poverty schools are in the poverty areas and the poverty areas are where the black, Chicanos, poor white, whose youngsters you have the least chance to survey now will be the first to feel the effect of tighter and difficult economic conditions which will absolutely begin to exist unless we find better means of educating those youngsters and one of those possibilities is the voucher system.

I stress that it is one of the possibilities because it is not the only one. We do have other kinds of experiments we are going to try but we need to try this one, too.

Mr. VEYSEY. One final question. This is another side of this problem.



We are now experiencing a kind of enhanced interest from within the educational establishment in the voucher plan. The establishment was pretty closed at first but I think there is a loosening up and something of a willingness to look at it.

Would it be your expectation, should a voucher plan be implemented in an experimental form in a district in California, that the improvement, assuming there was improvement arising out of that, that the improvement would come from internal changes within the educational system or would it come from options offered from outside, that is other alternative educational opportunity?

Mr. RYAN. I think it would be a combination of both. I think that the lady's comments who preceded me was most apt, when she said that competition was still a valued principle.

I can't help but believe that if there were alternatives for parents and their children in choosing what kind of school they wished to go to that it wouldn't force public schools in direct relationship to their quality, to reexamine the offerings they have for youngsters in their own areas.

I am convinced for example in the Watts area of Los Angeles, those public schools that are in existence today that do not meet the needs of the youngsters who are there, would be forced to reexamine their own curriculum, offers and methods and types of teachings, if they found that the youngsters were leaving in massive numbers to go somewhere else.

I am convinced they would leave fastest in the area where they have been least successful and the least successful areas in education in California are those areas where the poor live and that is where the money is needed and that is where the educational problems are the most difficult.

Mr. VEYSEY. Thank you very much.

Thank you, Mr. Chairman.

Chairman PERKINS. Mr. Ryan how many carefully controlled demonstrations do you feel we should conduct on the educational voucher plan?

Mr. RYAN. Well, I think there are two aspects to that answer. One is the very practical aspect of State participation. It is pretty hard for the Federal Government to move in and assist in experimentation with the voucher if you don't have State legislation to assist.

I have checked around as best I could and as I said before. I don't know of any particular State at the present time that is as far along as we are.

If California passes this legislation, and becomes eligible then for developing a voucher system, I would hope there would be more than one school district in California involved. I don't think that the nature of any experiment as complicated as this should stand or fall on a single school district's success or failure with what is essentially an experiment.

An experiment, after all, implicit in any experiment is a chance of failure or a chance of success. If it then succeeds in one district it implies it will succeed exactly the same in every district and we know there are sociologic and other factors involved that perhaps it won't work anywhere else.

I would like to see it ride in different kinds of school districts, for example, in San Francisco where they have a classic pattern of failure in an urban ghetto area. I would like to see it tried, for example, in Alum Rock, which has a different kind of ethnic makeup, they are a poor district and high percentage of Mexican Americans living there and Pacifica, my own assembly district we should give it a chance. They are one of the poorest communities in California and the assessment behind each child is something like \$600 per student whereas the average is 11 or 12.

I think we should see if this kind of system provides better funds for education. We should try it in places where there is willingness of the community to experiment in it and there is interest in it and then after it is tried then we have a chance to assess those aspects of it which are successful and those aspects of it which are failure and then might be translated into a general law for the entire State and perhaps for the Nation.

Chairman PERKINS. Thank you very much, Mr. Ryan.

You have been very helpful. I think, if Mr. Veysey will remain with me we will throw in another witness before the other witnesses come.

Come around, identify yourself for the record and go ahead since you are here.

#### STATEMENT OF JAMES L. REDWINE, SANDY HOOK, KY.

Mr. REDWINE. I am James L. Redwine, Sandy Hook, Ky., formerly associated with the Mainstream and the concentrated employment program with the Northeast Area Development Council.

I respectfully ask that I be allowed to testify before this committee as to the results of the program in our particular area.

Chairman PERKINS. Northeast group of counties, what counties does it represent in eastern Kentucky?

Mr. REDWINE. That represents from Lewis County on the Ohio River, Greenup, Carter, Elliott, Rowan, Morgan, and Lawrence County.

I had to think a minute about that one.

I have seen the direct result of this program put into homes for the aged, for the incapacitated, I have seen these men who were undereducated, underprivileged, and in many cases undernourished, become accomplished carpenters, masonry workers, concrete finishers, and I have seen heavy equipment operators developed, I have seen the courthouse in Morgan County, as Judge Gene Allen testified, and I have seen that building resurrected from a wreck to being a very adequate facility and a pride of the people of Morgan County.

I have seen the city of Sandy Hook that had no playground facilities for the children, developed into a park area in cooperation with the Army Corps of Engineers and by use of these Mainstream men in their work in constructing Army surplus building on the playground, and let me retrogress a little into the homes of these people.

All of us have seen either on TV or in the newspapers, some of the homes in which our people live. It would do my heart good, and I am sure the people of the area, if this committee could be transported into the area and see the condition of their homes at this time.

Now these people furnish the material, most of them from a welfare check, or from a very inadequate social security check in many instances. The labor is supplied by the Mainstream employees. They have rerouted, rebuilt, refurbished these homes until they are a pride for the people themselves.

This, within itself, is evidence of the benefits of the program, but further than this, I have seen these men develop a pride within themselves and within their work, that is desperately needed among our people. I am sure that it is also needed in other areas of our land, in the areas of the urban areas that are locations of our underprivileged, undereducated and in some cases undernourished.

To change or to alter this program at this time, I think would be a gross misjustice and I urgently plead with this committee to exert any and all effort to see that the program is not only carried forward but, if possible, to expand it.

Chairman PERKINS. How can we improve the Economic Opportunity Act, make it more powerful and of greater service to the poor people?

Mr. REDWINE. Well, Mr. Chairman, these people or we need more of these people involved in the program. We need more facilities for them. We need more slots, as they call them.

I was designated as a coach for these people. That was the position I held. In this position, I had this situation.

Chairman PERKINS. What is your present position?

Mr. REDWINE. At the present time, Mr. Chairman, I am not employed with these people. I am a labor investigator, or auditor and investigator for the State Department of Labor of the State of Kentucky.

Chairman PERKINS. Go ahead, proceed.

Mr. REDWINE. These presently—we need more slots as they are designated and we need more of these people involved in this thing.

Also, I would suggest that in the counseling of these people, that they get a more concentrated counseling by their coach or counsel. That is the one change that I would make in the program, because they are, at the present time, inadequately coached in their personal appearance, their personal abilities to make an application for a job, to know how to conduct themselves in an interview for a job and how to get and keep that job after they have secured it. That is the one change that I would make.

Now, let me go a little farther into this opportunity program if I may.

In the Headstart area of the OEO program, I have seen little children that were afraid to come out from behind a house if a stranger arrived on the scene, become self-assured, to learn to get along with other students, other children, to learn to share in their toys, in their play, and in their work.

My wife was associated with what they now call a day care center and at that time I was unemployed and I spent a good deal of time in and around this day care center assisting my wife and the staff. I saw little children from the age of 4 or 3 and 4 before they went into the Headstart program that actually would cling to somebody they knew because they had not been associated with other people. They become self-assured. They learn to use eating implements. They learn to read

in some instances and some of them were a little more advanced than others.

But these are my people and I love them, but I can see their inadequacies and I can see the reasons behind their inadequacies and why they are like they are.

I will do anything at any time to see them upgraded and to learn to help themselves and with your help, with the help of this committee and the Congress of the United States, this can be a fact and they will take their rightful place in the society of the United States.

Thank you, Mr. Chairman.

That is all I have to say. If you have any questions I will be glad to answer them.

Chairman PERKINS. Mr. Veysey?

Mr. VEYSEY. Thank you, Mr. Chairman.

Mr. Redwine, I am very interested in what you are telling us here today, particularly since you are a representative of the State department of labor in a position to observe these things in the field firsthand.

Now the Mainstream program you described occurs to me as being a very interesting one. Of course, we would all be interested in the fact that it brought about improvement in the hospitals and the library and courthouse or whatever else, but going beyond that I think to me the significant thing you reported was that it provided an opportunity for self-improvement for some of these people there to acquire a skill, to improve themselves and to qualify to take, I suppose, a good paying job afterward and to really become self-sustaining citizens. That is the main impact?

Mr. REDWINE. Yes; that is the impact of the program. This I have seen. These men, after a certain time on this program, after they have worked for a certain period of time in the program, many of them I don't have the numbers at my fingertips and had I known I would be here I am sure I could have come up with them for you, but I have seen these men move into jobs with contractors on the heavy equipment, I have seen some of them form a construction company, not a heavy equipment but building construction company of their own and they are now doing contract work.

I have personal knowledge of some of these men moving into the self-help thing and going into business for themselves and they go out and do some work on weekends and on their own time, that for people who are not eligible for the help under the program, and in fact, I employed three of them to do some work on my own house. They did a beautiful job.

This I have seen. I think.

Mr. VEYSEY. I think that is a fine indication of the success of the program of that sort and the success of this program is, I think, a tribute to Kentucky's good representation here in Congress.

I wish we had that type of program in California.

Thank you.

Mr. REDWINE. I assure you, Mr. Veysey, it would be of help to us.

Chairman PERKINS. Let me make this statement, that Mr. Redwine was up here with the rural telephone delegation along with the two other judges and I just thought I would utilize their experience while they were visiting here.

Mr. REDWINE. For once, sir, we didn't come after anything but we came to say thank you.

Thank you, Mr. Chairman.

Chairman PERKINS. The committee will recess until a quarter after one.

(Whereupon, at 12:55 p.m. the committee recessed to reconvene at 1:15 p.m.)

#### AFTER RECESS

(The committee reconvened at 1:35 p.m., Hon. Carl D. Perkins (chairman of the committee) presiding.)

Chairman PERKINS. The committee will come to order.

Come around, Dr. Dawson. I understand that you and Mr. Solomon Keene are prepared to leave soon. Identify yourself for the record, Dr. Dawson, and proceed.

#### STATEMENT OF DR. A. RAY DAWSON, CHIEF OF GERIATRIC SERVICE AND MENTAL HEALTH, STATE DEPARTMENT OF MENTAL HEALTH AND HYGIENE, JAMES MADISON BUILDING, RICHMOND, VA., ACCOMPANIED BY SOLOMON KEENE, NEWPORT NEWS, VA.

Dr. DAWSON. Thank you, Mr. Chairman. I am A. Ray Dawson, M.D. director of geriatric service and mental health of the State Department of Mental Health and Hygiene, Richmond, Va.

Chairman PERKINS. How long have you been serving in that capacity, Doctor?

Dr. DAWSON. Some 5 years.

Chairman PERKINS. Go ahead.

Dr. DAWSON. With your permission, I would like to read a prepared statement relative to our findings and some basic philosophies that we think have come about in relation to the rehabilitation of employment of the older age person before we go into the basic thing of the Green Thumb.

Chairman PERKINS. All right.

Dr. DAWSON. We have for a number of years engaged in rehabilitating the general patient population of our hospitals and clinics. The older age population, that is, over 60, for us, was placed in these ongoing programs. But I must point out that our major emphasis was directed toward the normal wage earning population, that is, from the late teens through the 1950's.

During the last 1½ years, we have increased our emphasis in rehabilitating the older aged group. This came about as a result of two facts: First, the excellent results we obtained with the older age group and, second, the great benefits that the older person derived from productive experiences.

In retrospect, certainly, our facts should have been reversed: The need of the patient should have come first.

I can only say, regretfully, that perhaps we have learned from experience.

Our findings are not unique. In parallel are all major reports that I have read on the rehabilitation and the employability of the older age group. The consistency of work of the older age group is better; perhaps not as fast as our others, but they are the first to arrive when

a shop opens or a detail starts its activity, and they are the last to leave.

Their attitude toward a job being done is one of pride and cooperative fellowship.

In our rehabilitation training facilities, we have regular production workshops that simulate normal employment. The characteristics of the products of this older age group is that they have less rejections, and week after week their production record is better than average.

Noblesse oblige perhaps expresses best the pride that these people have in their daily activities.

The older person can be and is a productive worker in a suitable setting. Our experience leads us to recognize that the older person tends to select a work environment away from the hustle and bustle of pressure production.

We have had rehabilitated persons working in industrial sewing, furniture manufacturing and the like, but they are exceptions. Most of our rehabilitative clients in this age group select landscape, gardening, farming, park services, playground maintenance, motel house-keeping, motel maintenance, janitorial work and the like.

When one thinks about the jobs that these people select, it adds up to a sensible choice. As we grow older, the insulation on our nerves becomes thinner or less effective. Therefore, noises and pressures become irritating.

I am sure that we have heard many grandparents say, "We love our grandchildren and we love to see them play, but after a couple of hours the noise and activities cause us to fatigue."

I think another factor in job selection is the fact that these jobs are of the lower pay group; therefore, subject to constant turnover of workers, making placement easier to obtain.

Although income is of importance to the older person, it is usually not so imperative as to the younger person. As important as the income factor is to our older persons in a work situation—and to some it is of major importance—as a physician, I believe that the restoration and maintenance of spirit is a major accomplishment. Every report that I have received from Green Thumb program and the Commonwealth stresses the importance of this result. This is also true with other production endeavors of these citizens.

I have seen many people shrivel up physically and emotionally when they lose their sense of contributing to society and their loss of their worthwhileness. These characteristics come at any age group, but they are much more prominent in the older age group and are accompanied by what we have termed as a withdrawal syndrome where the older person withdraws from society around him.

In a work situation, the restoration of the sense of contributing to society and the sense of worthwhileness are, perhaps, best portrayed by the use of earned money above their day-to-day needs.

These are the things that their money go for: an Easter dress for a granddaughter, a baseball glove for a grandson, a piece of furniture for the daughter, and a fishing rod for the son.

These are symbols of the desire for closeness in family ties and expressions of not forgetting and the hopes of not being forgotten.

By and large, these people that we are talking about are an unselfish generation and, actually, the very foundation blocks on which our abundant society has been built.

I am convinced personally that the dividends that have come from the investment of our tax dollars in the Commonwealth of Virginia in relation to the Green Thumb program has been a great factor in the building of our society.

Thank you, sir.

Chairman PERKINS. Let me say, Doctor, that I wholeheartedly am in accord with your viewpoint concerning the Green Thumb program. It has worked out well everywhere we have had it.

The only problem is that we have just not had enough people, elderly people, participating in the Green Thumb Project. That has been our chief objection. Everywhere we have had any one of those programs, the people speak of it highly and the results have been very good.

Dr. DAWSON. The 180-some that have gone through the Commonwealth of Virginia's program in the last year have been richly benefited.

Chairman PERKINS. How many more slots could you have efficiently utilized for this type of program within the poverty category?

Dr. DAWSON. I am not familiar with those details, but I understand that there are some 20 applications now of this type before the board in Virginia that they did not have funds to finance.

Now, I think that my friend, Solomon Keene, who is one of the Green Thumb workers in Virginia, can give you in much better detail than I his experience.

Chairman PERKINS. Go ahead, Mr. Keene.

Mr. KEENE. My name is Solomon Keene. I was born and reared on a farm in North Carolina. Presently, I am living in the city of Newport News. I work on a Green Thumb Project in the city of Newport News.

Chairman PERKINS. Tell us what you do and how many are employed on that particular project.

Mr. KEENE. We do various jobs. We beautify parks and recreation centers. We beautify highways and school grounds. We set up shrubbery and so forth, keep the parks clean and neat.

Now, on my particular work site in the city of Newport News 3 years or 4 years ago, when the Green Thumb first started, the place looked like a wilderness, but today it is a beautiful site. People come there by the thousands just to view it.

As you drive in you see the beautiful grass that is growing green. We keep the grass cut. We keep the flowers in the dry season. We keep the hedges trimmed, and we also do a lot of landscaping where it is needed.

So I think that we are doing a wonderful work.

Just to show you what I think of this program and what we are asking is this: It says 20 million persons in America today are 65 years old and older. A great many of them live on incomes that are too low to keep body and soul together. They find themselves in situations where job prospects are rare. Most are unable to find work. They feel useless and rejected, abandoned and forgotten.

Under these conditions, their health declines; their bills pile up, and the situation worsens.

Green Thumb provides employment for older retired people with rural backgrounds.

It helps them not with a handout but with an opportunity rather to work their way out of poverty.

So we are simply saying, Mr. Chairman, that the Green Thumb worker doesn't have his hand out for a handout. He doesn't have his hand out for welfare or a charitable gift. He is only asking for an opportunity of a job where he may be able to work his way out of poverty.

That is what we want to do and that is why we are before you today, to ask you to help us to give them the opportunity and to furnish them a job.

I am presently working, and I hope I can continue, with the Green Thumb. It has really helped me.

So, as I stated before, when I quit working—I am 70 years old; I retired when I was 65—it was kind of hard. I couldn't get a job. Bills were piling up. My mind went depressed, but Green Thumb came along and gave me a job and now things are going very well. So I hope it can continue that way.

I thank you.

Chairman PERKINS. That is a good statement. Let me thank both of you for an excellent statement here today. You are very helpful to the committee.

Come around George Gustafson, education consultant of the Department of Finance of the State of California, Sacramento.

#### **STATEMENT OF GEORGE GUSTAFSON, EDUCATION CONSULTANT, DEPARTMENT OF FINANCE, STATE OF CALIFORNIA**

Mr. GUSTAFSON. I am George Gustafson, education consultant, Department of Finance, State of California.

I have another responsibility in that I was Governor Reagan's appointee or nominee to serve on the educational voucher committee on Alum Rock. So I served not only as educational consultant, but as one of the ex officio directors of the Alum Rock project.

I think the issue I would speak to first of all is that we in California have had a long tradition of educational experimentation, as have other States, and one of the ideas that has come to the forefront recently has been the idea of vouchers.

I think in the past 2 or 3 years the Governor of our State, as well as the new superintendent of Public Construction, have talked at length of vouchers and have certainly talked now increasingly about the feasibility and acceptability of the notion of a limited trial control basis moving toward some experimentation in a new area of education, educational vouchers.

I think the experience we have had in Alum Rock has supported two or three notions which I think are of merit to this committee.

The first one is that in the public school system today we have kind of had the notion that the public school systems are open. Yes, in fact, they are open, in part; but I think that they can be even more open and more responsive to the kind of action and interaction of our communities.

One of the toughest things we have to do in an accountability system is to try not to have an account for what we do but to have some input of what we are doing in the nature of education.

One of the most difficult things in the Alum Rock experience was to try to involve those parents in Mexican-American community, who,



even with all of the traditional kinds of school outlines of programs of communication, tended not to be very much involved until we had a concentrated effort to really bring that segment of the community in the project, and now they have been increasingly involved in what is transpiring in terms of the feasibility portion of the study.

The second thing I think that is interesting, which relates more to my own personal experience as an educator and consultant, is that there has been a lot of talk recently about being able to decentralize the school system.

One of the things that has impressed me the most is the discussion of decentralization seems to focus on the notion that the schools should be individually different and accountable and responsive to the public.

I think many of the discussions we have had about vouchers lead us to talk more about competition in terms of the competition between public and private schools.

I think probably one of the most exciting notions to me as a professional educator is the fact that what we may really do is to begin to break up the traditional school system and make that public school system more responsive and more competitive so that individual schools, even though they be neighbors in a community, can compete for different types of educational programs and offer different kinds of educational opportunities.

Too frequently we have schools trying new notions and have those notions shut off because of a small group of parents who don't particularly like this type of educational offering, and they just feel that they cannot go to the school next door. They have to stay in their own school.

We think there should be open freedom of choice for these parents to get involved and for those schools to be responsive directly to the students' needs.

I think that too frequently we tend to feel that educational innovation is something that someone else should try, and when it is perfected we will all do it. And we feel that the notion of vouchers certainly has enough merit in it so it should be tried, and we hope it will be tried in California.

Chairman PERKINS: Thank you very much for a most helpful statement.

Our next witness is Dr. William Jefferds, superintendent of the Alum Rock Union Elementary School District of San Jose, Calif.

**STATEMENT OF WILLIAM JEFFERDS, SUPERINTENDENT, ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT, SAN JOSE, CALIF.**

Mr. JEFFERDS. Mr. Chairman, I have prepared a statement I would like to read. I will delete some of the things that have been covered earlier this morning.

The Alum Rock Union School District has been conducting a feasibility study of the voucher system for the past 2 months under a grant from the Office of Economic Opportunity.

The board of trustees and members of the staff were involved in several meetings last summer to review the concepts underlying the voucher program, as outlined by the Center for the Study of Public

Policy. A copy of this study has been made available to you along with a copy of the district's application for the feasibility study.

Briefly, the board and administration of the district are interested in determining whether:

1. Parents want the opportunity to choose the school for their child;
2. There would be greater involvement or commitment to the selected schools by the parents and students;
3. Parents of economically disadvantaged areas would choose schools in an economically advantaged area or vice versa;
4. Schools would develop a more individualized program to serve their clientele in this new system;
5. Surrounding districts would be willing to participate in the proposed system;
6. Private schools would be willing to participate in the program with the regulations that would be imposed on their admissions system; and
7. The attitudes of the parents, teachers, and community could generally support the field test.

The details of the regulated model are available in the publications given to the committee. These have been reviewed earlier this morning, so I will not review them again. But the five limitations on the admissions policies are rather critical because this makes it a regulated system and one which we would support. The other models of the unregulated system we would not support.

Additional criteria may be established by the local education scholarship authority. The ESA would be the authority that administers the scholarship program or voucher program. One of the tasks yet to be accomplished in our feasibility study is determining those procedures and determining what the role of the educational voucher authority would be in our school district.

This is going to require extensive research and testing and in the case of California some enabling legislation. At present, several bills have been introduced in the California Legislature to allow an experimental voucher system.

The present findings indicate much confusion on the voucher concept with many people reacting to the dangers of an unregulated model and not analyzing the regulated model proposed by the Center for Public Policy. There needs to be more research and development of a specific model and a greater effort made on community education, so that an objective field test can be conducted. The present feasibility study shows that after an intensive education project there is more acceptance of the regulated voucher model.

You heard earlier some of the initial results coming out of our community in the educational area.

I personally have concerns over the violent reactions many people have to testing the concept. Effective school programs are based on sound research practices and not on unproven assumptions or emotional reactions.

There are many unanswered questions, many of which we hope to answer during the extended feasibility study, and many of which will remain unanswered until the field test is completed. The larger question is, are we willing to seek ways of improving our educational system? Are we able to test these ideas in a climate that invites objective evaluation of the proposed system and the present system?

Thank you.

Chairman PERKINS. Mr. Hawkins?

Mr. HAWKINS. Dr. Jefferds, first could I ask you this: Does the experiment indicate that parents in the better neighborhoods would select the schools in the disadvantaged areas to send their children to?

Mr. JEFFERDS. I believe some of them would. We had some exemplary schools developed in our title I areas. In fact, to the concern of some parents in the advantaged community, economically advantaged. So I think it depends upon the school program.

I think parents would like to take a look at individual schools not where they lived and see if that program and school best met their needs.

Mr. HAWKINS. Are you saying that this is true under the voucher system?

You referred back to title I schools. Now, I am confining it strictly to a system in which the parents have the freedom to choose a school in a disadvantaged area or a school, let us say, in a highly advantaged area. Which one do you think they would choose?

Mr. JEFFERDS. I think if there was an adequate parent education program, they would choose the program and the school that met their best individual needs. The school may be in the advantaged or disadvantaged community. If a school was truly operating on an independent program with adequate financing and was able to develop a unique program or a program that they felt was excellent for that area, then I think the parents would choose that school and not where it is located.

Mr. HAWKINS. Begging the question a little bit, isn't it true that the better schools are not in the disadvantaged areas?

Mr. JEFFERDS. No; I would disagree with that in our own particular school district.

Mr. HAWKINS. You are maybe talking of the district with which I am not familiar, but generally speaking, I don't think anyone could draw the conclusion that the better schools are in the disadvantaged areas.

Mr. JEFFERDS. From my reading, generally that is a correct statement.

Mr. HAWKINS. Now, assuming that is a factual situation, how do we encourage the type of—I wanted to use the word "mixture"; I don't know whether that conveys the idea, and it probably isn't a good description. But how do we encourage that type of integration which is both racially sound as well as sound from the question of economic status so that under a voucher system we can achieve that? Do you believe there is some conflict or that it is possible under the voucher system to improve that possibility?

Mr. JEFFERDS. It is possible in a regulated system; yes, sir. Under an unregulated system, no. But the one we are proposing to deal with and the one the center has outlined is a regulated system which would require a balancing of schools.

Mr. HAWKINS. By "regulated system," do you mean strict criteria that is used on admissions?

Mr. JEFFERDS. On admissions; yes, sir.

Mr. HAWKINS. Has there been any indication that the voucher system in any way improves the educational achievement of those who have selected a particular school?

Mr. JEFFERDS. We have no data to support that at the present time. I would hope the field test would do that. We have no data to support it wouldn't happen. That is my hope, that most educational programs are based on sound research, and now we have just assumptions on what may or may not happen.

Mr. HAWKINS. How long will this experiment go on?

Mr. JEFFERDS. The field test is planned for 5 years. Our legislation in California allows a range from 5 to 7 years.

Mr. HAWKINS. Are you saying we will not really know the success of the system until that time?

Mr. JEFFERDS. I think you would have benchmarks every year on a reporting basis, but as we know with title I programs, we find more out the second and third years on the status of the development.

Mr. HAWKINS. As compared with title I programs, how do you rate the voucher system, at least up to this point?

Mr. JEFFERDS. We have been very pleased with our title I programs in our district. I think they have given opportunity for schools to do some innovative tasks, although it is only confined to our disadvantaged school system in the district.

Mr. HAWKINS. If given a choice between the voucher system and a title I program, which one would you select?

Mr. JEFFERDS. I think our title I schools—I would like to answer that first—if we didn't have the voucher experiment at all, are quite interested in doing an internal voucher system under title I programming. So I think it is neither of the choice.

There is a concept for funding under title I for economically disadvantaged, and I think the concept of the voucher would broaden the program and would allow us to work with all of our children.

Mr. HAWKINS. Isn't it true under a voucher system that parents may select a nontitle I school to send their children to?

Mr. JEFFERDS. That is correct.

Mr. HAWKINS. Would you think that that would be defective in that a program which is designed for that disadvantaged child would not be available at this particular school to which the parents may send their children?

Mr. JEFFERDS. Under the voucher system there is a fund of money available to follow that disadvantaged child wherever he goes.

Mr. HAWKINS. Then you are assuming that we would continue both systems?

Mr. JEFFERDS. Yes.

Mr. HAWKINS. Thank you.

Chairman PERKINS. Thank you very much.

Go ahead, Mr. Mazzoli.

Mr. MAZZOLI. I don't have any questions. I came in quite late. But briefly, was Alum Rock an existing school and is it now being converted 100 percent to the voucher plan?

Mr. JEFFERDS. It is an existing school district. We are now just studying the voucher system to determine whether we want to continue on the field test. Yes; some 16,000 students are presently involved. The ethnic breakdown by percentage involves 45 percent Anglo, 10 percent black, 45 percent Chicano or Spanish surname.

Mr. MAZZOLI. Is it your intention if you continue further to have a school in which all of the students are 100 percent voucher-type students or a mix?

Mr. JEFFERDS. At the present time we are looking at the total district being involved in the voucher system.

Mr. MAZZOLI. The entire district?

Mr. JEFFERDS. The entire district.

Chairman PERKINS. Thank you very much.

(The following material was submitted for the record:)

TESTIMONY PRESENTED BY ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

The Alum Rock Union School District has been conducting a feasibility study of the "Voucher System" for the past two months under a grant from the office of Economic Opportunity.

The Board of Trustees and members of the staff were involved in several meetings last summer to review the concepts underlying the "Voucher Program," as outlined for the Center for the Study of Public Policy. A copy of this study has been made available to you along with a copy of the district's application for the feasibility study.

Briefly, the Board and administration of the district are interested in determining whether—

- (1) parents want the opportunity to choose the school for their child;
- (2) there would be greater involvement or commitment to the selected schools by the parents and students;
- (3) parents of economically disadvantaged areas would choose schools in an economically advantaged area or vice versa;
- (4) schools would develop a more individualized program to serve their clientele in this new system;
- (5) surrounding districts would be willing to participate in the proposed system;
- (6) private schools would be willing to participate in the program with the regulations that would be imposed on their admissions system;
- (7) the attitudes of the parents, teachers, and community could generally support the field test.

The details of the regulated model are available in the publications given to the committee. I would like to review the five criteria presently established by OEO for schools who wish to participate. To be eligible for voucher funds, a school would have to comply with the following:

- (1) no school may discriminate against pupils or teachers on account of race or economic status, and all schools must demonstrate that the proportion of minority pupils is as large as the proportion of minority applicants.
- (2) schools must be open to all applicants. Where a school has more applicants than it has available space, it must admit applicants on a fair and impartial basis. Some schools may want to give preference to siblings, to children from a particular neighborhood, to children of a particular religious faith, etc. So long as the criteria does not discriminate on account of race, this could be allowed. It is preferable that most children are admitted without distinction, through random selection.
- (3) the school must accept the certificate of scholarships as payment in full for all education services at the school. No school may require parents to make additional payments out-of-pocket.
- (4) no school may use scholarship money to support religious instruction. Parochial schools may be allowed to participate, providing that they keep separate and adequate accounts for religious activities. They must also comply with all other rules, including the requirement of open enrollment.
- (5) all schools must make information available to parents concerning the school's basic philosophy on education, the number of teachers, teacher qualifications, facilities, financial position, and pupil progress. In short, the schools must provide sufficient information to enable parents to make a wise decision when they select a school.

Additional criteria may be established by the local Education Scholarship Authority (ESA). The ESA would be the authority that administers the scholarship program. One of the tasks yet to be accomplished in our feasibility study is to develop the procedures for ESA. This is going to require extensive research and testing and in the case of California some enabling legislation. At present, several bills have been introduced in the California Legislature to allow an experimental "Voucher System."

The present findings indicate much confusion on the Voucher concept with many people reacting to the dangers of an unregulated model and not analyzing the regulated model proposed by the Center for Public Policy. There needs to be more research and development of a specific model and a greater effort made on community education, so that an objective field test can be conducted. The present feasibility study shows that after an intensive education project there is more acceptance of the regulated voucher model.

I have concerns over the violent reactions many people have to testing the concept. Effective school programs are based on sound research practices and not on unproven assumption or emotional reactions.

There are many unanswered questions, many of which we hope to answer during the extended feasibility study, and many of which will remain unanswered until the field test is completed. The larger question is, are we willing to seek ways of improving our educational system? Are we able to test these ideas in a climate that invites objective evaluation of the proposed system and the present system?

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ALUM ROCK UNION SCHOOL DISTRICT, SAN JOSE, CALIF., PRELIMINARY PLAN FOR  
ACCOUNTING PROCEDURES, EDUCATIONAL VOUCHER SYSTEM

MARCH 12, 1971.

To the Members of the Education Voucher Committee, Alum Rock Union School District, San Jose, Calif.

GENTLEMEN: We submit herewith a preliminary plan for accounting procedures for implementation with regards to the Educational Voucher System under current study by your committee.

The outline of our plan is as follows:

Accounting and internal control requirements of an educational voucher agency and participating schools.

A plan for providing the necessary accounting services and internal control procedures for participating schools.

Accounting for religious instruction.

A plan for accounting and internal control procedures for an educational voucher agency.

Allocation of district costs to participating public schools.

Other considerations.

Exhibit "A"—Diagram and summary of recommended accounting procedures for vouchers.

Exhibit "B"—Diagram and summary of recommended accounting procedures for cash.

Our preliminary plan considers some alternatives, but not all alternative methods for accounting procedures under an Educational Voucher System. We attempted to consider procedures that would get the job done in the most efficient manner at the least cost. Our suggestions, recommendations, and conclusions were made within this framework.

Yours very truly,

CHAS. H. PETERSEN & Co.,  
*Certified Public Accountants.*

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PRELIMINARY PLAN FOR ACCOUNTING PROCEDURES, EDUCATIONAL VOUCHER  
SYSTEM

ACCOUNTING AND INTERNAL CONTROL REQUIREMENTS OF AN EDUCATIONAL VOUCHER  
AGENCY AND PARTICIPATING SCHOOLS

In implementing the educational model recommended by the Center for the Study of Public Policy in its preliminary report, *Education Voucher, March 1970*, a system to account for and control income and expenditures may be outlined as follows:

(1) The Educational Voucher Agency (EVA) must maintain records to account for:

(a) Vouchers: Issued to parents; redeemed by schools.  
 (b) Income: Allocations from the district; allocations from the OEO.  
 (c) Expenditures: For redemption of vouchers; for administrative costs of the EVA; for support functions, such as school information collecting, parent information dispensing, review and evaluation, start-up costs for new schools, and transportation costs.

(2) The EVA must establish internal operating procedures to:

(a) Ensure issuance of vouchers only to parents of qualified students, and ensure that compensatory vouchers are issued only to those parents who qualify for such.

(b) Control redemption of vouchers—ensure that all vouchers redeemed agree with those issued.

(c) Control cash receipts and disbursements: Budgetary procedures; separate duties of personnel to the extent feasible; maintain an authorized depository with designated signatories; system of authorizing purchases and expenditures.

(3) Each school must maintain records to account for:

(a) Vouchers: Received by parents.

(b) Income: Allocations from the EVA; gifts and other grants.

(c) Expenditures: Classified by nature of expenditure, such as salaries, and if desired by some other classification, such as by program designation.

(d) Cost of religious instruction, if any.

(4) Each school must establish internal operating procedures to:

(a) Control cash receipts and disbursements: Budgetary procedures; separate duties of personnel to the extent feasible; maintain an authorized depository with designated signatories; system of authorizing purchases and expenditures.

The EVA should prepare an accounting manual setting forth standard accounting practices for its agency and participating schools to follow.

#### A PLAN FOR PROVIDING THE NECESSARY ACCOUNTING SERVICES AND INTERNAL CONTROL PROCEDURES FOR PARTICIPATING SCHOOLS

We understand that one of the OEO requirements for schools to receive funds is that they provide parents with all information regarding their operations, including information regarding their financial condition. Because of this requirement, it is necessary that all schools maintain accounting records in a manner that will provide the necessary information to prepare periodic financial statements.

There are three alternatives on who can do the accounting for the schools:

- (1) The schools themselves;
- (2) The District;
- (3) The EVA.

For the reasons explained in the following paragraphs, we recommend that the District provide the necessary accounting services to all the public schools, and offer the participating private and parochial schools bookkeeping services if they desire such.

None of the public schools now have accounting capabilities. To establish and maintain such capabilities and the related internal controls and procedures would be expensive and to a large degree duplicate the District's accounting effort.

Some of the more significant expenses that would be incurred are: salary and payroll costs for a bookkeeper at each school, overhead of supervision, and additional audit costs. We estimate the annual cost would run about \$8,000 per school.

Duplication of the District's accounting effort would arise in that the District will continue to maintain accounting capabilities under the Voucher Plan to meet its own internal management needs and external reporting requirements. These needs and requirements will be similar to those of the public schools primarily in that both will require the processing and tabulating of the same source documents, i.e. budget actions, purchase orders, check vouchers, payroll journals, journal vouchers, etc. They will differ primarily in the external reports required, and consequently in the manner in which information is classified.

The District's statutory reporting requirements are to present income and expenditures and related budget information by source of income and by nature of expenditure, such as salaries, books, etc., for the District as a whole, without regard to which particular schools earned the income and incurred the expenditures. As of July 1, 1970, the District chose to classify its data by educational program designation in addition to the source and nature of the data. Under the Voucher Plan each school will be required to report its own income and expenditures. It is also feasible for the District to compile these reports for the public schools by classifying its information a third way—by individual public school.

Does the District presently have the accounting capabilities to accumulate information by individual school? It has a purchasing and accounting department with experienced personnel. It has, generally, sound operating procedures and internal controls. The capabilities of its accounting equipment are, however, limited. Present problems of keeping records current are attributed to the bookkeeping machine. For this reason, the District is currently considering buying computer time from an outside service to tabulate its accounting data. With computer capability, the compilation of reports in various presentations from the same source documents would be no problem.

Existing private and parochial schools have accounting capabilities of varying degrees. Integration of their accounting information with that of the District would not be possible because the information would be incompatible. Processing of their information by the District, however, would be feasible. These schools, in effect, would buy bookkeeping services from the District. This service by the District would probably be particularly attractive to the smaller schools and any new private schools that may be established.

The third alternative is for the EVA to provide the necessary accounting services for all the schools, or at least all those with no existing accounting capabilities. If this agency were to assume this responsibility, it would have to create the following accounting capabilities: competent personnel, a system of generating and handling source documents, a system of internal control, and equipment to do the job. This approach appears to us to increase the overall cost of education to the public with no resulting benefits. The additional costs would be administrative—overlapping personnel and equipment costs, liaison, etc.

#### *Accounting for religious instruction*

Under the Voucher Plan participating parochial schools would be required to report the cost of religious instruction separately. This requirement is based on the premise that public funds should not support any religious education to comply with the intentions of the First Amendment of the U.S. Constitution.

Under the Voucher Plan the cost of religious education could be determined and accounted for in a variety of ways depending on the manner in which religious instruction is integrated with secular instruction at each parochial school. For example, if religious instruction is conducted only by designated teachers, their salaries and payroll costs could be charged to accounts designated for religious training. If religious instruction were conducted by the same teachers conducting secular instruction, their salaries could be pro-rated on some equitable basis. For example, if teachers taught five subjects per day and one subject was religion, 20% of their salaries would be chargeable to religious instruction. Costs of maintaining facilities, utilities, etc., could be pro-rated in a similar manner.

If fair and reasonable criteria are established to determine the costs of religious instruction, there will be little difficulty in accounting for this cost.

#### A PLAN FOR ACCOUNTING AND INTERNAL CONTROL PROCEDURES FOR AN EDUCATIONAL VOUCHER AGENCY

The EVA will be required to establish accounting and internal control procedures for the issuance and redemption of vouchers, for the receipt and disbursement of cash, and to account for its administrative activities.



### *Vouchers*

Accounting for and controlling the issuance and redemption of vouchers will probably be the more difficult and time consuming task. There will be approximately 17,000 vouchers the EVA will have to account for and control. A list of parents with school children in the voucher area will have to be developed. The listing will have to designate children eligible for compensatory vouchers. Current enrollments in participating schools would be the logical starting point for such a list. Facilities will be needed for unlisted parents to obtain vouchers. From a control standpoint, the most desirable procedure for issuing vouchers would be to require parents to pick up their voucher(s) at the offices of the EVA. This procedure would enable the EVA to make additional verifications of eligibility for regular and compensatory vouchers by questioning applicants, and would ensure that the proper vouchers were given to the parents for whom they were intended. In addition receipts could be readily obtained from parents by requiring them to sign for the vouchers they receive. From a practical standpoint, the EVA may have to mail vouchers to parents. If this is determined to be the only practical method of distributing vouchers, the emphasis of control would shift to verifying vouchers that have been redeemed, i.e., following up questionable vouchers by mailings and/or personal calls. In either case, a matching of vouchers redeemed with copies or listings of those issued would be a necessary procedure to control their use.

### *Cash*

The EVA will be entitled to receive funds from the District and the OEO. Transfer of local and State cash receipts from the District to the EVA would not be feasible, and in our opinion impractical. Likewise, we believe the transfer of Federal cash from the OEO directly to the EVA, bypassing the District, would be undesirable. Our reasons are stated below.

The District is governed by the Education Code in controlling and accounting for its cash. Transfers of District cash to the EVA would not relieve the District of its statutory responsibilities, or its public responsibilities, yet it would dilute the District's authority to carry out these responsibilities by its loss of some measure of control over its funds. Even if the District could obtain a waiver of certain statutory requirements and possibly indemnification from the OEO, transferring cash to the EVA would not be practical. The EVA would have to establish accounting and internal control capabilities and procedures similar to those that now exist in the District. The EVA would, for all practical purposes, supplant the need of many of the accounting functions of the District unless both the District and EVA chose to operate concurrent systems. This would be duplication of effort with its attendant costs. As suggested earlier, it is desirable that the District provide the necessary accounting services for the schools, particularly the public schools. If all the cash and other controls and accounting were assumed by the EVA, we believe that it would be more advantages for this agency to provide the accounting services for the schools.

Deposit of OEO funds with the District would subject these funds to the existing control procedures established for the District. Deposit of these funds directly with the EVA would require the establishment of proper accounting and internal control procedures within this agency.

If all receipts were handled by the District, how would the schools and the EVA receive credit for the income that they are entitled to receive? In the case of the public schools and the EVA, we suggest that the EVA issue letters to the District authorizing income credits on the books of the public schools and the EVA. The letter values for each school and the EVA would be supported by the value of the vouchers that have been redeemed. In the case of private and parochial schools, we suggest that the EVA issue letters authorizing the District to transfer cash to the credit of these schools. After accomplishing the income credits and transfers, the District would certify to this fact to the EVA. The EVA's records to support income received and transferred to the appropriate schools would consist of the letters of authorization, letters of certification from the District, and the underlying vouchers.

### *Accounting for administrative activities*

Because the EVA must have funds to meet its administrative operating expenses, such as salaries, rent, supplies, etc., the portion of OEO funds allocated for this purpose must be transferred from the District to the EVA. The accounting system and internal controls required for the EVA to handle these transactions would be relatively simple. Consequently, in this report we will not state the detail procedures required to set up and operate such a system.

### *Allocation of District costs to participating public schools*

Since each school will be required to report the results of its operations, all expenses incurred by each school, including the share of District administrative costs for public schools, must be reported and accounted for. All direct costs of the schools, such as teachers' salaries, supplies, etc., can be readily identified and charged to the accounts of the school's on journals, purchase orders, invoices, etc. The indirect costs of maintaining District offices for the benefit of the participating public schools cannot be readily identified with a particular school or schools. All the public schools will benefit in varying degrees from the services offered by the District. Therefore, it would be logical for each public school to absorb District administrative costs in proportion to the benefits received by each.

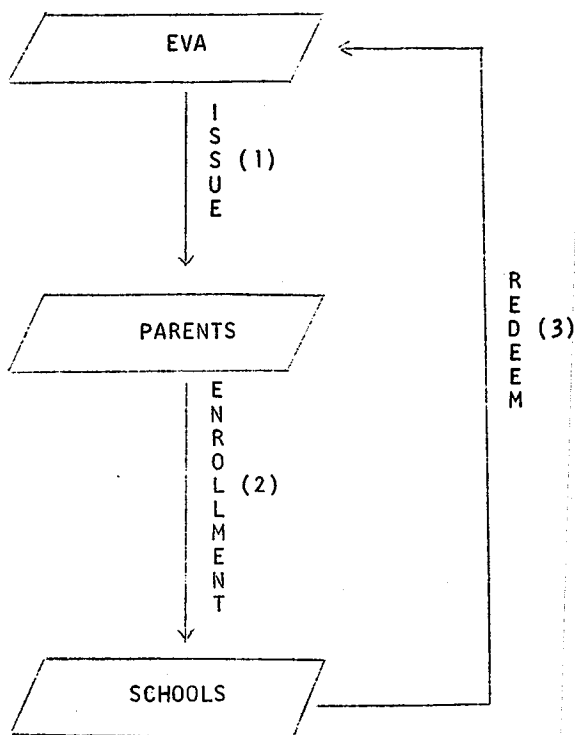
One method for allocating the costs of the Superintendent's office, the personnel, accounting and attendance departments to each school would be on the basis of the average daily attendance in each public school. Costs of other services, such as grounds and building supervision, mimeograph and photo copy facilities, etc., could be pro-rated in the same manner. Other District services, such as counseling, could be pro-rated on a time basis, i.e. the number of hours each school uses such services. We believe the majority of the costs of operating the District offices could be pro-rated to each public school on an equitable basis by using the ratio that the average daily attendance of each public school bears to the average daily attendance of all public schools.

### *Other considerations*

Each school should prepare an annual budget to assist in planning its activities. For public schools, it will be necessary that the budgeting activity be co-ordinated with the District. Unless statutory requirements are changed, the District must prepare an annual budget for publication. It is apparent that the budgets for each public school must be compatible with the overall budget of the District.

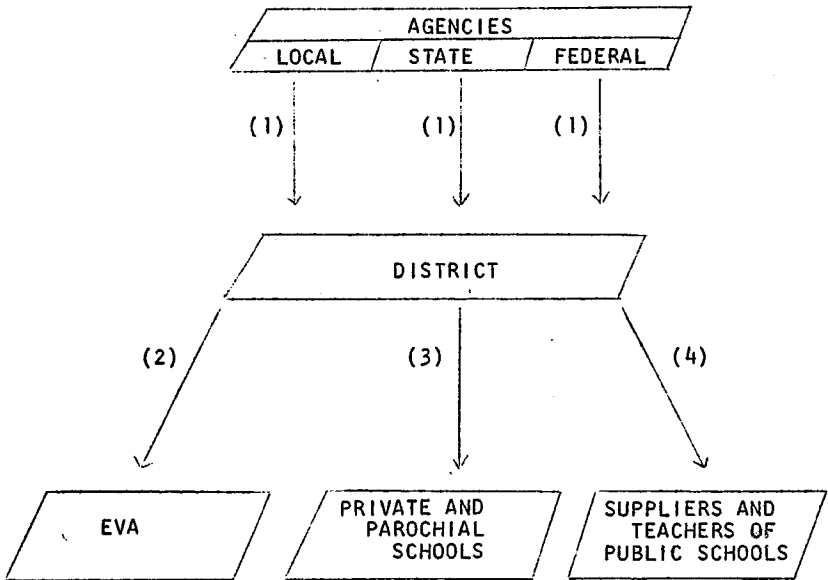
The District currently receives approximately \$700,000 for compensatory education under Title I of the Elementary and Secondary Education Act. In the past, only schools with a certain concentration (about 25%) of disadvantaged children were eligible for such funds. If under the Voucher Plan, the parents of disadvantaged children chose to send their children to different schools and cause the concentration of such children in any school to fall below the Title I guidelines, the District would have to obtain a waiver of the guidelines to continue receiving these funds. An obvious solution to ensure that Title I funds only benefit disadvantaged children is to increase the value of their vouchers by the amount of Title I appropriations to the District. The same considerations apply to funds received under Title III of the same Act, although the grants are significantly less.

The District currently receives approximately \$600,000 from the State to conduct special programs for the physically and mentally handicapped. We assume these programs will not be disturbed by the implementation of the Voucher System. If changes are being considered, the applicable State requirements to receive funds for these programs should be reviewed.

EXHIBIT "A"DIAGRAM AND SUMMARY OF RECOMMENDED ACCOUNTING  
PROCEDURES FOR VOUCHERS

- (1) EVA maintains a record of vouchers issued, including the value thereof.
- (2) Schools maintain a record of vouchers presented for enrollment, including the value thereof.
- (3) EVA matches vouchers redeemed with the record or copies of vouchers issued to control their use.

EXHIBIT "B"  
DIAGRAM AND SUMMARY OF RECOMMENDED ACCOUNTING  
PROCEDURES FOR CASH



- (1) District deposits cash received with County Treasurer. District credits the accounts of public schools upon receipt of letters of authorization from the EVA.
- (2) District disburses cash to EVA only for the amount allocated to the EVA for its administrative costs. Letter of authorization from the EVA is the District's authority to make disbursement.
- (3) District disburses cash to the private and parochial schools upon receipt of letters of authorization from the EVA.
- (4) District disburses cash to suppliers and teachers in payment of goods delivered and services rendered to public schools. Purchase requisitions and payroll listings, approved by school principals, are District's authority to make disbursements.

AN OVERVIEW, RATIONALE FOR SELECTION, TASKS AND BYLAWS FOR AN EDUCATION  
VOUCHER COMMITTEE

(A Feasibility Study of the Voucher System for the Alum Rock Union Elementary  
School District, San Jose, Calif.)

THE EDUCATION VOUCHER COMMITTEE

*An overview*

An education voucher program represents a significant departure from traditional means of financing and managing public elementary education. Such a program will alter financial and organizational structures in public education that have existed since the beginning of the twentieth century. It is essential, therefore, in considering such a change, that the planning and policy-making body to be created be broadly representative of the racial, ethnic, social, economic, occupational, and political segments of the affected community. Without meaningful and widespread community involvement, it is unlikely that a voucher program would be successful, and furthermore, it would fail to provide a demonstration and test of the program's underlying theoretical principles.

It appears, then, that two qualities should characterize the planning and policy-making group—the Education Voucher Committee: It should be visionary and it should be representative. A committee with vision will recognize the significance of the proposed test and will demand that the operational program reflect, as closely as possible, an “ideal” that could serve as a model for implementation in districts throughout the country. A committee that is representative, in a heterogeneous district, will demonstrate the nature and degree of conflict that can develop in the process of determining the objectives and economic and educational specifications of a voucher program.

Individuals should be chosen for the Educational Voucher Committee who possess insight into the philosophical, economic, social, and political issues that are inherent in the proposed program for financing and managing public education. Committee members should have the capacity to consider the total community effects of the voucher project. In addition to a view of the whole community, members should understand and be able to represent the interests of their constituencies. Finally, committee members should be willing to devote long hours to planning the program and resolving conflicts that arise.

*Rationale for the selection of the education voucher committee (EVC)*

The rationale for the selection of members of the EVC which will advise the Local Education Agency in the pre-planning (two months) and planning (seven months) stages of the project must reflect the primary goals of the entire Demonstration Voucher Project, i.e. “to improve the education of children, particularly disadvantaged children and to give parents, and particularly disadvantaged parents, more control over the kind of education their children get.”<sup>1</sup>

Although the people who comprise the initial EVC during the two-month term of the feasibility study may not be the same people who eventually sit on the Education Voucher Authority (EVA) during the years of the demonstration, they should be as widely representative of the many segments of the entire community as the legislation which will establish the group allows. (The total number of members and their representative make-up may be specifically stipulated.)

Although it may be assumed that legislation will probably limit the Education Voucher Authority (EVA), which will function during the demonstration period, to 9 or 10 members, the early EVC need not be restricted in membership. The purposes of the pre-planning and planning stages will be better served by having a broad representation which can then be reduced to the required and less unwieldy number. The following categories of representation are suggested. If all the segments are involved, the EVC would have 24 participating members and 21 voting members for the pre-planning and planning stages. When the project

<sup>1</sup> *Education Vouchers: A Preliminary Report on Financing Education by Payments to Parents*, Center for the Study of Public Policy, Cambridge, Mass., 1970.

moves to the demonstration stage, the number of voting members would be reduced to 9 (one from each category).

The following categories and initial numbers for EVC and EVA are suggested :

#### 9 CATEGORIES FOR EVC AND EVA

Category	Number of participants	Total voting members
1. Minorities.....	1	2
La Confederacion de las Raza.....	1	
NAACP.....	1	
2. Community action programs.....	1	2
E.S.O.....	1	
Model cities.....	1	
3. Teachers.....	1	3
CTA.....	1	
AFT.....	1	
Private schools.....	1	
4. School board (Alum Rock).....	3	3
5. Educational Administration.....	1	1
Alum Rock.....	1	
County office <sup>1</sup> .....	1	
State department of education.....	1	
6. Business.....	1	3
Banking/finance.....	1	
Business administration/management.....	1	
Unions.....	1	
7. Community.....	1	4
Religious groups.....	1	
Service organizations.....	1	
Ad hoc citizens groups.....	2	
8. Parents.....	1	2
PTA.....	1	
Students.....	1	
9. State administration and legislature.....	1	1
Local assemblyman or his representative.....	1	
A member of the Governor's office <sup>1</sup> .....	1	
Total.....	24	21

<sup>1</sup> These participants to serve in an ex officio capacity.

Note: County counsel will be available to advise on legal matters.

These nine categories represent an arbitrary definition of the segments of the society which should be represented. The rationale for why certain groups are placed under a given category may be debatable. Minority and disadvantaged representation are a must for the purposes of the project as outlined by O.E.O. The agencies, organizations, and groups listed in the first two categories seem to represent these segments. The other seven categories likewise will allow these segments to be heard.

The placement of these groups in their various categories is an attempt to further the goals of the project. Although they may at first glance appear to be more divergent than similar in their outlooks, the "areas of concern" are in truth similar. For example, private schools are placed with the "teachers" groups because under the "voucher plan" all schools become "public" to the extent that they become able to cash vouchers. This concept, which reduces public school monopoly to provide parents with new alternatives, also makes necessary a realignment of educational resources.

As stated, these categories and groups represent one viable option for the formation of the initial EVC. By adding additional categories and/or groups, an infinite number of options would be possible. The EVC, once constituted, may wish to augment its membership and should have the freedom to do so.

Experience would seem to demand that some cautions be pointed out. The two-month period designated for the pre-planning stage presents a most formidable constraint. To concene a widely representative group which will then coalesce into a working team capable of consensus recommendations within a two-month period will indeed be difficult. If, after the two-month feasibility study, the Board decides to move into the planning stage, hopefully what should happen is a merging of the pre-planning into the planning stage so that the EVC will have the advantages of continuity. This EVC would function during the planning year and provide overall direction for the project.

Other factors need consideration in a selection process which claims "repre-

sentativeness." Racial and ethnic percentages in the district show the Spanish surname population to be 47.2% and total minority population nearly 60%. Thus representation based on this factor alone would mean the composition of the EVC (and later EVA) would have to reflect this population makeup. Income levels, having or not having school age children, geographic location, sex, age of citizens, and other factors may also require consideration. It seems improbable that all such considerations can be equitably included in EVC composition although the attempt should be made. A given individual may be asked to serve because he or she represents a "variety of concerns" rather than one.

#### *Role and tasks of the EVC*

Groups, agencies, and organizations invited to provide members to the EVC should have a clear understanding of what the goals of the education voucher program are and what their role in the pre-planning stage is to be. With the acceptance of the pre-planning grant from O.E.O. by the Alum Rock Union Elementary School District Board of Education, the decision to test the feasibility of such a voucher project in the school district has been made. The task which the new EVC will have will be to make recommendations on the basis of the results of their feasibility study, to the LEA about whether or not to continue the project.

The tasks in which the members of the EVC will be involved during the two-month feasibility study will include the following:

1. To familiarize themselves with the goals of the Education Voucher Program.
2. To modify and/or adapt by-laws for their own organization.
3. To respond to and advise on the collection of feasibility data by the outside subcontractor, the Center for Planning and Evaluation.
4. To arrange for and conduct a minimum of three public forums on the education voucher program.
5. On the basis of their deliberations, to recommend to the Alum Rock Union Elementary School District Board of Trustees by March 1, 1971, whether or not to apply for a planning grant.

### BYLAWS OF THE EDUCATION VOUCHER COMMITTEE OF THE ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

#### ARTICLE I: MEMBERSHIP

##### *Section 1: Categories of Membership*

Voting members of the Committee shall be selected from each of the following nine categories: minorities, Community Action Programs, teachers, the Alum Rock Board of Trustees, educational administration, business community, parents, State Administration and Legislature. Ex-officio participants may be included at the discretion of the Committee and/or Board of Trustees.

##### *Section 2: Selection and Appointment of Members*

The Board of Trustees shall solicit nominees for each of the categories and shall make the final selection from those nominated. Once the Committee is constituted, it shall have the power to adjust the Committee's size and representation according to its needs and directing legislation.

##### *Section 3: Terms of Office*

Term of Office will extend through the planning stages.

##### *Section 4: Vacancies*

Should a vacancy occur, the Committee will recommend a nominee representing the same category to the Board of Trustees for approval.

##### *Section 5: Removal of Members*

Removal from the Committee's voting and ex-officio membership shall require a recommendation of  $\frac{2}{3}$  of the voting membership of the Committee and approval by the Board of Trustees.

#### ARTICLE II: ROLES, RESPONSIBILITIES, AND DUTIES OF THE COMMITTEE

##### *Section 1: Role of the Committee*

The role of the EVC shall be to study the Education Voucher Program and its feasibility for demonstration in Alum Rock Union Elementary School District, and to make appropriate recommendations to the Board of Trustees.

## *Section 2: Responsibility and Duties of the Committee*

The Committee is responsible for performing those tasks necessary to enable them to make recommendations to the Board at the conclusion of each of the planning stages. The Committee shall work within the time constraints established by the funding agency and/or the Board of Trustees.

## ARTICLE III: OFFICERS OF THE COMMITTEE

### *Section 1: Officers*

The officers shall be: Chairman, Vice Chairman, Secretary, and Parliamentarian. An Executive Director, to be appointed by the Board, shall serve as the administrative agent of the EVC.

### *Section 2: Duties of Officers*

The *Chairman* shall call the meetings, preside over them, determine the agenda, and perform such other functions as are necessary and proper for the conduct of the Committee's business. The *Vice-Chairman*, in the absence or disability of the Chairman, shall perform all the duties of the Chairman and when so acting shall have all the powers of and be subject to all restrictions upon the Chairman. The Vice Chairman shall have such powers and perform such other duties as from time to time may be prescribed for him by the Committee. The *Secretary* shall keep or cause to be kept the minutes of all meetings of the Committee with the time and place of holdings, the names of those present, and the proceedings thereof. The secretary shall give, or cause to be given, notice of all of the minutes of the Committee required by the By-laws and shall have such other powers and perform such other duties as may be prescribed by the Committee. The *Parliamentarian* shall be responsible for providing such instruction as might be necessary to the Committee in the use of Roberts' Rules of Order, shall ascertain that these rules are followed, and shall be the final authority in regard to the application of these rules.

### *Section 3: Tenure of Officers*

Elected officers shall serve for the duration of the planning stages.

### *Section 4: Election of Officers*

The Board shall select one of its members to serve as a temporary chairman. On or before the third meeting of the Committee, the Committee shall elect, by simple majority, its officers. No two officers may be selected from the same membership category.

### *Section 5: Resignation of Officers*

An officer wishing to resign must submit his resignation, in writing, to the Chairman of the EVC or if the involved officer is the Chairman, he shall submit his resignation, in writing, to the Board of Trustees.

### *Section 6: Vacancy of Officers*

The Committee shall elect from its own membership, by simple majority, to fill officer vacancies.

## ARTICLE IV: MEETINGS

### *Section 1: Rules of Order*

Roberts' Rules of Order shall serve as the basis for conducting all meetings. The Parliamentarian shall be charged to rule upon all motions and amendments should a ruling be requested.

### *Section 2: Dates and Location*

The Committee shall determine the dates and locations for all meetings.

### *Section 3: Quorum*

A quorum shall consist of a simple majority of the voting membership and in addition shall include representatives of at least six of the nine membership categories.

## ARTICLE V: AMENDMENTS

These By-laws may be amended at any meeting as long as two-thirds of all voting members approve. Amendments shall be distributed with the minutes of the meeting. However, the Board of Trustees of the Alum Rock Union Elementary School District must ratify all amendments prior to their incorporation into the By-laws.



# ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT—FEASIBILITY STUDY EDUCATIONAL VOUCHER SYSTEM

(Request for funds for preplanning activities in connection with a possible Field Test of Education Scholarships. Submitted to the U.S. Office of Economic Opportunity from the Alum Rock Union Elementary School District.)

## I. INTRODUCTION: GENERAL OUTLINES OF A PROPOSED DEMONSTRATION

The U.S. Office of Economic Opportunity has indicated that it would be interested in funding a large-scale field test of a scholarship system for education, and has indicated that it would favor a model following the general recommendations of the Center for the Study of Public Policy, as reported in its preliminary report, *Education Vouchers*, March 1970.

Under the model recommended by the Center for the Study of Public Policy, a demonstration area would be designated which contains from 10,000 to 15,000 elementary school-aged children. Each child in this area and age group would receive a scholarship, in the form of a certificate or voucher. The voucher would be worth as much as is now spent on the public school child in the city. The parents of the child would then be able to "purchase" education from an available public, private, or parochial school. Parents would be entitled to select a school that they determined most suited the needs of their individual child. The local school district would allocate all available education funds to the demonstration program in order to pay the cost of the basic scholarship of public school children. The O.E.O. would provide funds for planning, evaluation, parent education, compensatory funds for the disadvantaged, scholarships for children not in the public school system, transportation and any other extra costs due to this prospective demonstration. To be eligible to receive scholarship funds, a school would have to comply with the following basic rules:

1. No school may discriminate against pupils or teachers on account of race or economic status, and all schools must demonstrate that the proportion of minority pupils is as large as the proportion of minority applicants.

2. Schools must be open to all applicants. Where a school has more applicants than it has available space, it must admit applicants on a fair and impartial basis. Some schools may want to give preference to siblings, to children from a particular neighborhood, to children of a particular religious faith, etc. So long as the criteria does not discriminate on account of race, this could be allowed. It is preferable that most children are admitted without distinction, through random selection.

3. The school must accept the certificate of scholarship as payment in full for all education services at the school. No school may require parents to make additional payments out-of-pocket.

4. No school may use scholarship money to support religious instruction. Parochial schools may be allowed to participate, providing that they keep separate and adequate accounts for religious activities. They must also comply with all other rules, including the requirement of open enrollment.

5. All schools must make information available to parents concerning the school's basic philosophy on education, the number of teachers, teacher qualifications, facilities, financial position, and pupil progress. In short, the schools must provide sufficient information to enable parents to make a wise decision when they select a school.

The Board has considered these recommendations, and if it proceeds with a field test, will endeavor to implement them.

## II. PRE-PLANNING ACTIVITIES

This general description of the scholarship program leaves many questions unanswered. Therefore, a preliminary planning grant will be necessary prior to a final decision by the Board. Pre-planning would include the following activities:

1. Establishing procedures for creation of the Education Scholarship Agency (the ESA). The Board understands that O.E.O. would prefer an ESA which is structured so as to be responsive to the community and to participating non-public schools. Therefore, the Board must examine options available for creation of an ESA, and ways of assuring representation to these interests.

2. Assessing the potential for alternative schools in the proposed demonstration area. The Board desires a survey of non-public schools and public schools outside the Alum Rock District to determine how many would participate in the pro-

spective field test, and the number of places that would be made available for scholarship children. The Board must also investigate the possibility that new non-public schools will open for the duration of the field test. The Board also desires to have its staff examine the opportunity for the Board to convert some Alum Rock public schools to experimental schools.

3. Determining the attitude of the community, parents, teachers, and other relevant groups. The Board desires to hold hearings on the attitudes of parents, the community generally and educators regarding various aspects of the proposed field test.

4. Resolving Legal Problems. The Board recognizes that state legislation is required in order for it to have authority to engage in the prospective field test, to transfer the available funds to the ESA for use in the scholarship program, to permit non-public schools to receive these funds on tender of a voucher or certificate of scholarships, and to execute its other obligations under a prospective contract with the O.E.O. The Board will support such legislation (see appendix A) and will endeavor to obtain support for such legislation from State officials. It may also ask the legislature to incorporate into the proposed law additional safeguards against any possible unconstitutional aspects of the prospective system, and additional language in the financial section to assure maintenance of the existing levels of State aid, taking into account both pupil population increases, and increases in per pupil costs.

5. Developing a model for an Education Scholarship System. The Board understands that it may deviate from the model recommended by the Center in many ways. In addition, several aspects of the model recommended by the Center have been left completely open to local option. Thus, the Board must have its staff and consultants prepare a description of a model which will be feasible and acceptable in Alum Rock. The following elements must be considered in the development of this model:

(a) The regulatory system. The Board must develop a system which will:

1. Ensure equal access to all participating schools for all eligible students;
2. Ascertain the most fair and acceptable methods for assigning pupils to schools which are over-applied (including a decision on whether or not to require a lottery as recommended in the March report of the Center for the Study of Public Policy, and a decision as to the kinds of preferences that schools may adopt);

3. Comply with all State and Federal constitutional requirements;

4. Ascertain whether there is a need for regulating school expenditures for items such as school lunches, health program, counseling, psychiatric care, clothing, family planning, parent education and participation, training and use of paraprofessionals, use of professionals from fields other than education, transportation, sex education, advertising, etc.

(b) Ascertain whether or not field test should be phased in and/or phased out.

(c) Prepare a preliminary report on feasible and acceptable procedures for identifying the disadvantaged child. Inasmuch as the O.E.O. has indicated that it will make funds available for additional payments for scholarships for disadvantaged children, the Board should explore the options available (income tests, preschool assessment, standardized achievement tests, etc.) and determine the best available and most publicly acceptable methods of determining the educational needs of these pupils. This report should also include analysis of the need for, and acceptable methods for identifying the educationally handicapped child who may not be classified as disadvantaged, but who nonetheless requires special resources because of physical handicaps, emotional problems, etc.

(d) Determining special arrangements for public school personnel. For example, the Board will want to explore the possibility of providing for retention of tenure for teachers who leave the public school system to teach in privately operated voucher schools.

(e) Determining special arrangements and regulations for existing private and parochial schools on the following items:

1. Whether or not existing parochial and private schools should be restricted to their present level of expenditures, where the average per pupil costs are lower than the base value of the scholarship.

2. Whether or not existing parochial and private schools should be required to maintain their present efforts to raise funds other than by tuition charges to parents.

3. Determining how any of these regulations can be implemented if they are adopted.

(f) Developing a preliminary model of an adequate information program, including parent education and counseling. The Board desires to ask its con-

sultants to prepare a report describing options available and recommending methods for disseminating information on the system and the available schools to parents, to ensure that all parents know what choices are available to them.

6. Developing a budget for further planning and a tentative budget for the field test itself. Before it can submit an application for further funds for planning or testing an education scholarship system, the Board must obtain sound estimates of the costs of such activities, including the costs of:

- (a) Administration
- (b) Transportation
- (c) Information collection and dissemination
- (d) Special parent education and counseling programs
- (e) Costs of independent analysis of the Board's expenditures and ascertaining no basic scholarship for each age and grade level
- (f) Compensatory payments, including a tentative scale of payment and proposed mechanism for determining eligibility
- (g) Costs of scholarship for eligible children who are not currently in public schools. Some discussion of appropriate principles for computing costs in church-related schools, if these are eligible to participate, and indication that these principles are acceptable to church schools
- (h) Costs to the public school system for unusual losses, this would include cost of debt service, central administration, and other fixed costs which could not be reduced during the demonstration even if there were a drop in enrollment. It is understood that these fixed costs would be covered by revenue from scholarships unless public school enrollment fell dramatically; nonetheless, some estimates of the possible need for O.E.O. subsidies in the event of a serious enrollment decline must be made. Unusual losses would also include the cost of litigation arising out of the field test
- (i) Evaluation
- (j) Other costs which O.E.O. would need to cover.

7. Developing a preliminary plan for accounting procedures in public and non-public schools.

### III. WORK PROGRAM AND SCHEDULE—ASSUMING FUNDING BY OCTOBER 15, 1971

Task	Primary responsibility	Target date
1. Procedures for creation of the ESA:		
(a) Initial contacts with community and report to board subcommittee on acceptable composition of ESA.	Mr. Ed Lewis, Administrative Assistant for Community Relations. Consultants.	January.
(b) Decision on method.	Board.	March.
2. Assessing alternative potentials:		
(a) Ascertaining the potential for alternative schools in the demonstration area and the number of voucher spaces likely to be made available.	Special consultants.	February 15.
(b) Report on possible experimental programs in public schools.	Dr. Symons, assistant superintendent of instruction.	Do.
3. Assessing attitudes:		
(a) Special hearings.	Consultants.	January.
(b) Report on hearings.		
(c) Hearings at regular board meetings with full board.		February, March.
4. Resolving legal problems:		
(a) Analysis of legislation.	Maurice Hill, Deputy County Council.	Jan. 30.
(b) Testimony in State legislature.	Dr. Jeffers, superintendent.	March, April.
5. Developing a model for an education scholarship system:		
(a) Preliminary reports with recommendations.		Feb. 15.
(1) The regulatory system.	Special consultants.	
(2) Phasing in and/or out.	do	
(3) Identification of educationally handicapped child.	Special consultants; intergroup relations; Bureau of the State; Department of Education, Mr. Kingsbury, director special services.	
(4) Special arrangements for teachers.	Mr. Clyde Hewitt, director of personnel.	
(5) Special arrangements for private and parochial schools.	Special consultants.	
(6) Information program.	do	
(b) Board hearing on preliminary reports.	Board.	Mar. 1.
(c) Final reports.	do	Mar. 27.
(d) Board hearings on final reports.	do	April.
6. Budgets and financial.	Gary Goodpasture, director of business services.	Mar. 27.
7. Preliminary report on accounting procedures.	Petersen & Co., accountants.	Feb. 15.

*IV. Budget for 2 months feasibility study (October 1–December 3)*

Consultants: 80 man-days.....	\$8, 000
Petersen & Company, Accountants.....	600
Secretarial, 20-days.....	600
Telephones.....	200
Postage.....	200
Travel.....	800
Reproduction (includes one districtwide distribution through the schools).....	3, 000
Other office supplies.....	200
Data processing.....	1, 700
Administrative overhead (10 percent).....	1, 530
<b>Total</b> .....	<b>16, 830</b>

*Time Donated:* Staff: Dr. Jefferds; Dr. Symons; Mr. Lewis; Mr. Hill (Board Attorney); Mr. Kingsbury; Mr. Hewitt; Mr. Goodpasture.

WILLIAM J. JEFFERDS,  
*Superintendent & Authorized Agent.*

THE EDUCATION SCHOLARSHIP COMMITTEE

*An overview*

An education scholarship program represents a significant departure from traditional means of financing and managing public elementary education. Such a program will alter financial and organizational structures in public education that have existed since the beginning of the twentieth century. It is essential, therefore, in considering such a change, that the planning and policy-making body to be created be broadly representative of the racial, ethnic, social, economic, occupational, and political segments of the affected community. Without meaningful and widespread community involvement, it is unlikely that a scholarship program would be successful, and furthermore, it would fail to provide a demonstration and test of the program's underlying theoretical principles.

It appears, then, that two qualities should characterize the planning and policy-making group—the Education Scholarship Committee: It should be visionary and it should be representative. A committee with vision will recognize the significance of the proposed test and will demand that the operational program reflect, as closely as possible, an “ideal” that could serve as a model for implementation in districts throughout the country. A committee that is representative, in a heterogeneous district, will demonstrate the nature and degree of conflict that can develop in the process of determining the objectives and economic and educational specifications of a scholarship program.

Individuals should be chosen for the Education Scholarship Committee who possess insight into the philosophical, economic, social, and political issues that are inherent in the proposed program for financing and managing public education. Committee members should have the capacity to consider the total community effects of the scholarship project. In addition to a view of the whole community, members should understand and be able to represent the interests of their constituencies. Finally, committee members should be willing to devote long hours to planning the program and resolving conflicts that arise.

*Rationale for the Selection of the Education Scholarship Committee (ESC)*

The rationale for the selection of members of the ESC which will advise the Local Education Agency in the pre-planning (two months) and planning (seven months) stages of the project must reflect the primary goals of the entire Demonstration Scholarship Project, i.e. “to improve the education of children, particularly disadvantaged children and to give parents, and particularly disadvantaged parents, more control over the kind of education their children get.”<sup>1</sup>

<sup>1</sup> *Education Vouchers: A Preliminary Report on Financing Education by Payments to Parents*, Center for the Study of Public Policy, Cambridge, Mass., 1970.

Although the people who comprise the initial ESC during the two-month term of the feasibility study may not be the same people who eventually sit on the Education Scholarship Authority (ESA) during the years of the demonstration, they should be as widely representative of the many segments of the entire community as the legislation which will establish the group allows. (The total number of members and their representative make-up may be specifically stipulated.)

Although it may be assumed that legislation will probably limit the Education Scholarship Authority (ESA), which will function during the demonstra-

tion period, to 9 or 10 members, the early ESC need not be restricted in membership. The purposes of the pre-planning and planning stages will be better served by having a broad representation which can then be reduced to the required and less unwieldy number. The following categories of representation are suggested. If all the segments are involved, the ESC would have 24 participating members and 21 voting members for the pre-planning and planning stages. When the project moves to the demonstration stage, the number of voting members would be reduced to 9 (one from each category).

The following categories and initial numbers for ESC and ESA are suggested.

#### 9 CATEGORIES FOR ESC AND ESA

Category	Number of participants	Total voting members
1. Minorities.....		2
La Confederacion de las Raza.....	1	
NAACP.....	1	
2. Community action programs.....		2
ESO.....	1	
Model cities.....	1	
3. Teachers.....		3
CTA.....	1	
AFT.....	1	
Private schools.....	1	
4. School board (Alum Rock).....	3	3
5. Educational Administration.....		1
Alum Rock.....	1	
County office <sup>1</sup> .....	1	
State department of education.....	1	
6. Business.....		3
Banking/finance.....	1	
Business administration/management.....	1	
Unions.....	1	
7. Community.....		4
Religious groups.....	1	
Service organizations.....	1	
Ad hoc citizens groups.....	2	
8. Parents.....		2
PTA.....	1	
Students.....	1	
9. State administration and legislature.....		1
Local assemblyman or his representative.....	1	
A member of the Governor's office <sup>1</sup> .....	1	
Total.....	24	21

<sup>1</sup> These participants to serve in an ex officio capacity.

Note: County counsel will be available to advise on legal matters.

These nine categories represent an arbitrary definition of the segments of the society which should be represented. The rationale for why certain groups are placed under a given category may be debatable. Minority and disadvantaged representation are a must for the purposes of the project as outlined by OEO. The agencies, organizations, and groups listed in the first two categories seem to represent these segments. The other seven categories likewise will allow these segments to be heard.

The placement of these groups in their various categories is an attempt to further the goals of the project. Although they may at first glance appear to be more divergent than similar in their outlooks, the "areas of concern" are in truth similar. For example, private schools are placed with the "teachers" groups because under the "scholarship plan" all schools become "public" to the extent that they become able to cash vouchers. This concept, which reduces public school monopoly to provide parents with new alternatives, also makes necessary a realignment of educational resources.

As stated, these categories and groups represent one viable option for the formation of the initial ESC. By adding additional categories and/or groups, an infinite number of options would be possible. The ESC, once constituted, may wish to augment its membership and should have the freedom to do so.

Experience would seem to demand that some cautions be pointed out. The two-month period designated for the pre-planning stage presents a most formidable constraint. To convene a widely representative group which will then coalesce into a working team capable of consensus recommendations within a two-month period will indeed be difficult. If, after the two-month feasibility study, the Board decides to move into the planning stage, hopefully what should happen is a merging of the pre-planning into the planning stage so that the ESC will have

the advantages of continuity. This ESC would function during the planning year and provide overall direction for the project.

Other factors need consideration in a selection process which claims "representativeness." Racial and ethnic percentages in the district show the Spanish surname population to be 47.2% and total minority population nearly 60%. Thus representation based on this factor alone would mean the composition of the ESC (and later ESA) would have to reflect this population makeup. Income levels, having or not having school age children, geographic location, sex, age of citizens, and other factors may also require consideration. It seems improbable that all such considerations can be equitably included in the ESC composition although the attempt should be made. A given individual may be asked to serve because he or she represents a "variety of concerns" rather than one.

#### *Role and tasks of the ESC*

Groups, agencies, and organizations invited to provide members to the ESC should have a clear understanding of what the goals of the education scholarship program are and what their role in the pre-planning stage is to be. With the acceptance of the preplanning grant from O.E.O. by the Alum Rock Union Elementary School District Board of Education, the decision to test the feasibility of such a scholarship project in the school district has been made. The task which the new ESC will have will be to make recommendations on the basis of the results of their feasibility study, to the LEA about whether or not to continue the project.

The tasks in which the members of the ESC will be involved during the two-month feasibility study will include the following:

1. To familiarize themselves with the goals of the education scholarship program.
2. To modify and/or adapt by-laws for their own organization.
3. To respond to and advise on the collection of feasibility data by the outside subcontractor, the Center for Planning and Evaluation.
4. To arrange for and conduct a minimum of three public forums on the education scholarship program.
5. On the basis of their deliberations, to recommend to the Board of Education by March 1, 1971, whether or not to apply for a planning grant.

### **BY-LAWS OF THE EDUCATION SCHOLARSHIP COMMITTEE OF THE ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT**

#### **ARTICLE I: MEMBERSHIP**

##### *Section 1: Categories of membership*

Voting members of the Committee shall be selected from each of the following nine categories: minorities, Community Action Programs, teachers, the Alum Rock Board of Trustees, educational administration, business community, parents, State Administration and Legislature. Ex-officio participants may be included at the discretion of the Committee and/or Board of Trustees.

##### *Section 2: Selection and Appointment of Members*

The Board of Trustees shall solicit nominees for each of the categories and shall make the final selection from those nominated. Once the Committee is constituted, it shall have the power to adjust the Committee's size and representation according to its needs and directing legislation.

##### *Section 3: Terms of Office*

Term of office will extend through the planning stages.

##### *Section 4: Vacancies*

Should a vacancy occur, the Committee will recommend a nominee representing the same category to the Board of Trustees for approval.

##### *Section 5: Removal of Members*

Removal from the Committee's voting and ex-officio membership shall require a recommendation of  $\frac{2}{3}$  of the voting membership of the Committee and approval by the Board of Trustees.

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The role of the ESC shall be to study the Educational Scholarship Program and its feasibility for demonstration in Alum Rock Union Elementary School District, and to make appropriate recommendations to the Board of Trustees.

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The Committee is responsible for performing those tasks necessary to enable them to make recommendations to the Board at the conclusion of each of the planning stages. The Committee shall work within the time constraints established by the funding agency and/or the Board of Trustees.

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#### *Section 1: Officers*

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**CHECKPOINT PROCEDURE FOR COORDINATION  
OF CAP ACTIVITIES WITH STATE  
ECONOMIC OPPORTUNITY OFFICE ACTIVITIES**

*Budget Bureau No. 116-R0145  
Approval expires May 1971*

(THIS SPACE FOR DEO USE.)

The Community Action Agency, or other applicant named below, plans to apply to OEO for financial assistance under Section 221, 222, or 232, of Title II of the Economic Opportunity Act of 1964, as amended. The activity that the applicant plans to undertake is described in Section I, below. In order to assure that this activity is coordinated with other programs and concerns, and with other anti-poverty activities within the State, you are requested to complete Sections II and III of this form.

OEO requires the applicant to allow the State Economic Opportunity Office a minimum of 15 days from receipt of this form (CAP Form 77), to complete it and return it. If you are unable to respond fully to the request within this time period, you may either request additional time from the applicant or, if its schedule will not permit an extension, you may return the form with a notation explaining why you were unable to complete it.

This Checkpoint Procedure is not designed to require concurrence in proposed Community Action activities by the State Economic Opportunity Office. What OEO does require is that the applicant provide a meaningful opportunity for the State Economic Opportunity Office to express its concerns and to review the plans for Community Action activities within the State in order to better coordinate such activities with those of other State agencies.

In addition to this form, the State Economic Opportunity Office will receive a copy of the applicant's formal application simultaneously with its submission to the OEO Regional or OEO Project Office, and will be able to make further comments and suggested revisions at that time.

State sign-off on this form is not a waiver of the Governor's authority under Section 242 of the EO Act.

SECTION I.		APPLICANT AGENCY AND PROPOSED ACTIVITIES	
1. NAME OF APPLICANT ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT		2. DATE THIS FORM FORWARDED TO SEEO 6 January 1971	
3. ADDRESS			
NO. AND STREET	CITY	COUNTY	STATE
2930 Gay Avenue	San Jose	Santa Clara	California
4. NAME AND TITLE OF STAFF DIRECTOR Walter J. Symons, Ed. D Assistant Superintendent Instructional Services		5. TELEPHONE NO. (Include Area Code) (408) 258-4923	
6. CAP ACTIVITIES TO BE INCLUDED IN PROPOSED COMMUNITY ACTION PROJECT(S):			

San Jose

**7. BRIEF DESCRIPTION OF PROPOSED COMMUNITY ACTION PROJECT(S):**

Study to determine the feasibility of a pilot OEO-Sponsored Educational Voucher System in the Alum Rock Union Elementary School District.



3. TOTAL ESTIMATED COST OF PROPOSED ACTIVITY \$16,830		9. NON-FEDERAL SHARE Not described	10. FEDERAL SHARE \$16,830
SECTION II. OFFICIAL OR AGENCY RESPONDING TO FORM			
11. NAME OF STATE AGENCY RESPONDING		12. DATE RETURNED BY SECO	
13. ADDRESS			
110. AND STREET	CITY	STATE	ZIP CODE
14. TYPED NAME AND TITLE OF INDIVIDUAL COMPLETING THIS FORM	15. SIGNATURE		16. TELEPHONE NO. (include Area Code)

SECTION III. COMMENTS ON PROPOSED ACTIVITIES

17. DID YOUR OFFICE PROVIDE ASSISTANCE IN THE PLANNING OF THE PROPOSED COMMUNITY ACTION PROJECT(S) DESCRIBED IN SECTION I, ABOVE?

☐ YES (Describe) ☐ NO

18. WOULD THE PROPOSED PROJECT(S) COMPLEMENT OR COORDINATE WITH OTHER CURRENT AND PLANNED LOCAL, STATE, AND FEDERAL ANTI-POVERTY EFFORTS WITHIN THE STATE?

☐ YES ☐ NO ☐ OTHER

EXPLAIN

<b>CHECKPOINT PROCEDURE FOR COORDINATION BETWEEN CAP AND OTHER ANTI-POVERTY ACTIVITIES</b>	Budget Bureau No. 116-R047 Approval expires December 31, 1969
	(THIS SPACE FOR OEO USE.)

The community action agency named below plans to apply to OEO for financial assistance under Title II-A or III-B of the Economic Opportunity Act of 1964; as amended, to carry out community action projects that may concern your office, agency, or institution. The activity that the community action agency plans to undertake is described in Section I, below. In order to assure that this activity is coordinated with your own program or concerns, you are requested to complete Sections II and III of this form.

OEO requires the community action agency to allow each office, agency, or institution to which this form (CAP Form 46) is sent, a minimum of 15 days from receipt of the form to complete it and return it to the community action agency. If you are unable to respond fully to the request within this time period, you may either request additional time from the community action agency or, if its schedule will not permit an extension, you may return the form with a notation explaining why you were unable to complete it.

The checkpoint procedure is not designed to require concurrence in proposed community action activities by all potentially concerned local officials, agencies, or institutions. Where there has been prior consultation, and where no valid arguments have been advanced against a proposal, OEO will consider it on its merits. What OEO does require of a community action agency is that it provide a meaningful opportunity for affected local or State agencies to express their concerns.

<b>SECTION I. APPLICANT AGENCY AND PROPOSED ACTIVITY</b>				
1. NAME OF COMMUNITY ACTION AGENCY ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT			2. DATE THIS FORM PREPARED 4 January 1971	
3. ADDRESS				
NO. AND STREET 2930 Gay Avenue	CITY San Jose	COUNTY Santa Clara	STATE California	ZIP CODE 95127
4. NAME AND TITLE OF STAFF DIRECTOR Walter J. Symons, Ed. D Assistant Superintendent Instructional Services			5. TELEPHONE NO. (Include Area Code) (408)258-4923	
6. BRIEF DESCRIPTION OF PROPOSED COMMUNITY ACTION PROJECT(S):  Study to determine the feasibility of a pilot OEO-Sponsored Educational Voucher System in the Alum Rock Union Elementary School District.				
7. TOTAL ESTIMATED COST OF PROPOSED ACTIVITY \$16,830		8. NON-FEDERAL SHARE		9. FEDERAL SHARE \$16,830
<b>SECTION II. OFFICIAL OR AGENCY RESPONDING TO FORM</b>				
10. TITLE OF OFFICIAL OR AGENCY RESPONDING			11. DATE OF RESPONSE	
12. ADDRESS				
NO. AND STREET	CITY	COUNTY	STATE	ZIP CODE
13. TYPED NAME AND TITLE OF INDIVIDUAL COMPLETING THIS FORM		14. SIGNATURE		15. TELEPHONE NO. (Include Area Code)
<b>SECTION III. COMMENTS ON PROPOSED ACTIVITY</b>				
16. WERE YOU, OR WAS YOUR AGENCY, CONSULTED IN THE PLANNING OF THE PROPOSED COMMUNITY ACTION PROJECT(S) DESCRIBED IN SECTION I, ABOVE? <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> OTHER (Describe)				
17. WILL THE PROPOSED PROJECT(S) COMPLEMENT AND BE COORDINATED WITH YOUR CURRENT AND PLANNED EFFORTS TO ELIMINATE POVERTY? <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> OTHER (Describe)				
18. DO YOU, OR DOES YOUR AGENCY, RECOMMEND THAT THE PROPOSED PROJECT(S) BE APPROVED BY OEO? <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> OTHER (Describe)				

## DISCUSSION DRAFT

## IDENTIFICATION OF FORMER OEO EMPLOYEES

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT Name of Grantee Agency	Organization No.
<p>OEO Headquarters Staff Instruction 2610-1, April 7, 1970, state that:</p> <p>"The Grantee, as part of its application for a new grant or for a refunding, shall identify any former regular or special OEO employee whose employment with OEO terminated within 365 days prior to the date of grant application, who (1) is employed by the grantee, its delegate agency, or a subcontractor who performs work for the grantee or delegate agency under a subcontract of \$25,000 or more; or (2) who owns or has a financial interest in the grantee or its delegate agency; or (3) who is in any other way involved with the grantee or its delegate agency in his private capacity.* The grantee shall specify as an attachment to its application the names of such individuals and their position, degree of financial interest, or other relationship with the grantee or delegate agency. The grantee shall also identify any present or former employee of the Office of Economic Opportunity who is negotiating for employment with the grantee, any delegate agency or subcontractor to any such organization."</p> <p>*The information requested by item (3) shall be submitted in all cases in which the person involved has in fact or is expected to have any relationship to the grant for which this application is being submitted. In all other cases, it should be furnished to the extent reasonably available, but may be omitted where a substantial administrative burden would be involved in furnishing the information.</p> <p>I certify that:</p> <p><input checked="" type="checkbox"/> No persons as defined above are connected with the agency.</p> <p><input type="checkbox"/> Former OEO employees, as defined above, are connected with the agency. Their names, nature of their connection with the agency, and other necessary information as required by the above quoted portion of the OEO Hqs. Staff Instruction 2610-1 are listed on the reverse side of this form.</p>	
William J. Jefferds Superintendent Name and Title of Signing Official	6 January 71 Date Signature

NOT FOR PUBLICATION OR  
PUBLICATION REFERENCE

SCIENCE INFORMATION EXCHANGE  
SMITHSONIAN INSTITUTION

AGENCY NO.

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF ECONOMIC OPPORTUNITY

SUPPORTING AGENCY:

TITLE OF PROJECT:

FEASIBILITY STUDY EDUCATIONAL VOUCHER SYSTEM

Give names, departments, and official titles of PRINCIPAL INVESTIGATORS and ALL OTHER PROFESSIONAL PERSONNEL engaged on the project

William J. Jefferds, Ed. D., Superintendent  
Walter J. Symons, Ed. D., Assistant Superintendent Instructional Services  
Gary B. Goodpasture, Director Business Services

NAME AND ADDRESS OF INSTITUTION:

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

SUMMARY OF PROPOSED WORK - (200 words or less.) - In the Science Information Exchange summaries of work in progress are exchanged with government and private agencies supporting research, and are forwarded to investigators who request such information. Your summary is to be used for these purposes.

Study to determine the feasibility of a pilot OEO-Sponsored Educational Voucher  
System in the Alum Rock Union Elementary School District.

SIGNATURE OF  
PRINCIPAL INVESTIGATOR \_\_\_\_\_

PROFESSIONAL SCHOOL Alum Rock Union Elementary School  
(medical, graduate, etc.) \_\_\_\_\_ DISTRICT

DURATION OF PROJECT

AMOUNT AWARDED

**OFFICE OF ECONOMIC OPPORTUNITY**  
**Community Action Program**

**Assurance of Compliance with the Office of  
Economic Opportunity's Regulations under  
Title VI of the Civil Rights Act of 1964**

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT (hereinafter called the "Applicant")  
(Name of Applicant or Delegate Agency)

AGREES THAT it will comply with title VI of the Civil Rights Act of 1964 (P.L. 88-352) and the Regulations of the Office of Economic Opportunity issued pursuant to that title (45 C.F.R. Part 1010), to the end that no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which the Applicant receives Federal financial assistance either directly or indirectly from the Office of Economic Opportunity; and HEREBY GIVES ASSURANCE THAT it will immediately, in all phases and levels of programs and activities, install an affirmative action program to achieve equal opportunities for participation, with provisions for effective periodic self-evaluation.

In the case where the Federal financial assistance is to provide or improve or is in the form of personal property, or real property or interest therein or structures thereon, the assurance shall obligate the Applicant, or, in the case of a subsequent transfer, the transferee, for the period during which the property is used for a purpose for which the Federal financial assistance is extended or for another purpose involving the provision of similar services and benefits, or for as long as the Applicant retains ownership or possession of the property, whichever is longer. In all other cases, this assurance shall obligate the Applicant for the period during which the Federal financial assistance is extended to it.

THIS ASSURANCE is given in consideration of and for the purpose of obtaining either directly or indirectly any and all Federal grants, loans, contracts, property, or discounts, the referral or assignment of VISTA volunteers, or other Federal financial assistance extended after the date hereof to the Applicant by the Office of Economic Opportunity, including installment payments after such date on account of applications for Federal financial assistance which were approved before such date. The Applicant recognizes and agrees that such Federal financial assistance will be extended in reliance on the representations and agreements made in this assurance, and that the United States shall have the right to seek judicial enforcement of this assurance. This assurance is binding on the Applicant, its successors, transferees, and assignees, and the person or persons whose signatures appear below are authorized to sign this assurance on behalf of the Applicant.

Date 6 January 1971 ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT  
(Name of Applicant or Delegate Agency)

By \_\_\_\_\_  
(President, Chairman of Board, or comparable  
authorized official)

ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

2930 Gay Avenue

San Jose, California 95127

(Mailing Address)

<b>OFFICE OF ECONOMIC OPPORTUNITY</b>				<i>Reserved for Budget Bureau Approval.</i>	
<b>APPLICANT AGENCY BASIC INFORMATION</b>					
				ORGANIZATION NO. _____	
				DATE PREPARED 4 January 1971	

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**SECTION I. IDENTIFICATION OF APPLICANT AGENCY**

1. NAME OF APPLICANT ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

2. MAILING ADDRESS

NO. AND STREET 2930 Gay Avenue	CITY San Jose	COUNTY Santa Clara	STATE California	ZIP CODE 95127
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3. TELEPHONE NO. (Include Area Code)  
(408) 258-4923

4. GRANT NUMBERS \_\_\_\_\_

5. DATE OF INITIAL OEO/CAP FUNDING \_\_\_\_\_

6. IRS EMPLOYER IDENTIFICATION NO. \_\_\_\_\_

---

**SECTION II. TYPE OF AGENCY (Complete Item 7 or 8 below.)**

7. ☐ **POLITICAL JURISDICTION OR COMBINATION OF POLITICAL JURISDICTIONS**  
     a. NAME School District

8. ☐ DESIGNATED CAA ☒ LPA ☐ INDIAN ☐ MIGRANT ☐ TERRITORY ☐ CONTRACTOR

a. **SPONSOR TYPE**

☐ **PRIVATE**

☐ INCORPORATED      DATE INCORPORATED \_\_\_\_\_

☐ UNINCORPORATED      DATE OF ORIGIN \_\_\_\_\_

    \* DATE OF IRS RULING ON NONPROFIT STATUS \_\_\_\_\_

☒ **PUBLIC**

☐ CITY GOVERNMENT      ☐ TRIBAL COUNCIL

☐ COUNTY GOVERNMENT      ☐ REGIONAL

☐ STATE/TERRITORY GOVERNMENT

---

b. **SPONSOR FUNCTION (Check one)**

<input type="checkbox"/> NONPROFIT GROUP	<input type="checkbox"/> LEGAL SOCIETY
<input checked="" type="checkbox"/> ELEMENTARY/SECONDARY SCHOOL	<input type="checkbox"/> EMPLOYMENT
<input type="checkbox"/> INSTITUTION OF HIGHER LEARNING	<input type="checkbox"/> NEIGHBORHOOD BASED ORGANIZATION
<input type="checkbox"/> HEALTH AND WELFARE	<input type="checkbox"/> OTHER (Specify) _____
<input type="checkbox"/> RELIGIOUS ORGANIZATION	

---

c. **POLITICAL JURISDICTION(S) DESIGNATING CAA: (Complete if applicable)**

NAME OF POLITICAL JURISDICTION \_\_\_\_\_ TYPE \_\_\_\_\_

DATE OF OEO RECOGNITION \_\_\_\_\_

---

9. ☒ URBAN ☐ RURAL

---

**SECTION III. GEOGRAPHIC COVERAGE**

10. TYPE OF AREA SERVED

☐ MULTISTATE ☐ STATE ☐ MULTICOUNTY ☐ COUNTY ☐ LESS THAN COUNTY-WIDE ☐ CITY

☒ LESS THAN CITY-WIDE ☐ TERRITORY ☐ RESERVATION ☐ OTHER (Identify) \_\_\_\_\_

---

11. IDENTIFICATION OF AREA SERVED

COUNTIES Santa Clara

CONGRESSIONAL DISTRICT(S) 9th Congressional District

<b>11. (Continued) IDENTIFICATION OF AREA SERVED</b>							
<b>CITIES</b>							
San Jose							
<b>CONGRESSIONAL DISTRICT(S)</b>							
9th Congressional District							
<b>AREAS NOT INCLUDED</b>							
Non-district area							
<b>SECTION IV. POPULATION</b>							
<b>12. TOTAL POPULATION</b>		<b>13. URBAN POPULATION</b>			<b>14. RURAL POPULATION</b>		
		PCT.	%	NUMBER	PCT.	%	NUMBER
<b>SECTION V. POLICY-MAKING AND PROGRAM AND MANAGEMENT STRUCTURE</b>							
<b>15. NAME OF EXECUTIVE DIRECTOR</b>							
Walter J. Symons, Ed.D.							
<b>16. POSITION TITLE OF OFFICIALS AUTHORIZED TO SIGN JUSTIFICATION OF PROGRAM ACCOUNT AMENDMENT (CAP Form 25b)</b>							
Walter J. Symons, Ed.D.							
William J. Jefferds, Ed.D.							
<b>17. NAME AND TITLE OF PRINCIPAL GOVERNING OFFICIAL</b>							
William J. Jefferds, Ed.D., Superintendent							
<b>18. TYPE OF BOARD AND NAME OF PRINCIPLE OFFICER</b>							
a. <input type="checkbox"/> CAA GOVERNING BOARD		PRINCIPAL OFFICER					
b. <input type="checkbox"/> CAA ADMINISTERING BOARD		PRINCIPAL OFFICER					
c. <input type="checkbox"/> POLICY ADVISORY COMMITTEE (LPA)		PRINCIPAL OFFICER					
d. <input checked="" type="checkbox"/> GOVERNING BOARD (LPA)		PRINCIPAL OFFICER <u>Bernard Pabst, D.D.S., President</u>					
<b>c. SUMMARY OF BOARD COMPOSITION</b>							
CATEGORY OF REPRESENTATION	TOTAL NO.	ETHNIC/RACIAL ORIGINS					NO. WITH INCOME BELOW POVERTY LINE
		CAUCASIAN	NEGRO	SPANISH SURNAME	INDIAN	OTHER	
PUBLIC REPRESENTATIVES							
REPRESENTATIVES OF THE POOR							
REPRESENTATIVES OF PRIVATE GROUPS							
<b>TOTAL</b>							
<b>1. PERCENTAGE OF MINORITY MEMBERS ON BOARD</b>				<b>2. PERCENTAGE OF MINORITY POPULATION IN GEOGRAPHIC AREA SERVED BY THE APPLICANT</b>			

19.

Attach a copy of the AA's Articles of Incorporation or Charter and By-laws. If the AA does not have Articles, a Charter or By-laws, submit the establishing laws and rules of organization.

20.

Attach a generalized organization chart for the whole OEO funded program.

21.

If the AA is a CAA with an administering board, describe the division of responsibility between it and the governing officials. Indicate what authority has been delegated to the administering board.

22.

Describe the relationship between the Principle Representative Board of a CAA or the Governing Board and/or Policy Advisory Committee of an LPA on one hand, and the Office of the Executive Director on the other hand.

23.

Describe the relationships and division of responsibilities between the Applicant Agency's Board or Policy Advisory Committee and Executive Director on the one hand, and delegate agencies, area boards and county boards on the other. Indicate which functions are carried on by these boards and list the authority which has been delegated by the Board or Policy Advisory Committee (or Executive Director if so empowered) to specific other boards.

24.

Describe the method of selecting members to the Applicant Agency Board or Policy Advisory Committee, Area Boards and County Boards.

25.

(Applicable to LIMITED PURPOSE AGENCIES only at time of initial funding.)

#### CERTIFICATION OF AUTHORITY

I, the undersigned, as a duly licensed attorney at law, hereby CERTIFY that to the best of my information and belief, the applicant agency has the authority, under applicable principles of law, to carry out the program described in this application.

TYPED NAME OF COUNSEL	SIGNATURE
ADDRESS	





PAGE 1 OF 1 PAGES

OFFICE OF ECONOMIC OPPORTUNITY - APPLICATION FOR COMMUNITY ACTION PROGRAM			
PROGRAM ACCOUNT BUDGET (Please type or print clearly)			
1. APPLICANT AGENCY ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT	2. DATE SUBMITTED 6 January 1971	3. PROGRAM YEAR a 30 June 1971	4. GRANT NO.
PROGRAM ACCOUNT			
5. a. P.A. NO. 83	b. NAME General Research	c. BEGINNING DATE 6 January 1971	d. END DATE 30 June 1971
6. SUBMITTED AS PART OF (check one): a. <input checked="" type="checkbox"/> FUNDING REQUEST b. <input type="checkbox"/> AMENDMENT REQUEST (If this item is checked, attach CAP Form 25b, "Justification for Program Account Amendment".)			

SECTION I.									
BUDGET SUMMARY									
COST CATEGORY	APPROVED PY		REQUESTED PROGRAM YEAR			REQUESTED PROGRAM YEAR + 1		REQUESTED PY + 2	
	TOTAL PROGRAM	NON-FEDERAL SHARE	TOTAL PROGRAM	FEDERAL SHARE	NON-FEDERAL SHARE	TOTAL PROGRAM	FEDERAL SHARE	TOTAL PROGRAM	NON-FEDERAL SHARE
(1)	(3)	(4)	(5)	(6)	(7)	(10)	(11)	(12)	(14)
1. PERSONNEL COSTS			\$ 11,580						
1.1 SALARIES									
1.1.1 AND WAGES									
1.2 FRINGE BENEFITS (Employer's share only)			2,130						
1.3 CONSULTANTS AND CONTRACT SERVICES			9,450						
2. NONPERSONNEL COSTS			5,250						
2.1 TRAVEL									
2.2 SPACE COSTS AND RENTALS			800						
2.3 CONSUMABLE SUPPLIES			3,200						
2.4 RENTAL, LEASE, PURCHASE OF EQUIPMENT			850						
2.5 OTHER COSTS			400						
TOTAL COSTS			16,830						
FEDERAL SHARE			16,830						
NONFEDERAL SHARE									

## Appendix A

AMENDED IN ASSEMBLY JULY 16, 1970

AMENDED IN ASSEMBLY JUNE 25, 1970

AMENDED IN ASSEMBLY JUNE 19, 1970

CALIFORNIA LEGISLATURE—1970 REGULAR SESSION

## ASSEMBLY BILL

No. 2471

Introduced by Assemblymen Campbell, Ryan, Arklin, Badham, Barnes, Briggs, Burke, Burton, Cory, MacDonald, Milias, Monagan, Porter, Priolo, Ralph, Russell, Stull, Townsend, Vasconcellos, and Veysey  
( Coauthor: Senator Schmitz Coauthors: Senators Alquist, Burgener, Grunsky, Harmer, Richardson, Schrade, Schmitz, and Way )

April 3, 1970

REFERRED TO COMMITTEE ON EDUCATION

*An act to add Chapter 2.5 (commencing with Section 31175) to Division 22 of the Education Code, relating to the Elementary Demonstration Scholarship Act of 1970.*

## LEGISLATIVE COUNSEL'S DIGEST

AB 2471, as amended, Campbell (Ed.). Financial support for education.

Adds Ch. 2.5 (commencing with Sec. 31175) to Div. 22, Ed.C.

Enacts Elementary Demonstration Scholarship Act of 1970.

Declares legislative intent re purposes of act.

Provides that demonstration scholarship programs shall exist for seven years. Authorizes one to four school districts *district or group of districts of specified a.d.a.* to participate in a demonstration program whereby the district would make educational scholarships available to all elementary school pupils residing in a demonstration area. Prescribes standards for determining amount of scholarship. Provides that the scholarship may be used at any school, including private schools, meeting prescribed standards. Prescribes method of computing a.d.a. of a demonstration district.

Permits demonstration school districts to contract with federal agencies for demonstration funds.

Vote—Majority; Appropriation—No; Fiscal Committee—Yes.

*The people of the State of California do enact as follows:*

1     SECTION 1. Chapter 2.5 (commencing with Section 31175)  
2     is added to Division 22 of the Education Code, to read:

3  
4             CHAPTER 2.5. THE ELEMENTARY DEMONSTRATION  
5             SCHOLARSHIP ACT OF 1970  
6

7             Article 1. General Provisions  
8

9     31175. This chapter shall be known and may be cited as  
10    the Elementary Demonstration Scholarship Act of 1970.

11    The Legislature finds that the existing system of state, local  
12    and federal financial support for public education which  
13    provides for payments to schools rather than to students se-  
14    verely limits the range of educational opportunity available to  
15    the vast majority of students and discriminates against eco-  
16    nomically disadvantaged children who have no alternative ex-  
17    cept to attend the public school system.

18    The Legislature further finds that the public welfare will  
19    best be served by providing, on a demonstration basis, greater  
20    diversity in educational opportunity by providing elementary  
21    school children with scholarships for education at the schools of  
22    their parents' choice, whether public or private.

23    Therefore, it is the intent of the Legislature to enable one or  
24    more school districts in the State of California to participate  
25    in a federal demonstration program designed to develop and  
26    test the use of education scholarships for elementary school  
27    children.

28    The purpose of the Elementary Demonstration Scholarship  
29    Program is to develop and test scholarship programs as a way  
30    to improve the quality of education by increasing the level of  
31    academic achievement of the pupils involved by making  
32    schools, both public and private, more responsive to the needs  
33    of children and parents, to provide greater parental choice,  
34    and to determine the extent to which the quality and delivery  
35    of educational services are affected by market competition.  
36    The demonstration scholarship program authorized by this  
37    act shall aid students and shall not be used to support or to  
38    benefit any particular school.

39    31176. As used in this chapter:

40    (a) "Local board" means the school district governing  
41    board contracting with a federal agency to administer a dem-  
42    onstration program.

43    (b) "Demonstration board" means the local board or an-  
44    other suitable board designated by the contracting federal  
45    agency and approved by the local board. In the event the local  
46    board designates a board other than itself to act as the demon-  
47    stration board, the demonstration board shall have no fewer  
48    members than the local board and no more than twice the

1 membership of the local board *and shall be representative of*  
 2 *the population of the participating district.*

3 (c) "Elementary Demonstration Scholarship Program"  
 4 means a program for developing and testing the use of educa-  
 5 tion scholarships for elementary school children.

6 (d) "Demonstration area" means the area designated by the  
 7 local board for the purposes of a demonstration program. The  
 8 demonstration area may include the whole or a part of any  
 9 school district, or a combination of districts or parts of dis-  
 10 tricts.

## 11 Article 2. Establishment and Administration of 12 Demonstration Programs 13

14 31180. There is hereby established the Elementary Demon-  
 15 stration Scholarship Program, to exist for a period of seven  
 16 years commencing upon the effective date of this section.

17 31181. ~~School~~ *A school* district governing ~~boards~~ *board*,  
 18 or combination of school district governing boards, may con-  
 19 tract with federal agencies for funds to establish an Elemen-  
 20 tary Demonstration Scholarship Program. ~~No more than four~~  
 21 ~~districts, or groups~~ *One district, or one group* of districts,  
 22 shall be eligible to participate in the Elementary Demonstra-  
 23 tion Scholarship Program. *The participating district, or group*  
 24 *of districts, shall have no fewer than 25,000 and no more than*  
 25 *200,000 students in average daily attendance in the year pre-*  
 26 *ceding the demonstration project.* In no case shall the demon-  
 27 stration area include more than 15,000 eligible resident stu-  
 28 dents. The overall population of any demonstration area shall  
 29 exhibit heterogeneous demographic characteristics, and shall  
 30 include a representative cross section of socioeconomic, cul-  
 31 tural, ethnic, and racial elements such as is found statewide.  
 32 The contract to establish the demonstration program shall be  
 33 subject to the review and approval of the California Educa-  
 34 tional Research Commission established pursuant to Article 2  
 35 (commencing with Section 32011) of Chapter 6 of this divi-  
 36 sion.

37 31182. The demonstration board shall control and admin-  
 38 ister the demonstration program, and shall adopt rules and  
 39 regulations for the efficient administration of the demonstra-  
 40 tion program. These rules and regulations shall provide for  
 41 the following:

42 (a) The school of attendance shall certify in writing that the  
 43 scholarship recipient was regularly enrolled on the fourth Fri-  
 44 day after commencement of the semester or quarter, as the  
 45 case may be.

46 (b) The scholarship funds shall be expended exclusively  
 47 for the secular education of students.

48 (c) *The dissemination of comprehensive information on all*  
 49 *eligible schools, as defined in Section 31185, to resident parents*  
 50 *in the demonstration area no later than June 30, 1971, and the*  
 51 *provision of an "outreach" program to advise all eligible re-*  
 52

1 *ipients of the opportunities available to them under the pro-*  
2 *visions of this chapter.*

3 31182.5. The scholarship funds may be made available for  
4 the school year beginning July 1, 1971, and for each subse-  
5 quent year of the demonstration; provided that at least six  
6 months prior to the issuance of the elementary demonstration  
7 scholarships the demonstration board has contracted with the  
8 appropriate federal agency for comprehensive planning and  
9 execution of the demonstration project.

10 31183. The demonstration board shall award a scholarship  
11 to each elementary school child residing in the demonstration  
12 area, subject only to such age and grade restrictions which it  
13 may establish.

14 The scholarship funds shall be made available to the parents  
15 or legal guardian of a scholarship recipient in the form of a  
16 voucher, drawing right, certificate, or other document which  
17 may not be redeemed except for the educational purposes set  
18 forth in Section 31175 and at a school which satisfies the re-  
19 quirements of Sections 31185 and 31186.

20 31184. The demonstration board shall establish the amount  
21 of the scholarship in a fair and impartial manner, as follows:

22 (a) In establishing the amount of the scholarship, special  
23 needs of underprivileged or handicapped children who would  
24 benefit from special services and compensatory education may  
25 be taken into account.

26 (b) The scholarships shall be adequate to pay for the full  
27 tuition of the scholarship recipient in two or more schools in  
28 the demonstration area.

29 (c) Adequate provision for the pro rata or incremental re-  
30 demption of vouchers shall be made.

31 31185. The demonstration board shall authorize the parents  
32 or legal guardian of scholarship recipients to use the demon-  
33 stration scholarships at any school in which the scholarship re-  
34 cipient is enrolled which also:

35 (a) Meets all educational, fiscal, health and safety standards  
36 required by law.

37 (b) Does not discriminate against the admission of students  
38 and the hiring of teachers on the basis of race, color, national  
39 origin, or economic status, and has filed a certificate with the  
40 State Board of Education that the school is in compliance with  
41 Title VI of the Civil Rights Act of 1964 (Public Law 88-352);  
42 *and provides that students from minority and ethnic groups*  
43 *be admitted in proportion as such students make application;*  
44 *and takes an affirmative position to secure a racially, ethnic-*  
45 *ally, and socioeconomically integrated student body which*  
46 *shall, to the greatest possible extent, reflect the racial, ethnic,*  
47 *and socioeconomic composition of the demonstration area.*

48 (c) Meets any additional restrictions established by the  
49 terms of the federal or state demonstration contract.

50 (d) Is not controlled by any religious creed, church or sec-  
51 tarian denomination except as provided in Section 31186.

52 (e) Is a nonprofit institution.

(f) Provides public access to all financial and administrative records and provides to the residents of the demonstration area comprehensive information, in printed form, on the courses of study offered, curriculum, materials and textbooks, the qualifications of the teachers, administrators, and para-professionals employed, the minimum schoolday, the salary schedules, and such other information as may be required by the demonstration board.

(g) Provides periodic reports on the progress of the pupils enrolled as determined by standardized tests including the administration and reporting of any statewide examinations required by law for the public elementary schools of California.

(h) Offers a comprehensive course of study in the basic skill areas of reading; mathematics; and the English language, whether as a second language or the language of instruction.

(i) Maintains a register of reports, including monthly attendance, and any other information as may be required by the demonstration board.

(j) Prohibits instruction in unconstitutional areas, such as the violent overthrow of the United States or California state government.

31185.5. *The Legislature declares that no school shall be eligible to negotiate demonstration scholarships unless it is racially, ethnically, and socioeconomically integrated.*

31186. In compliance with the constitutional guarantee of free exercise and enjoyment of religious profession and worship, without discrimination or preference, schools may be exempted from subdivision (d) of Section 31185 if they meet all other requirements for eligibility including the provision in subdivision (b) of Section 31182.

31187. The local board establishing a demonstration program may waive all restrictive or limiting provisions of this code for the public schools in the demonstration area, where such provisions relate to the following subjects:

(a) Employment, tenure, and duties of certificated employees.

(b) Class size.

(c) Contracting.

(d) Salary schedules.

(e) Curriculum.

(f) Certification requirements.

(g) Minimum schoolday.

(h) Percentage of current expense of education for teachers' salaries.

(i) Teacher aides and teacher assistants. No statutory financial penalties shall be assessed during the period of the demonstration which are associated with those sections of the Education Code which may be waived by the local board for the purposes of the demonstration.

31188. The demonstration board may:

(a) Employ a staff for the demonstration board.

1 (b) Receive and expend funds to support the demonstration  
2 board and scholarships for children in the demonstration area.

3 (c) Contract with other government agencies and private  
4 persons or organizations to provide or receive services, sup-  
5 plies, facilities, and equipment.

6 (d) Determine rules and regulations for use of scholarships  
7 in the demonstration area.

8 (e) Adopt rules and regulations for its own government.

9 31188.5. *The demonstration board shall annually certify*  
10 *in writing that all schools eligible to negotiate vouchers are in*  
11 *compliance with all provisions of this chapter.*

12 31188.7. *The meetings of the demonstration board shall be*  
13 *open to the public, and the residents of the demonstration area*  
14 *shall be afforded the regular opportunity to express themselves*  
15 *before the demonstration board.*

16 31189. Any contract executed between a demonstration  
17 board and the federal government to establish an Elementary  
18 Demonstration Scholarship Program shall provide for inde-  
19 pendent research, evaluation, and reporting on the Elementary  
20 Demonstration Scholarship Program authorized by this chap-  
21 ter. The evaluation and reporting required by this section shall  
22 be funded by the contracting federal agency, and shall be per-  
23 formed by an impartial, private or public, nonprofit institu-  
24 tion, foundation, or university. The research so required shall  
25 be broadly based and shall draw upon the relevant academic  
26 disciplines and departments such as law, economics, political  
27 science, sociology, anthropology and pedagogy, and shall not  
28 be exclusively undertaken by any one faculty, department, or  
29 discipline.

30 The research and evaluation shall focus upon the identifica-  
31 tion of measurable change in the progress of students in the  
32 demonstration area, and changes in the type and variety of  
33 education offerings in the demonstration area.

34 The research model, and the contractor, shall be subject to  
35 the review and approval of the California Educational Re-  
36 search Commission established pursuant to Article 2 (com-  
37 mencing with Section 32011) of Chapter 6 of this division.

38

39

### Article 3. Attendance

40

41 31190. For purposes of state and local financial support,  
42 the Superintendent of Public Instruction and local officials  
43 responsible for the allocation of funds to schools in the demon-  
44 stration area shall compute the average daily attendance in  
45 the demonstration area as follows:

46 (a) The average daily attendance in the public schools in  
47 the demonstration area for the year immediately preceding  
48 the demonstration shall be determined; and

49 (b) The rate of change in average daily attendance in the  
50 demonstration area shall be calculated as the average per-  
51 centage increase or decrease in public school average daily



1 attendance in the demonstration area for the five years imme-  
2 diately preceding the demonstration; and

3 (c) The average percentage change as determined in sub-  
4 division (b), shall be multiplied by the average daily attend-  
5 ance as determined in subdivision (a), to identify any change  
6 in the number of students.

7 (d) Any change in the number of students identified in  
8 subdivision (c) shall be added or subtracted to the number of  
9 students in average daily attendance as determined in sub-  
10 division (a). This number shall be declared to be the average  
11 daily attendance for purposes of state and local support.

12 (e) For the second, and each subsequent year of the demon-  
13 stration project, the number of students in average daily at-  
14 tendance shall be determined by multiplying the rate of change  
15 in average daily attendance as determined in subdivision (b)  
16 by the number of students determined to be in average daily  
17 attendance in the immediately preceding year, and the product  
18 so produced shall be added to the number of students in av-  
19 erage daily attendance in the immediately preceding year to  
20 determine the total number of students in average daily at-  
21 tendance.

22 31191. The local board shall receive all state, local, and  
23 federal funds allocable to the demonstration area, and shall  
24 transfer these funds to the demonstration board. The demon-  
25 stration board shall use these funds for the demonstration pro-  
26 gram as provided in this chapter and the terms of the demon-  
27 stration contract.

#### 28 Article 4. Construction of Act

29  
30  
31 31192. The provisions of this chapter shall be liberally  
32 construed with a view to effect its objects and promote its  
33 purposes.

34 31193. If any section, subdivision, sentence, clause or phrase  
35 of this chapter is for any reason held to be unconstitutional,  
36 such decision shall not affect the validity of the remaining  
37 portions of this chapter. The Legislature hereby declares that  
38 it would have enacted this chapter and each section, subdivi-  
39 sion, sentence, clause or phrase thereof, irrespective of the  
40 fact that any one or more of the sections, subdivisions, sen-  
41 tences, clauses or phrases be declared unconstitutional.

## APPENDIX B

## Statistical Data on Public School

## Pupils in Alum Rock

Actual Enrollment on March 30, 1970: 15,755

Grades:	K - 1,933	12.3%
	1 - 1,900	12.1%
	2 - 1,806	11.5%
	3 - 1,778	11.3%
	4 - 1,678	10.6%
	5 - 1,580	10.0%
	6 - 1,569	10.0%
	7 - 1,507	9.6%
	8 - 1,368	8.7%
	<hr/>	<hr/>
	15,119	96.1%

## Special Education Pupils

	636	4.0%
	<hr/>	<hr/>
	15,755	100.1%

Projected enrollment for 1970-71: 16,194

Number of children receiving AFDC payments 4,200

Annual pupil turnover rate:

(a) at about one-half the schools: 35%  
(based on actual study)(b) at about one-half the schools: 10-15%  
(estimate)

Racial breakdown: Total minority: 53.8%

Total other: 46.2%

Minorities

Spanish Surname 43.2%

Negro 8.6%

Oriental 1.7%

American Indian .3%

## APPENDIX C

## Alum Rock Elementary School District

September 3, 1970

## Possible Financial Arrangements

A HYPOTHETICAL MODEL TO ILLUSTRATE THE PROBABLE COSTS TO ALUM ROCK AND THE OEO  
IN A POSSIBLE FIELD TEST OF A DEMONSTRATION SCHOLARSHIP PROGRAM

## Estimated parameters:

1. Total School age population, K -- 8: 17,000.
2. Total public school population, K -- 8, at start of field test: 16,000.
3. Total nonpublic-school population, K -- 8, at start of field test: 1,000.
4. Percentage of students defined as disadvantaged: 33.3%.  
(based on estimate of children receiving AFDC aid.)
5. Total cost of basic public education (excluding special programs, special services and transportation) in the public schools: \$10,500,000, or \$650 per pupil.
6. Of the total budget, \$2,100,000 represents fixed costs (capital outlays, maintenance, etc.); and \$8,400,000 represents variable costs (salaries, services, instructional supplies, etc.). Of the \$8,400,000 in variable costs, \$2,100,000 is the extent to which variable costs can be reduced in any single year. (This assumes that the teaching force can be reduced 15% by natural attrition, and 10% through voluntary transfers to nonpublic-schools participating in the program.)
7. The average basic scholarship for each child: \$650.
8. The average scholarship for the disadvantaged child: \$950.
9. The average scholarship in the district: \$750. (This may be more for seventh and eighth graders, and for children eligible to receive special services, but these factors are ignored for the purpose of this hypothetical model.)
10. Assume that the proportion of disadvantaged in the public schools equals the proportion in the nonpublic-schools.

## EXAMPLE:

Assuming the above parameters, changes in enrollment in the public school would have the following effect on public school revenues:

Public School Enrollment	Regular Revenue	Transfer to Demonstration	Scholarship Income	Normal Cost of Operation for enrollment given	Gain or Loss Under Program
Prior to a field test:					
16,000	\$10,500,000	0	0	\$10,500,000	0

DURING FIELD TEST

16,000	\$10,500,000	\$10,500,000	\$12,100,000	\$10,500,000	\$1,600,000
15,000	\$10,500,000	\$10,500,000	\$11,250,000	\$ 9,900,000	\$1,350,000
14,000	\$10,500,000	\$10,500,000	\$10,500,000	\$ 9,380,000	\$1,120,000
12,000	\$10,500,000	\$10,500,000	\$ 9,000,000	\$ 8,400,000	\$ 600,000
11,200	\$10,500,000	\$10,500,000	\$ 8,400,000	\$ 8,400,000	0
10,000	\$10,500,000	\$10,500,000	\$ 7,500,000	\$ 8,400,000	-(900,000)
8,000	\$10,500,000	\$ 10,500,000	\$ 6,000,000	\$ 8,400,000	-(2,400,000)

## HYPOTHETICAL EXPENSES FOR ABOVE EXAMPLE -- FIRST YEAR

## Expenditures

1. Cost of basic scholarship for 16,000 children in the public schools	\$10,500,000
2. Cost of special programs, and services (this may be included in the scholarship fund if the Board determines that it is feasible.)	1,800,000
3. Local contribution towards transportation (amount borne by Alum Rock School District)	<u>200,000</u> \$12,500,000
4. Cost of basic scholarship for 1,000 children now in nonpublic-schools	650,000
5. Cost of incremental payments for the disadvantaged children	1,700,000
6. Costs of transportation, federal share (assumes that one half of the total pupil population requires transportation, and that the average cost per pupil is \$60. This amount may be included in the vouchers of all children, or a separate transportation system may be organized.) (\$510,000 less 200,000 local shares)	310,000
7. Costs of information and parent counseling program	1,700,000
8. Added costs of administration (note that public school administration should be borne by the public schools, and paid from scholarship funds.)	500,000
9. Costs of insurance against unusual losses in public school revenue	(contingency fund reserved by OEO)
10. Evaluation	100,000
11. Costs of identifying the disadvantaged (amount borne by the OEO)	<u>100,000</u> \$ 5,560,000 <u>5,900,000</u>
TOTAL	<u>\$18,160,000</u>

## NOTE 1:

The cost administration (#8), the extent of the contingency fund (#9), costs of identifying information and parent counseling (#7), and costs of identifying the disadvantaged will probably be greater in the first year than in subsequent years due to initial organizational and start-up costs. Cost of evaluation (#10) will probably be greater in the final years, when a final evaluation is underway.

## NOTE 2:

This budget assumes that during a field test the Alum Rock School District will be successful in obtaining the same level of state and federal funds that it would receive in a normal year. In other words, this assumes that where funds are tied to average daily attendance figures, government authorities will base their computations on a projected average daily attendance, based on the experience prior to a field test. It also assumes that the computation will take into account increased costs, inflationary trends, etc. The natural increase in costs can be shown through an examination of the costs since 1968. In 1968--69, the Alum Rock School total budget was \$9,476,389. If transportation and state-aided special education funds are deducted, the budget was \$8,710,679, or \$561.07 per pupil. In 1969--70, the total budget was \$10,464,913; with the same deductions it was \$9,784,829, or \$625.79 per pupil. The projected budget for 1970--71 is \$11,326,699; with the same deductions, \$10,644,501, or \$657.80 per pupil. The financial section of the enabling legislation will have to provide for increases in both pupil population and costs per pupil if Alum Rock is to continue to receive the same amount of State funds as it would in a normal year of operation. Likewise, arrangements must be made with federal authorities for maintenance of federal funds at an equitable level.

## NOTE 3:

This budget is for the first year of operation only. The school district believes that in subsequent years, the computation of the basic voucher should increase. Using the figures presented in note 2 above, basic per pupil costs have increased at an average rate of 8.3% per year.

## NOTE 4:

For a variety of reasons (ease of transition, to assure children the right to remain in their present schools, etc.) the Board may determine to phase in and out operations. How this will affect the budget depends on the particular procedure adopted. For example, the Board could (1) phase in one grade at a time, starting with kindergarten, no vouchers available to new children at higher grade levels; (2) phase in one grade at a time, beginning with kindergarten, with scholarships also available to all new children in the area (The average turnover rate is approximately 25% or (3) phase in and out one grade at a time (a procedure which would extend the demonstration for 17 years if all grades, K--8 participate). If option 2 were adopted, the costs would be less each year, and would be approximately the following percentage of the costs in the hypothetical budget.

Year of demonstration	Percentage of Total Pupil Population			% of costs shown in hypothetical budget
	100% of children at eligible grade level	25% of other children (new students)		
one	(K) 12.3	(1--8) 21.0		33.3
two	(K--1) 24.4	(2--8) 17.9		42.3
three	(K--2) 35.9	(3--8) 15.1		51.0
four	(K--3) 47.2	(4--8) 12.2		59.4
five	(K--4) 57.8	(5--8) 9.6		67.4
six	(K--5) 67.8	(6--8) 6.8		74.6
seven	(K--6) 77.8	(7--8) 4.6		82.4
eight	(K--7) 87.4	(8) 2.2		89.6
nine	(K--8) 96.1			

(Excludes 4.0% children in special programs)

## Appendix D

## PRELIMINARY LIST—ALTERNATIVE NONPUBLIC SCHOOLS IN AND NEAR ALUM ROCK

1. San Jose Free Community School, 582 Blossom Hill Road, operated by Loren Smith, 344 N. 12th, San Jose, California 94112 (294-1071). The school was in operation for almost one year (1969) with 12 children. It has not continued due to lack of funds, but an effort is under way to find funds.

2. Los Gatos Summerhill School, operated by Mike Connor. 12 children are admitted. Mr. Connor's home serves for facilities.

3. Community Improvement Center, operated by the Mayfair Neighborhood Council, Inc., 2039 Cammerer Avenue, San Jose 95116 (259-1424), (contact; Bob Stroughter) was serving 20 pre-school to third grade pupils (only a few Spanish-speaking third graders) for two years. It has not continued due to lack of funds.

4. Tiburcio Vasquez Institute, a planned school for Spanish-speaking children, K-12. Contact: Greg Rios, Mexican-American Community Services Project, 776 N. 13th, San Jose, California (287-3445).

5. San Jose Community School, plans have been prepared by Loren Smith and Richard Bianci. They are seeking funds now for a planned school for 30 to 50 children. They have located a possible donated facility. The school would be geared to low income children.

6. St. John Vianney, 4601 Hyland Avenue, San Jose (258-7677), (Sister Jacqueline Moss, Principal). This is the major non-public school now operating in the Alum Rock School District. Approximately 600 of its 617 pupils are from the Alum Rock District. It has grades 1-8. Tuition is \$18.00 per month or \$180.00 per family per year.

7. St. Victor's School, 3150 Sierra Road, San Jose (251-1740), (Sister Maureen Lyons, Principal). They have 15 pupils (K-8) from the Alum Rock School District.

8. Most Holy Trinity, 1940 Cunningham Avenue, San Jose (259-1010), Sister Barbara, Principal; they estimate that 250 of their 320 pupils are from the Alum Rock School District, in grades 1-8. Tuition is \$18.00 per family per month, and there is a \$21.00 per child charge for services and supplies.

9. There are other existing private schools in the area, and several other individuals interested in operating private schools, were funds available. For further information contact, Jacque Goldman, Education Switchboard, 1380 Howard, San Francisco 94103.

10. There may be some public schools outside of the Alum Rock School District that could make some spaces available for scholarship students from Alum Rock.

## Appendix E

## CENTER FOR PLANNING AND EVALUATION (CPE), SAN JOSE, CALIF.

What is CPE?

CPE is a Santa Clara County agency committed to promoting innovative practices in school districts and in providing direct services to schools in the areas of individualization of instruction, program/proposal planning and development; evaluation; systems applications; program budgeting; management systems; inservice training of personnel in the education professions; and information services including literature search and data retrieval as well as systematic mailouts of relevant information to various groups of Santa Clara County educators.

Is CPE an independent agency?

No. CPE's sponsoring agency (LEA) is the Santa Clara County Office of Education.

How long have you been in operation?

As the Center for Planning and Evaluation, only since July 1, 1970. For the last four years we were an ESEA Title III Pace Center.

What is your funding source?

Approximately 20% of our funds come from Title III of the Elementary and Secondary Education Act. The rest of our operating expenses are met through performance contracts with districts and other agencies.

Are your activities limited to Santa Clara County?

Not necessarily. However, our first responsibility is to local districts. We do accept contracts outside of the county.

What is the size of your staff?

We have seven full-time professional staff members and three full-time secretaries. In addition, we utilize the services of college work-study students, OJT trainees, graduate interns and consultants.

For more information: Call us at (408) 299-3731.

Executive Director: Dr. Fred Long; Associate Director: Mrs. Marcella Sherman; Assistant Director: Dr. Sanford Glovinsky.

#### CENTER FOR PLANNING AND EVALUATION OF THE SANTA CLARA COUNTY OFFICE OF EDUCATION, SAN JOSE, CALIF.

*The Center Emphasis:* Applied Research and Development.

The Center specializes in inservice training of personnel and the development of a wide variety of educational projects related to planning and evaluation (critiques, criteria based curriculum materials, designs, educational audits, evaluations, literature searches, management systems, plans, reports and studies).

*The Center Provides:* Direct Services to Districts.

The specialized professional staff, who are available on short notice to consult or trouble-shoot a district's problems, is backed-up by a strong dissemination program which emphasizes literature searches and mailings.

Executive Director: Dr. Frederick Long; Associate Director: Mrs. Marcella Sherman; Assistant Director: Dr. Sanford Glovinsky.

#### DESCRIPTION OF SERVICES OFFERED BY PROGRAM 0.0: CENTER ADMINISTRATION

##### 1. *Administration Interns:*

District staff members might work with Center professional staff in the design and simulation of models of P.E.R.T. (Program Evaluation Review Techniques); PPBS (Planning, Programming, Budgeting System); M.I.S. (Management Information System); and S.I.S. (Student Information System). Interns could earn collegiate or university credit. Interns would produce a model or conduct a simulation of a model.

##### 2. *Inservice Workshops:*

Workshops could be held for district personnel in the district's facilities in program budgeting, program or project monitoring, development of goal structures and management information systems.

#### DESCRIPTION OF SERVICES OFFERED BY PROGRAM 1.0: INDIVIDUALIZATION OF INSTRUCTION

##### 1. *Learning Materials:*

The design of learning materials is the key to the immediate and long-range success of an individualized continuous progress program. Learning units based on behavioral objectives will allow revision of objectives, learning activities and evaluation procedures by statistical means. Compatibility of individualized learning materials with computer-managed instruction (CMI) makes long-range planning possible.

CPE can provide authoritative orientation to ideas, techniques and resources relevant to individualization of instruction and learning. Workshops can be organized for staff orientation, writing of behavioral objectives and design of learning units.

##### 2. *Learning Space:*

The design of the learning environment and the way in which it is used contributes greatly to the success of an individualized continuous progress program. Individualization is a dynamic process involving a flow of individuals from one type of learning space to another. Efficiencies developed through school plant design or modification will be reflected in improved student involvement and better staff utilization.

CPE can offer experienced advice in the designing and modification of learning space to facilitate the individualization of instructions.

##### 3. *Operational Strategies:*

In an individualized continuous progress program, the demands made by the individual student on the time and involvement of the instructional staff generates the need for changes in classroom management procedures. In order to



proceed as an individual, the student is in constant need of the availability of learning materials, academic guidance and personal progress information. The staff must be organized to respond to the various needs of the individual student. This very likely will involve the use of paraprofessionals.

CPE can assist in developing operational strategies for individualized instruction on a classroom, departmental, or interdisciplinary level.

Contact: Mr. Bill Gilmore, 299-3731.

#### DESCRIPTION OF SERVICES OFFERED BY 4.0: APPLIED COMPUTERIZED SYSTEMS

1. *Inservice Workshops* in test development and analysis, evaluation design, data collection and conceptual level presentation of statistical routines available for use with District computer. These would mesh with workshops offered by other programs of the Center.

2. *Computer Services*: Standard statistical routines (SSP, TSAR, BIOMED). Major district evaluations or smaller scale research projects on the part of individual schools or teachers could utilize these data analysis packages. District personnel could be trained to use the hardware. MIS and SIS systems can be developed as these skills are acquired. Statistical analysis of data is offered on a job basis.

3. *Specialized Research or Programming Tasks*: Computer programs to monitor the attainment of objectives within the PPBS format can be offered. Also, computer programs to simulate the cost of alternative program selections are available. Evaluation of standardized testing results via item analysis and factor analysis or predictive studies using multiple linear regression, canonical correlation or multiple discriminant analysis are available.

4. The "hands on" proximity of a district or centrally located computer and its associated hardware provides an opportunity to offer computer programming, symbolic logic, finite math, and statistics as part of the secondary curriculum. Nearly all college students have at least a single course dealing with machines. This experience at the secondary level would be desirable.

Contact: Dr. Richard Gustafson, 299-3731.

#### DESCRIPTION OF SERVICES OFFERED BY PROGRAM 5.0: EVALUATION

1. *Needs Assessment*: A district survey to determine the priority of educational needs as seen by students, educators, and the public.

2. *Curriculum Adoption Simulation*: A judicial-based simulation to uncover the hidden advantages and disadvantages of adopting a new curriculum. Factors considered include educational, economic, and political ones. An open exploration of these issues prior to the decision to adopt a new curriculum is a highly efficient operation. Other simulations involving school reorganization, physical plant needs, etc., are also possible.

3. *Evaluation of Projects and Curriculum Areas*: Emphasis is placed upon providing information that will serve as the basis for decision making for improving the project/program; such evaluation should also provide an understanding of the factors related student success in the project or curriculum areas.

4. *School District Evaluation System*: This activity would attempt to initiate or strengthen a system for monitoring the operations and student outcomes of the school district. This could include: a review of the testing program, examination of the system for reporting student progress to parents and other educators, and a review of the instructional outcomes of various curriculum areas.

5. *Educational Audit Services*: This service will provide an independent review of the district's or project's operations. It will examine particularly the validity and effectiveness of the ongoing evaluation.

6. *Inservice Workshops in Evaluation*: These workshops can cover topics such as developing and using behavioral objectives, purposes for evaluation, understanding and using standardized tests, developing better teacher-made tests, use of observational and unobtrusive measures in evaluation, grading practices, or other topics of particular interest to teachers, administrators, or involved laymen.

7. *Self Evaluations*: Assisting the district in developing a self-evaluation system for students, teachers, and administrators.

Contact: Dr. Thomas Owens, 299-3731.

## DESCRIPTION OF SERVICES OFFERED BY PROGRAM 7.0: PROPOSAL DEVELOPMENT

1. The Center can assist potential applicants for state and federal funds in *problem analysis, data bank search and retrieval, solution generation, and program development* as well as the *preparation of the prospectus or proposal*.
  2. The Center can assist in proposal development by providing *consultation on goals, objectives, and activity schedules* for the proposed program.
  3. Program 7.0 can assist the district in *finding appropriate funding sources*.
  4. *A Mini Research and Development Program for a District*: This service can design a program for a District to internally fund teacher-conceptualized research projects and the development of the guidelines to determine the scope and size of projects. The Center staff would assist in the screening and preparation of prospecti and proposals and also provide assistance in the planning and evaluation of the funded projects.
  5. The Center can assist in the *development of an appropriate evaluation design* for inclusion in the proposal.
  6. The Center can assist the District in *negotiation of funded projects*.
- Contact: Mrs. Marcella Sherman, 299-3731.

## DESCRIPTION OF SERVICES OFFERED BY PROGRAM 9.0: DISSEMINATION

1. This program would provide for the *maintenance of an up-to-date file of research and development data* for all programs of the Center. The search and retrieval of information on selected topics in response to district requests will be coordinated with the Santa Clara County Office of Education and the San Mateo Information and Dissemination Center.
  2. *Clearinghouse Mailings*: This would provide for the duplication of materials and the development of packages of materials for dissemination by mail or by delivery to a district. Both current awareness and bibliographic services will be offered.
  3. *Inservice Workshops*: This service will provide aid in locating and using educational research tools, techniques of information handling, and insight into local, regional, and national aspects of research, development, and dissemination and helps link county educators to all forms of media.
- Contact: Dr. Sanford Glovinsky, 299-3731.

## Appendix F

SUMMARY OF PROCEEDINGS AND STATEMENTS MADE AT THE ALUM ROCK UNION  
ELEMENTARY SCHOOL DISTRICT BOARD MEETING, SEPTEMBER 3, 1970

The Superintendent reviewed the background for his recommendation to the Board and the community that the Alum Rock Union Elementary School District participate in the Office of Economic Opportunity Feasibility Study of the Education Voucher Authority.

Miss Patricia Lines and Mr. David Basil, of the Office of Economic Opportunity, explained the democratic concepts, desired out-comes and hopes for such a system. Miss Lines, a member of the Center for the Study of Public Policy, a non-profit research group in Cambridge, Massachusetts, said the district has the type of racial and economic differences that the Office of Economic Opportunity had in mind. Miss Lines gave a thorough explanation of aspects of the voucher system.

Mr. David Basil, a representative of the Office of Economic Opportunity, explained the voucher system could create a "marketplace in educational opportunities" and "competition among schools." This, he said, is thought to be good by OEO. He said OEO was asking Congress for a resolution of intent to fund the voucher trial for a five to eight year period. OEO, he pointed out, is only funded two years at a time.

Mrs. Mildred Robinson, of the NAACP (non-resident), voiced her opposition to the system but indicated willingness to take part in the Feasibility Study. Several questions were raised and it was explained that the purpose of the study was to find some of the answers.

The President of the East San Jose Federation of Teachers/AFT, James Fritz, stated that the National AFT was opposed to a voucher system but the local chapter would go along with this study as long as the community was involved and informed.

Mrs. Jan Hille, of the Sun Newspaper, was also present. A copy of her newspaper report is attached.

[From the East San Jose SUN, Sept. 9, 1970]

## ALUM ROCK BOARD APPROVES APPLICATION FOR VOUCHER STUDY

(By JAN HILLE)

Application for a feasibility study to determine whether it would be possible to use educational vouchers to finance schooling in the Alum Rock Union Elementary District was approved last Thursday by district trustees.

The district asked for \$7,920 from the Office of Economic Opportunity, with which it would work with the community and decide whether such a voucher system could work.

The feasibility study, if approved by OEO, would not commit the district to the voucher system. Only one school district in the United States will receive OEO funds for the five-year trial.

Alum Rock, however, has characteristics OEO is seeking in a district trustees and citizens were told. Miss Patricia Lines, a lawyer and member of the Center for the Study of Public Policy, a non-profit research group in Cambridge, Mass., said the district has the type of racial and economic differences OEO had in mind.

Miss Lines gave a lengthy explanation of aspects of the voucher system. She cited three expected advantages to the system.

Ghetto schools, which are usually poorer educationally, will have to be improved.

Once a parent becomes actively involved in choosing a school, he will probably remain involved with the school.

And, more experimental schools could be expected, offering a greater variety.

The voucher would be a useful tool to make sure the disadvantaged children would be diffused throughout a school only, rather than throughout a district, as is the case now.

There could be some bad results of the idea, she admitted, but they are taken care of in the regulations set up by OEO.

For instance, religious instruction could not be included in regular curriculum since that would violate the First Amendment of the Constitution.

Also, segregation of schools could be controlled. In order to qualify to receive vouchers, a school must be open to all applicants. If, however, 100 per cent Anglos, Mexican-Americans or Blacks applied to a school, that school could exist, as long as it did not have a discriminatory policy against other applicants.

The local Education Voucher Authority (EVA), a local board set up to oversee the use of vouchers, could, however, determine that all participating schools must have racial and ethnic balance according to a certain percentage quota. This would be one option to determine during the feasibility study.

David Basil, a representative of OEO, explained the voucher system could create a "marketplace in educational opportunities" and "competition among schools." This, he said, is thought to be good by OEO.

He said OEO was asking Congress for a resolution of intent to fund the voucher trial for a five to eight year period. OEO, he pointed out, is only funded two years at a time.

The only opposition registered was from a Mrs. Robinson of the National Association for the Advancement of Colored People.

She said the NAACP had decided to oppose the voucher system on the basis of staffing. The 200-page report explaining the voucher system makes no allowance for staffing of the administrative center or schools, she pointed out.

Later it was revealed this question would be answered during the feasibility study. She said, however, the NAACP would oppose the feasibility study also, although it would be willing to work in the study.

She also said the group felt there was "no way to educate the parents to the schools."

Miss Lines countered that education of parents about school offerings was required and must be accomplished by whatever means necessary, even door-to-door contact.

Mrs. Robinson added, however, that some of Alum Rock's population is migratory and this would create parent education problems.

The NAACP was also opposed to having specialized schools at the elementary level, she said.

Others in the audience also raised questions which would be answered during the feasibility study time also.

## SYSTEM IS QUIZZED

Several questions about the voucher system were raised at Alum Rock's board meeting last Thursday.

Some were answered there, others will be answered if the feasibility study is granted.

Schools must comply with basic rules to be eligible for voucher funds. They include:

No school may discriminate against pupils or teachers on account of race or economic status and all schools must demonstrate that the proportion of minority pupils is as large as the proportion of minority applicants.

Schools must be open to all applicants. Where there are more applicants than space available, it must admit applicants on a fair and impartial basis. Such criteria as preference to siblings, children from a particular neighborhood or children of a particular religious faith are acceptable. Also, a lottery could be used to choose half the applicants.

The school must accept the certificate of scholarship (voucher) as payment in full for all education services at the school. No school may require parents to make additional payments out-of-pocket.

No school may use scholarship money to support religious instruction. Parochial schools may be allowed to participate, providing they keep separate and adequate accounts for religious activities.

All schools must make information available to parents concerning the school's basic philosophy on education, the number of teachers, teacher qualifications, facilities, financial position, and pupil progress. In short, the schools must provide sufficient information to enable parents to make a wise decision when they select a school.

The school board would still run the schools, although schools would be free to choose curriculum emphases.

Schools would be charged about 3.2 per cent of their income for administrative costs of the Alum Rock District. This is based on the current percentage of administrative costs of the district.

Parents would receive a voucher for \$650 basically. If the child were to be defined as disadvantaged, he would be eligible for a voucher worth \$950.

Currently, superintendent Dr. William Jefferds said, students who are involved in federal programs have about \$650 behind them. Those who are not are backed by about \$585.

The \$650 basic voucher is a combination of local tax money and state aid funds.

The vouchers will only be good at schools authorized to accept them. . . . nearly all schools in the Santa Clara Valley would be willing to accept the voucher.

OEO would provide funds for planning, evaluation, parent education, transportation and other extra costs.

If only a few parents chose one public school, and there were not enough funds to support the costs of that school, it could be closed. If the parents wished to form a private school, they would be eligible to lease the closed facility.

Staff decisions on the type of curriculum to offer in a given school would be determined during the planning year, if the district were chosen.

The district's plan of a feasibility study includes the following activities:  
Establishing procedures for creation of an Education Scholarship Agency.  
Assessing the potential for alternative schools in the proposed demonstration area.

Determining the attitude of the community, parents, teachers and other relevant groups.

Resolving legal problems, such as legislation allowing the district to participate, to transfer funds to ESA and permit non-public schools to receive these funds.

Developing a model for an education scholarship system. This would include consideration of the regulatory system so that OEO regulations would be followed; whether or not the field test should be phased in or out or both; preparation of a preliminary report on feasibility and acceptable procedures for identifying the disadvantaged; determining special arrangements for school personnel; determining special arrangements and regulations for existing private and parochial schools; and developing a preliminary model of an adequate information program, including parent education and counseling.

Developing a budget for further planning and a tentative budget for the field test itself. This would include cost estimates of administration, transportation, information collection and dissemination, special parent education and counseling, compensatory payments and other items.

Developing a preliminary plan for accounting procedures in public and non-public schools.

The feasibility study is projected to take two months, time.

### Appendix G

#### ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT, SEPTEMBER 1970

The Board passed a resolution on September 3, 1970, to obtain an opinion on the constitutionality of the program bill from County Counsel. The legislative counsel in Sacramento has already written an opinion on AB 2471.

The County Counsel will determine if the proposed State Legislation and prospective contract with OEO are adequate and conform to the Board's desires.

#### ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT, SAN JOSE, CALIF., SEPTEMBER 1970

The Local Educational Agency named below has authorized me, as its representative, to file this application; and such action is recorded in the minutes of the Board of Trustees Meeting shown below.

#### EXCERPTS OF MINUTES—SEPTEMBER 3, 1970

Motion was made by Mr. Hoshino and seconded by Mrs. Sakai, that the Feasibility Study Education Voucher System be approved subject to the following amendments.

1. Appendix F (New)
2. Appendix C (Amendment)
3. Appendix G (Resolution to obtain an opinion on the constitutionality of the program bill from County Counsel.)

Date of meeting: 9-3-70		Signature of authorized representative		Date signed 9-18-70	
Legal name of local educational agency (LEA) ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT			Name of authorized representative William J. Jefferds		
Street address 2930 Gay Avenue		Title of authorized representative Superintendent			
City or town San Jose, California	Zip code 95127	County Santa Clara	Telephone number 258-4923		
Project director Ernest J. Paramo	Telephone number 258-4923		Congressional district(s) in which LEA is located: 9th		

Chairman PERKINS. Our next witness is Dr. Norman Weinheimer, executive director of the Michigan Association of School Boards.

#### STATEMENT OF NORMAN WEINHEIMER, EXECUTIVE DIRECTOR, MICHIGAN ASSOCIATION OF SCHOOL BOARDS, EAST LANSING, MICH.

Mr. WEINHEIMER. Thank you, Honorable Chairman, distinguished members of the committee. I am Norman Weinheimer, executive director of the Michigan Association of School Boards and most recently former superintendent of schools in Grand Rapids where we had three performance contracts.

I think I would like to speak, naturally, about performance contracting as it affects the Office of Economic Opportunity.

Prior to entering into contracts relative to performance, I had the privilege to oversee the expenditure of some \$8 to \$10 million.

Chairman PERKINS. Describe in detail the types of performance contracts.

Mr. WEINHEIMER. I shall be happy to, sir. I was just about to say that in my previous experience prior to performance contracting I had the privilege of overseeing the expenditure of about \$8 to \$10 million for compensatory education, and I am kind of enthralled with the amount of interest, which is a word that has limited meaning, but over also the \$6½ million that the Office of Economic Opportunity has made available for performance contracting.

The results, at least as we analyze them, were quite inconclusive as to zeroing in on the problem of the young people that we were delegated to educate.

As you may or may not know, I think probably one of the greatest benefits that we saw in performance contracting was that of taking away the idea of always working in averages. As long as the average student performed at the fifth grade level, that was fine, if that was the fifth grade we were teaching.

We never recognized the fact that 50 percent of the children were less than average and 50 percent were more than average, as far as tables were concerned.

In performance contracting, the reason we got intrigued in the idea, we were zeroing in on that child that was not successful. We had records to prove that child was not successful. Many of our schools on the average, if you will excuse the expression, attained a grade level gain per year of something like three-tenths to four-tenths a year, which is out of all of the children in the school.

We felt at least there must be some merit if the companies would be willing to come into a system and say they can provide a program where they will guarantee 1 year's level or you don't pay.

I think the hardest and most difficult for all of us in the institution of education is the fact that we haven't been too successful with a great number of children.

Mr. Chairman, you asked me about some of the programs. I would be most happy to explain. In our instance, we have three different kinds of programs. I hadn't planned on making this type of dissertation.

Chairman PERKINS. We would like to know about your three performance contracts.

Mr. WEINHEIMER. One contract uses all of the materials that are now available on the commercial market. They use incentives for the students. Those who perform, they have a contract with the teacher, or the teacher aid, they will perform this much and that much, and for that he gets a reward.

It may be in the form of something, as we say in slang, green stamps. It may be that he goes to a room where he is able to play a pinball machine or pool table or listen to music, or some other highly motivating kind of game.

Another kind of reinforcement that is done by one of the companies has to do with making available for some children privileges that they ordinarily wouldn't have, such as tutoring other children.

We find, for example, that is one of the biggest interests that students have. Once they have assimilated information about a particular topic, they prefer to go back and teach their fellow students who have not arrived at that particular point.

I think probably the greatest innovation about all of this is that each child has his own prescription. He is first diagnosed as to what his problems are. He has his own individual prescription and nobody wins, the student, the teacher, or anybody else, except as that individual child succeeds.

I think this is probably the greatest benefit, because prior to this time, as I said before, we worked on averages, and as long as 50 percent of the kids got it or surpassed what we expected to happen, I think too often we were satisfied that we accomplished our goals.

I am hoping, however, that even though the fact that the Office of Education has been involved in performance contracting, we don't see this go by the way after 1 year's experience.

I am much concerned that school districts, having come from this type of institution, and having spent about 29 years of it as an administrator in public schools, I know that we do not assimilate innovative practices in 1 year. I am hoping that somehow the Congress does see fit to at least extend some form of performance contracting for at least another year so we will be able to bring it into the school system.

I know that the Office of Economic Opportunity has suggested that we can turnkey after a year, but I also know the institution and how difficult it is for us to assimilate any new idea.

Consequently, I am hoping that in the wisdom of Congress, and maybe one little voice, we could see at least some semblance of performance contracting continued for another year.

I am not suggesting that all performance contracts that are now in existence—and, by the way, I presume there might be 40 or 50 truly performance contracting projects in the country, some 18 or 19 that the Office of Economic Opportunity has, plus some private ones. I am sure that many of these will be successful.

The thing that bothers me is that sometimes we throw out the whole project because one or two are not successful. I am always mindful, coming from Michigan, of the Edsel Ford, and I am sure the chairman and members of the committee recognize the success or failure of the Edsel Ford. But I know the automobile industry did not throw out the idea of the automobile because one or two of their products didn't sell.

So, I think, in parting, I would also like to say that someone has broached the subject of whether it is proper for the Office of Economic Opportunity to participate in educational programs. I think probably they have the greatest concern for the zeroed in group of people who have the most difficult time making it in the current educational system. I think they have a large audience.

If we allow some experimentation, I think that that experimentation can prove either that some of the systems that have been previously suggested are successful or unsuccessful, if it is done on an experimental basis.

I would also at least like to throw out one accolade to Mr. Jeffery Shiller, because I think his department's experimental design for this project was something better than I could have conceived, and I know

that when we get some results, at least we will have an indication of the direction that education ought to take in the future.

Thank you for this opportunity to talk with you, sir, and the other members of the committee.

Chairman PERKINS. Mr. Mazzoli?

Mr. MAZZOLI. Thank you, Mr. Chairman. You were talking about some of the different types of contracting where they have awards for their students and incentives for them to perform. Is that what you mean by performance contracting?

Mr. WEINHEIMER. No.

Mr. MAZZOLI. Is there anything in this where the teacher makes a contract to teach the children X or Y or Z by 5 or 10 months?

Mr. WEINHEIMER. This is right. Those are the means by which the teacher, if you will, is able to motivate the child to make these gains that have been committed to prior to the start of the school year. We usually think in terms of most contracts as at least 1-year gain.

Mr. MAZZOLI. What has been your experience with teachers who have worked in this area of performance contracting?

Mr. WEINHEIMER. The teachers who have been working in the contract itself have been most enthused. We find that they find each day how far their children have gone that day.

The total concept is different from the usual school setting in that the child must have—some companies use a 90-percent success and some use 85-percent success. This is a great thing for those 50 percent of the students that I was talking about who are always failing, to have that kind of success. The fact that they know that that child is succeeding—we have a lot of dedicated teachers but who are very frustrated and this gives them the feeling that this is an inner warmth, and this is what it is really all about. The money is not as important in this respect as being successful as a teacher.

Mr. MAZZOLI. Are these people called teachers in your system?

Mr. WEINHEIMER. We have teachers and we also have teacher aids. We call them paraprofessionals, who also work with the students.

Mr. MAZZOLI. Are these teachers and teacher aids members of any organized group?

Mr. WEINHEIMER. Yes, they are.

Mr. MAZZOLI. What is their relationship with their group?

Mr. WEINHEIMER. They are, in this particular instance, in Grand Rapids, members. They belong to the same teachers' group as all of the other teachers do, the union.

Mr. MAZZOLI. They are considered in good standing then?

Mr. WEINHEIMER. Yes.

Mr. MAZZOLI. Is there any disharmony or any tension with respect to those teachers and teacher aids who are working in this program vis-a-vis teachers who remain in a regular school system?

Mr. WEINHEIMER. No, there hasn't been, but may I give you some illustration of what some of the spillovers are that sometimes take place? Two other schools that were not in the project asked if they could at least have the services made available to them that were being made available to the school that was in the project. So the board, at the second semester, did in fact purchase the service without a guaranteed performance from one of the companies, because the teachers had requested this, and they liked it that well.



Mr. MAZZOLI. What is the situation if your contract is not fulfilled, the contract to teach children a certain amount of information by a certain time?

Mr. WEINHEIMER. The contractor does not get his money.

Mr. MAZZOLI. Now, is he paid in advance and he has to refund the money, or is he paid at intervals following the assurance that this level has been achieved?

Mr. WEINHEIMER. Of the three contracts that we have, two of them receive no money. One does receive some incidental cost money, but never to get past a certain level until after the project has been completed. Two of them receive no money.

Mr. MAZZOLI. Are these people doing it for the gratification or fulfillment of doing something excellent in teaching? How do they live for the months until their contract is completed?

Mr. WEINHEIMER. Who is this now?

Mr. MAZZOLI. The teachers. Does the company advance the money to the teachers to live on until they get theirs from the school board?

Mr. WEINHEIMER. Well, the teachers are paid by the school district. This is a kind of technicality. If you are familiar with the requirement fund laws in the local States, the teachers are paid by the school district; they are on the salary of the school district, and they are paid for their services. None of the services for the performance contracts are paid to them until the end of the year.

Mr. MAZZOLI. Well, I guess maybe I was misunderstanding the program. In other words, when the contractor makes a bid with the school board, it has paid labor, in effect? In other words, these teachers are paid anyway?

Mr. WEINHEIMER. However, if he defaults on his contract, then he does owe the school district funds.

Mr. MAZZOLI. Let me ask you this, Doctor. What is the reason, at least to this point—apparently, it has been reasonably successful, interestingly enough, in its results to warrant in your case another year or so. If you are using regular teachers anyway, why would this be any different than a regular school environment?

Mr. WEINHEIMER. I am glad you asked that question. I think primarily it is because the way the classroom and the learning situation is organized. For many generations now that I can remember we have said we individualized our instruction in one form or another, but we truly haven't done this. And in the instance of the performance contract that I am familiar with, we find that each child has his own prognosis, his own diagnosis, and so on. Consequently, he works at his own level, and he is recorded as being that.

Each day there is a tremendous amount of bookwork, shall we say, in keeping track of this kind of thing for each child, which we have not organized, nor have we taught our teachers how to organize their classroom to do this type of work.

Mr. MAZZOLI. A couple of more points, Mr. Chairman, if I could. One is the performance contracting brings in the aspect of accountability, to some extent. This, of course, has been strongly opposed by many teacher groups, the idea being that education does not stand by itself and cannot be empirically tested. It is something different. It can't be weighed and evaluated.

Now, what are your teachers saying about that, those who are engaged in the performance contracting? Do they feel that the account-

ability that is to be required of the contractor, at least, runs contrary to the professionalism of teaching?

Mr. WEINHEIMER. Well, first of all, I guess, I would have to say that anything new always gives us pause as to whether we think it is effective or not. Change becomes difficult sometimes. But I guess every educator who teaches has to recognize that at the present time we know that certain children in our schools are not learning how to read and write, and we aren't fooling anybody, including ourselves, whether we be a teacher or not, that they aren't getting this kind of education in the fundamentals, if you will.

Consequently, I think it may be far more than it is the accountability factor, because the teachers who are in the program are happy with the accountability, because they can see their own progress, which is vitally important for self-enhancement, self-image.

Mr. MAZZOLI. Do you think this idea of accountability may be more easily accepted on the part of the regular school system by reason of this experimentation in it?

Mr. WEINHEIMER. I do.

Mr. MAZZOLI. Do you think that the teacher groups might accept a degree of accountability in the regular teaching environment?

Mr. WEINHEIMER. I do. I would say that in Michigan I know that both unions, the Educational Association and the Federation, are both very diligently working on how they can somehow work some accountability into their upcoming contracts, because they know they are going to be faced with this by local boards of education.

Mr. MAZZOLI. One final question. Basically, how much of the contract which is bid on is tied up in teacher salaries and how much is profit?

If you could make any kind of a calculation, I am just curious as to how much money a contractor can make in this type of contract.

Mr. WEINHEIMER. We won't know those figures until the end of the year. I have a suspicion—and this is strictly suspicion, and I don't know—there may be somewhere in the neighborhood of 10 to 20 per cent profit—maybe.

I also have a suspicion that there may be some experimentation going on where the cost of the project will cost the contractor more than what he is receiving, but this will be his shakedown cruise for future development.

So we will be having some of those figures at the end of the school year, hopefully, this summer.

Mr. MAZZOLI. Perhaps I can ask one final and last question. They don't bid in advance, apparently, as such. The contractor doesn't submit a bid to the school board; is that correct?

Mr. WEINHEIMER. It can be done this way. In our instance we took two of the companies that already had track records, the third company being the one with the OEO. They had track records in private sectors where they had storefront programs where they were contracting with parents, and they seemed to have success in raising the grade levels with those particular children in that particular storefront.

We said if you have something that looks good, OK. We just didn't go out for anybody who said, "We have a performance contract, and we want to bid on yours." We didn't go that route.

Mr. MAZZOLI. Thank you, Mr. Chairman.

Chairman PERKINS. Thank you very much for your appearance here today.

The committee will recess until 1 o'clock tomorrow afternoon.

(Whereupon, at 2:35 p.m. the committee recessed, to reconvene at 1 p.m., Wednesday, April 21, 1971.)

(The following material was submitted for the record:)

INSTITUTE OF PUBLIC ADMINISTRATION,  
Washington, D.C., May 4, 1971.

HON. CARL D. PERKINS,  
*The House of Representatives,*  
Washington, D.C.

DEAR CONGRESSMAN PERKINS: I have noted with great interest the recent testimony before the House Education and Labor Committee on the "education voucher" experiment of the Office of Economic Opportunity.

I strongly support the voucher concept but I urge that it begins by focussing on the reading problem. This is described in an article I prepared for the National Planning Association's monthly publication "Looking Ahead."

Yours truly,

SUMNER MYERS,  
*Director, Urban Systems Studies.*

[Looking Ahead, June 1970]

#### A NEW INCENTIVE TECHNIQUE—FOR ALL OUR CHILDREN—"THE RIGHT TO READ"

*The following article results from a program of in-house research studies of innovation in the public sector undertaken by the Institute of Public Administration, New York City and Washington, D.C. Mr. Myers, director of the Institute's Techno-Urban Studies Program, was a former director of NPA's Research and Development Utilization Project. He has served as a consultant on educational innovations to NPA's Center for Priority Analysis.*

As schools opened across the nation this year, James E. Allen, U.S. commissioner of education, announced a new program which he called "The Right to Read." The name of the program underscores the importance of its goal: by the end of the '70s no child would be leaving school without having learned to read to the full level of his capability. Has the Nixon Administration done what it promised not to do—raised expectations with a new slogan? Or does the Office of Education intend to deliver? Recent developments in remedial reading now make it feasible to deliver on Allen's goal. But some radically new administrative arrangements would be necessary to do so. Surely it is worth doing.

The present dimensions of the reading problem in this country are shocking. Although hard numbers are difficult to come by, Federal officials estimate that at least one-third of U.S. public school children cannot read at their age level. Somewhere between 8 and 12 million children have reading difficulties so severe that they are headed toward functional illiteracy. The problem becomes sharply evident in the third grade and gets progressively worse through elementary and secondary grades until it practically destroys the child's entire school experience. In New York City, for example, the inability to read at grade level has been singled out as the most important cause of school truancy and drop-out. High school students who read at fourth and fifth grade levels simply cannot do high school work. What's more, they leave the system with a functional handicap that—measured in just earning power—is worse than loss of limb.

In an increasingly technological society, functional illiterates pay a heavy price for their handicap. Today, 50 percent of the young adults who are unemployed cannot read well enough to hold a job requiring reasonable skills. And there are fewer and fewer unskilled jobs. Twenty-five years ago, 30 percent of all jobs were for unskilled workers; the figure has fallen to 17 percent today. Current estimates

The views expressed in this article are those of the author and do not necessarily represent those of NPA.

indicate that unskilled laborers will be able to handle only 5 percent of all jobs in the United States for the year 1975. Thus, functional illiteracy means a national productivity loss in terms of unemployment among those who cannot read. It also costs the nation dearly in a number of other ways; for example, in crime, in welfare payments, and so on. While the burden falls heaviest on the functionally illiterate themselves the social cost they impose on the nation as a whole is so great that it concerns the Federal government. Commissioner Allen's slogan is an expression of this concern.

This article argues that the Federal government can transform Allen's slogan into a reality within a decade by creating a market for the improvement of reading skills. In doing so, it would circumvent the educational bureaucracy by shifting from a services strategy to an income strategy. This would, as Daniel P. Moynihan suggests, give Federal aid "directly to the consumers of the programs concerned . . . thus enabling them to choose among competing suppliers of the . . . services that the program is designed to provide." A strategy which focuses on the consumer is particularly appropriate in the case of "the right to read" because rights, after all, inhere to the individual, not to institutions.

#### PERSUASIVE FEDERAL ROLE

At present, the Federal role in furthering "the right to read" is largely persuasive—"to collate and systematize the research, to determine how existing programs are working, and then to beat the drum for improvements," according to one official. On the face of it, this seems reasonable. How else might Federal officials deal with the 19,000 or so independent local school districts? Undoubtedly, *some* localities can be persuaded to redirect *some* of the billions now spent on education into a massive reading improvement effort. But recent experience suggests that the drums of change—however loud and urgent—will evoke little improvement in local reading programs and public education in general.

For one thing, the word of successful experiments in reading improvement simply does not always get around. It may take years before the word of a successful experiment in one public school system filters down to teachers in another jurisdiction—unless it happens to be sufficiently dramatic to make a good news story. But more important, the institutions through which the "right to read" is presumably to be implemented are almost totally unresponsive to the needs of reading retardates. Thus, within weeks of the announcement that the new program would be administered through the existing state and local educational bureaucracy, a nationwide study found that state and local school authorities were guilty of wasting, diverting and otherwise misusing huge sums of Federal monies that were supposed to help disadvantaged children.

The study, sponsored by the Washington Research Project and the NAACP, found that much of the billions in Federal education funds, presumably earmarked for disadvantaged children under Title I of the Elementary and Secondary Education Act had, in fact, not reached the children for whom they were intended. Instead, money was channeled through the state offices of education to schools that didn't qualify under the law. Local administrators loaded up on "hardware" at the expense of instructional programs and met their own ideas of school facility needs instead of the special needs of poor children as the law specified.

The Title I experience underscores a sad fact of organizational life, Bureaucracies—especially large, old and successful ones—tend to keep on doing what they have always done. The educational bureaucracy was originally geared to serve the needs of children with middle class aspirations. It has done a remarkable job in that area. For example, it has integrated 30 million immigrants into the mainstream of American life. Some argue that it is still doing a good job, and their arguments are not altogether unpersuasive. For example, the public schools continue to develop technical manpower which is the root of our productivity and economic strength—a point which Servan Schreiber sees as the basis of the "American challenge" to the European community. But despite these achievements—even because of them—the public school bureaucracy *cannot* be redirected to another more relevant goal, the education of the disadvantaged poor.

#### ABSENCE OF ACCOUNTABILITY

The public school system has largely failed to educate disadvantaged children because it cannot redirect itself to teach a large number of them to read. In recent years, many successful methods have been developed to teach reading. But

they are hardly used because, as James S. Coleman points out, "The school is trapped by its own organizational weight—innovations cannot be lightly adopted by a massive educational system. . . ." In order to use some of these innovations, the massive school bureaucracy would have to change its basic educational philosophy of "come and get it." Under this philosophy, teachers are supposed to make knowledge available; pupils are supposed to come and learn. Any connection between the two processes is often coincidental. When children don't learn, the system doesn't correct itself because educators get paid on the basis of inputs, not outputs. Teachers' salaries are determined by seniority and other qualifications, not by how well their pupils learn. Granted, there are many dedicated teachers who feel that if their pupils haven't learned, *they* haven't taught. But these are exceptional people, and systems will not usually "deliver the goods" on the basis of exceptional performance by a few individuals. To be assured of delivery, the people in the system have to be held accountable for delivery.

The absence of accountability is a major obstacle to innovation in the public schools. Intense pressure has been put on the school administrators to deliver, usually to no avail. In frustration, some parents are demanding community control. However, at this writing, community control and similar techniques have yet to be transformed into classroom accountability. Thus, pressure applied at the top rarely transmits itself to the classroom and, by and large, teachers continue to teach the way they have always taught even though the pupils fail to learn. And, in the absence of accountability, there is little incentive to find a way to get pupils to learn to read—in the classroom where the action has to be.

Of all the subjects taught in the classroom, reading is theoretically one of the best to incorporate in an incentive program. Because pupil performance can be measured with reasonable objectivity by standardized tests, reading improvement can be paid for on the basis of pupil achievement. That is, it can be paid for like any other good or service—on delivery.

Here again, however, the educational profession is likely to block innovation. On the basis of past experience, for example, it would be naive to think that teachers would accept a method of payment tied to production, even the production of reading skills. Bonus systems are acceptable to managers, sales people, factory workers, and others, but not to teachers. Teachers have bitterly resisted merit pay systems under the banners of professionalism and would surely fight against performance pay systems. Even if there were a chance of winning such a knock-down, drag-out fight, it would probably rip the schools apart in the process. It is, therefore, probably not worth trying to introduce an incentive system in the public school classroom. It is, however, worth going outside the classroom to try it. And the Office of Education has begun to do just that.

Under a new \$5 million experimental program funded by the Office of Education, private contractors will undertake to improve the reading (and math) scores of some 42,000 children. In this program contractors are held accountable for their performance. They will get paid according to whether or not the children do, in fact, improve their reading as measured by agreed-upon tests.

In a typical performance contract, one company, the Dorsett Educational Corporation, has agreed to improve the reading skills of 400 Texarkana school children for about \$80 per grade level per student. When students learn faster, Dorsett earns more. According to a sliding scale of payments, for example, if a student raises his grade level in 60 hours, Dorsett gets as much as \$110 for that pupil. At the same time, if it takes longer for students to improve, Dorsett gets paid less. For example, if it takes 105 hours to raise the student by one grade level, the contractor gets only \$60. Moreover, if a student doesn't raise his grade level at all, Dorsett doesn't get paid at all. Given this kind of powerful incentive, Dorsett simply cannot afford to let children continue to fail. And so the children stop failing; in fact, according to objective tests, the children are learning to read.

One swallow, of course, does not make a spring, but there is reason to think that the outcome of similar incentive plans will also be positive. Incentive plans—like the Dorsett plan—are good as far as they go. But they still depend on the local school district to initiate and implement them. While such plans will undoubtedly be adopted by many school districts—almost 120 districts have already applied to OE for money to do so—most school districts will probably drag their heels, perhaps for years. In the meantime, the nation's schools will doubtless produce another generation of functional illiterates. That generation might be saved by circumventing the public school system entirely to apply a massive reading incentive program through the private sector.

## READING VOUCHER SYSTEM

Data from the Dorsett Planning Example indicate how incentive systems might be applied through the private sector. Somewhat on the order of \$100 appears to be a strong enough incentive to get reading contractors to raise a child's skill level by one grade. Let's say that the Federal government appropriates \$100 for each child who was reading one grade below his level, \$200 for two grades, etc. Now suppose the Office of Education issued a voucher to the parent, guardian or child himself for the amount of money that corresponds to his reading deficiency as established by standardized reading tests. The reading voucher could be spent on any tutor—professional reading contractor, remedial reading teacher, college student, or housewife—who would undertake to improve the child's reading level, again as measured by standardized reading tests. But under the system proposed here, the voucher could be redeemed for cash by the tutor only if it were certified that the child had, in fact, improved his reading.

The whole process could be completely outside the local bureaucracies if the certifying agency were in the private sector, too. Under this arrangement, OE would authorize private groups, such as the Educational Testing Service, to measure each child's reading level before and after he began working with a reading tutor. The testing service would certify that a given level of improvement had been achieved and the tutor would be paid on this basis. The government would maintain ultimate control through sample surveys of testing service performance.

Ideally, reading tutors would get paid only if they achieved results as measured by the authorized testing services. This would maximize the profit incentive and put the responsibility for achieving results where it belongs—on the tutor. As a practical matter, it may be necessary to modify this principle somewhat in order to attract and keep enough people in the reading business. This is unlikely to be a serious problem, however, because tutoring is an ideal part-time job, combining the advantages of "doing good" while making money.

Another option would be for the Federal government to couple a reading voucher program with its black capitalism program. The Office of Minority Business Enterprise could train blacks to teach reading and perhaps finance their purchase of teaching machines. As ghetto businesses, the black reading tutors would be likely to attract ghetto children if only because the children live nearby. In any event, the basic principle of the reading voucher system should not be watered down to accommodate a parallel program, however worthy. The basic principle is that the student pays the teacher for good results—not good intentions.

If the tutor gets paid on the basis of results, the method for achieving results can be left almost entirely to him. Upon accepting an applicant, the tutor would decide how best to bring up the child's reading score. Maybe he will use computerized teaching machines or maybe he will apply tender loving care. Or he might choose to inspire the ghetto child with black history or to motivate him financially by offering to split part of the tutoring fee. The point is that few, if any, bureaucratic controls would be needed over methods as long as the tutor got paid on the basis of measurable results.

The reading voucher system proposed above is a scaled down version of the full education voucher system suggested by Milton Friedman. The latter system would give tuition money to all children in the form of a coupon. The child's parents could enroll him in the school of their choice using the coupons to pay all or part of the school's tuition fee. The purpose is similar to that of the reading voucher system—to promote individual freedom of choice and to encourage school responsiveness and efficiency. The full voucher system has serious drawbacks, however. A major problem recognized by its advocates would be the tendency to encourage segregated schools. But an even more basic defect is that parents—especially uneducated parents—are unable to tell a good school from a poor one until it is too late. Advocates of the full voucher scheme would treat this problem by accrediting schools. But this leads us back to where we are now—paying for good intentions rather than for good results.

Because the full voucher system is such a drastic solution to the public school problem, it is unlikely to be implemented within the next decade. It will be argued that abandoning the public system is like burning down the barn to get rid of the mice. The argument has some merit. There is reason to think that if the reading problem were solved for the large minority of public school children, the public schools would be able to serve all its children well. Surely it's worth a try. If events should prove that the school system still doesn't work properly, it

can then be radically overhauled. In that case, the reading voucher system could be used as a point of departure for a full-scale educational voucher system. Thus, there is much to be gained and nothing to be lost by starting to implement a reading voucher program as soon as possible.

To sum up, the reading voucher system would seem to have the following advantages:

1. Individuals could act to solve their own problems in their own time without waiting for the local school bureaucracies to act on their behalf. Implementation focuses on the individual not on institutions, thus giving force to the concept of "the right to read."

2. Since the reading voucher scheme would create a large and lucrative national market for reading improvement, the private sector would respond as quickly and efficiently as it has in other areas—for example, space. Private entrepreneurs would actively seek out individuals with reading deficiencies, hopefully catching the problem in children before it got too severe.

3. Private sector participation in the limited area of reading improvement would compete with the public schools—thereby stimulating them to do a better job—but it would not threaten the very existence of public education, as would the full voucher program. If reading problems are solved in the private sector, the public school system will come to function more effectively than at present.

4. If public schools continued to prove inadequate, however, the reading voucher program could be used as a step toward a full voucher system.

5. Because it would operate outside the public schools, the reading voucher program could easily accommodate those who are *not* in the public schools at all—for example, parochial school children and drop-outs. The latter group is particularly important since many of them have dropped out because of reading deficiencies. This group is comprised of older children and young adults who have "had it" as far as the public schools are concerned. It is almost impossible to get them back to school for a second chance. A reading voucher program would give them a second chance outside the school system and a third or fourth or fifth if that is what is needed.

6. Because reading vouchers could be turned into cash only if children actually learned to read, the program is likely to be highly cost effective. For example, if the Dorsett contract figures prove generally applicable, the same amount of money spent annually on Title I—approximately \$1 billion—would increase the reading levels of five million children by two grades. If the reading voucher system works, the money will be well spent. If it doesn't, it will cost only what it costs to administer. In that sense it is a "no lose game."

7. A final advantage of the reading voucher proposal is that it can be tried out on a small scale and, if it works, subsequently expanded. A million dollars appropriated on behalf of the children of a small city would be a good test. If private enterprise responds by improving the reading skills of, say, 5,000 children by two grades, the experiment would be a success. Once proven, the reading voucher system could be applied as rapidly as funds permitted until "the right to read" extends to every child in the nation.





## ECONOMIC OPPORTUNITY AMENDMENTS OF 1971

WEDNESDAY, APRIL 21, 1971

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON EDUCATION AND LABOR,  
*Washington, D.C.*

The committee met at 1:30 p.m., pursuant to recess, in room 2175, Rayburn House Office Building, Hon. Carl D. Perkins (chairman of the committee) presiding.

Present: Representatives Perkins, Scheuer, Mazzoli, and Hansen.

Chairman PERKINS. The committee will come to order. A quorum is present.

I have been requested to note for the record that Congressman Steiger of Wisconsin is absent because he is attending the White House conference in Estes Park, Colo., on youth, the White House Conference on Youth.

It is a great pleasure for me to welcome here a group of distinguished Americans that are interested in improving the standard of living of poor people. Perhaps inadequate housing is one of the greatest problems we have in America today. In the district I am privileged to represent I personally feel it is our greatest problem. We have not been successful in getting public housing and housing for the elderly to the extent that I would like to see it done in the area, but we have done our best in that regard.

At the same time we have here some projects headed by Mrs. Pat Gish. It has been working out wonderfully well throughout eastern Kentucky because she has worked diligently and cooperated with all governmental and state agencies to get something going that is to some extent fulfilling the needs of our poor people. It is not what the poor people need by any means, it is inadequate, but everything being put together it is the best we can do.

The people are really deeply appreciative. It is a great job that Mrs. Gish is doing in eastern Kentucky.

I want to call on her as the director of the Eastern Kentucky Housing Development Corp., and Mr. William Pursell, Mr. Andrew Popoli, and Mr. George Davis, the director of the Rural Co-op of Wisconsin. Mr. Popoli is with the Rural Housing Improvement, Westminister, Mass. William Pursell is down in North Carolina.

I think each of these directors have witnesses with them. Come around and, Mrs. Gish, I understand you are going to be the moderator. Come around and seat yourselves. Bring all of your friends and assistants around with you and we will get started here.

You may proceed in any manner you prefer.

**STATEMENT OF PAT B. GISH, DIRECTOR, EASTERN KENTUCKY HOUSING DEVELOPMENT CORP., WHITESBURG, KY.; ACCOMPANIED BY WILLIAM PURSELL, RURAL HOUSING DIRECTOR, LOW INCOME HOUSING DEVELOPMENT CORP., DURHAM, N.C.; ANDREW POPOLI, EXECUTIVE DIRECTOR, RURAL HOUSING IMPROVEMENT, INC., WESTMINSTER, MASS.; GEORGE DAVIS, DIRECTOR, RURAL CO-OP HOUSING WISCONSIN ELECTRIC COOPERATIVE, MADISON, WIS.; JAMES HUNSAKER, WHITESBURG, KY.; WOODROW Sizemore, HYDEN, KY.; AND ROBERT WOODWARD, WESTMINSTER, MASS.**

Mrs. GISH. Mr. Chairman, members of the committee:

My name is Pat Gish. I am director of Eastern Kentucky Housing Development Corp. This agency serves low-income families in four counties in the Kentucky mountains—Leslie, Knott, Letcher and Perry—and receives its funds from the Office of Program Development of the Office of Economic Opportunity. It is a delegate agency of the LKLP Community Action Council.

I would like to tell you about the work we have been doing for the past 3 years to improve the living conditions of poor mountain families by making needed repairs to their homes. Our four counties are situated in the heart of Central Appalachia. They are coal mining counties which have suffered extreme depression for nearly two decades. They are the part of Appalachia which drew national attention and sympathy a few years ago, and their economic and social problems are so great that no one has yet found a solution to them.

The insured unemployment rate for the counties as a whole is 9.9 percent, nearly twice the national average. Leslie County has the highest unemployment—33.6 percent. Knott County has 17.6 percent, Perry County has 8.3 percent and Letcher 7.6 percent. These figures show just the insured unemployment—those who still come to the unemployment office to register in the faint hope they might be able to find work. The real unemployment—taking into consideration those who are not included in the formal statistics—is estimated by the Kentucky Employment Security office at 12 to 15 percent.

Housing conditions in the counties are pretty much what you would expect after 20 years of enforced neglect. Nearly half the housing is classed by the Census Bureau of deteriorating or dilapidated, and more than half the homes lack some or all plumbing. Fifty-six percent of all housing was built more than 30 years ago, and 56 percent of the owner-occupied housing is valued at less than \$5,000. Eighty percent is valued at less than \$10,000.

More than 57 percent of the families in our four counties have annual incomes of less than \$3,000, and nearly half that number have incomes of less than \$1,000 a year.

The worst housing is occupied by elderly men and women, whose homes often are literally falling down around them, and by families with school age children who must depend on public assistance to stay alive.

Many people have left our counties during the past 20 years to find work elsewhere; outmigration during the past 10 years was nearly 25 percent. But large numbers of men past prime employment age and

lacking in formal training remain in the mountains—too old to leave, too young to draw public aid, but eager to find dignified work so they may feed their children and send them to school.

Mr. Perkins, of course, knows conditions in our area firsthand. His home is in one of our counties. Several other members of this committee were in our counties recently in connection with the Hyden coal mine disaster. I am sure they saw for themselves what a shape we are in.

The work of Eastern Kentucky Housing Development Corp. involves an effort to promote safe and sanitary housing for low-income families combined with an effort to put older men into meaningful jobs which will enable them to support their families.

The Home Repair project involves the combined efforts of several agencies at the Federal, State, and local levels. Since June of 1968 the Department of Health, Education, and Welfare has granted \$935,910 to the Kentucky Department of Economic Security to be used in making grants of up to \$500 each for the purchase of materials needed to repair homes of public assistance recipients who own their own homes.

For the first 2 years of the program's operation grants were limited to elderly, blind or disabled public assistance recipients. During the past year the program has been broadened to include homes of families who receive aid to families of dependent children. The grants are made under the provisions of section 1119 of the Social Security Act, and one purpose of the project is to demonstrate the usefulness of that section.

The Office of Economic Opportunity has awarded \$1,163,231 to the LKLP Community Action Council to be used to employ older men to do the necessary work to install the materials purchased with the HEW funds. LKLP delegated the operation of the program to Eastern Kentucky Housing Development Corp. For the past 3 years we have employed 69 older men to work on homes in poor or dilapidated condition which are owned by persons receiving public assistance. The average age of the workmen is 56; all the men were unemployed when they came to us for jobs, and most of them had no training in carpentry work.

In addition to the funds provided by OEO and HEW, the Farmers Home Administration of the U.S. Department of Agriculture has provided loans of up to \$1,500 at 1 percent interest to be used for additional materials when they are needed. In most cases the Department of Economic Security can raise monthly public assistance checks enough to take care of the payments on the loans.

The U.S. Department of Labor assigns some of its Operation Mainstream enrollees to work with EKHDC crews and, in addition, assigns additional crews to work on homes of low-income families who are not entitled to the grants.

Houses to be repaired are picked by a committee in each county which includes representatives of DES, EKHDC, local health department, Farmers Home Administration, LKLP Community Action Council and a public assistance recipient who is not eligible for repair work. The committees act on the basis of survey reports made by outreach workers of public assistance or the LKLP Community Action Council, personal knowledge and pictures of the homes.

A memorandum of agreement approved by the various agencies involved in the home repair program governs the project.

Each quarter members of an ad hoc committee representing all the agencies meet to go over past activities, problems and future plans. The fall meetings are held in eastern Kentucky. All others are in Washington, D.C.

During the first 32 months of operation of the Home Repair project a total of 1,208 homes has been repaired. By June 30 a total of 1,450 homes will have been completed. Of this total, 1,200 are owned and occupied by elderly, disabled or blind public assistance recipients and 250 are owned and occupied by families receiving aid to families of dependent children.

The 1970 Housing Act passed by Congress permits Farmers Home Administration loans for home repair to go as high as \$3,500 when addition of a bathroom is included. EKHDC and the Hazard Area Vocational School are cooperating in a program of upgrading the plumbing skills of some EKHDC employees so that the housing agency can make greater use of available funds to improve living conditions of the families it serves. The vocational school will provide teachers and classroom space, and EKHDC will provide tools for the use of the students.

During the past 2 years the home repair project has cooperated with the Kentucky State Department of Health and its southeastern Kentucky environmental sanitation project in the installation of experimental sewage disposal systems in the homes of 20 home repair grant recipients. The project, financed by the Appalachian Regional Commission, is still under evaluation and hopefully will result in the acceptance of some of the experimental systems as answers to the problem of getting indoor toilets and other sanitation facilities into mountain homes.

The homes of AFDC families present some problems which were not encountered in the homes of the elderly. Many AFDC homes are badly overcrowded, and a principal item in the repairs has been the addition of bedroom space. But once the space is added, there are no beds to occupy it.

Steve Edwins, a Robert Kennedy memorial fellow who is working in eastern Kentucky this year, is a graduate of the Yale University School of Architecture. He has designed a simple bunk bed, desk and closet which can be built easily by home repair crews. Mattresses for the beds can be made of inexpensive foam padding, covered by fabric. Several of these beds have been built this year. Aides of the public assistance staff of the home repair project have helped by covering the mattresses or helping mothers of the families involved to make the covers.

The concentrated employment program in the LKLP area has assisted the home repair project by providing the services of some electrician trainees in the rewiring of some homes.

When the home repair project began, we had ambitions of completing work on 900 homes the first year. We soon found out that was an unrealistic goal and work has settled down now to an average of 40 houses a month. Many of the houses turned out to be in far worse shape than we had anticipated. Often our work crews spend more time getting a house in shape to repair than they do in the installation of new materials. Sometimes the houses are so bad that the homeowner and the crew elect to tear down the existing structure and use what can be

salvaged together with what can be bought with the \$500 grant to build a new house.

The home repair program has provided a variety of changes in the homes of the families involved. It has repaired leaking roofs, built ramps for persons confined to wheelchairs, installed pitcher pumps at sinks so water no longer has to be carried from the outside, rebuilt porches and railings to make them safer, widened doorways so that wheelchairs can get through, replaced rotting floors, sealed cracks and installed insulation, underpinned houses, replaced dangerous wiring, replaced falling or steep steps, installed new windows and doors, repaired chimneys and flues, rebuilt privies, installed light switches and sinks at levels where wheelchair patients can reach them, painted inside and outside where necessary and installed drywall.

More than two-thirds of all the houses which have received repairs are located on paved or all-weather roads, but occasionally crews have to carry materials up mountainsides by sled or on their backs and in one instance the materials had to go by boat to reach a family which has been isolated by the construction of a flood control dam by the Corps of Engineers.

Pictures of the material being hauled up the lake bank are over in front of you.

Recently a crew finished work on the home of an 82-year-old man and his wife who lived in a house which their son had built for them about 10 years ago out of poplar poles which he cut from their mountainside farm. The home repair crew installed siding on the house, repaired the roof, put new floors in two rooms, built a new chimney, installed drywall and repaired wiring.

The crew spent 700 hours of labor on the house, and the materials were bought with a \$500 grant, plus a contribution of \$100 from a special fund in our grant and \$220 from the homeowner. In addition, some lumber salvaged from a railroad depot was used. The total cost of the work, including labor, was \$2,360.

That house is shown in the bottom over there in the Kentucky pictures, the before and after.

Chairman PERKINS. How much was the cost of that house there, the house on the left, the costs before and after?

Mrs. GISH. The before picture is on the left, the after is on the right, and the total cost of the work was \$2,360.

Chairman PERKINS. Break it down just for the members of the committee.

Mrs. GISH. \$500 for materials, \$100 from a special fund which we have for work that can't be paid for otherwise, \$220 from the homeowners, some salvage lumber from a railroad depot, and the rest would be labor, about \$1,500 in labor.

That man and his wife were warm this winter for the first time in many years.

The costs of home repair work generally run from \$1,500 to \$3,500 a house, including labor and materials. Our experience has shown conclusively that the \$500 grant allowed by section 1119 is not nearly enough. At today's prices the repairs would hardly be visible if the homeowner had to buy both materials and labor from the \$500. We believe that the ceiling on the grants should be raised at least to \$4,500 and that the Federal-State matching formula should be from

50-50 to 90-10. We also believe that States should be required to make use of the home repair provisions of section 1119, and that the benefits should be extended to recipients of social security as well as to public assistance recipients.

An evaluation of the home repair project by Spindletop Research of Lexington, Ky., concludes that the program is "highly successful by most standards" and that similar programs could be developed in other areas by reproducing the basic design to fit the particular needs and resources of each situation.

Spindletop concludes "the economic effect alone would be sufficient to justify \*\*\* widespread adoption" of the project, but added that "the prime justification is being able to provide immediate assistance to people for whom a long waiting period could be disastrous." Spindletop pointed out the economic fringe benefits to the communities involved. At least one lumber dealer, employing six men year round, has built his business on the home repair program, and others have benefited greatly.

We do not pretend that this project is the ultimate answer to the problem of poor housing in the mountains because there is not enough money to bring the houses up to standard conditions, but it does serve as a holding action until something better can be done. Recently I attended a community meeting connected with the White House Conference on Aging at which a number of elderly women said emphatically that they would not want to tear down their homes and replace them with new ones, even if new ones should be available. These women said they needed only some improvements to make their houses adequate to meet their needs and they mentioned such things as a new heating system, a good well pump, an added room, and a footbridge to cross the creek.

I hope there will be some way to put men employed under the new public service employment legislation to work making such needed improvements. There is no question that programs similar to the one we have conducted would work well in most rural areas, and if a way can be found to suspend code enforcement for a specific period, such a program could make a difference in urban areas also.

As our project operates now, the men make \$1.78 an hour; they began at \$1.60 and have had 5-percent annual raises. They also get \$10,000 group life insurance coverage, hospitalization insurance, sick leave and 2 weeks' paid vacation. For many of them this is the first job in their lives at which they have earned regular wages and received the fringe benefits most American workers take for granted.

One man nearly cried recently when he got his vacation pay in advance. He said he had never before been paid for a day's work he had not yet done.

In addition to the home repair work, EKHDC conducts activities under another OEO grant related to development of new housing for low-income families. Because of the good performance of home repair workmen EKHDC contracted with Charles Moore Associates, architects and planners, of Essex, Conn., for the design of a low-technology building system which would permit workers with the capabilities of the home repair crews to build new housing for poor families.

The firm has designed a panel which is made up of eastern Kentucky woods, polyurethane foam and wallboard. Tests on the panel are now

underway in order to obtain a technical bulletin from the Federal Housing Administration and other Government agencies which have programs for construction of new housing for low-income tenants. EKHDC hopes to obtain financing for a factory which eventually could employ the home repair workmen and which the men themselves eventually could own and control.

Construction of a prototype house using the panel system is expected to begin in June.

With me today are Jim Hunsaker of Whitesburg and Woodrow Sizemore of Hyden. Mr. Hunsaker, who is 71, left retirement to work for the Mainstream program and later joined the home repair project. He is in charge of all crews in Letcher and Knott Counties.

Mr. Sizemore, who is 56, also worked with the Mainstream program before coming to work on home repair. He is in charge of crews in Leslie and Perry Counties. These two men put the program into operation and are the two persons most responsible for its success. They will tell you about some of their experiences with the program.

Mr. HUNSAKER. When we first got started, there was not too much enthusiasm among the people because they just couldn't believe we were going to come out and do the type of work we have done on their homes. Now they are just pouring all over us and want the work done.

I would say that we have made 1,000 old people in our four counties happier by the things that we have done to their homes and I bring a thousand thanks from these people.

There have been so many favorable comments it would be hard to know which ones to tell. The project has changed people's entire way of living. I see people in town whose houses we have worked on and they always remember my name and thank me for getting their house fixed. At least 75 percent of the people will make out some way to buy extra material or furniture after we finish.

There are so many houses that people have a hard time getting into because the steps are gone and the porch is rotted, and if there is anything these mountain people enjoy, it is their front porch. I would say we have fixed the porch of just about every house we have worked on.

About the wiring in the houses—they will have 10 appliances on one circuit and cords running all around the world—the fuses are bridged over and wired around. We have to completely rewire most houses.

We have put complete roofs on at least 75 percent of my houses.

Someone might wonder why we would spend \$1,000 for labor and only \$500 for material, but often we have to tear these houses apart before we can start using the \$500.

At least 90 percent of the houses do not have closets. We usually build them a closet and these old people especially are proud of them. Most of them have never had a closet before.

We have had many houses with six children in them. Most have only two bedrooms, and all the kids have to sleep in the same room. I was in a house the other day where four boys and two girls sleep in the same room. In that situation we are going to build a new room and put in some bunk beds. The whole house was only 20 by 24 feet.

One of my crews put in money and bought a new set of dishes as a Christmas gift for a family whose home they had fixed. "Why, those younguns didn't even have a plate to eat off of," the crew said.

We fixed a house for one 90-year-old woman in Letcher County who had to go outside to get from one room to another in her house. We cut

doors so she could get from room to room inside and we built her an outdoor toilet. She had lived in that house for 40 years and had never had a toilet of any kind.

Let me tell you about the experiences I have had with the crews.

Most of our workers used to be self-supporting people and they have been brought back until they have a little pride. I can distinguish them from other men—they just stand head and shoulders above any of the other programs.

I have got men on my crews that, when they first started working, to even talk to them about cutting a stairway and a set of steps would scare them to death, and they wouldn't even think about drywalling. Now most of them know how to cut rafters, stairways, and steps and we have very near perfect drywall men. They really take pride in showing you what they can do and say "Look what I done." We have men who could go on the open market with their drywalling and do as good as any I have seen.

You have no idea what the paid vacation does for them. I have had several of them say to me, "I never had a paid vacation day in my life before" and they don't abuse it either. The turnover in men has been very small. The ones that have left have either been sick or had to retire to keep their social security.

Another thing, the transportation we furnish them means a lot. Even if they were able to get some sort of job way off, they would have no way to get there.

All the crew leaders that I hired in the beginning all started with me and have stayed right with me.

We had an interesting case in Knott County. Carley Hughes, who works on the home repair project, has an 8½-year-old boy with cancer on the side of his face. They treated one side of his face and got it well, but now it is on the other side. Blue Cross is paying for all that and he is in Louisville in the hospital now. Carley said if he had not had the Blue Cross that his boy would have just laid up at the head of the hollow and died.

I dread for this program to end for everybody—especially the men who are working. It would be just the end of the world for them. They are not able to go into the mines. Most of them are broken down miners to begin with. And there are no other jobs for them.

Mrs. GISH. Mr. Sizemore?

Mr. SIZEMORE. I think the main thing about the recipients is that fixing their houses has given them a better outlook on life. They are actually happier. It has been a therapy for them. Most of them will say it has been the only real help they have gotten since their pensions. You have to know them to believe the change.

I really don't think we have been into AFDC cases long enough to know what effect the home improvements are having on the children, but the old people have been affected. You can really tell that. Painting their houses inside and making them clean has meant a lot to these families, too. I would say over 90 percent of them are keeping them clean and it was the reverse when we went in.

We have had so many cases which touched me that it is hard to pick out any one. When we finish working on a house, the people always give the men one good dinner. They keep coffee for them. They would feed them every day if we would let them.



I don't think anybody could ever have an experience better than we had working on Katie Callahan's house. Mrs. Callahan is a 71-year-old widow who lives in Leslie County. She takes care of her three mentally retarded children who are 35, 37, and 39 years old.

We extended her house 6 feet, made her bedrooms larger, and made the doors larger for wheelchairs, and we built a front porch so that she could get the children outside. The southeastern Kentucky environmental health demonstration project worked with us and paid for installation of a gas-fired incinerator toilet which has been a great help to her in caring for the children. She only had an outdoor toilet before that. Because of the work we did Mrs. Callahan can go on taking care of her children at home for several more years.

I have one AFDC house with only two beds and a davenport—six boys and three girls. Their father was on the Mainstream program and he was shot and is in a nursing home. There we are going to build three bedrooms in that house—one for him so he can come home, one for the girls and bunks for the boys. The Dryhill Woman's Club has taken this family on as a project and is helping get some bedding and other things they need. We built a toilet the first thing. They don't have any running water. The father is paralyzed. They are going to take him home as soon as we get his bedroom finished.

These houses, we work on, were not built right to start with. We are working with houses that are full of furniture and people. It is not like giving you a key to a house and you going in to fix it. If they could clean their houses out and turn them over to us, we could get one-third more done. We move all the furniture out of one room and fix it, then move the stuff back into that room and go on to another one.

Most of the houses were built in the early 1930's and some of them long before that. They are usually boxed houses—vertical siding with strips, with no insulation. All the flues are bad and all the wiring is bad.

The money that the old people's children have given them should be stressed. Often the children of an old man or woman who have moved away from the mountains will contribute money to help buy materials above what the \$500 grant will pay for. Or they will bring a new linoleum or some other things to improve the house. With a small special fund in our grant, we have bought stoves—used electric and coal—and other things people need badly but can't pay for.

Another thing, I would like to go right back to the beginning and put a bath in every house. That would help more than anything. This is the thing a lot of people want the most—especially the young people—although the old people are afraid of a big electric bill.

One of the best parts of the program as far as I am concerned is what we have done for the men who work on our crews. Having a regular job has done a lot for the worker. They have more pride and are regularly employed and we treat them as workers. I think this is helping more than the skills they are learning. Their absence record is the best of any job I was ever on.

Jim and I were talking about what had made the program succeed. We think it is the crew leaders and assistant crew leaders. They have been able to pass on their skills, and they treat their men as fellow workers and human beings instead of trying to drive them.

I have had three crew leaders leave. One retired, one quit because of his health and one quit because he just didn't like it.

I guess that, without exception, about all of the workers have used their Blue Cross. That has brought some complaints from the Mainstream men. The Mainstream men do not have hospitalization—not even State medical cards—and they work right on the crews with us and know that our men have it, and you can't blame them for wanting it, too.

Right now we could pick up three times more people to work in this same age group of 52 or older if we had the money to pay them. I have men every day coming to me and asking for a job. We have made a work program out of ours instead of a make-work program. My crew leaders have their men under control and if we have any problems, we take care of them.

Our men all take a personal interest in each house they do. They are real proud of their work. They are doing little things on every house just out of the goodness of their hearts. While our money was tight, I have known of them spending their own money for things families needed. I have crews in Perry County who would go and get a gallon of paint when they ran out and needed some—put in 25 cents apiece. I stopped it because we had other money to pay for the paint, but it went on quite a while before I knew it.

Mr. HANSEN (presiding). Thank you, Mr. Hunsaker.

I wonder if you would, Mrs. Gish, introduce your next witness who may proceed in any way he wishes.

Mrs. GISH. Bill Pursell from the Low Income Housing Development Corp., in Durham, N.C.

Mr. PURSELL. Mr. Chairman, ladies and gentlemen, my name is William R. Pursell. I am the director of the rural housing program of the Low Income Housing Development Corp. of North Carolina. The organization for which I work and which has its headquarters in Durham, N.C., serves the entire State through both of its two major programs, the urban housing program and the rural housing program.

The Low Income Housing Development Corp. (LIHDC) was formed in December of 1966 as a spinoff of the now-defunct North Carolina Fund. Its purpose is to provide housing for the poor in the State. It was originally funded by a coalition of the Ford Foundation and the Office of Economic Opportunity.

In the beginning it was designed to deal exclusively with housing problems in the urban centers of the State. To deal with these problems, the OEO provided LIHDC with a revolving fund of \$300,000 to be used as front money for the construction of multifamily housing projects. The organization believes that it has been relatively successful in the production of multifamily rental units since to date it has 758 apartments in the urban centers to its credit. Permanent mortgages for these projects have been provided by the Federal Housing Administration.

Early in its life LIHDC recognized that it was dealing with only one facet of a many-faceted problem in that the tremendous demand for low-income housing in the urban areas was and is directly related, among other things, to the large influx of poor rural migrants into the cities. We ascertained that one of the major reasons for this influx was directly attributable to the lack of decent, sanitary houses in the

rural areas—houses which were located near job opportunities. The poor were literally being forced to leave their homes for a variety of reasons—the constant threat or reality of hunger; chronic or seasonal unemployment; the lack of decent, adequate housing; isolation, constant debt, and no hope for the future for themselves or their children. In short, they felt that they had no choice of where to live; they had to leave their homes for the illusive promises of the cities. The tragedy, of course, is that the cities were in no position to provide a better environment than the one left behind.

Based upon these theses we surveyed the Nation to discover if any program was being successfully attempted which could be applied to the rural housing problems of North Carolina and which we could adopt for our use. Several efforts were being made across the Nation. However, we felt that none were attempting to deal with the problem in a way or on a scale that could be adapted to make a significant contribution to the solution of the rural housing problems in our State. In addition, we felt that any experimental efforts made within our State could have application far beyond the borders of North Carolina. Due to the fact that the State is divided into a mountainous area which is typically Appalachia, an industrial Piedmont much like other industrial/agricultural areas, and a Coastal Plains area typical of other southern agricultural States, many of the problems encountered and the solution discovered could be duplicated in other sections of the Nation. Based upon these presuppositions, the Office of Economic Opportunity provided a grant in May 1969 for a "pilot research and demonstration program in rural housing development" (1) to demonstrate the efficacy of providing decent, adequate low-income housing for rural families as a means of assisting in reversing the rural-to-urban migration, and (2) to improve the quality of life for the rural poor by alleviating the critical housing shortage. In an attempt to insure that those things learned could be shared with other predominately rural areas, the grant charged the organization with the task of the preparation of extensive reports which could be used by other groups in attempting to produce housing for the rural poor across the Nation.

To implement this program, an additional revolving fund of \$300,000 was awarded. Due to the fact that North Carolina is composed of 100 counties and our resources were limited, it was decided that one target area composed of several counties in each of the three geographic regions of the State should be the area in which the program would be operative. Following lengthy and detailed analysis of the State, we selected five counties in the Coastal Plains—east—three in the Piedmont—central—and five in the Appalachian region—west—as the target areas. Using a growth center premise, we chose the target areas on the basis of varying geography, economy, and population. This growth center premise holds that rural housing sites which would be an asset rather than a liability to their owners should be located within a reasonable commuting distance—25 miles—of towns and cities having numerous employment opportunities for low-income people. Such locations would provide the possibility of a choice between agricultural and/or industrial employment. The centers of Greenville in the Coastal Plains, Lexington in the Piedmont, and Asheville in the mountains were selected and work was begun.

The complexity of our task as outlined by the program is evidenced in the experience to date which has indicated that some of the significant causes for the lack of an adequate supply of decent low-income rural housing include: incomes which are too low to support a mortgage even at the lowest possible interest rate of 1 percent; credit ratings which are so poor that families have difficulty in gaining approval for either a Federal Housing Administration insured loan or a Farmers Home Administration loan; and—on the part of those involved in the construction industry—the general lack of experience and interest in the production of low-income housing, together with considerable hesitancy to provide “high risk” capital as “front money” for such housing. In addition, we have discovered a glaring absence of adequate systems of housing production commensurate with the magnitude of the demand for low-income housing and a total lack of an adequate system of market aggregation. To compound the problem even more, the high cost of desirable land and the unavailability and/or high cost of providing necessary utilities have the potential of increasing production costs so that the price of houses will far exceed the capability of the poor to purchase them.

Due to the nature of our grant from the OEO, we are in a unique position to attempt to deal creatively with the aforementioned problems. While we recognize that one program in one organization cannot possibly find solutions to all rural housing problems, it is anticipated that the ingredients of the problems can be isolated and possible solutions can be discovered and recommended to those bodies which are in a position to deal decisively with them. Perhaps housing located in small towns and rural areas which are within reasonable distances to job opportunities will assist in raising the income level of families to the extent that home ownership becomes a possibility for the rural poor. Perhaps revolving, high risk, experimental capital will provide the impetus necessary for private industry to become more extensively involved in the production of homes for low-income families. Perhaps a grant which allows for assistance in the development of production systems and realistic systems of market aggregation will assist mortgage bankers; governmental agencies; and local, nonprofit housing development corporations to serve the low-income families of this Nation more effectively. It is the plan of our organization to conduct experimental work in each of these problem areas.

However, to study and conduct research is not enough. Production of units as well as creative planning must be an integral part of such a program. Therefore, we are guided by one basic commitment which directs all of our efforts: We are determined to produce good quality, single-family houses in attractive settings near jobs, schools, shopping facilities, et cetera, for sale to poor families. Poor, for us, is defined as those families whose incomes fall within the OEO poverty guidelines.

During the spring of 1970, we entered the production phase of our operations and, after extensive searches for suitable sites upon which houses could be built in good-quality community settings, we presently have under development 28 houses in Brevard, a small, rural town located in the mountains. These houses are projected to sell for a minimum of \$15,900 for a basic three-bedroom house to a minimum of \$16,700 for a basic four-bedroom house. Typically, a family of five

whose annual income falls between \$3,000 and \$4,900 will be eligible to purchase these houses at a rate of interest as low as 1 percent under the Federal Housing Administration 235 interest credit, home ownership program. Their minimum monthly payments which will include taxes and insurance will amount to approximately \$64 per month for a three-bedroom house and \$67 per month for a four-bedroom house.

In addition to this development, another community located in the mountains will be built consisting of approximately 80 houses which are conventionally constructed and which will be financed under the Farmers Home Administration 502 interest credit program. In the Piedmont section, a third community composed of an anticipated 60 houses utilizing a panelized housing system will be constructed and permanent financing will be obtained from the Farmers Home Administration. A fourth subdivision composed of 131 houses in the Coastal Plains section of the State utilizing a combination of modular and panelized housing is in the planning stage. Finally, it is projected that a planned community composed of 15 apartment units for the elderly in conjunction with 25 single-family homes for others will be built in the Coastal Plains. Therefore, our rural program has a total of 339 housing units in various stages of planning and development.

What of the future? Once the organization has grown beyond the demonstration and research phase and once experience has taught how much money can be generated in land development and construction loans by the use of the revolving development fund, a period devoted exclusively to housing production will be entered. Hopefully, locally based, privately financed, nonprofit housing development corporations which can profit from our experiences and increase the production of low-income housing for all of the rural areas of the State will evolve from our efforts.

What is needed to assist local and statewide groups such as ours in their efforts to provide adequate, decent, and sanitary housing for our rural areas? Our experience to date indicates that a national commitment to provide such housing in a variety of new housing programs as well as revisions within existing programs must be forthcoming. In support of this commitment, creative, long-range governmental planning, bureaucratic flexibility, new and adequate housing subsidies, high-risk front money, et cetera, should characterize all existing and/or planned governmental involvement. The true challenge to this Nation lies in its rural areas for these areas are the spawning ground for the problems of the cities of tomorrow.

Thank you.

Mr. HANSEN. Thank you very much, Mr. Pursell.

Now, Mrs. Gish, would you present your next witness.

Mrs. GISH. The next witness is Andrew Popoli, executive director of Rural Housing Improvement, Westminster, Mass.

Mr. POPOLI. Mr. Chairman and members of the committee:

I would like to thank you for this opportunity to describe the housing programs of Rural Housing Improvement, Inc. of Westminster, Mass. For those of you not familiar with our part of the country, we are located in the north central part of Massachusetts (see attached map, addendum I). Our seven-town area has a total population of 33,000 people spread over 246 square miles.

The Office of Economic Opportunity has started something in our area that would be very difficult, if not impossible, for any other Government agency to do. The Office of Economic Opportunity has asked rural people to define their own problems and then propose programs that would solve these problems. OEO has then provided the financial backing and the muscle needed for rural people to initiate the programs which they have proposed. This has been a mighty good thing for poor families living in substandard housing, housing with no hot water, inadequate heating, and leaky roofs.

Rural Housing Improvement, Inc., is a relatively young organization that was created by OEO in 1969. In September of 1968 the Office of Economic Opportunity had invited 56 rural community action agencies (CAA's) to participate in a national competition to design innovative rural programs. From the applications submitted, nine CAA project plans were selected for funding by OEO's research and demonstration division. The research and demonstration division insisted that the rural poor themselves define their own problems and then propose programs to solve these problems.

Rural residents of our area came together and listed serious problems in their towns which they felt needed to be solved. Many long planning sessions, often lasting into the early morning hours, were spent identifying problems, selecting priorities, and developing programs to meet the needs of rural poor people. During these sessions many problems were identified—lack of doctors, dentists, health and day care facilities; inadequate transportation; and part-time volunteer firemen who were too old to climb ladders. The most serious problem of all, however, was the lack of rental or sales housing for large low-income families with children.

Most decent apartments were never advertised in the paper. Those apartments that were listed, very often were restricted "for adults only." Homeownership was even more remote as an alternative for large low-income families. The high interest rates and the required downpayments usually priced single-family homes out of the reach of large low-income families. The shortage was so severe that families with young children were forced to live in condemned apartment buildings with no hot water or bathing facilities and inadequate heating. Families have lived in these conditions for 20 years without any hope that things could get better.

In January of 1969, our planning committee submitted a proposal to the Office of Economic Opportunity. We proposed the establishment of a single-purpose housing agency—Rural Housing Improvement, Inc. This nonprofit corporation would attempt to utilize the existing low-income housing programs offered by local housing authorities, the Federal Housing Administration and the Farmers Home Administration. Up to this point, these programs were just not reaching the rural poor. It was felt that a single-purpose organization, adequately staffed and financed, was needed to bridge the gap between people and programs.

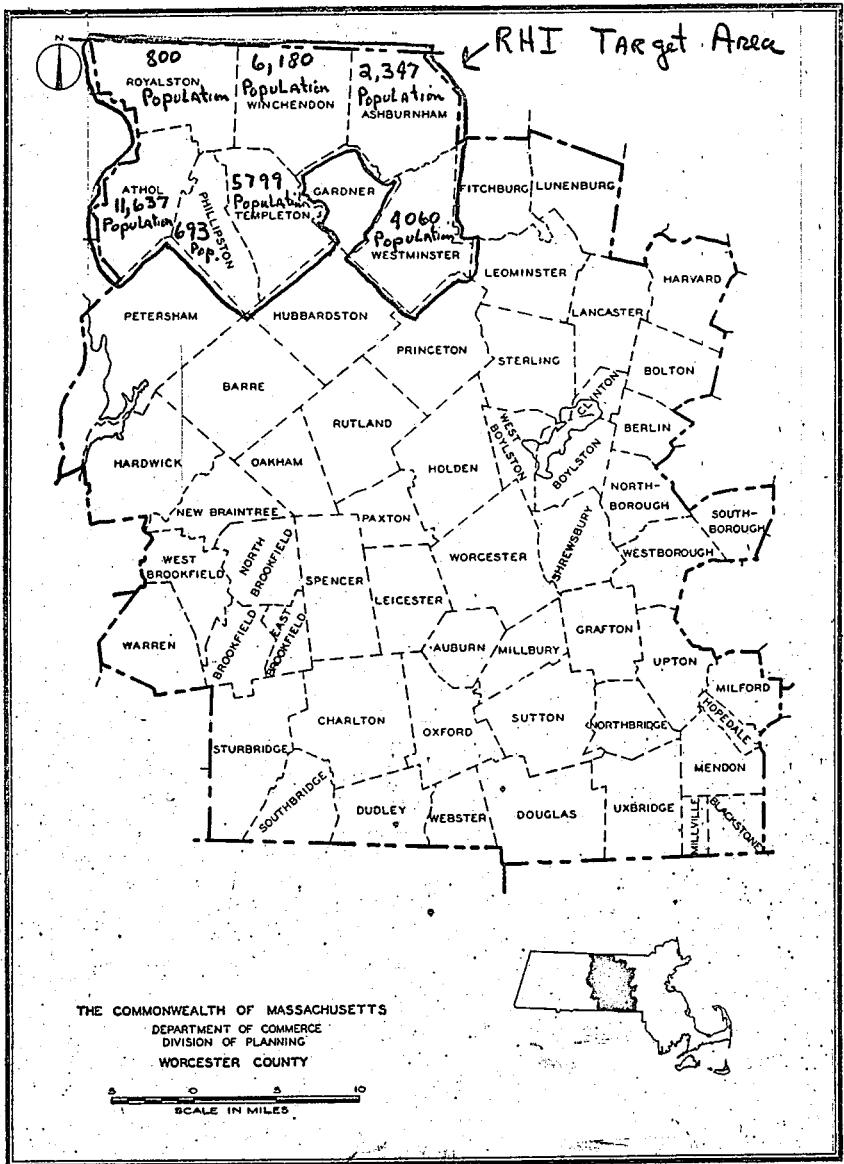
After several reviews and field evaluations by the Office of Economic Opportunity, our group was selected as one of the nine organizations who would receive funding from OEO. The telegram we received gave hope to the many low-income families who felt that this might be their chance to move from substandard housing and live with their families in standard housing.

During the last 18 months, Rural Housing Improvement has been able to implement the housing programs that were so badly needed in the seven rural towns. We have been able to assist low-income families in the filling out of housing application forms to the Farmers Home Administration and the Federal Housing Administration. I have here one completed application for homeownership to the Farmers Home Administration, this application totals 40 separate forms. This is one reason why these rural housing programs have not reached the poor people they were intended to serve. By helping poor people through this maze of paperwork, 46 families have either purchased their own homes or are now living in rehabilitated rental units. Most of these families moved to these units from slum apartments. One mother, 44 years of age, and her five children moved from living over an abandoned garage to a large spacious home with central heat and plenty of room for her children. At the loan closing, this mother broke down crying and said this was the best thing that has ever happened to her in her lifetime. This is what the Office of Economic Opportunity has meant to this family.

In an effort to provide jobs for the unemployed rural people, Rural Housing Improvement, Inc., started its own construction company in 1970. This construction company has performed the rehabilitation and new construction work on a nonprofit basis. It was felt that this was one way to provide the best quality of housing at the fairest possible price. This company now has 14 full-time employees, nine of whom were unemployed when they joined the RHI construction company. The before-and-after pictures that you see are of a rental unit that was vacated just prior to the beginning of the rehabilitation work. The family who moved out of the deteriorated apartment lived in this for 10 years. The bathroom had no sink or bathing facilities—all this family ever had was a flush toilet. The attached news article will give you a more complete idea of what it has meant to this family to move into a decent apartment for the first time in their lives. I think this is very difficult for those of us who live in standard housing to appreciate what it means to move from a slum into a decent place. The mother states that her biggest problem now is “keeping the kids out of the shower.” This is what the Office of Economic Opportunity has meant to this family.

This is the human impact that has taken place in the lives of our poor rural families. This is the impact that goes far beyond statistics, mortgage amounts, construction loans, and jobs completed. This human dimension of housing encompasses a family's struggle for a decent place to live, it encompasses the joy of locating a place where human beings can live in dignity and maintain their self-respect. Forty-six families have now secured homes with help from our programs. This, however, is only a number. It is impossible for us to understand the true meaning of this without being one of those families who have moved from substandard housing into decent housing. Mr. Robert Woodward is one of the 46 families, and like to share with you his struggle to find a place to live for his family. Thanks to the efforts of a VISTA volunteer, Mr. Woodward and his family of 15 moved from three motel rooms into a large single-family home, which he now owns, and Bob would like to share with your committee his struggle to find a decent place to live in.

(The addenda referred to follows:)



### 63 ELM STREET GETS A NEW LEASE ON LIFE

(By Phiscilla Winehill)

WINCHENDON.—Mrs. Betty L. Prouty says her biggest problem these days is "keeping the kids out of the shower."  
"All we ever had was a flush toilet."

For the first winter, the family had been able to sit around their six-room



apartment at 63 Elm St. without wearing outdoor jackets.

The Proutys used to heat with stoves—one in every room. Now the building has a forced hot water heating plant with baseboard radiation. New aluminum storm windows help keep out the wind from Whitney's Pond nearby.

All the floors are of vinyl tile. The new drywall ceilings are spray-painted to a surfaced texture. New sheetrock walls are painted in soft, blending tones.

#### SINKS, CABINETS

The bathroom walls are surfaced with a high-gloss tileboard. The kitchen has wood wall and base cabinets with built-in double sinks of stainless steel.

All the wiring and ceiling fixtures are new, and each room has several electric outlets. A thermostat in this and each of the other five apartments controls the heat individually.

Mrs. Prouty has her washer and dryer in the basement now, giving the family more room in the kitchen.

"This makes it so nice, and they're going to build storage compartments on one wall," Mrs. Prouty said. "This used to be just an old mud cellar. It was usually half-full of water, and you had to crawl in to get to it . . ."

Now a bulkhead makes the cemented basement accessible and convenient.

Says Mrs. Prouty, "We've lived here 10 years, and I never expected to see this old house fixed up."

#### "FAIRY GODMOTHER"

The "Fairy Godmother" responsible for the transformation is Better Housing Inc. The nonprofit housing corporation was formed by 30 Winchendon residents one year ago to expand housing in Winchendon for low and moderate income families.

The 30-room house at 63 Elm St. is its first venture. Work has moved ahead on schedule, and apartments will be ready for occupancy the week of May 2, according to Richard F. Robichaud, president of Better Housing.

When Better Housing took over, the Proutys were the only occupants.

The old tenement, built in 1908 by Michael DePantia, is "something of a landmark," Robichaud says. One Winchendon resident recalls the night-long bellowing of cattle that kept her awake when she lived there. Cows no longer bellow in the nearby freightyard, but 63 Elm St. had "gone to seed," Robichaud said, when Better Housing bought it last summer with the help of a Farmers Home Administration mortgage.

Rural Housing Improvement Inc., federally funded housing organization serving northern Worcester County, has provided a technical staff to move the Winchendon housing project to successful completion.

Joseph Arsenault of Gardner, the foreman, said the Elm Street tenement building is "the worst place we've tackled so far." However, its structural soundness warranted the investment, he says.

#### PORCHES REBUILT

Substantial renovations will be made to the exterior as soon as weather permits, Arsenault says. In the fall they rebuilt all the porches, patched the roof, tore down six old chimneys, cut new doors to fire exits and exchanged old exterior doors for a total of 12 new doors, and installed 52 triple-track combination windows with self-storing screens. All the inside windows are also new. New porch lights were put in to come on automatically with darkness, activated by a photoelectric cell.

All the work comes under federal inspection every two weeks.

The old exterior walls, now clapboarded, will be resurfaced to a height of eight feet with plywood stained to resemble paneling. Above that, Arsenault will apply white vinyl clapboards.

As a nonprofit landlord, Better Housing will set rents at the lowest possible level necessary to meet the costs of building operation, maintenance, and property taxes. All property acquired by Better Housing will be assessed on the same basis as other Winchendon property. In its rehabilitated state, formerly dilapidated dwellings will substantially increase their contributions to the local tax base. Better Housing hopes to renew a number of other structurally sound properties, according to Robichaud.

## ACCOMPLISHMENTS, 1970-71

Families housed	Mortgage amount	Source
8 (6 sales) (2 rentals).....	\$94,500 FHA 235(j).....	Athol-Clinton Co-Operative Bank.
27 (sales).....	\$367,320 502 Farmers Home Administration.....	U.S. Department of Agriculture.
1 (sales family of 16).....	\$17,384 FHA 235(j).....	Athol-Clinton Co-Operative Bank.
4.....	\$64,800 construction loan.....	Orange Savings Bank.
6 (rental).....	\$50,000 515 Farmers Home Administration.....	U.S. Department of Agriculture.
46 families housed.....	\$594,004 in mortgages.....	

Mr. WOODWARD. Mr. Chairman and members of the committee, I can only tell you the value of what I have by explaining that which I did not have at one time. We are a family of 16 just getting by. We were living in a six-room second floor flat over a three-story building. This building was sold in the latter part of December 1969.

In January of 1970 the landlady told us that we would have to move as she wanted two floors for herself. We looked anywhere and everywhere, full time, until there was no other place to look. All agencies, private, State, and Federal, were contacted to no avail.

The banks insisted on too large a down payment. There was no help anywhere and there was no place to go.

This brings us to July 16, 1970, a Friday, at 8:30 a.m. in the morning the sheriff and the moving vans were at our door. A social worker came at 9 o'clock and was disgusted with everything and told us that the department washes their hands of the whole affair. The Rural Housing Improvement, Inc., came and offered to find storage for our belongings so as to save us some money. This is the first of many good, good deeds of Rural Housing, Inc.

We drove around until 4:30 and then called a welfare district office in Worcester. They admitted their people were wrong and called Pittsfield to rectify that mistake.

At 4:50 in the afternoon of a long weekend the department told us they would put us in a motel for the weekend, a weekend that lasted 88 days.

It would seem to me that there is a grave misunderstanding about who and what these various agencies are dealing with. You are dealing with flesh and blood people, not some unknown in Europe or Asia, but rather people, small people, unknowing people right here in your own districts, people who have families, responsibilities, feelings.

Some of these feelings are just plain frustrations. There have been too many billions spent outside of this country, too many billions spent on defense, too many billions spent on programs that never reached the people they are designed to help. Here is a program that does go out into the masses, it does reach the people, it does work. It is a good example of something constructive rising up out of the ashes of neglect and distrust.

It is now the time. Rather, gentlemen, it is almost too late for the countless numbers of families who need most of all just this form of mortgage program. With it will come a change, both social and financial, that will rival anything that has been seen in a long, long time.

As to my own problem and solution, I am overwhelmed, and this feeling, this great relief, would not be possible at all except for a very small group of people, dedicated people, who are making a super-human effort to alleviate the misery of people who have no place

to go, no hopes, no ambitions, indeed no reason to try to pull themselves up by their bootstraps.

I have that hope, that ambition, that reason. Gentlemen, if you would want an example of the success of this program, look no further than this speaker and his wife who would dare invade Congress and try to talk to you gentlemen.

Thank you.

Mr. SCHEUER (presiding). Mrs. Gish, would you introduce your last panelist?

Mrs. GISH. The next witness is George Davis, director, Rural Co-op Housing, Madison, Wis. .

Mr. DAVIS. Mr. Chairman, members of the committee, thank you for giving us the opportunity to describe the unique work we are doing with a statewide rural housing cooperative in Wisconsin, probably the only such organization in the Nation. We find that poverty is a problem in rural as well as urban areas, and we are trying to do something about it.

At least 25 percent of the residents in 23 rural Wisconsin counties live in poverty, according to a study by the National Council on Hunger and Malnutrition. This is about one-third of our counties, and is based on a family of four earning \$3,450 or less each year. Five of these counties have 30 percent or more of their families living in poverty.

Rural poverty is evident in a shortage of decent housing, a lack of employment opportunities at livable wages, a loss of tax base and a dwindling of population. The outmigration of 19- to 35-year-old people is most critical, because this bleeds the labor force, making it more difficult to attract industry.

Our cooperative program was established to do something about the housing shortage, and in this way to help slow outmigration, making it easier to bring industry into the rural areas, and to help restore the tax base.

We know, for example, of a rural city of 3,000 population where the chamber of commerce and local leaders worked to get a sizeable industry into town. However, when the management came to inspect available housing, they couldn't find any. The chamber was advised that the industry would have to locate elsewhere.

Our cooperative is helping build these needed homes with individual mortgages financed mainly through the Farmers Home Administration, which is the principal source of funds for housing in rural areas. We are working directly for people with poverty-level incomes under OEO guidelines.

We believe these families would not ordinarily be reached by Farmers Home Administration or any other conventional lending institution. Most of these people have been hardened by experience not to expect that any agency will help to solve their housing problems, or even to show an interest. The only way they have been reached previously is by the census taker or a survey maker or some fly-by-night operation with high promises and higher interest rates. They were suspicious of our program, and rightly so, until we proved by actual construction that low-cost housing can be available for low-income families.

Some of these people are already homeowners, but of tarpaper shacks, log cabins or other ramshackle construction. These buildings generally are beyond repair, with more problems than the owners can afford. Other families are paying rent to some absentee landlord for housing that isn't worth the cost of refurbishing. State officials estimate that there are at least 199,000 substandard or dilapidated homes in rural Wisconsin including villages and cities with a population of 2,500 or less.

These rural people need economic help, and need housing badly, if they are to continue living in their present locations. The combination of unemployment or low-paying jobs and substandard housing can easily force them to move to urban areas, where their problems will only be compounded. These people are unskilled for most work that might be available, and they would only become wards of the city utterly dependent on welfare.

We are visiting homes where the only running water comes from a leaking roof, where air circulates around the cardboard in windows, where doors and screens hang loose on their hinges, where families sit around in outdoor clothing for warmth in winter, where walls are bare and floors are dirt or sagging.

The amenities of life are likely to come from a fish pole, a potato patch, a few rows of corn, a chicken coop and a woodlot. And these are the amenities they would lose if they are forced to migrate to the city.

Our program can help these people and their rural areas, so long as they are employed and not too heavily in debt. We can generally qualify them for low-interest loans to help them refurbish their present homes, buy sound older homes or even build new homes. They must show ability to repay the loan, pay property taxes, and carry the other expenses of homeownership.

Needless to say, we cannot help all families. Many of them at poverty level do not have the resources for better housing, even with substantial contributions of "sweat labor." One problem is their lack of ready cash or savings to meet unexpected emergencies, whether for essential home repairs, a needed major appliance, a car that will run, or perhaps a medical bill.

The only source of immediate credit is the installment purchase or the finance company, with high-interest rates and mandatory monthly payments. Then another emergency, or a failure to pay other bills, and it is back to the finance company for a larger bill-paying loan, re-finance charges and a higher monthly payment. Once on this treadmill, they almost never get out of debt.

It is part of our job to help work out family budgets to reduce debts, hopefully to a point where a bank or credit union will assist the family, and hopefully to qualify the family for a housing loan.

For all eligible families we make up a complete financial statement, with income, expenses, assets, debts, a planned budget, a list of references, and a lien search at the county courthouse for a clear record. Then we can estimate what the family can afford to pay for a home—whether new construction or older home. We assist the family to plan or locate a house that meets with their approval, and will fit their needs. We help in locating and taking option on a suitable lot at a reasonable price. We assist in getting firm bids on a house,

plus excavating, basement, well, septic system, plumbing and floor covering—and all at prices close to cost because otherwise the work couldn't be done.

We insist on as much self-help as possible, whether in digging the basement or assisting the carpenter. In all cases, the families take care of their own painting, staining and landscaping. These types of work contribute to the value of the property, and help instill the pride of ownership. With careful bidding, self-help and sometimes mass purchases for several homes in one area, we are saving our homeowners between \$500 and \$1,000 per house on construction costs.

Our cooperative was granted a charter in May 1970, and our first home was built in September. We now have 18 families in good comfortable homes and we have 14 ready for construction. By waiting until after May 1, these families will get a tax break, with their first property taxes not due until January of 1973. These homes are located in 12 counties and total loan applications cover 22 counties.

These people seem to have a completely different outlook on life when they get their new homes. This could be a reason for two people from our first homes getting employed at higher salaries.

There are times when our program can be very frustrating and time-consuming, but you simply can't buy the thrill that comes with seeing a family in a new home, with the pride of the parents and the smiles of the children.

I might say that new home on the right is a home constructed for just over \$15,000 for a family of six children living in an apartment over a condemned tavern.

The log cabin was occupied by a family with five children and they are now moved into a new home.

The other one down there is one we feel we can refurbish at a cost of about \$4,000. It does not have partitions upstairs where 10 children sleep and doesn't have any drywall on the walls and is lacking quite a little siding, but it could be made into a good decent home with a bathroom.

Thank you.

(The addenda referred to follows:)

#### WISCONSIN'S RURAL HOUSING DATA BASED ON 1970 CENSUS INFORMATION

1970 Housing Census information is just becoming available. Information now available gives some indication of the rural housing problem in Wisconsin. The following is an assessment of the number and percentage of rural housing units lacking some or all plumbing facilities in Wisconsin. The figures indicate that the more rural an area, the more likely it is that the housing will not have adequate plumbing. A house that is lacking plumbing is also likely to have other inadequacies. In addition, the information of the 1960 Census would indicate that there are a significant number of houses with complete plumbing that, nevertheless, have other serious deficiencies.

Location	Number of dwelling units	Number without all plumbing	Percent of total which lack plumbing
50 predominately rural counties (out of a total of 72 counties).....	445, 947	56, 842	12.7
7 most rural counties (having less than 5,000 dwelling units).....	22, 781	4, 154	18.2
State as a whole.....	1, 472, 466	101, 372	6.8
Milwaukee SMSA.....	449, 044	14, 566	3.2
Milwaukee City.....	246, 065	10, 149	4.1

Thus, the 50 rural counties have approximately the same number of dwelling units as the Milwaukee SMSA. However, the rural counties have 4 times as many units lacking sufficient plumbing.

#### DATA RELATING TO HOUSING PROBLEMS IN WISCONSIN

(from "Housing in Wisconsin" report)

From 1960 Census (1970 figures not yet available) :

25% of all housing in Wisconsin substandard

SMSA's showed 17% substandard ; remainder of state 32%

199,252 substandard units in places of less than 2,500 population ; 126,479 in more urban places.

	Percent (substandard)
Milwaukee -----	17.5
Madison -----	16.0
Kenosha -----	16.0
Racine -----	14
Ashland -----	26
La Crosse -----	24
Marinette -----	23
Eau Claire -----	21

One-third of the substandard urban dwellings are in Milwaukee

Note that census data figures are probably minimal, not maximal.

From Other Sources Regarding Condition of Structures :

Iowa County Department of Social Services: 36-38% of housing in county substandard.

Max Anderson Associates: Hurley: 16% poor 25% fair (both categories signified housing below standard). Edgar: 15% poor 30% fair. Others: 37% poor and fair.

Social workers survey: La Crosse: 51% of aid recipients living in inadequate housing.

Overcrowding (1960 Census) : Owner-occupied housing: 8.2% in Wisconsin overcrowded. Renter-occupied: 10.3% in Wisconsin overcrowded.

But . . .

(a) SEWRPC cites \$25,000 as the minimum price of new homes for sale. Over \$210 per month are needed to purchase. Perhaps 30 per cent of Milwaukee area families can afford these.

(b) FHA cites the following as "relatively low rents" in the area: \$135—efficiency apartment; \$140—1 bedroom; \$180—2 bedroom.

Close to 40 per cent of families could, therefore, not afford the efficiencies and one bedroom apartments. Nearly 50 per cent could not afford these "relatively low" priced two bedroom apartments.

(2) *Rural Communities*—Looking at five studies made in small communities:

(a) *Athens* (Marathon County—Population: 856)—New homes cost \$20,000. Older homes, when available, sell for about \$15,000. Older apartments range from \$50—\$75. Newer ones are from \$75—\$100 and up. Looking at Marathon County income levels, it is estimated that: 75% of families could not afford the new homes. 50% could not afford the older homes. Most could afford an older apartment, if one were available.

(b) *Colfax* (Dunn County—Population: 1,026)—New homes cost \$25,000. Older homes (five available)—\$7,500—\$20,000. Rental housing (none available)—\$75—\$100.

Who could afford what? 80% could not afford a new home. 30% could not afford the \$7,500 home. 80% could not afford the \$20,000 home. 25% could not afford the \$75 per month rent.

(c) *Edgar* (Marathon County—Population: 928)—New homes—\$15,000—\$20,000. Older homes (two available)—\$8,000. Rental housing (none available) \$90.

Who could afford what? 50%—75% could not afford new homes. 30% could not afford the two older homes. 25% could not afford to rent.

(d) *Galesville* (Trempealeau County—Population: 1,162)—New homes—\$16,000—\$20,000. Older homes (one available)—\$12,000. Rental units—homes, \$90 (no utilities); older apartments, \$75; new apartments, \$110.

Who could afford what? 55—80% could not afford new homes. 40% could not afford older home. 40% could not afford to rent a home. 30% could not afford old apartment. 40% could not afford new apartment.

(e) *Loyal* (Clark County—Population: 1,126)—New homes—\$20,000. Older homes—none available. Rents—\$100 (with utilities).

Who could afford what? 85% could *not* afford new homes. 50% could *not* afford to rent.

The above figures indicate clearly that housing is made available only at prices higher than a significant portion of families can afford to pay. It should be noted, however, that the effects are mitigated somewhat by the fact that there are households owning homes purchased when prices were lower and have either retired the debt or are doing so at lower rates. Yet, there is no way presently of knowing how many families are occupying substandard housing or paying disproportionate amounts for shelter. It is known, however, that 25 per cent of Wisconsin's housing, up to 40 per cent in many areas, was substandard in 1960 and being used. 1970 Census figures will be available shortly to determine the present situation, although scattered recent studies do not indicate significant improvement.

(b) The present subsidized housing programs have not produced enough housing to meet the needs of those who cannot afford market prices and thereby rectify this economic maldistribution.

(1) In the Milwaukee area, FHA estimated a need for 4,650 Section 235 and 236 units between May, 1969, and May, 1971. Yet, as of January, 1971, only 1,555 units had been issued firm commitments. Sixty-seven per cent of the demand remained unmet. The estimated need for rent supplement units was 1,560. Only 136 were provided, leaving 93 per cent of the need unmet.

(2) In the Superior area, FHA estimated a need for 360 Section 235 and 236 units between July, 1969, and July, 1971. Yet, as of January, 1971, NONE had been provided, leaving 100 per cent of this need unmet.

Mr. SCHEUER. Thank you, Mr. Davis.

Can any of you tell me whether before you started this, any effort was made to get FHA financing for low-cost rural homes?

Mr. DAVIS. How could they get it? Well, actually by the time they went through all that we go through for them, as Mr. Popoli mentioned there are about 14 pages, I am afraid that they would not be able to get the prices that we get on their homes and in many cases even after we turn in after an application, we may have to bring the price of the home down before we can get financing to cover the cost of building the home.

Now we have four homes that we just completed at \$12,500 that include lot, basement, septic, well, and everything, and if they were up to \$13,000 we could not have gotten financing.

Mr. POPOLI. I would like to give a couple of examples.

Mr. SCHEUER. The question I have is, was any attempt made by your group to get FHA financing?

Mr. POPOLI. My group has just recently completed a 235-J rehabilitation program on eight units in rural areas. It was a very time consuming process which also involved a substantial amount of money prior to closing in order to try to get a good deal on the homes.

We optioned and then purchased with our revolving fund. It took us about 8 months to prepare the program and 8 months for construction. I misinterpreted your question before, but I would just like to comment briefly, if I may, about why OEO groups are necessary in rural areas.

Mr. SCHEUER. Why are they necessary and why can't you work? I don't say this in any hostile way, because I have had some experience myself with FHA and I was a full-time housing developer before I came to Congress, so believe me when I say I have had my own problems with FHA. But I have never done anything in the area of rural housing.

What was your experience with FHA that led you to the conclusion that you had to abandon your efforts to finance housing through FHA and do it on your own?

Mr. POPOLI. I don't understand the question because we have like our FHA package and everything else we do is under Farmers Home Administration. But there is a reason why the Farmers Home Administration wasn't working adequately in our area.

Mr. SCHEUER. Maybe you could tell me and then maybe Mrs. Gish would have something to say.

Mr. POPOLI. Basically we have had applicants come in the office who had previously submitted applications to the Farmers Home Administration 2 or 3 years ago. No. 1, they were lost in this maze of paperwork, which is 40 forms, some of which they have to complete themselves. But one of the main things in our rural areas is that Farmers Home Administration is a very bureaucratic procedure.

If the people want to complete or do some rehabilitation on a home or get a cost estimate on a home, the contractors are not interested in dealing, No. 1, with a low-income family; and, No. 2, with a Government program that takes 3 months to get your money. So this was one problem.

The second problem was that when we started processing applications through Farmers Home Administration in our area, welfare recipients had adequate income to purchase their own homes.

Now welfare recipients had submitted applications to the Farmers Home Administration and these were welfare recipients that were paying \$100, \$125 a month rent to live in an apartment. These applications were rejected by the Farmers Home Administration county office in our area. They were rejected because of a personal bias that these folks should not be purchasing homes.

So the second thing we have been able to do with a family who was previously rejected by the Farmers Home Administration is resubmit the applications—

Mr. SCHEUER. What were the specific reasons they gave you for rejecting the applications?

Mr. POPOLI. They can't consider welfare as any form of income, that it was a gift and therefore it should not be used to purchase a house. That was a specific reason and yet in their own guidelines it states that income shall be considered from work, social security, unemployment welfare or whatever. So this was the reason that many applicants who needed housing were rejected, because of a bias on the part of the county office. This is one of the things we have been able to overcome.

Now we have welfare recipients purchasing their own homes who don't have a problem with Farmers Home, because they know that they are there to act as advocates on the part of people who have a right to live in decency.

Mr. SCHEUER. May I interject that the OEO was set up to play exactly that role. Where an existing, entrenched, if you would, agency—Federal, State or local—was not doing its job in a way that was responsive and relevant to the needs of the poor, OEO would develop different models, methods, and systems for doing the job.

It seems to me this is a classic example of the very useful and creative role that the OEO is playing.



Mr. POPOLI. Right. The third thing is that the Farmers Home Administration setup in Massachusetts has three county offices for the entire State. This means that one county man who operates in our county takes care of one-third of the entire State, which means that if an applicant called the Farmers Home Administration office today, he would give him an appointment in 6 months.

Now one of the things we have been able to do with Farmers Home Administration is assist them in the preparation of these forms, so that when a low-income person goes to Farmers Home Administration, rather than tell this person "I can't handle your application for 6 months," they send them to our organization and we can help make out the forms.

But I think it interesting that what has happened is that I don't feel that rural housing improvement in Westminster is the long-range solution to this problem. But I do feel that if we can continue to help Farmers Home expand in our county, that is a long-range answer.

Now one of the things we have been able to do by generating well-prepared applications is that Farmers Home has realized that their staff and their county offices cannot get the job done and cannot meet the need, so they have hired another county supervisor. So before we had one with a part-time secretary and now we have two county supervisors with a secretary and we are continually generating the loans so that we can have maybe three or four county offices started.

Every year our Farmers Home Administration county office turns back money that is just unused. So this is just another way that we are able to help.

Mr. SCHEUER. That is utterly ridiculous. I can't think of a more damning indictment of a Federal agency than to be turning back money to the Federal Government with the enormous unmet housing needs right in your county. That is utterly ridiculous.

Mr. POPOLI. Another interesting thing is that in the State of Massachusetts the legislature appropriated \$37 million for family housing to be built by housing authorities. This was about 4 years ago. Not one unit has been built and no dollars have been spent, the money still is there.

Mr. SCHEUER. Mrs. Gish.

Mrs. GISH. I think you have to remember that the Federal Housing Administration is an agency of the Department of Housing and Urban Development, and that rural housing is a kind of unwanted stepchild and they treat it that way.

Mr. SCHEUER. I think most housing developers would feel that the main emphasis of the FHA is in suburban housing, that they don't much care about central core housing and perhaps they are equally insensitive to the need for rural housing.

Mrs. GISH. They have redlined everything in Kentucky east of Winchester, with the exception of Ashland and some larger towns. I have been working for 5 years to get 50 units of supplement housing built in Whitesburg and, first of all, they decided there wasn't any market for it.

We finally convinced them that we could fill 50 units and just everything, none of the programs are meant to fit the kinds of areas that we live in. We tried 235, new housing, and they could not find a lot

that suited them. We don't have sewer and water systems and so on at prices that can come in under the 235 limits. So that is a major part of it.

The FHA director in Kentucky came up to eastern Kentucky to look over our home repair project last year and he is very sympathetic, but he said they just simply don't have anything that will work in our part of the country. They are helpless when it comes to the kind of housing we have to deal with.

Mr. SCHEUER. I would like to yield my time to Mr. Hansen. Do you have some questions?

Mr. HANSEN. I have a question I would like to ask, if I might. It doesn't deal with the narrow subject of rural housing as much as it does the broader underlying problem.

Let me say, first of all, that I think all of you have made a very important contribution to these hearings by focusing the spotlight on one aspect of the decay that we see in rural America in all parts of the country.

Coming from a rural area, I am aware of the relatively poor condition much of the rural part of our country is in compared to the cities where we hear a great deal about the urban crisis and it is there and real and needs to be dealt with. But I think because the problems in the rural areas are less dramatic, they often escape the attention of the country and of those who have the opportunity and responsibility to do something about them.

Therefore I think your testimony here has been particularly helpful.

My question, as I say, relates to the broader underlying problem. I would like to have whatever response you might care to give. Housing is a part of the problem that the people in rural areas face and, as you point out, the housing is substandard in so many cases. This is also true with educational opportunities, with income, with opportunities for access to health service, and so forth, on almost every scale you want to pick, the people in the rural part of the country are worse off than they are in the cities.

This is my question: What would you identify as being the underlying cause of the plight that we see in rural America? What is the major contributing cause to this decline in the rural parts of our country and what do you see as the basic thrust of the kind of a response that we have to make not only to deal with the needs of housing to get better housing, because I think you pointed up some directions, but to solve the basic problem so that we can have the kind of income, so we can have the kinds of local institutions, so we can have the kinds of opportunities that will revitalize our rural America?

That is a big order, but I think it might be useful to get some spontaneous response from you on the record as to the direction you think we should be looking in, not only this committee, but in the Congress.

Mr. PURSELL. Mr. Congressman, that is a pretty big order as far as the questioning. I think one of the things that I would respond immediately and off the top of my head, of course, we are all housing people but we do see many of the things you are talking about by virtue of being involved in one specific program dealing with one small part of the problem. I think that from my viewpoint and the types of things that we have in the State of North Carolina when one recognizes that so many of the traditional ways of income maintenance have broken down by virtue of the fact that income from farming itself has gone

much lower than what it has traditionally been, and the fact that there is very little effective voice from the rural areas of the poor people.

There are strong farm lobbyists for the big farmers, the agribusiness people, but as far as the poor man who has traditionally been on the lower scale of the income level, there is no effective voice and, therefore, their voice is not actually heard to the bodies who can make differences in the programing.

Somehow or other I think this voice has to be developed, I think that emphasis on the part of all governmental agencies, including the OEO, a major emphasis on the rural areas would be one of the best investments that could be made. I am convinced, as I am sure you are, that we are not going to really serve the urban problems, we are going to deal with the symptoms but until we get down to the core problem of the migration of the people into the cities, we are simply, going to be putting on bandaids and we had better get to the problem of dealing with the core poverty in the rural areas.

Mr. HANSEN. I would like to underscore that point, because I think it is very important, and I try to make it whenever I can. One of the basic causes of the urban problems starts in the rural area and until we begin to deal realistically with that problem where it exists, we are not going to find the final solution to the problems in the cities.

Mr. PURSELL. Certain sections of our State are attempting to do this via the attraction of industries into some of the smaller or more rural areas. This is good as long as we recognize that quite often even when the industries come in, the income level doesn't help a whole lot. It keeps them down on the farm, but it really doesn't keep them happy.

Mr. HANSEN. Does anyone else have a response?

Mrs. GISH. I live in coal mining country. We have probably the richest mineral resources in the country under our feet and yet everybody above ground or practically everybody is in pretty bad circumstances and nobody has yet come up with a way that would make the people who own the minerals and make use of them exploit the opportunities that are there, pay their fair share of what goes on.

It is a kind of a chicken-and-egg situation in our area as well as other rural areas. You can't get industry because you don't have schools or housing or workers because you don't have training and so on.

We feel that for the past 3 years we have been operating what, in effect, is a public service employment project. I have never been able to see why it is that you can't take these same people and put them to work at the thing that needs so badly to be done, new housing, roads, sewers, all the kinds of things that are there, the kind of social inter-structure that has to be there before things are going to improve.

Certainly there has not been enough attention given to the school systems. There hasn't been enough attention given to health programs. Although we are getting health programs, they locate them in town and forget the people all live out in the country and don't have any way to get into town.

I guess the basic thing is simply a lack of national commitment to do anything about people who live in the country. We just are forgotten.

Mr. POPOLI. I would like to say in support of what Bill said, when our rural groups were getting together to establish our program, the

competition for these rural funds was limited to rural people. The reason that this was the case is that there was a correct assumption that if the rural people who had not developed the sophistication to apply for Government grants, who weren't associated with sophisticated social agencies in the cities, they would not stand a chance of competing. We would not stand a chance of competing with Worcester, with Boston, with Springfield, because the voice in the rural area just isn't developed.

I think one of the things that our program has pointed to is that if there is going to be an impact in rural areas, then there are going to have to be impact programs initiated and directed just to the rural areas. I think that if there was, for example, programs made available to those that want to apply, that the rural areas would never get it.

This is one of the things that enabled the rural people in our area to get some kind of a break, because just rural people competed. We could not possibly compete with Boston or cities like that.

Mrs. GISH. What he is saying makes a big difference in terms of the revenue-sharing proposals that are going on now. The revenue sharing in rural areas may as well close their doors and go to sleep and forget about it. We will lose out totally, we can't see that will be of any help at all.

Mr. HANSEN. Is there a totally unsympathetic ear at the State capitals? Do they not see what is happening in the rural parts of the States?

Mrs. GISH. The rural people, in particular the rural poor people, just don't have the clout when it comes to going to the capital, at least they don't in Kentucky. I assume that is true in other States.

Mr. PURSELL. What we said about the difficulty of rural people having a voice on the Federal level is also true on the State levels. The same cities are there, the States are still very concerned about the same cities and even in a rural State like North Carolina this is still very true.

There is not the clout to go; once you are there, there is not the sympathetic ear to hear.

Mr. Scheuer had to leave and he asked a question a while ago that I didn't get a chance to respond to. I wonder if I could at some moment.

He asked about the use of the Federal Housing Administration Housing programs. We now have in Bevard—the pictures are up here—a subdivision under construction that is going to be financed under the Federal Housing Administration. This is fine. However, we must recognize that there are many areas within rural areas that are out in the boondocks that no mortgage banker will touch and therefore the Federal Housing Administration cannot work effectively there.

Also we must recognize, too, that with all of the problems of the Farmers Home Administration this is a direct people program in which loans are made directly to the people and there is not the point system attached to it. You are talking about a difference sometimes between as much as \$1,200, \$1,400 per house less cost than Farmers Home Administration than you are to the Federal Housing Administration.

So simply for the economies of it, it is quite often to our advantage to go through the Farmers Home Administration rather than the Federal Housing Administration, if you could get approval to begin with.

Mr. DAVIS. We have a group of people, too, that they do have jobs. However, the jobs last about 6 months a year, which means that too many of those families earn \$4,000 a year or less, most of them less, unless somebody can help them through interest subsidy and helping them to get a home at a price that they could pay, because it costs more to build in a rural area because the craftsmen have left and gone to the urban areas and because of the added expense of moving the machinery and so on this distance.

Take a basement, for example. Your labor costs on a rural basement is about twice what it is in the urban area because they can build two at about the same length of time they can build one in the rural area.

Chairman PERKINS (presiding). Are there any further questions?

I have been deeply concerned about the rural areas for 23 years, even before I came to Congress, and we have debated on this committee day in and day out about equitable formulas so that the rural people would share equitably, particularly in all of their school legislation. I know that the problems of the rural areas in the cities run hand-in-glove together with the outward migration from the rural areas to the cities and if we don't do something about it, this problem is going to continue to multiply in the cities.

I want to compliment all of you for an outstanding statement. I have several questions to address to you. I think you have made a contribution to take time out to come here before this committee and point up the fact that the rural areas are being overlooked insofar as housing is concerned in this country. It is most disgusting, any community that makes an application for our public housing, and all the red tape, and then all the trouble and time-consuming efforts of so many people before an application is finally approved.

We have been trying to do something about this for years, we have introduced legislation repeatedly, but we have never yet found a sympathetic ear. We have just done our dead level best.

I recall a few years ago that we had a forerunner to the program that Mrs. Gish has described and the Farmers Home Administration got a provision in the law and got a program started and let the Farmers Home Administration renovate some houses in Eastern Kentucky and Mississippi and other places. Because some people thought that the program was going to benefit some groups that should not be benefited in 1965 and 1966, the money was completely stripped from the provision after we got it in the budget and in the Department of Agriculture.

So in Kentucky this program was put together, to my way of thinking the most wonderful cooperation between the local and State and the Federal Government. I would like for Mrs. Gish to detail briefly something about the coordination that has taken place to just put this program together.

Mrs. GISH. The Department of Economic Security administers the \$500 grants. A committee of a welfare recipient, a representative of Economic Security, a representative of Eastern Kentucky Housing,

a representative of the local Community Action group and the local Health Department and the Farmers Home Administration meets once a month to go over applications for home repairs.

The committee acts on the basis of pictures which we have taken of the houses that are to be repaired on the basis of reports from Community Action outreach workers who have visited the houses and on the basis of their own personal knowledge. Once they make the decisions as to which houses are to be fixed, they take bids from three local suppliers and accept the lowest bid.

When the bid comes back, they give a work order to our people. Meanwhile our men have been out to help make estimates and so on to see what kind of repairs are going to be needed. We do the work.

The overall coordination is handled by an ad hoc committee of Federal, State and local agency representatives, including HEW, Agriculture, Department of Labor, OEO, Farmers Home Administration. I believe those are the agencies involved.

Chairman PERKINS. The project has been limited to the most needy and next year you will reach out and include the AFDC?

Mrs. GISH. We are already including AFDC and will include more next year.

Chairman PERKINS. About how many homes will your budget permit in fiscal 1972?

Mrs. GISH. I believe 650 are proposed for next year; AFDC homes.

Chairman PERKINS. Mrs. Gish, I was impressed with the observations you made about the extent of the unemployment in LKLP area, which was nearly twice the national average. We have all had a great concern for unemployment in the Nation and we have great concern—I do—for the unemployment in the district that I am privileged to represent.

The Congress is presently giving consideration to several approaches dealing with this unemployment situation. One approach is the public service employment program that we hope to get out of this committee next week and to have it through the House within 2 or 3 weeks.

My question is to what extent do you believe the LKLP demonstration project could be used as a model to provide constructive community work in making improvements to dilapidated homes of needy persons in rural areas and, further, are there employment opportunities in such activities for both home repair workers and para-professionals, community service agencies in your judgment?

Mrs. GISH. We figured not long ago at the rate we are going, to repair all the substandard housing in our counties would take us 25 years, and that is not counting what gets to be substandard year after year. Certainly there is a need and certainly the opportunities are there.

There would have to be money for financing the costs of the materials if public service employees were to do the actual work.

The section 1119 grants don't apply to everybody, but certainly farmers home loans could be used and possibly some others.

Chairman PERKINS. Do you believe this would be one of the best ways that we could utilize public service employment in the area where you have already perfected the model?

Mrs. GISH. Yes, sir; I think we have shown that it is an excellent way of using public service employees. I also would hope that as these

men gain experience and skills, they could be put to work on construction of new housing, because you and I both recognize that the home repair project, as good as it is, isn't a long-term solution and certainly once these men know the skills that they need, they could then be put into construction of new housing so that there would be a 40-year improvement, say.

Chairman PERKINS. How many people on your particular project do you employ in your four counties? We have been interrupted so much I may have not followed every word of the testimony.

Mrs. GISH. We have 69 employees that are paid by OEO funds.

Chairman PERKINS. If you had the funds available and the other funding to renovate these houses, how many workers could you actually put to work down there in these counties where you have 20- and 25-percent unemployed?

Mrs. GISH. We have applications already on hand for at least three times as many jobs as we have available. Certainly we could use as many people as we could get. I don't see any way of meeting the need over a short period.

Chairman PERKINS. Take a county like McLaughlin County where you have at least a 40- to 45-percent unemployment rate, I know that is a little staggering, but it is true, a project of this type in your judgment would serve a real purpose in remodeling and renovating those homes of the poor people under the public service employment statute if we could get it inaugurated; is that your viewpoint?

Mrs. GISH. Yes, sir.

Chairman PERKINS. Now I would like to hear the comments of others there, the gentleman from North Carolina. I see the picture above and the one below down there. I take it it is the same home?

Mr. PURSELL. No, sir; it is not.

Chairman PERKINS. Tell me how you obtain the funds, your rural housing program. I want to know just where these funds are coming from.

Mr. PURSELL. Let me explain the pictures first.

The top picture is a picture of a group of homes in which people who will be eligible to buy the houses that we will be producing presently live; in fact, some of the families we know are very definitely qualified for purchasing a home. We are in the process now of beginning the subdivision which will be made up of exactly the same homes that are in the bottom picture. Hopefully in about 3 months from now we will have a picture of the actual development itself, which has a revolving development fund from the Office of Economic Opportunity in the amount of \$300,000 that we use as our front money.

With this money we use it for leverage to get construction and development loans which go in and buy a tract of land in an area where there is a demonstrated need for the housing itself. We then go in and we build the houses along with the people who live in the areas and who will be buying the houses themselves.

In this particular subdivision this will be financed under the FHA 235 program. The others that we have on the drawing board at this particular point will all be financed under the Farmers Home Administration 502 interest credit program.

Chairman PERKINS. The gentleman from Wisconsin, is that the same home after it has been remodeled there and how did you obtain those funds?

Mr. DAVIS. The log cabin on the top, as I mentioned before, was occupied by a family of five children, one room, no running water. We worked with them for probably 6 months to get some of their debts cut down to make it possible for us to get financing for them.

Now I think these people need a lot of training. I would just like to give you another example, one family went out and bought a television set because he got a little money ahead because of some overtime. Immediately his payments were to the point where he could not build a house, so the only thing we could do was to go down with him and tell him, now every penny of overtime you get, and he said he would have some for 3 months, must go into this television set, and I talked to the banker and the banker said, "If you will get it down to \$190, I will take it on a 2-year loan at 7 percent," which of course was a real saving.

We did manage to get the television set down and this summer he will be in a new home. I think they need a lot of guidance. They are not accustomed to handling money because they have never had any. In addition to that, they have not had a chance to get means of entertainment for their family, and once they see a chance, they will grab it and forget about the home.

Chairman PERKINS. We have put written provisions in the bill, SBA, from which the rural people have benefited so little. So little has trickled down to them that you could almost count the funds on your fingers notwithstanding our efforts here over a period of years. We just could not get any appropriations.

It is the same way with the present rural housing provisions that we have tried to provide, they have not worked out. I would like for all of you to put your heads together and if you can help us come up with a little language here that would strengthen the rural housing program that we can write in this bill, I think the committee will put it in, because we are conscious of the problems in the ghettos and in the rural areas, every member on this committee.

I think that I personally feel we will be derelict if we don't do more than we are presently doing. It has been a real difficult task to obtain the funds after we write the legislation and the funds just for some reason are not available to the rural areas.

Unless you "birddog" 7 days a week, you just can't find anything, and then very little. It is really a disgusting situation, but it is a challenging situation at the same time and I don't know how we are going to eventually solve this problem. But it is a problem that has got to be solved.

Now do you have a comment, Mrs. Gish?

Mrs. GISH. I think we ought to point out we represent a major part of OEO's major housing effort, but two-thirds of the bad housing of the country is in rural areas. But we are certainly not two-thirds of OEO's housing program. It is just one example of what happens.

Chairman PERKINS. I can well understand that. The housing administration, FHA, I agree wholeheartedly, they just haven't done anything. They have just been real derelict in responsibility.

Mrs. GISH. On FHA the Farmers Home supervisor told me he could look at a family when they came in and know whether he was going to lend them money for a house or not.



Chairman PERKINS. Of course, FHA could have done more for the poor people. They have their funds to a great degree being limited and they have tried to pick here and there. I mean the Farmers Home Administration, not the Federal Housing Administration.

But I can to some degree appreciate the predicament of the Farmers Home Administration because of their inadequacy of funds.

Mrs. GISH. They have the money, they don't have the staff.

Chairman PERKINS. We have been able to beef it up a little lately, but their funds are completely inadequate.

Are there any other comments? Does the gentleman from Wisconsin want to make a comment? Go ahead.

Mr. POPOLI. Mr. Chairman, one of the reasons that our small efforts in housing have been able to take place is because of the existence of OEO and the various programs in OEO.

One of my concerns is the future of OEO, the future of OEO that might involve merger with other departments and what would happen to programs such as VISTA, which has been very helpful at rural housing improvement. I would only like to request that a very careful eye be focused on the proposed merging of OEO programs with other agencies, the merging of the VISTA program, and that we make sure that the merging of these programs would not make them less effective than what they are right now.

We would not want the merging of OEO or VISTA or any other program to make these programs as bureaucratic as the FHA. I don't understand the complexities of the merger of these different organizations such as OEO, or the merger with VISTA and the Peace Corps, but I think that any merger that would result in a less effective program than what it is right now would be a mistake.

Chairman PERKINS. You feel it would be detrimental insofar as the rural housing program is concerned?

Mr. POPOLI. I do.

Mrs. GISH. I think we all feel that way.

Mr. POPOLI. I think that any merger would make things more difficult than what they are right now and the information that we can obtain, for example, on the VISTA volunteer program merging with Peace Corps, I believe it is, is that it would make VISTA less involved in poverty work and it would cut down some of the slots that are now available.

For example, we have a VISTA volunteer at rural housing, he gets paid by VISTA. He shows up for work.

Chairman PERKINS. Mrs. Gish is not involved in this, but you people who are involved in constructing the new houses and obtaining your funds from HUD and loans for the poor rural people, are you satisfied with the service that you get from HUD?

Mr. POPOLI. From HUD?

Chairman PERKINS. Yes.

Mr. POPOLI. First of all, we feel that the service we get from the Farmers Home Administration is much, much better than the service we get—

Chairman PERKINS. Because they are more rurally oriented?

Mr. POPOLI. Right, they are more accessible. One of our major frustrations has been, and I am sure it is the same in every area, with the lack of administrative money that the Farmers Home Administra-

tion has. A county supervisor stated that each year in rural housing loans he turns back moneys that are unspent.

We said in our naiveness, "Gee, we have to do something about getting more county supervisors in Massachusetts" and he said, "If you can do that, you will be able to accomplish something all of us have not been able to accomplish for the last 20 years." He said that they simply cannot get enough money to administrate the farmers program.

Chairman PERKINS. Let me ask the gentlemen from Wisconsin and North Carolina and Massachusetts, if you did not have OEO to look to for funding rural housing corporations, would you be able to, in your judgment, obtain as much rural housing as we are presently obtaining even though that is meager?

Mr. PURSELL. Mr. Chairman, without a doubt, no, from my viewpoint.

Chairman PERKINS. Why don't you elaborate to some extent because we want something in the record when we go to the floor to point to here about how this program is helping rural people.

Mr. PURSELL. As far as housing itself goes, I know of no way, given the present status within Farmers Home Administration or within FHA, that organizations such as ours can survive as such. That in itself would be a disaster. As far as I know, we are the only ones really trying to work creatively in housing itself.

In fact, without the flexibility that we have under grants from the Office of Economic Opportunity, we simply could not make it. If we attempted to, then this would mean the only way we could do so would be to put an override on the cost of the houses, which in itself would drive them up and make it even that much more impossible to deal with poor people as such who could then buy the homes.

From my experience I would say that without such types of support from a flexible agency such as OEO, that we would, in fact, grind to a halt and, therefore, the production of houses from the particular viewpoint of those of us who are involved in it would in itself stop. We would go back to the set of circumstances as we had them before.

Chairman PERKINS. Go ahead.

Mr. POPOLI. Mr. Chairman, the pictures from Massachusetts represent an effort under a Farmers Home Administration program called the 515 Rental, and in this case it was rehabilitation. For as long as this particular program has been in existence, it has never been utilized in Massachusetts.

One of the reasons that it has never been utilized in Massachusetts is not because it has not been financed, but because of these forms that are required that it just practically is impossible to fill them out unless you have, say, a group like ours to assist in the filling out of the forms.

The second example I gave while you were out, I think that there are many—I know that there are rural people in Massachusetts that have come to us rejected by the Farmers Home Administration. In reviewing their application, we have found that the rejection has been for reasons that are not justified: No. 1, that the family is receiving welfare assistance; No. 2, that the Farmers Home supervisor doesn't feel that the person is going to be able to make it; No. 3, in the case of single-parent families Farmers Home Administration supervisors don't feel that a single parent can tow the line and manage a house.

I am sure that we could all state examples of where people would not have been able to secure assistance from Farmers Home or FHA without the OEO groups playing the advocacy role, the advocacy role not only with Farmers Home Administration but with banks. Where Mr. Woodward was involved, we had a relationship with a bank and the local bank put up the money for his mortgage because we had established a relationship with this bank and presented his case to the local banker.

So as far as Massachusetts is concerned, there is no doubt that without an organization to play an advocacy role, that the programs just would not reach the people.

Chairman PERKINS. The gentleman from Wisconsin, go ahead.

Mr. DAVIS. I might say this. Without the OEO funds where we can save these people somewhere in the neighborhood of a thousand dollars, we could not get financing for them, because in many cases even with this help, we may have to go back to the contractors a second time to get the amount of the mortgage down to the point where they will accept it.

It is this OEO money that is making it possible for us to get these homes built.

Chairman PERKINS. Are there any other comments?

Mr. MAZZOLI.

Mr. MAZZOLI. Thank you, Mr. Chairman.

I would like to indicate to all the panelists and certainly the ones from Kentucky that I apologize. We have been having a very strange day on the floor and we have had a number of quorum calls, so that is why this is very jumbled and mumbled in my brain. I want to thank you for making the trip and the ones from Carolina and Massachusetts and Wisconsin, too. I have no particular points to raise, but I do want to ask just a couple of questions, particularly of Mrs. Gish.

In your efforts with the housing in eastern Kentucky have you encountered any official pressure or any kind of obstacles that have been put in your path other than the natural obstacles of the redtape that go with this kind of a program?

Mrs. GISH. The program is generally well accepted, but we have had some problems with the area development district, which is the pass-through agency that has to approve awards of Federal money. The people who work for that district and some members of the board seem to feel that what we are doing is contrary to what ought to be done in terms of changing the housing situation in our counties.

Last year they began to raise fairly strong objections to continuation of the program. The board itself of the development district overruled their objections and voted to approve our application. But they keep saying that a shack repaired is still a shack and they seem to feel that everybody ought to move into town and if you can't move in where there is a sewer, they just ought to abandon you totally and leave you there.

Mr. MAZZOLI. Are these people present at these monthly meetings that you talk about?

Mrs. GISH. No, sir; they are not. They have been coming to some of the quarterly meetings of the overall group of agencies, but they don't attend the monthly meetings.

Mr. MAZZOLI. Are these grants that come up for review periodically by this district?

Mrs. GISH. Our OEO grants, yes, once a year.

Mr. MAZZOLI. When was the last time?

Mrs. GISH. The last time was last year. We have applied for funding for another year just this week and presumably the development district will consider that next month.

Mr. MAZZOLI. Do you anticipate any difficulty with the district?

Mrs. GISH. I am afraid we may have, I don't know at this point.

Mr. MAZZOLI. You mentioned the countrariness that they find in this plan and program is because you are not building a palace and you are not putting it in town or on utilities, so that their point is more—would you say—urban oriented?

Mrs. GISH. They subscribe to the growth center concept. The Appalachian Regional Commission promotes and some other people involved in rural area development seem to feel it is the only way of doing it. Granted it is more efficient to put people in centers where it may be easier to provide services to them, but the fact is the people don't want to go to the centers and the other fact is that the housing is not there to go to even if they were all knocking on the door today.

Mr. MAZZOLI. Mr. Sizemore, I wonder if I might ask you, and Mr. Hunsaker since both of you are working on the job primarily directing crews of people: Do you have any organized labor groups or anything like that in eastern Kentucky that you might be in competition with, any difficulties that way?

Mr. SIZEMORE. The only people we have had any difficulties like that at all with is the plumbers, which is not exactly organized. But we don't have too much cooperation with them, they don't want to go along with us evidently.

Mr. MAZZOLI. Have you been able to work arrangements out with them?

Mr. SIZEMORE. We worked arrangements out with them in some counties and in other counties we have made out. We have not done what we wanted to.

Mr. MAZZOLI. What is their objection?

Mr. SIZEMORE. It is the Kentucky Plumbing Code and we have had a run-in with them continuously. But as far as building codes and things like that, it is nonexistent in the two counties I work in and it is well received by the business community and everybody.

Mr. MAZZOLI. Mr. Hunsaker.

Mr. HUNSAKER. We don't have any trouble with any organized labor because we don't have that much organization. The only trouble we do have, like Mr. Sizemore said, is the plumbing code and at this time—and we never have had licensed plumbers to do the work—we assist in it, but that has been one bottleneck. Outside of that, it has run pretty smoothly.

Mr. MAZZOLI. Mrs. Gish.

Mrs. GISH. We thought we could work it out by hiring a licensed plumber, which we did, but as it turned out, he could only supervise one man, according to the plumbing code, and what we had planned to do was rotate him from crew to crew to see that the work was done properly. He could not stay there all the time so we had to abandon that.

We are now getting some training classes in plumbing through the vocational school and we hope that might ease the situation. There are not enough licensed plumbers to do the work that is available.

Mr. MAZZOLI. Mr. Popoli, I would like to ask you, since you come from Massachusetts and though there are rural areas up there, I guess it is a State that is probably more urban oriented than Kentucky would be, have you had any difficulties this way, obstructions put in your way perhaps?

Mr. POPOLI. When we first started our first rehabilitation program, we hired local people to do the carpentry, but we had not had our plumber hired yet and we were approached by the town selectmen and they informed us that because this was an FHA project, that we had to hire the local plumber to do the work. His rate at the time was \$9 an hour and so in the beginning we had this type of resistance.

What we have done is hire the local plumber, who works for us by the hour, and we provide all the materials for him, which we buy through GSA to use on our houses.

We also have a licensed electrician. We have found that this is the way we can avoid having hassles, just by having licensed men. But if we didn't have licensed men, there would be a hassle.

We have another interesting situation in that the foreman for our crew is a member of the Brotherhood of Carpenters & Joiners and he explained our program to the union and explained to them in rehabilitation you can't rehabilitate a building and use a union scale and make housing available for people to afford it.

We just have an informal agreement with this particular union, and it is fine as far as the carpenters are concerned. You can hire them, and we have a couple of trainee carpenters that were welfare recipients. But for plumbing and wiring we had to have licensed men.

Mr. MAZZOLI. The gentleman from Wisconsin.

Mr. DAVIS. We have had some problems with building codes, especially where they were afraid that we would come in with low-cost housing and they didn't realize what we were going to build, and some of them attempted to pass building codes that would preclude anything that we would build. However, since we have gotten homes built, we are better accepted.

As far as the unions are concerned, we have tried to stay with smaller contractors out of the urban area and in that way we can get them to work still on a union scale, which is about half what it would be in the urban areas, and we are getting by on that basis.

Mrs. GISH. In Hazard the city decided to waive the building codes.

Mr. MAZZOLI. That was my next question—the matter of building codes. We know now there is a particular push, and I guess for a good reason, to have codes and standards fairly strictly enforced. I just wonder what effect, as a practical matter, that would have had so far on your program.

Mrs. GISH. It would have stopped us from doing anything. I think one way this program might be adapted to urban areas would be some sort of moratorium on codes. I don't know whether they could do it by saying that this house will be made livable for 5 years or something like that, but what we are doing is letting people live in terrible housing when we could at least make it a little bit better for them until new housing is built or until they can be brought to code.

Mr. MAZZOLI. You can see from the before-and-after situation that what they had before, there was no official action shown from the human side of making it better, but once you attempt to rehabilitate,

they come swooping down upon you and it looks like it is almost self-defeating. The minute you try to do something for people, they are on your neck.

That is why I am asking these questions—to see what the arrangement has been and I guess it has been tenuous at best, and it may become a continuing problem as you get bigger and do more.

Mr. Chairman, thank you.

Thank you very much and I appreciate the Kentucky answer. I am sorry I was to infrequent a visitor with you.

Chairman PERKINS. Mr. Woodward, do you have anything more you want to say to this committee?

Mr. WOODWARD. If I may, Mr. Chairman, I certainly can't give any kind of a professional viewpoint. I am a poor country boy that went into the city and I have been wondering like anything this afternoon whether perhaps the cart can't be seen because of the horse. There is an awful lot of the people in the country going into the city because the properties in the rural areas are just through neglect and no financial assistance just running down.

They get into the city and there is severe overcrowding and there just isn't any other place for them to go, such as my situation. Consequently, I ended up by going back into the country, which is where I wanted to be in the first place. I think possibly a large number of city dwellers would want to be there if they had the opportunity.

I think that rather than slow down or minimize the effect of OEO and such programs as rural housing, personally I feel they should be expanded greatly, such as Mrs. Gish's program. Enlarge them by any means and if there is not sufficient money, put the people to work that can do it at a savings of money.

Make the effort back into the rural countryside areas and ease the tension and the strain and the pain that is within the cities. I can well understand what happens within a city in the summertime and during that part of the winter season up in Massachusetts where I come from that unemployment builds up. There are no jobs.

I would like to make a statement at this time for the record. It is very, very easy to be a welfare recipient. It is not too difficult to stay a welfare recipient. The longer these people stay a welfare recipient, the harder it is to get off. And if no assistance is given them, I think that is one reason why there are so many that stay on it.

I should think that I have seen several opportunities this afternoon where this could be changed. Personally I just wish I could have a part in it.

Thank you, sir.

Chairman PERKINS. Thank you very much, Mr. Woodward.

Mr. Sizemore or Mr. Hunsaker, do you want to make any additional statements?

Mr. SIZEMORE. No; but it has been a pleasure being here and I think I have said enough.

Mr. HUNSAKER. We sure thank you for inviting us here to this hearing and we hope that we have been beneficial in trying to keep the job going the best we know how.

Chairman PERKINS. Thank you very much, Mr. Hunsaker.

Mrs. GISH. I just wanted to thank you on behalf of all of us.

Chairman PERKINS. Let me thank all of you, a dedicated group of

people. I am sure this committee will do the very best they can to bring suitable legislation to the floor and follow through and see that the legislation is enacted.

You have been most helpful, all of you, to the committee. The rural people do not have enough spokesmen in this country and we have been trying to impress it day in and day out on this committee here and the other committees in trying to get what is just and due the rural people in America.

It is a real difficult task here. Both political parties this day and age are playing to the big city vote. I have just watched it day in and day out over a period of years.

I have been here long enough to know what is the truth and know that it is the truth. So you are to be commended for coming here and speaking up for the rural people in this country and I want to thank all of you. You have been very helpful.

Chairman PERKINS. Now we have a Mr. Paul E. Laos, executive director of the Rural Development Corp. of California, Evelyn Sklar, administrator, and Mr. Tom Torres, design, production, and housing specialist.

**STATEMENT OF PAUL E. LAOS JR., EXECUTIVE DIRECTOR, RURAL DEVELOPMENT CORP. OF CALIFORNIA; ACCOMPANIED BY EVELYN SKLAR, ADMINISTRATOR, AND TOM TORRES, DESIGN, PRODUCTION, AND HOUSING SPECIALIST**

Mr. LAOS. Mr. Chairman, my name is Paul Laos. I am the executive director of the Rural Development Corporation, Los Angeles, Calif.

The Rural Development Corporation—RDC—is a nonprofit California corporation engaged in rural community development through low-cost housing, economic development, and education programs. The corporation's operating principles require it to work through and with local community groups that strive to make local home rule a reality. RDC does not itself own and operate housing or economic development enterprises. Rather, our group lends all possible technical assistance and seed money to enable local development corporations to sponsor housing combined with economic and educational projects that will meet some of the most pressing human needs of the rural poor.

**HOUSING NEEDS**

RDC's primary thrust in community development is to respond to the need for low-cost housing in California's rural poverty communities. Unfortunately, traditional housing development has not been able to satisfy this need—low profits have discouraged private developers; Federal agencies have set unreasonably high payment and credit standards, thereby discouraging low-income applicants; and low-cost building technology has not been truly and successfully tested.

The Rural Development Corporation, by taking the role of a "total" developer, coordinates and implements all elements of housing projects, such as planning, land purchase, land improvement, and financing and construction. The corporation utilizes its capital funding and

experienced personnel to provide "seed money" and technical assistance to various local low-income community groups interested in housing. RDC, run on a nonprofit basis, eliminates the usual developer's need for a profit, thereby making development less expensive. Housing specialists with skills comparable to those found in "private" development organizations are part of the staff. The staff members are continuously involved in investigating low-cost building systems, locating sources of financing, negotiating loans, and preparing the complicated applications to Federal agencies.

One of the most basic conditions of poverty in rural California is that of inadequate, unsafe, and unhealthy homes in which so many of the poor live. Slums make up a much larger percentage of rural towns than of large cities. A brief overview of the housing needs of two of these rural communities—Calexico and Soledad—with which RDC is involved illustrates the primary problem which RDC's program confronts.

A special census of Callexico conducted in 1964 showed that 48 percent of the housing units in Callexico were either deteriorating or dilapidated. Callexico now needs at least 300 low-cost housing units to meet the massive demand for housing by Callexico's people, of both those who are poor and those of moderate means. A healthy, safe, and adequate home helps create a better environment for poor people and motivates them to attack other conditions of poverty.

Calexico's poor and representatives of the minority community have continually stressed the need and desire for adequate low-cost houses in their community. As a result, RDC's major goal in Callexico has been to produce low-cost housing on a significant scale. Kennedy Gardens, RDC's major project, is now under construction. No fewer than 299 family homes will be built by the time Kennedy Gardens is completed early in 1972. This will meet most of Callexico's need for additional housing during the next year. Beyond this, Economics Research Associates has estimated Callexico's growing population will mean a demand for at least 100 additional homes each year for the next decade.

The same type of need for low-cost housing exists in Soledad, Monterey County, where RDC is working closely with the Soledad Development Corporation—SDC—to produce a large housing project. The SDC now has a 16-acre parcel under option and plans call for 69 single-family units, together with 45 multi-family apartment units. Soledad has large areas of deteriorating housing—25 percent of the development in the city is over 10 years old; over 55 percent is 20 years and older. Most of the housing in the older portions of Soledad is described as substandard by the general plan of Monterey County.

The need for low-cost housing is extreme in all the small rural poverty communities of California—from the Oregon border to Mexico.

These small communities and towns have suffered from an almost total absence of building activity in recent years, especially, low-cost housing activity. For example, in Sanger—Fresno County—which is a city of 10,000 people, only 12 homes were built in the whole of 1969, of any level. Most small towns report that the great overcrowding of the barrios—districts—is actually getting worse. Very bad housing is being condemned or torn down, but nothing is being put up to replace the old slum dwellings.



## ECONOMIC DEVELOPMENT NEEDS

Although meeting the housing needs of the rural poor is important, this is in itself not enough to develop individual and group prosperity sufficient to take the rural poor out of poverty. Poor people need good houses, but they also need jobs, higher incomes, education, and those community services essential to their social and economic well-being.

RDC's economic development in Calexico, as with other rural poverty communities, addresses itself to most of the serious ills of the community. Although Calexico has experienced more economic growth than any other city in Imperial County, over 20 percent of the population lives in poverty, 5 percent of the families having incomes under \$1,000 a year. Approximately 15 percent of the males over 14 years of age are unemployed. The average level of educational attainment is only a little above the eighth grade level. Large numbers of "international commuters" who work in the Calexico area on farms depress the wage levels and decrease employment opportunities for local citizens. However, thousands of families who are American citizens live in Mexicali because they cannot afford to live in Calexico or Imperial County and cannot find houses or jobs in the Calexico area. Outmigration of Calexico's youth and skilled workers is very high, as local employment opportunities are so limited. Few industries have located in Calexico, and the only highly successful activities are those relating to retail sales and general services.

RDC has involved itself in seeking out specific, realistic economic growth programs for Calexico. Specific programs have been discussed at length with local leaders concerning Calexico's interdependency with Mexicali—commercial and retail sales development, residential development, development of the construction industry, power potentials of Calexico, including utilization of local geothermal resources, industrial development of Calexico, airport expansion, parks and recreation development, tourism, and cultural and educational programs.

Similar conditions of poverty exist in Soledad and other rural communities of California, as our research in the San Joaquin Valley and the central regions of California indicate. Consequently, each community will need general economic development that will produce prosperity and, with it, increased motivation of its residents.

Chairman PERKINS. We will call a recess for about 10 minutes. Mr. Mazzoli may come in. If he comes in, the hearings will resume before I get back. It will take me a few minutes to go over and answer this quorum.

(Short recess.)

Chairman PERKINS. The committee will resume. Go ahead.

## COMMUNITY DEVELOPMENT, JOB TRAINING, AND EDUCATION

Mr. LAOS. The rural poor of Calexico and Soledad require and desire the strengthening of their communities in every way. RDC has, therefore, approached the tasks that relate to housing and economic development by utilizing a community development approach to program planning and implementation. The poverty communities often fail to achieve significant advances because they are fragmented and, for various reasons, do not work as a community for group betterment. Individual poor families find themselves weakened by being in

a community that does not obtain adequate community services economic strength, jobs, resources, housing or educational facilities that could offer a new life out of poverty.

RDC responds to this basic need for community development in Calexico and Soledad by organizing housing development, economic development, or education programs in such an integrated manner as to obtain maximum involvement of the local community organizations and their leaders.

#### RDC'S EXPERIENCES WITH FEDERALLY SUBSIDIZED HOUSING

Submitted with this testimony is a copy of a report titled, "Ground Breaking Ceremony, Kennedy Gardens, Calexico, November 1, 1970." This report details the process whereby Kennedy Gardens was developed over a 2-year period. In addition to the commentary made in the report, it is appropriate to highlight some significant aspects of developing low-cost housing based on the Calexico model.

##### 1. LAND AND CONSTRUCTION COSTS

Calexico, although in the midst of a very rural county, is an area of high building costs. Land costs are also quite high by national standards in rural areas. Raw land was purchased at \$2,750 an acre. Availability of land is not usually a problem in rural California, however land costs often go up significantly due to the costs associated with land preparation and dealing with special drainage problems.

##### 2. HOME COSTS AND SIZE

The Kennedy Gardens homes in Calexico are selling for \$14,800 for a two-bedroom house including all land and improvement costs. A three-bedroom house sells for \$16,800; a four-bedroom house, for \$18,850, which house includes a bathroom and a half. The square footage for the two-bedroom house is 864 square feet, not including the carport; 960 square feet for the three-bedroom, and 1,140 square feet for the four-bedroom house. It is worth noting that there is a \$4,000 finished-lot cost included in each of the selling prices mentioned above.

##### 3. DIFFICULTIES OF QUALIFYING LOW-INCOME FAMILIES

Families with low incomes have a difficult time qualifying for FHA section 235 housing. The judgments of each family's ability to pay are made with very middle-class criteria. Most low-income families have little or no credit record and are considered to be bad risks by FHA and the banks. Those families with low incomes but only one or two children find it difficult or almost impossible to qualify and be able to meet higher monthly payments because they were only able to claim a few deductions. On the other hand, larger families may qualify for interest subsidies down to 1 percent of market rates—but then those same families have higher living costs.

#### 4. HIGH INITIAL DEVELOPMENT COSTS

Because RDC works to support local community development corporations, the front end or initial development costs are high. Local community leaders and groups have to be involved in all aspects of development to assure local control and direction to RDC. Naturally, time and patience are required. However, with time delays come cost increases. RDC's limited funds do not permit us to expand our efforts in any significant manner. We feel it important for the Office of Economic Opportunity and other Federal agencies to increase incentives to housing development groups such as RDC in order to help these groups to expand activities in a significant manner. Significant increases in development funds will enable housing development groups to begin meeting the low-cost housing needs of the rural poor.

#### 5. ECONOMIC DEVELOPMENT AND HOUSING

Calexico's Economic Development: A preliminary study prepared by RDC is submitted with this testimony. This study gives some indication of the importance of housing development to the economy of small rural towns. The American Homes Industries housing factory in Calexico has created 30 new jobs associated directly with the factory. At least \$5½ million of new moneys are flowing into Calexico. Associated construction activities are made possible by the housing development, the sewer and road construction, the lights, parks, and eventually a shopping center for the housing project.

The combination of housing and economic development activities can create a spiral which increases jobs, income, and business or industrial opportunities, in the area. As a local industry, construction, and housebuilding creates new jobs and markets. Businesses, retail, and services, are attracted to the area in response to the new extensions of the community. These businesses in turn employ more local people.

Local poor people also require new skills and training to assist them in coping with the demands of the new occupations and trades. RDC, therefore, assists local communities in establishing education and training programs so that the local people are qualified and able to obtain the new jobs.

This tripartite approach is the keystone that RDC believes will bring economic and social advancement to the rural poor, the farm-workers and minority (mostly Mexican-American in California) communities of our remote rural areas. Housing development is tied to economic development, job training, and education. The threefold program approach helps assure that the occupants of the new homes can have jobs that will bring them paychecks in order to pay for their houses and any other necessities for the good life.

## 6. ADDITIONAL CONSIDERATIONS

Problems experienced in Housing Development Corporations' funding—

Consultant problem: OEO grantee guidelines stipulate that consultants are to be paid a maximum rate of \$100 a day. This type of consultant requirements fits programs other than housing development corporation requirements.

In the past under our capital fund, or "seed money", section of our pilot program grant, we were allowed a waiver of the above consultant restriction by the national OEO people, although originally a \$5,000 contract limitation was imposed. This waiver enabled RDC to fully utilize our seed money in order to bring our 299 single-family homeownership programs for the rural poor in Calexico, Calif., to fruition. The problem with the new guidelines on \$100 a day is, you can do it on a \$100 a day consulting fee. They want a contract for the costs of the actual architectural services involved and they want a contract for the energy services involved, and that requires more than the \$100 a day fee.

Examples of typical fees encountered are: Attorneys specializing in housing charge fees averaging \$35 to \$50 an hour. Based on an established architectural fee schedule, which is based on the total estimated construction costs, the initial payment for architectural fees can be in the neighborhood of \$20,000, depending on size of project. Engineering contracts operate in the same manner as the architectural fees.

This project is now under construction and should be completed by the end of 1971. This project represents the largest block of section 235 housing in the entire country.

In our second and third year of funding, our operational grant which includes some consultant funds, was transferred to the western region OEO office. Recently, in attempting to let two important construction-related consultant contracts, we were advised we could not deviate from the \$100 a day maximum fee. We did advise OEO that we have had a waiver on such constraints since 1968. We are still awaiting a formal ruling from OEO's legal counsel in Washington.

This restriction, we feel, is hampering our entire operation as certain work will be held up on the Calexico job. In addition, we are about to begin a new project in Soledad, Calif., and cannot proceed.

There is an urgent need for developing a more receptive mechanism for operating a housing development corporation.

Above example illustrates the needs that are particular to housing development corporations as opposed to other types of OEO poverty programs. There must be a differentiation made between the two generic types of operations.

Funding problems: The funding provided housing development corporations is based on a predetermined lump-sum amount. Once the level of funding has been established, there seems to be no apparent method to increase this level. In fact, the corporation does not even have the assurance it will remain funded at the same level. Given the open-market system, the costs of labor and materials, which are an integral part of housing development, have continued to rise. We are able to recognize the increased sophistication in the manner in which we operate our housing development corporations. As a result, we are now able to handle more than one project at a time. Being a statewide

organization, we are constantly being asked to extend our technical assistance to various groups interested in rural housing development.

Because of our fixed amount of funding, we are unable to operate effectively in dealing with the problems we were incorporated to help solve. As a nonprofit corporation which is mandated to work with local community groups, we find that the relationship requires the outlay of moneys to be tied up for considerable lengths of time. As a result we are not able to recycle our limited funds fast enough.

Chairman PERKINS. Could you operate your rural housing program without the rural housing development corporation where you receive funds from the Office of Economic Opportunity?

Mr. LAOS. No, sir; there is no way that any of the housing development corporations that were originally funded under OEO can continue to operate without some type of funding. I don't say it has to come from OEO, I think that is a problem that Congress and certainly your committee has to look into. But without some sort of governmental funding to take care of the administrative overhead and the generic things that take place—

Chairman PERKINS. How successful have you been with the corporation in obtaining, through the help of OEO, rural housing in California?

Mr. LAOS. We are building right now 299 units and we are about ready to kick off in Soledad. In Soledad we are in the process of getting ready to go into construction on 69 family dwellings. On our 299 unit development, of which 250 are section 235, the largest 235 project in the country, there was considerable cooperation with HUD. However, a question which we were unable to respond to brought up very, very early in the afternoon was the actual degree at which FHA becomes involved in rural problems.

Well, as you know, FHA is reluctant to work outside of these statistical metropolitan areas. As a result, not too much interest is paid to rural areas. Rural areas have primarily been defined by the old Farmers Home guidelines in terms of population. Well, we find a situation which was outlined by a gentleman this afternoon, that under 235 housing for rural areas you have to find your own private lender. Existing market structures usually do not have existing mortgages in smaller communities. Therefore, there is inherent difficulties in working with HUD, FHA.

Chairman PERKINS. Go ahead and finish your statement.

Mr. LAOS. We feel a mechanism that responds to the legitimate expansion of the operational funds should be included in the legislation. This would provide a much needed incentive to those housing development corporations which have proven their success.

There are many possible solutions to this problem. The most obvious would be to increase the funding of a successful housing corporation based on its ability to perform.

Mr. Chairman, along with our testimony we are submitting various articles from newspapers, the Los Angeles Times in particular, that deal to some degree with the matter your requested.

Chairman PERKINS. Without objection, it will be inserted in the record.

(The material referred to follows:)

ESTIMATED ANNUAL REQUIREMENT OF LOW COST HOUSING  
THROUGHOUT RURAL CALIFORNIA: 1966 TO 1970



HOUSING DEPARTMENT ACCUSED OF HELPING SEGREGATION

WASHINGTON.—The U.S. Civil Rights Commission, in a report as yet unpublished, has charged the Department of Housing and Urban Development with perpetuating a broad pattern of residential race segregation.

Focusing on Housing Secretary George Romney's biggest single housing effort, the so-called Section 235 low-income home ownership program, the commission implicitly blames Romney and Asst. Secretary Eugene Gullledge for failing to "provide local FHA officials with instructions for affirmative action" to uphold civil rights statutes.

The 200-page report has been circulating within the Housing Department for a month, with a commission request for comment before publication later this year.

The issue has considerable political import for the Nixon Administration, which has promised a broad policy directive on "open housing" since last December. President Nixon himself opposed "forced integration"—a term deplored in public by Romney—on television March 29; earlier this month, Asst. Housing Secretary Samuel Simmons described the policymaking process as "very fluid."

In essence, the Civil Rights Commission sees Congress' 2-year-old "235" home ownership program as a highly progressive concept to provide good, dispersed housing for low- and moderate-income families without the delays and stigma associated with conventional public housing projects.

So far more than 110,000 black, white and Spanish-speaking families have bought new or existing private homes costing up to \$24,000 under the plan. The department subsidizes the mortgage interest payments.

However, commission investigators found, local Federal Housing Administration officials have "abdicated their responsibility (to low-income buyers and the law) and in effect have turned it over to members of the private housing and home-finance industry."

The result of this "passive" laissez-faire approach, the commission charges, has been that the traditionally segregated "dual housing market persists in the 235 program—a market which is separate and unequal."

Brokers, developers, bankers and FHA officials, the commission maintains, discriminate against black "235" buyers, directing them into older existing housing in already black areas, or into already integrated "changing" neighborhoods. White buyers, it says, get the new "235" housing in the white suburbs.

Focusing on four cities—St. Louis, Denver, Philadelphia and Little Rock—the commission investigators also found:

—Under commission prodding, the Housing Department has only lately begun to collect racial data on "235."

—Whites generally got better mortgage rates, higher subsidies and less crowded housing than minority members under the FHA's laissez-faire policy.

—The much-publicized shoddiness of construction and profiteering by speculators, uncovered last year by Rep. Wright Patman's House Banking and Currency Committee, was not limited to "235" housing, but reflected, as officials of the department noted, lax local FHA standards for all FHA housing especially in ghetto areas.

—Despite flaws, most of the new "235" households, especially recent escapees from inner city slums, were grateful and pleased in their new houses.

#### "CASUAL" FARM WORKERS LIFT LABOR FORCE

WASHINGTON.—People who work on farms only a few days a year appear to be dropping out of the agricultural labor force at a much slower rate than those who work a few months or year-around, according to Agriculture Department officials.

Last year the total farm labor force, including all those over 14 who did some jobs for wages, numbered 2.5 million.

These included 1.4 million so-called noncasual individuals who worked more than 25 days at farm jobs. Their numbers declined by 72,000 in 1969.

A slightly smaller group, the casual workers who were paid for fewer than 25 days for farm jobs last year totaled about 1.1 million. That was a drop of only 13,000 from 1969.

The Agriculture Department report was written by Robert C. McElroy, a manpower specialist in the Economic Research Service.

#### LOOK AT FORCE

Looking at the entire 1970 farm labor force, McElroy said there was little change in its composition from 1969. Some of his findings included:

- 76% of the total farm force was male.
- 78% was white.
- Only 22% was engaged chiefly in farm work.

—56%, mostly housewives and students, was not in the labor force most of the year.

A further breakdown of the casual workers, or those spending 25 days or less on farm work during the year, showed that as a group they averaged nine days on the job in 1970.

That brought them an average of \$9.10 a day in wages. Men got \$10.35 a day and women averaged \$7.80.

On the other hand, the 1.4 million noncasual workers averaged 137 days and collected \$1,519 for their efforts.

The work profile for those workers include:

—About 900,000 seasonal workers averaged 64 days on the job and earned \$718.

—200,000 regular employes averaged 199 days and earned \$2,314.

—300,000 year-round workers averaged 318 days and earned \$3,467.

The report also said that of all noncasual farm workers whites averaged 139 days on the job last year and averaged \$11.75 a day for a total of \$1,636 in cash wages.

## FEAR IN THE SUBURBS KEEPS MINORITIES IN THE CITIES—AWAY FROM THE JOBS

(By Ernest Conine)

Saying so still isn't fashionable, but maybe it is time to recognize that the war against crime and the war against poverty and racism are all pare of the same war. If we continue to lose the one, it is exceedingly doubtful that we will ever win the other.

The connection between fighting crime and fighting poverty is obvious, of course, in the sense that poor people in general, and the black and brown poor in particular, are the chief victims of crime.

It is becoming increasingly clear, however, that the heavy incidence of crime in our central cities is hurting ghetto dwellers in another, less direct way—by restricting access to jobs which would enable them to escape from poverty.

The proposition can be stated this way:

Black Americans will never really attain equal opportunity in jobs, education and housing until they are able to join more fully in the great migration to suburbia, which is where the action is.

As long as white suburbanites remain convinced that more black people mean more crime, however, they will find ways of keeping their communities substantially lily white.

The significance of this for the Negro job seeker is hard to exaggerate, given the migration of business and industry to the suburbs in recent years.

Census figures show that the number of jobs in Baltimore's suburbs increased 161% from 1951 to 1968, while jobs in the central city were up a bare 6%. In St. Louis the figures are 144% and 9%, in Washington, D.C., 352% and 38%, in San Francisco, 88% and 13%.

To the extent that black Americans are denied a chance to go where the jobs are, equal opportunity clearly does not exist.

From the viewpoint of the Negro who is willing and anxious to work, the situation wouldn't be so bad if adequate, fast public transportation were available to whisk him from the ghetto to the suburban job centers.

In most cases, though, it isn't—meaning that he must either move where the action is or forget it.

The number of Negroes living in the suburbs did, in fact, increase substantially in the 1960s—but not nearly in proportion to the migration of jobs as more and more companies built new headquarters or plants in the outlying areas.

The basic problem, it seems, is housing.

Outright racial discrimination is of course illegal. But many is the suburban town which has zoning laws which prevent the construction of low-cost apart-



ments, which is the only kind the worker on the bottom rung of the ladder can afford.

One answer, of course, is to build public housing projects in the suburbs where the jobs are as well as in the rundown areas of the central cities. But public hostility to such projects is frequently virulent—even (one is tempted to say especially) in the suburbs peopled by affluent liberals.

In California and a number of other states, existing laws allow voters in the communities affected to veto the acceptance of public housing through referendums.

Negro and Mexican-American civil rights groups are challenging such arrangements, but they are getting more lip service than meaningful support from either the Nixon Administration or its critics.

Sen. Abraham Ribicoff (D-Conn.) has introduced a bill which would forbid a government agency or contractor from locating in a community where low-cost housing is not available. The object is to force communities either to modify restricting zoning laws or give up the idea of luring new industries.

It is noteworthy that liberal Democratic lawmakers are not exactly trampling each other in a rush to support the measure because they, like the Administration, know that most white suburbanites oppose what they see as "forced integration." And the suburbs, more and more, are where the votes are.

White feelings on this score have many roots. But there is little doubt that the major one is fear, reasoned or not, that more black people in the community will mean more assaults, purse snatchings and burglaries. It follows that acceptance of blacks in suburbia will come more quickly if this linkage in the public mind can be broken.

The most direct way, of course, is to reduce the incidence of crime in the central cities. FBI statistics suggest that some progress is being made already, but there is a long way to go.

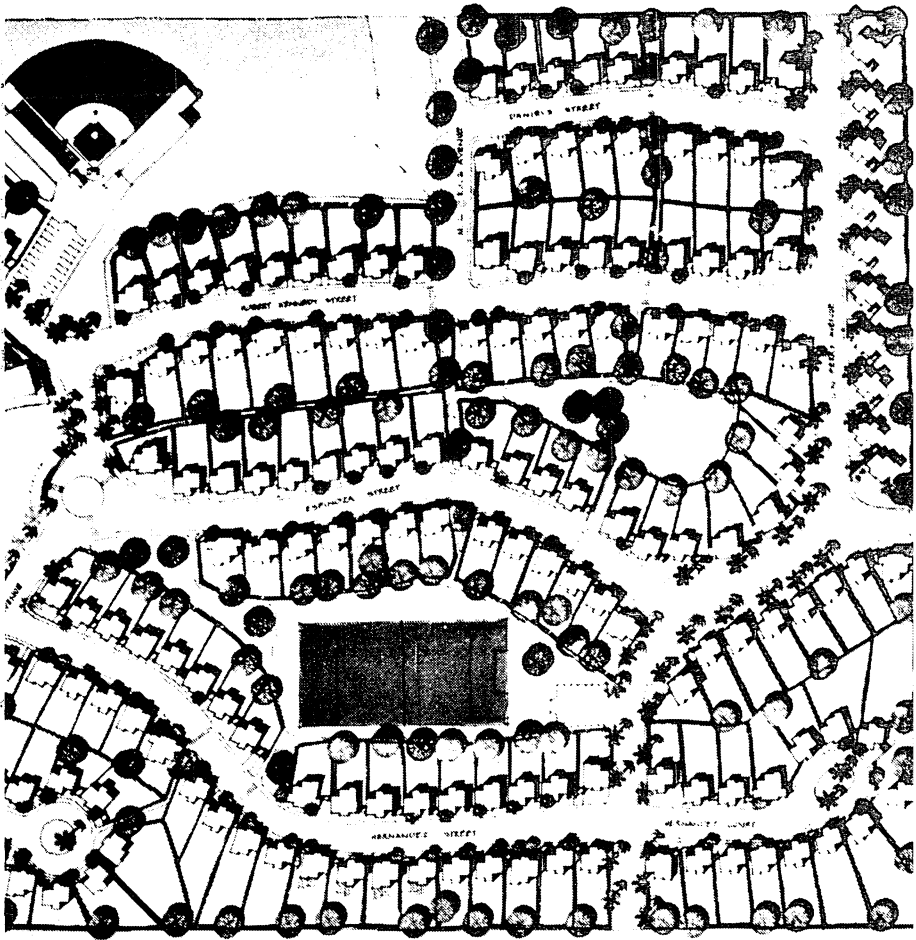
One suspects that large-scale introduction of methadone to enable heroin addicts to kick their expensive habit would do a great deal to reduce the frightening incidence of street crime. So would a greater effort by police and ghettodwellers to understand each other's problems.

Beyond that, though, there is the problem of black spokesmanship.

Well-meaning white liberals have been all too ready to parrot the "fire next time" rhetoric of black militants—a fact which has a lot to do with the fear of black people which is so prevalent in suburbia.

Leaders of black organizations have been reluctant to offset such rhetoric by saying loudly and publicly what is manifestly true—that black people, as the chief victims of crime, want law and order the same as everybody else.

Until they do, it is going to be hard, as a practical matter, for black Americans to get an equal shot at those jobs in the suburbs.



# Ground Breaking Ceremony

**KENNEDY GARDENS, CALEXICO, CALIFORNIA**  
**CALEXICO COMMUNITY ACTION COUNCIL**

The groundbreaking ceremony here in Kennedy Gardens today represents, in truth, a triumph for the human spirit.

It is a glowing testimonial to the fact that man does not have to accept the degradation of that spirit which an unwholesome physical environment — too long tolerated — so often signifies.

The dedicated efforts of the Calexico Community Action Council (CCAC) and its friends, which are making Kennedy Gardens a reality, provide the living proof that Calexico Chicanos do not and will not accept that "pollution of the human spirit".

The mere fact that Chicanos rushed forward with their applications for homes which were then still only dreams on paper indicates, too, that they also do not accept that spiritual pollution.

Without that refusal to accept degradation, our Kennedy Gardens — and CCAC — would not have been possible, would not even have started. There would have been no reason to begin such a project. If everyone is satisfied, why bother?

Dissatisfaction with surroundings and conditions which are unsatisfactory is the seed, the essential beginning, for growth and change. The Calexico Chicano, in his present environment, is well-seeded. There is plenty of reason for dissatisfaction. The question is now: into what will that seed grow? The bitter fruit of the unwatered barren desert? Or the healthy development of well-tended gardens?

In that sense, the Kennedy Gardens and Calexico are a microcosm of our world today: the desert . . . or the garden? The Chicano CCAC struggle to achieve Kennedy Gardens, the Chicanos' desire for these homes is a good indication which road the Chicano will travel, if he is given the choice. More, his support for his CCAC proves that with half a chance, he will help change the deserts into gardens.

For that is what he has done here, and that is what we salute and celebrate today.

The Kennedy Gardens, though they represent some four years of planning, negotiation and effort, are still only a beginning. An impressive one, to be sure, and a source of deep satisfaction for everyone involved. But only a start.

Members of CCAC, indeed all the citizens of Calexico, who have good reason to regard this day with a sense of accomplishment, are already straining at the leash to begin again on other projects. For the need is great.

Today's fiesta, however, provides an appropriate occasion to reflect upon the nature of that accomplishment, even though to these far-seeing folk, it seems but the first step.

How did it happen that this quiet-seeming little city resting at the southern tip of California's Imperial Valley should today be celebrating the culminating stages of the largest rural project of decent modern homes in the history of the country?

Some four years ago a group of concerned Chicano citizens took a hard, fresh look at their city. They found that it was "stagnating",

beginning

economically and socially . . . that its housing situation was in particularly grievous need. The conditions had existed long enough for everyone to be used to them — that's the way it is; what can be done about it? — seemed to be the understandable attitude.

But when this group took a look at the numbers, they found themselves appalled. The percentage of substandard housing, for example (42.8); plus the fact that the net gain in new housing in the seven previous years was six; there had been no sizable home construction effort in even more years; there were no vacancies anywhere. These facts and their own energies and determination gave the group the impetus to form the Calexico Community Action Council.

Action is the key word. Not only did CCAC set about immediately to do something constructive about housing, and on a massive scale, but other action was initiated at the same time. A voter registration drive saw that a majority of Chicanos and CCAC friends were elected to the Calexico City Council. That accomplishment helped provide much of the official city cooperation which has been vital to the success of the Kennedy Gardens subdivision.

The other arm of CCAC, in the words of its charter, "is to operate for the advancement of education, improvement of the job opportunities . . . and improvement of the social conditions of low-income residents . . ." Funds for college scholarships, job training programs, a welfare information service and a migrant labor center have been raised. As have funds for a modern sewage treatment plant and a water system, now in construction.

The crowning jewel of the CCAC has, of course, been Kennedy Gardens. With the help of the Rural Development Corporation, CCAC was able to secure an option on some 140 acres on the outskirts of Cal-exico, just north of the All-American Canal.

The RDC is a private, non-profit corporation, funded by the Office of Economic Opportunity, whose reason for existence is "to provide assistance and seed money to local community organizations to develop low income housing throughout the rural areas of California."

After the property was secured, the effort branched out into the numerous necessary roads and byways. The scope of the project had to be determined; design for the homes; their method of construction; countless decisions had to be made. Both CCAC and RDC were determined that Kennedy Gardens should live up to its name, with none of the usual stigma often attached to housing "projects".

The colorful Mexican motif in the overall design for the homes is only one illustration of the satisfying results which can be obtained when housing developments spring from local initiative.

CCAC had a clear vision of what it wanted. And it had the necessary drive to carry out the plans, so carefully delineated. So that when the project is completed during the coming year, it will to a large extent be precisely what was envisioned by the people of CCAC and its co-sponsoring body, RDC.

This vision had to be powerful to keep the group going until its goals had been fulfilled. Negotiation and arrangements for \$5.4 million in construction financing from First Western Bank; for assistance and guarantees for the loans from the Federal and state housing authorities; for the building contract with American Home Industries Corporation; all were major, time-consuming efforts. There were endless practical considerations to be made; contracts to be awarded, documents written and filed with appropriate government bodies; prospective home owners interviewed and accepted. And so on and on.

The fact that this was a "first", and a "largest of its kind" in many areas did not make the job any easier, for CCAC, RDC, the government agencies, or the private companies involved.

One of these firsts was obtained from the Metropolitan Development Office (MDO) of the Department of Housing and Urban Development. It consists of a grant to the City for half of the off-site funds needed for water and sewage piping. Under terms of the grant, the City acts as owner and has contracted with Desert Pipeline, of Salton City, to install the necessary improvements from the City itself to the subdivision site.

As CCAC remembered the importance of Chicano heritage when designing the homes of Kennedy Gardens, so too did it remember other environmental characteristics important to the soul of a people.

Seventeen of the 72 acres in the subdivision have been set aside for commercial and community areas; CCAC has qualified as a local development corporation and RDC has developed a feasibility study for a shopping center to include Chicano-owned commercial businesses. There are 70 additional acres adjacent to the subdivision held under option by the CCAC; these too offer much room for growth of Chicano-oriented enterprises.

Neither did CCAC neglect that portion of their charter which seeks to improve job opportunities. The builder of Kennedy Gardens is establishing a contract with the Department of Labor and its Jobs 70 program for On-The-Job Training of a sizable number of Cal-exico's underemployed citizens.

It was necessary for CCAC, with RDC's assistance, to explore every possibility to augment the home-purchasing power of the farm-workers who make up the majority of the Kennedy Gardens homeowners. Of the 299 homes, 250 will be interest-subsidized under section 235 of the Housing Act of 1968 (the largest number of section 235's ever constructed in one bloc); the remaining 49 will qualify under the FHA 221 d (2) provision.

On a more personal level CCAC thought of such details as the naming of the streets. The subdivision itself was named for John F. Kennedy; there will be a Martin Luther King Street; a Robert Kennedy Street; Emiliano Zapata Street, and streets named for each of Cal-exico's seven sons who have died in Vietnam. The people who will live here will thus be triply blessed: by the memories of brave men; by the aesthetic visual

recognition of Chicano heritage; and by the economic and social benefits to be gained by owning a home with grace and convenience, in an atmosphere of growth and progress.

Putting it simply, then, today's celebration was made possible only by the enormous combined efforts of many people who have invested time, talent, courage and money in this endeavor. None of it has been easy. But it has been done and done successfully.

RDC was an idea long before it became a reality. More than four years ago, a number of people, working in various places in rural California, became convinced of the need for an organization which could generate rural community development programs throughout the State. Many of these people were involved either in community organization or legal activities. But they all had found that their own efforts could take certain situations only so far. Past that point, different kinds of skills — the skills of the community developer — became necessary. Unfortunately, there then existed no organization to which they could turn to find such skills for the poor in rural areas. As a result, many opportunities to capitalize on community organizing went by the wayside and many chances to utilize Federal programs on behalf of the poor went unutilized.

Because of this perception of need, a small group of people began to work on a proposal for Federal assistance in the creation of a development organization. The proposal was sent to the Office of Economic Opportunity in Washington, as a request for a demonstration grant to show the importance of having a development vehicle for rural areas. As in so many such instances, the proposal moved from office to office without definitive action. Finally, however, various problems and objections were overcome and RDC received a grant of \$570,769 from OEO.

This grant took effect on May 12, 1968. As everyone involved in the creation of new organizations is only too well aware, the arrival of the first grant is only the beginning of an arduous process of organization building. For RDC, the May 12, 1968 date is an anniversary and a milestone but barely the beginning of a program. Initial organizational activity, as always, took a considerable length of time and the program did not begin in earnest until the appointment of an Executive Director in October, 1968.

In the succeeding two and a half years, RDC has grown considerably. New proposals were written and new grants were received. In response to an evolving concept of the organization and a sharper definition of purpose, activities were undertaken in the areas of adult education, economic development, and new town planning. These activities required the creation of a substantial staff, both at headquarters and in the field. In addition to its office in Los Angeles, RDC now has offices in Calexico, Brawley, Coachella, Soledad, and Fresno. The staff now numbers 34, plus 16 part-time teachers and 16 part-time teacher aides in the III-B program, Migrant Education.

The largest part of this expansion took place between June and December, 1969. RDC's Title III-B Migrant Adult Education grant was received from OEO in June, 1969, its New Town grant in July, 1969, and its EDA grant in October, 1969. Most of the personnel working on these programs were hired between the summer and fall of 1969. That period of rapid expansion is now completed and RDC is presently at full staff levels. The only vacancies are those ordinarily experienced by turnover in an organization of RDC's size.

Though to the members of the Calexico Community Action Council, Kennedy Gardens represents only a beginning, to the rest of the state and to the nation, it will deserve to stand always as a spectacular display of social initiative and, as mentioned earlier, a resounding triumph for the human spirit.

In honor and salute to the CCAC, therefore, and in the words of the man for whom the Gardens were named, "Let us begin . . ."

development

Although the expansion has taken a considerable amount of the time of the professional and field staff, it has not occurred at the expense of program development. During this period, RDC's first major project — Calexico — has proceeded apace and other projects have come along in its wake. In addition, a wide range of activities and assistance not resulting in formal projects have taken place.

RDC's period of initial organizational creation is now over. Its first major project is moving toward construction and another important project is in the pipeline. The Adult Education program is well underway and Economic Development and New Town planning are taking place in earnest. Plans are being made to expand RDC's activity into five or six communities in the San Joaquin and Salinas valleys.

## looking for federal support

Kennedy Gardens would not have been possible without the support and assistance of the Federal Government. The RDC staff is paid with funds provided by the Office of Economic Opportunity (OEO) and the project was initially put together because seed money from OEO was available. In a project of this size, a substantial amount of engineering, architectural and other technical work has to be accomplished by the developer before the project can become a reality. All these costs for Kennedy Gardens were covered by funds put up by RDC out of the revolving seed money fund provided by OEO.

The role of the Federal Housing Administration (FHA) in the project is crucial. Each of the houses in Kennedy Gardens has a mortgage insured by FHA and every family with a low enough income receives interest credit subsidy under the Section 235 program of that agency. This 250 unit commitment of interest subsidy funds is one of the largest single Section 235 developments in the country. It is without question the largest such program in a rural area. Without the consistent support of officials in the San Diego Insuring Office of FHA and the Washington staff of FHA, it would not have been possible.

The project also received substantial assistance from the Metropolitan Development Office (MDO) of the Department of Housing and Urban Development. When initially purchased, the site for Kennedy Gardens was separated from the City of Calexico's water and sewage system by the All-American Canal. Extension of these facilities across the canal substantially raised project development costs and the City of Calexico applied to the MDO for a grant to cover a portion of the costs of extending the water and sewage system. Receipt of a grant to cover \$112,000 of these development costs has been extremely helpful in making the project viable. When made, this was the first such Metropolitan Development grant to be used in conjunction with an FHA low and moderate income sub-division.

The City of Calexico has provided continuing support for the Calexico project throughout the entire development stage. It has agreed to accept and maintain all of the green belt areas within the project as City Parks and through its auspices has applied for and received a grant from the Department of Housing Urban Development (HUD) in the amount of \$112,000 to offset the cost of extending water, sewage and drainage facilities to and within the project site.

The officials of the City of Calexico have provided invaluable assistance to both the Calexico Community Action Council (CCAC) and RDC in the overall development of an innovative site plan for the subdivision.

The City Planning Commission in particular has provided valuable ideas to the overall layout of the site and has allowed variances in traditional zoning concepts as the innovative nature of the site plan required.

The City Council, through its individual members, has displayed conscientious effort and awareness and demonstrated this through their efforts and participation in meeting after meeting — some on special call.

In order for the project to continue moving forward, the City Manager, the City Attorney, the City Clerk, the City Engineer and the City Building Inspector played major roles in making certain that City support remained at the highest level in keeping with their dedication to community service.

Kennedy Gardens is only one of a number of efforts which the City of Calexico is making to strengthen its economic base and improve the living conditions of its citizens. Other activities are planned and under way. The City, CCAC, and RDC are already working on an economic development plan for the area, with assistance from the Economic Development Administration (EDA). Close and continuing cooperation from the City in these matters will insure the success not only of Kennedy Gardens but of these other efforts as well.

A construction loan in the amount of \$5.4 million is being provided to the Calexico Community Action Council by First Western Bank and Trust Company of Los Angeles.

First Western Bank, through its President, Stafford Grady, and Vice Presidents, Frank Nash and Gerald Baden, has created an imaginative and precedent-setting approach to subdivision financing. The First Western Bank loan builds in the flexibility of financing traditional street improvements together with the use of construction loan funds to provide the City of Calexico's share in a matching Federal grant for the water, sewage, and drainage facilities in the Kennedy Gardens Subdivision.

In addition, the First Western Bank loan sets a precedent for the financing of industrialized housing systems in conjunction with large scale subdivision lot development.

top  
support  
city  
financing

# site west side housing

The master plan for the Kennedy Gardens site was prepared by the architectural firm of Fisher, Jackson and Associates of Berkeley. Working many long hours with CCAC and RDC, John Fisher supervised the complex and challenging process of creating an imaginative site plan with a large amount of open space. The high quality of the final product reflects John Fisher's bold and skillful approach to community planning.

Site improvements for Kennedy Gardens were designed by William Riddle & Associates of El Centro. As design engineer, the Riddle firm developed the drainage and grading plans and did all the related engineering work for the site. The project is particularly grateful to Richard Waddell for the many hours which he worked on the project.

There are two major contractors involved in the site improvements. The water, sewage, and drainage work will be done by Desert Pipeline, Inc. of Salton City, California. Their President, Robert Anderson, has worked closely with the project and will supervise the job.

The streets, curbs, gutters, underground utilities, and landscaping will be done by Southland Construction Company of Brawley. Bud Conway, Southland's Vice President, worked very closely with the CCAC and the RDC through many different revisions of the plans.

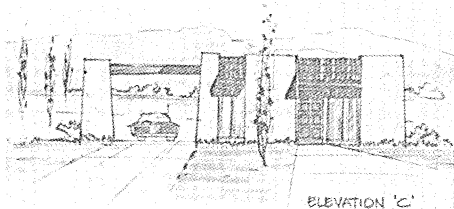
One of the most innovative aspects of Kennedy Gardens is the Housing System. In a time when many people are talking about factory built housing, Kennedy Gardens will really be doing it. The houses will be manufactured by American Home Industries, whose President, Dave Cross, developed the design and method of construction.

The system utilizes a reinforced concrete slab which is poured and steam cured at one end of the factory. Two slabs are made, one for each half of the house. As these slabs are rolled from one end of the factory to the other, the house is built on them, using precut lumber and a variety of precision techniques. When the two halves are completed, they are trucked to the site, set on footings, and bolted together.

This innovative technique has a number of advantages. The houses can be built more quickly and financing costs reduced. Semi-skilled and unskilled labor can quickly be trained for factory roles, thereby providing local employment and upgrading of people in need of training. This aspect will be emphasized in the Calxico project with an application presently pending with the Department of Labor for a job training program for the factory.

American Home Industries' main plant is in Bakersfield. For Kennedy Gardens, it will open a factory in Calxico and will do the greatest part of its hiring in the community.



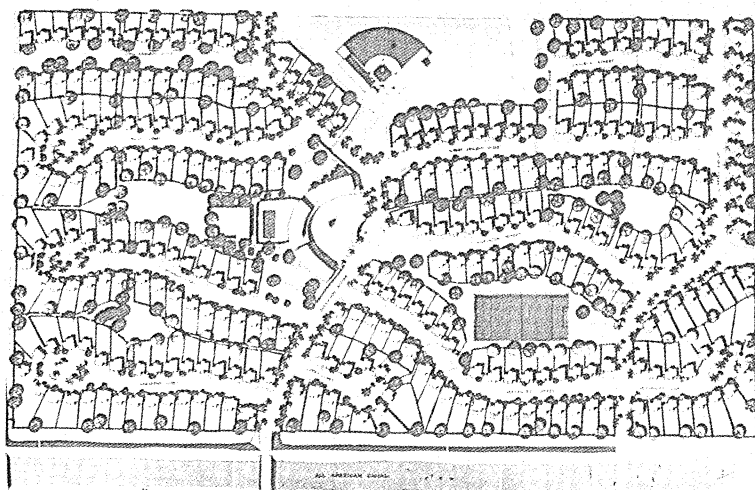


ELEVATION 'C'

MODULAR FACTORY UNITS BY  
AMERICAN HOME  
INDUSTRIES CORPORATION  
BAKERSFIELD, CALIFORNIA



ELEVATION 'D'

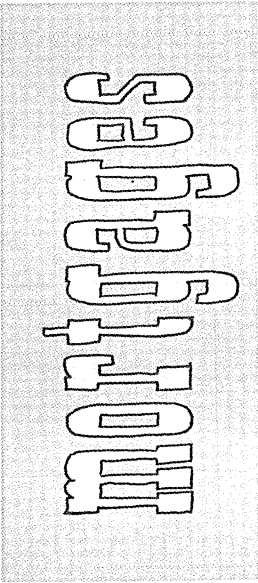


SITE PLAN

KENNEDY GARDENS CALEXICO, CALIFORNIA  
CALEXICO COMMUNITY ACTION COUNCIL



ELEVATION 'E'



SECTION

Once construction is complete permanent financing will be supplied by the Federal National Mortgage Association, with Southern California Mortgage and Loan Corporation handling the mortgage payments for FNMA. All escrow and title work is being performed by Security Title Company.

Individual home purchasers will obtain 30 year FHA insured loans at a market rate of  $8\frac{1}{2}\%$  plus  $\frac{1}{2}$  point mortgage insurance premium.

In addition, 250 of the total 299 homes will receive as interest subsidy the difference between the market interest rate and 1% under the Section 235 program.

Those homes which are financed under Section 235 will have a minimum monthly payment calculated to cover the cost of principal plus 1% annual interest plus property taxes and insurance. In the event 20% of a family's adjusted income exceeds the minimum monthly payment, then that family will pay 20% of its income in lieu of the minimum monthly payment. In no event will the family's monthly payment exceed the market interest rate.

WISHING CCAC FUTURE SUCCESSES . . .

*Serving Entire Imperial Valley*

**Anza**

**INSURANCE AGENCY**

RURAL DEVELOPMENT CORPORATION  
LOS ANGELES, CALIFORNIA

The Rural Development Corporation (RDC) is a non-profit California corporation with major funding provided by the Office of Economic Opportunity. It provides assistance and seed money to local community organizations to develop low-income housing throughout the rural areas of California.

The RDC Board of Directors is drawn from a broad spectrum of the California community, including representatives of the poor, who are expert in the housing field and knowledgeable about rural problems.

RDC operates as a "total packager" of low-cost rural housing by securing -- and providing to community groups -- the whole range of developmental functions from the technological know-how of planning and architecture to the economic use of land. These services are made available by RDC through its highly trained and qualified staff.

The basic principles under which RDC operates are these:

1. That the impetus and control of low-cost housing projects should ultimately rest in the hands of the local community;
2. That the form of low-cost housing -- home ownership, cooperative, or rental -- should be determined on the basis of the needs of each rural community;
3. That wherever possible, home ownership and self-help, with the self-respect, independence and personal dignity which they engender, should be fostered; and
4. That the prime responsibility for generating a rebirth of the declining rural areas of California is properly a joint effort of the local community and the private sector, with the Federal and State governments serving as a stimulus to and a reinforcement of these groups.

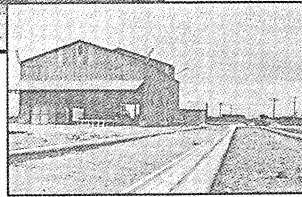
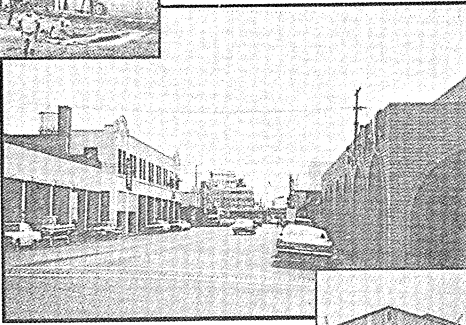
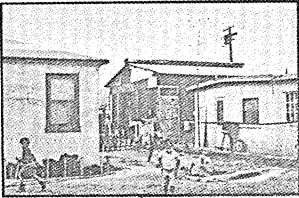
RDC will not itself own, operate or manage completed housing units.

Because RDC considers housing central to creating a stable improved environment for the rural poor, housing development is its main focus. However, while housing is indispensable to change, it is not sufficient. Therefore, in addition, RDC conducts ancillary programs -- an Economic Development Program, an Adult Education Program, and a New Community Program.

RDC's effort is an imaginative, pioneering one. Its success will depend upon the support of enlightened and concerned citizens, organizations, and institutions.

# CALEXICO'S ECONOMIC DEVELOPMENT

A PRELIMINARY STUDY



DECEMBER, 1970

PREPARED BY

RURAL DEVELOPMENT CORPORATION



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This study was made possible by a grant from the Economic Development Administration's Office of Technical Assistance, (U.S. Department of Commerce) under Title III, Section 301(a) of the Public Works and Economic Development Act of 1965.

#### COVER PHOTOGRAPHS

Top - Dilapidated housing in Calexico.  
Center - Downtown Calexico, view towards  
border crossing and Mexicali.  
Bottom - AMERICAN HOME INDUSTRIES factory  
at Calexico.

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## Section I

## INTRODUCTION

This preliminary study of Calexico's economy came about as one result of the implementation of an economic development technical assistance grant for the community of Calexico. The U.S. Department of Commerce, Economic Development Administration's Office of Technical Assistance, funded the Rural Development Corporation (RDC) to assist Calexico with various economic development programs for the year 1970.

Basic activities of the RDC staff included, among other things, a close study of the economy of Calexico and those factors affecting the economic growth of the City. The following study outlines the results of the basic investigations and attempts to highlight those activities that promise to stimulate economic growth for the community.

OBJECTIVES

This overall study attempts to identify those economic development activities that promise to make Calexico a healthier and more prosperous community.

Calexico's population has grown in recent years at a greater rate than neighboring cities in Imperial County. However, this population growth has not been accompanied by an equal growth in prosperity and employment. Fifteen percent of Calexico's people depend on welfare payments, while hundreds of workers are unemployed in the City. Sound economic development is desperately needed for Calexico. This report, therefore, attempts to recommend preliminary economic development programs that Calexico's people can initiate in the immediate future. Implementation of these programs should result in greater prosperity and more jobs for Calexico's people.

STUDY FORMAT

This Economic Development Study is divided into five basic sections. After an introduction there is a comprehensive profile section outlining basic factual information about Calexico. The third section attempts to

highlight the importance of Mexicali, Calexico's great neighbor. The fourth section deals with the recommended perspectives, policies and growth programs that promise to bring economic development for Calexico. There is a final summary and major conclusions section followed by an appendix.

### STUDY METHODOLOGY

This report is the result of a team effort by the staff of the Rural Development Corporation. Manuel Madrigal was the Project Director. Luis Legaspi, Peter Lauwerys, and Richard Sanchez carried out the research and writing of the study.

The economic development study of Calexico was a major activity of the staff during 1970. At least seven steps were taken by the staff in order to gain sufficient knowledge of Calexico's economy for the report.

1. Discussion and study of the economic fundamentals of Calexico. A reading of all available literature relating to the socio-economic situation of Calexico, together with interviewing local and area officials on the subject.
2. A first identification of possible economic development programs for Calexico, followed by further study and research of those areas.
3. Discussions of possible economic development programs with officials and businessmen. After discussions of alternatives, the original economic growth programs were moderated or entirely revised.
4. Preparation of the Calexico City Profile with the assistance of City and other local officials. The profile is factual, self-explanatory--intended to portray Calexico as a community with the emphasis on its economy.
5. Development and initial preparation of the economic development study with as many as three drafts being prepared and evaluated by the staff.

6. Consultation with Economics Research Associates (ERA), who also studied the overall economy of Calexico in relation to a study of the land use potentials of a 70-acre parcel in Northern Calexico.
7. Final development and completion of the Economic Development Guideline during November and December 1970.

The RDC staff acknowledges the cordial and patient assistance of numerous agencies, officials, and citizens who are concerned with Calexico's welfare. Special assistance was provided by Prince Pierson, City Manager of Calexico; James Black, City Clerk; James Logan and Wally Dickey of the Imperial County Economic Development Agency; Richard Montejano of the Calexico Chamber of Commerce and Steven Zdravecky of the California Department of Human Resources Development. In addition, numerous individuals and organizations assisted the RDC staff including the Imperial County Assessors Office, the Agricultural Extension Service, the U.S. Small Business Administration's San Diego Office, Economics Research Associates, the U.S. Soil Conservation Service, the California Department of Parks and Recreation, the U.S. Immigration and Naturalization Service, the U.S. Bureau of the Census and numerous officials and residents of Calexico, Mexicali and the Imperial Valley.

#### CALEXICO--GENERAL COMMUNITY DESCRIPTION

The City of Calexico, California, is situated on the United States-Mexican border, adjacent to Mexicali in Baja California. Calexico, the third largest city in the lush agricultural County of Imperial, has a population of about 10,500 and an area of 2.4 square miles. It is approximately 120 miles east of the Pacific Coast and 54 miles west of the Colorado River (see Figure 1). The City of Calexico is at sea level and its summers are hot and dry, with the winters being mild and generally dry. The average annual rainfall is 2 inches.

The unique character of the City of Calexico stems from its location alongside the fast growing metropolis of Mexicali which has grown from its pre-World War II status of 25,000 inhabitants to its present population of 380,000 and is expected to have over 1,000,000 by the year 2000.