S. HRG. 111–723

HOW TO CREATE AND SAVE JOBS

HEARING

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

SPECIAL HEARING

JANUARY 21, 2010—WASHINGTON, DC

Printed for the use of the Committee on Appropriations

Available via the World Wide Web: http://www.gpo.gov/fdsys

U.S. GOVERNMENT PRINTING OFFICE

54–876 PDF WASHINGTON : 2010

For sale by the Superintendent of Documents, U.S. Government Printing Office,
http://bookstore.gpo.gov. For more information, contact the GPO Customer Contact Center,
U.S. Government Printing Office. Phone 202–512–1800, or 866–512–1800 (toll-free). E-mail, gpo@custhelp.com.

COMMITTEE ON APPROPRIATIONS

DANIEL K. INOUYE, Hawaii, *Chairman*

ROBERT C. BYRD, West Virginia
PATRICK J. LEAHY, Vermont
TOM HARKIN, Iowa
BARBARA A. MIKULSKI, Maryland
HERB KOHL, Wisconsin
PATTY MURRAY, Washington
BYRON L. DORGAN, North Dakota
DIANNE FEINSTEIN, California
RICHARD J. DURBIN, Illinois
TIM JOHNSON, South Dakota
MARY L. LANDRIEU, Louisiana
JACK REED, Rhode Island
FRANK R. LAUTENBERG, New Jersey
BEN NELSON, Nebraska
MARK PRYOR, Arkansas
JON TESTER, Montana

THAD COCHRAN, Mississippi
ARLEN SPECTER, Pennsylvania
CHRISTOPHER S. BOND, Missouri
MITCH McCONNELL, Kentucky
RICHARD C. SHELBY, Alabama
JUDD GREGG, New Hampshire
ROBERT F. BENNETT, Utah
KAY BAILEY HUTCHISON, Texas
SAM BROWNBACK, Kansas
LAMAR ALEXANDER, Tennessee
SUSAN COLLINS, Maine
GEORGE V. VOINOVICH, Ohio
LISA MURKOWSKI, Alaska

CHARLES J. HOUY, *Staff Director*
BRUCE EVANS, *Minority Staff Director*

SUBCOMMITTEE ON DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES

TOM HARKIN, Iowa, *Chairman*

DANIEL K. INOUYE, Hawaii
HERB KOHL, Wisconsin
PATTY MURRAY, Washington
MARY L. LANDRIEU, Louisiana
RICHARD J. DURBIN, Illinois
JACK REED, Rhode Island
MARK PRYOR, Arkansas

ARLEN SPECTER, Pennsylvania
THAD COCHRAN, Mississippi
JUDD GREGG, New Hampshire
KAY BAILEY HUTCHISON, Texas
RICHARD C. SHELBY, Alabama
LAMAR ALEXANDER, Tennessee

Professional Staff

ERIK FATEMI
MARK LAISCH
ADRIENNE HALLETT
LISA BERNHARDT
BETTILOU TAYLOR *(Minority)*
SARA LOVE SWANEY *(Minority)*

Administrative Support

TERI CURTIN

CONTENTS

HOW TO CREATE AND SAVE JOBS

THURSDAY, JANUARY 21, 2010

U.S. SENATE,
SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES,
COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:37 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Tom Harkin (chairman) presiding.

Present: Senators Harkin, Murray, Reed, Pryor, Cochran, and Alexander.

OPENING STATEMENT OF SENATOR TOM HARKIN

Senator HARKIN. Good morning. The Subcommittee on Labor, Health and Human Services, and Education, and Related Agencies of the Appropriations Committee will come to order.

This morning, our hearing is about jobs and about what this subcommittee or its jurisdiction needs to be looking at in terms of getting our appropriations bill together for the next year or what we ought to be looking at, what we need to do to make sure that the gains we made under the so-called stimulus bill, the Recovery Act of last year, that we don't lose those gains and, in fact, build upon them.

I will just have a short opening statement, and then we will turn to our witnesses.

From all indications, the U.S. economy is showing some growth, but it is still a recession to 27 million Americans out there that are underemployed or unemployed. Despite the growth in the economy, businesses are reluctant to hire.

A lot of people are asking a very simple question. "If you can bail out Wall Street, why can't you help out on Main Street?" A very poignant question. It needs to be answered. So the purpose of this hearing, as I said, is to discuss what the Federal Government can and should do in the short term to get people back to work and to save those jobs that were kept going under the Recovery Act.

As I said earlier, we have two problems. We have the short-term problem, but we also have a long-term structural problem. Some of those changes—for instance, improving education, reforming healthcare, fostering green technologies, other things—will take a longer period of time, and I look forward to the debate on how we accomplish that in the HELP Committee, which I also chair. But the focus here is that people are hurting now, and we need to create new jobs now, in the months immediately ahead.

Some people say, well, we threw all that money out there in the Recovery Act, and it didn't do any good. Unemployment went up. Well, I couldn't disagree more.

Most economists—and we will hear from some of them this morning—give the Recovery Act a major share of credit for jump-starting the moribund economy. There is no question in anyone's mind that our economy and the unemployment rate would be far worse if Congress had not acted boldly by passing a major jobs package just a year ago.

According to the Economic Policy Institute (EPI), the Recovery Act saved an estimated 1 million to 1.5 million jobs last year, and the State Fiscal Stabilization Fund (SFSF), appropriated by this subcommittee, saved or created almost 400,000 jobs.

But the problem—and we will hear about it poignantly from our first witness this morning, Governor Culver—is that State and local revenues always lag behind the national economy when we are recovering from a recession. And State and local governments are facing huge shortfalls in revenue. Indeed, some States expect a budget gap that will be more than one-third the size of their total budget.

Meanwhile, the Congressional Budget Office (CBO) says that the benefits of the last Recovery Act will peak about the first half of this year, and after that, the effects will diminish. Now that means that many of those jobs that we saved will be endangered unless we do something and do something quickly.

Now there are a lot of specific things we can do. We will talk about some of those this morning. Everything from school renovation and construction to green jobs, to public service jobs, to summer youth employment—all of that is part of the picture that we need to look at in terms of the short-term approach. So we will be exploring all of those ideas and perhaps more. I am always looking for suggestions on what we should be doing.

And with that, I will leave the record open at this point for an opening statement by Senator Cochran, and I would yield to Senator Murray, if Senator Murray had an opening statement.

Senator MURRAY. Mr. Chairman, thank you very much for holding this hearing.

I think we are at a critical time, as many people we represent are waking again this morning worried about whether or not they are going to have a job, be able to get a job, or whether they have the training for the kinds of jobs that are out there.

We have an opportunity, I think, as we put together a jobs package, to really focus on making sure that the people in this country have the capability of getting the jobs of the future that we know are coming, but they are hard to find today, and they are especially hard if you don't have the skills for them. So I really appreciate that we are having this hearing and look forward to hearing from all of our witnesses.

Senator HARKIN. Thank you very much, Senator Murray.

Well, our lead-off witness this morning is Governor Chet Culver of my home State of Iowa. Governor Culver became Governor, the 40th Governor in January 2007 after serving two terms as Iowa's Secretary of State.

He began his career as an environmental and consumer advocate in the Iowa attorney general's office. After receiving his master's degree, he then taught government and history at Roosevelt and Hoover High School in Des Moines, where he also coached football and basketball.

He has a remarkable record since assuming the governorship, raising teacher pay to the national average, making preschool available to thousands of Iowa children, improving the State's fiscal position, overseeing the rebuilding of Iowa after the State was hit by record tornadoes and historic floods, during which time Governor Culver provided outstanding leadership for all our fellow Iowans.

Last year, he created what is now known as I–JOBS, an $830 million initiative to rebuild infrastructure, create jobs, and stimulate the economy. And so, I think it is wise for us to hear from a Governor of a State about what is happening in the States, what kind of problems they are facing coming up this year.

A lot of States, their legislatures are going to meet, some of them in very short sessions, and they have to be looking ahead to next year's budget. And so, they need some indication from us about what we are going to be doing so that they can make their budget decisions in our States.

So I am just very pleased and proud to introduce a life-long friend and my Governor, Governor Chet Culver.

STATEMENT OF HON. CHET CULVER, GOVERNOR, STATE OF IOWA

Governor CULVER. Thank you very much.

Chairman Harkin, Ranking Member Cochran, Senator Murray, and members of the subcommittee, I really appreciate the opportunity to be here today, and it is an honor and privilege to talk to you about the steps that we can take to assist displaced workers, create and retain jobs in America.

Before I move on to my testimony, I want to take a moment to thank the chairman of this subcommittee for all of the hard work he has done on behalf of Iowa. Our State has no greater champion than Senator Harkin, whether it is his work in shepherding through the last two farm bills, providing money to modernize our schools through the appropriately named Harkin grants, or the work he has done on healthcare reform. Tom Harkin has fought every day on behalf of all Iowans, and the people of Iowa are grateful for his service.

So thank you very much, Senator.

As you know, this worldwide economic downturn has been challenging to the States, every county, and municipalities across the country. No one has been immune from these economic realities that we are dealing with. According to the Center for Budget and Policy Priorities, 48 States still face shortfalls in current fiscal year 2010 of nearly $193 billion, or 28 percent of State budgets, and project gaps of $350 billion for fiscal year 2011. These are the largest shortfalls on record.

When the recession began in December 2007, Iowa's unemployment rate was 3.7 percent. Today, it is 6.6 percent, still one of the lowest in the United States. However, right now, there are roughly 110,000 Iowans drawing unemployment benefits, nearly triple where they were just 2 years ago. So we have gone from about 35,000 to about 110,000 people in the last 24 months collecting unemployment.

One of the most disturbing trends we are seeing in Iowa is the long-term unemployment situation. Currently, nearly 40,000 Iowans are on extended unemployment benefits, which means they have exhausted their State benefits which usually last 26 weeks. Many of these workers have now collected more than a year's worth of benefits. We attribute this to the length and the depth of the recession.

So, too many Iowans right now are simply having trouble connecting with work. This includes many former manufacturer workers whose jobs have gone overseas. And unfortunately, too many plant closings continue. In fact, just this week, the residents of Sioux City, Iowa, have been informed of the closing of the John Morrell packing plant there, which could result in 1,400 jobs lost.

So because of these economic realities, I believe, as elected officials, we must redouble our efforts and focus on job retention and job creation to help those looking for work. Here are a few steps that I believe we can take to assist displaced workers and create and retain jobs.

Number one, it is critically important to extend the Federal Emergency Unemployment Compensation program until our economy is able to make a meaningful recovery. Ideally, Federal benefits should be continued through the end of 2010 to give our economy time to make a significant recovery and create more jobs.

Number two, my fellow Governors and I appreciate the fact that Congress is considering additional action to help States fully recover from this worldwide economic downturn. So I have with me today a letter signed by 23 of my colleagues asking for your assistance in regards to extending the increased Federal Medicaid Assistance Program (FMAP), and the SFSF.

I would ask that a copy of this letter be put into the record.

[The information follows:]

January 15, 2010

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H-232, The Capitol
Washington, D.C. 20515-6501

The Honorable John Boehner
Minority Leader
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515-6501

The Honorable Harry Reid
Majority Leader
United States Senate
S-221, The Capitol
Washington, D.C. 20510-7020

The Honorable Mitch McConnell
Minority Leader
United States Senate
S-230, The Capitol
Washington, D.C. 20510-7010

Dear Speaker Pelosi, Leader Reid, Congressman Boehner and Senator McConnell:

We write to ask you for your assistance in extending the enhanced federal match for Medicaid (FMAP) and the State Fiscal Stabilization Fund (SFSF) enacted as part of the American Recovery and Reinvestment Act (ARRA).

We greatly appreciated the inclusion of FMAP and SFSF in the Recovery Act. These provisions were critical for helping states avoid cuts to core services that would have otherwise been necessary to balance state budgets. In addition, these funds have enabled states and local governments to retain 250,000 education jobs thus far and preserved critical healthcare services for vulnerable populations.

Unfortunately, the length and depth of the recession means that states will continue to face significant budget shortfalls long after the FMAP and SFSF funds run out at the end of this year. As you know, state budgets typically lag the national economy, which means that states will continue to see budget pressure for the foreseeable future. Economists forecast that lingering unemployment and slow economic growth will result in state revenues remaining below 2008 levels through FY 2012, and require states to close budget gaps of more than $150 billion over the next two years. While some states are struggling more than others, economists continue to forewarn that, absent federal fiscal assistance, virtually all states will have to take additional steps to eliminate deficits for FY 2011. These steps, while necessary, could take nearly a full percentage point off the Gross Domestic Product and cost the economy some 900,000 jobs next year.

Time is of the essence. Many of us are in the process of finalizing FY 2011 budgets - and working to close out remaining FY 2010 items - that our legislatures will consider in the coming months. Timely passage of an extension of ARRA's enhanced FMAP and SFSF provisions would greatly assist us in maintaining services and avoiding tax increases that could slow the nation's recovery.

We appreciate your efforts to restore our economy and put people back to work. We too are committed to encouraging job creation and speeding recovery and urge you to work with us by extending FMAP and SFSF into 2011.

Sincerely,

Governor Mike Beebe
Arkansas

Governor Bill Ritter Jr.
Colorado

Governor Jack Markell
Delaware

Governor Pat Quinn
Illinois

Governor Chester J. Culver
Iowa

Governor Mark Parkinson
Kansas

Governor Steven L. Beshear
Kentucky

Governor John E. Baldacci
Maine

Governor Martin O'Malley
Maryland

Governor Deval Patrick
Massachusetts

Governor Jennifer M. Granholm
Michigan

Governor Jay Nixon
Missouri

Governor John H. Lynch
New Hampshire

Governor Bill Richardson
New Mexico

Governor David A. Paterson
New York

Governor Bev Perdue
North Carolina

Governor Ted Strickland
Ohio

Governor Brad Henry
Oklahoma

Governor Theodore R. Kulongoski
Oregon

Governor Phil Bredesen
Tennessee

Governor John P. deJongh, Jr.
Virgin Islands

Governor Christine O. Gregoire
Washington

Governor Jim Doyle
Wisconsin

Governor CULVER. Continuation of FMAP and SFSF that were enacted as part of the American Reinvestment and Recovery Act (ARRA) would be beneficial to all of the States. The government services stabilization funds, which made up nearly 20 percent of each State's total allocation, were extremely helpful because of the flexibility. The education stabilization funds made up the rest of our allocation.

In Iowa, we have been able to use these flexible government services funds in a variety of ways. We have spent money to give to counties through Iowa for infrastructure repair, public safety, nursing home inspection, elderly wellness, community college infrastructure improvements. The Iowa National Guard has benefited from these funds. Our correctional facilities and other vital services have also benefited.

A greater percentage of SFSF funds toward government services in the future would really help. If we could bump that percentage up to 25 to 50 percent versus 18 percent in the last allocation, that would allow us to do more in terms of job creation. This flexibility will also ensure that these dollars are able to be used more quickly for the purposes in which they were intended when ARRA was passed—to maintain and create jobs.

Speaking of ARRA, in Iowa, we have estimated—we have received about $2.5 billion. We are moving these funds in an effective and efficient manner. Of the $2.5 billion that we have been given, the State has obligated, appropriated, or disbursed $1.75 billion, or about 70 percent of the funds. We have disbursed nearly $1.2 billion, or almost 50 percent of these funds.

We are moving quickly in order to expedite our economic recovery, which is consistent with the overriding goals of ARRA. ARRA has had a positive impact in Iowa during this economic downturn. In fiscal year 2010, we are using a total of $591 million in these funds, including $207 million for FMAP, $321 million for SFSF for education, and $63 million in SFSF for government services.

In Iowa, these funds have helped keep our communities vibrant. They have also allowed us to keep our commitment in certain priority areas, including education and healthcare, especially for kids. In the first quarterly ARRA report filed in October 2009, Iowa reported that 5,323 jobs were either created or saved with these funds. In the area of education alone, there were 2,208 jobs that were saved.

These jobs were throughout our education system, K–12, community college, and our institutions of higher education. They were not only teaching jobs, but librarians, janitors, secretarial staff, and other administrative staff that keep our schools moving every day.

Since not every school district faces the same challenges, flexibility is the key to making sure SFSF funds are used for maximum effectiveness. The education stabilization funds run straight through the Iowa Department of Education to the local school districts, and we have 361 of them. That type of direct allocation allows local school districts the ability to make important decisions on how to best use these funds.

And it is not just in education that ARRA is working in Iowa. Iowa has been recognized as a national leader in moving ARRA funds quickly in transportation. The United States House of Representatives Committee on Transportation and Infrastructure has ranked Iowa as one of the most effective States in putting these highway capital fund dollars to work quickly to create and retain jobs.

As a matter of fact, as soon as the bill was signed by President Obama last February, Iowa contractors started calling back employees and hiring new ones. So it has had a tremendous impact in our State in a very positive way in terms of job creation and job retention. We have also helped save more than 1,200 construction jobs across our State because of these funds.

Finally, my third point relates to creating and retaining the green-collar jobs of the future. In Iowa, we are leading the way in renewable energy. Iowa is second in the Nation for installed wind capacity with currently 3,000 megawatts. And in 2009, we produced 15 percent of all of our power from renewable sources.

Iowa is also national leader in the manufacture of the three component parts of a windmill—turbines, towers, and blades. Nine wind energy companies have helped us create 2,300 new manufacturing jobs in the State of Iowa since 2005. And more than 200 Iowa-based small businesses are now in the supply chain for these wind energy companies.

If Iowa and other States are going to create more of these green-collar jobs in the future, extension of the wind energy tax credit, which expires at the end of 2010, is vital. Beyond wind energy, Iowa is first in the Nation in production of both ethanol and biodiesel. We now have 34 ethanol refineries and 14 biodiesel refineries in operation statewide.

So our biofuels industry is now helping to create jobs in manufacturing, agriculture, transportation, construction, and many other job sectors across the State. In fact, according to the Iowa Renewable Fuels Association, in 2008, biofuels production supported nearly 83,000 jobs throughout Iowa's economy and generated nearly $600 million in State tax revenue.

However, if we want to continue to create jobs in our bio-based economy in the future, I urge Congress to immediately extend the biodiesel tax credit. Unfortunately, this important tax credit expired on December 31 of last year. A multi-year extension of this tax credit is needed, and I hope it is a legislative priority for Congress.

Because of the significance of this issue to my State and to this industry, today I have sent a letter to President Obama, urging his support for quick action on this vital extension.

In closing, I respectfully ask members of this subcommittee and members of Congress to move forward with a jobs bill quickly. Time is of the essence, and as Senator Harkin noted, most Governors and State legislatures are currently in the process of putting together our fiscal year 2011 budget.

PREPARED STATEMENT

In my case, we will adjourn sometime in April. We will be done with the budget discussion by the end of March or sooner. So if Congress is going to move forward with any additional SFSF, it would be helpful for our citizens to know as soon as possible.

So, Chairman Harkin, members of the subcommittee, I thank you very much for giving me this opportunity to be here today, and I am happy to answer any questions at this time.

[The statement follows:]

Prepared Statement of Governor Chet Culver

Senator Harkin, Ranking Member Cochran, and members of the subcommittee, thank you for allowing me to be here to today to speak to you about the job situation in Iowa, our State budgetary conditions and the need to continue the State-Federal job creation initiatives that were part of the American Recovery and Reinvestment Act (ARRA).

Before I move on to my testimony, I want to take a moment of personal privilege and thank the chairman of this subcommittee for all the hard work he has done on behalf of Iowa. Our State has no greater champion than Senator Harkin. Whether it is his work in shepherding through the last two farm bills or the work he has done on healthcare, Tom Harkin has fought on behalf of all Iowans. Through his work on this subcommittee, Senator Harkin has helped modernize hundreds of Iowa schools with the appropriately named "Harkin Grants". In addition he has helped fund vital research at the National Institutes of Health that will help keep our Nation on the pathway to greater health. I simply do not have enough time to list all that you have done for our State, but on behalf of all Iowans, I simply want to say "thank you".

Like the members of this subcommittee, my focus as Governor, is on jobs, jobs, jobs: attracting them, maintaining them, creating them, and helping those without them find them. I have made job creation and retention my top priority during our legislative session this year.

ARRA IN IOWA

The worldwide economic downturn has been a challenge to nations, States, counties, and municipalities alike—very few have been immune from these significant economic difficulties. I want to thank the Congress for enacting ARRA in February of last year. The need for ARRA and the inclusion of funding for States was clear. It's hard to imagine, but economic conditions in States could be even more challenging had it not been for the Federal Government's investment in States through ARRA. In Iowa, we are putting these ARRA funds to work.

In Iowa, we have estimated that $2.5 billion of ARRA funds will move through State government. And to address the challenges of this economic downturn, we are moving these funds in an effective and efficient manner. Of the $2.5 billion that we have estimated, the State has obligated, appropriated or disbursed $1.75 billion or 71 percent of those funds. We have disbursed nearly $1.22 billion or almost 50 percent of the funds. We are moving quickly in order to expedite our economic recovery, which is consistent with the overriding goals of ARRA.

ARRA has had a positive impact in Iowa even during this economic downturn. In fiscal year 2010, we are using a total of $591.6 million of ARRA funds, including $207.6 million for ARRA FMAP, $321 million for ARRA State Fiscal Stabilization Fund (SFSF) for education, and $63 million in SFSF for government services.

In Iowa, ARRA funds have helped keep our commitments to significant priorities, including retaining teaching positions in our schools. In the first quarterly ARRA report filed in October of 2009, Iowa reported that 5,323 jobs were either created or saved with ARRA funds. In the area of education, there were 2,208 jobs saved.

These jobs were throughout our education system, K–12, community colleges, and our institutions of higher education. They were not only teachers, but librarians who provide vital learning resources to our students, janitors who help clean our classrooms, secretarial staff that help administer the schools, and cooks who provide nutritious food to our students.

Since not every school district faces the same challenges, flexibility is the key to making sure SFSF funds are used to maximum effectiveness. The SFSF education funds run straight through the Iowa Department of Education to the local school districts. That type of direct allocation allows local school districts the ability to make important decisions on how best to use these funds.

And it is not just in education that ARRA is working in Iowa. Iowa has been recognized as a leader in moving ARRA funds quickly in transportation. The United States House of Representatives Committee on Transportation and Infrastructure has ranked Iowa as one of the most effective States in putting ARRA highway capital funds to work to quickly create and retain jobs. As a matter of fact, as soon as ARRA had been signed by President Obama last February, Iowa contractors started calling back employees and hiring new ones. In the October ARRA report, we reported creating or saving 1,213 construction jobs related to ARRA transportation expenditures.

RENEWABLE ENERGY

This hearing is about creating and saving jobs and in Iowa, there can be no more vital sector of our economy in which to do that than in renewable energy. The Department of Energy (DOE) created several new ARRA programs that will help spur renewable energy job growth opportunities. These opportunities exist not just to the public sector, but also in the private sector—and it is not just with spending but with tax credits, too. For instance, the Department of Energy recently announced that ARRA tax credits were being provided to four renewable energy companies located in Iowa. These tax credits will result in the creation or retention of hundreds of jobs in our State. These are the types of programs that create jobs, and help solve the energy crisis by aggressively stepping up our wind and other renewable energy production.

Another energy-related ARRA program that I would like to recognize is the DOEs "Retrofit Ramp-Ups" for energy efficiency. This program has the potential to provide energy efficiency opportunities to hundreds of homes and businesses throughout the Nation, while simultaneously creating new, private sector "green" jobs. The DOEs "Retrofit Ramp-up" is an innovative approach to invigorating our Nation's energy efficiency efforts, and I encourage support of this and similar programs as Congress explores unique ways to save and create jobs.

In Iowa, we are leading the way in renewable energy. Iowa is second in the Nation for installed wind capacity with 3,043 megawatts. Iowa is also a national leader in the manufacture of wind energy generation components. Nine companies have committed 2,300 manufacturing jobs to the State of Iowa, and Iowa communities in wind energy alone, since Clipper Windpower announced its decision to locate in Iowa in 2005. Wind energy has also been profitable for existing Iowa manufacturers. More than 200 Iowa companies are now supplying the wind industry, accounting for more than $50 million in new revenues annually.

Beyond wind, Iowa is first in the Nation in production of both ethanol and biodiesel. We produce 26 percent of U.S. ethanol in 34 refineries and 12 percent of the Nation's biodiesel in 14 refineries scattered across the State. Ethanol production capacity in the State is 3.3 billion gallons per year and biodiesel production capacity is 325 million gallons providing jobs in manufacturing, agriculture, transportation, construction, and many other job sectors across the State. According to the Iowa Renewable Fuels Association, in 2008 biofuels production supported nearly 83,000 jobs throughout Iowa's economy and generated $576 million in State tax revenue.

Speaking of biodiesel, I want to take a moment during my testimony today to urge Congress to immediately extend the biodiesel tax credit. In Iowa, the biodiesel industry is responsible for the creation of hundreds of jobs. A temporary absence of the tax credit could impact the production of this important renewable fuel. A multiyear extension of this tax credit is needed, and should be a legislative priority for Congress. Because of the significance of this issue to my State and to the industry, I have sent a letter to President Obama urging his support for quick action on this vital extension. Along with biodiesel, other critically important renewable energy tax credits, like the wind production tax credit, should be given long-term extensions. Long-term extensions would bring surety and increased private sector job creation opportunities throughout the various sectors of the renewable energy industry.

As you can tell, I believe the renewable energy industry is vital to Iowa's economy, and we cannot have a conversation about strengthening Iowa's workforce without talking about strengthening our commitment to renewable energy as well.

STRENGTHENING WORKFORCE DEVELOPMENT IN IOWA

Since the recession began in December of 2007—when Iowa's unemployment rate was 3.7 percent—Iowa's seasonally adjusted unemployment rate has risen to 6.6 percent (in December of 2009). Because Iowa's economy is more agriculturally oriented—our total unemployment is kept lower. Farmers are always employed; in tough years they simply earn less. Right now, there are 109,937 Iowans drawing unemployment benefits, which is nearly triple where we were just 2 years ago.

One of the most disturbing trends we are seeing in the Iowa economy is the number of long-term unemployed. Currently, nearly 40,000 workers are on extended unemployment benefits which means they have exhausted their State benefits, which usually last 26 weeks. Many of these workers have collected more than 1 year's worth of benefits. This is disturbing because traditionally Iowans do not stay on unemployment for a long period of time because of our strong work ethic. We attribute this unusually long period of time to the length and depth of this recession.

Many Iowans right now are simply having trouble connecting with work. Many do not have the skills needed to compete for the good paying jobs which were created in our economy before the recession. This includes many former manufacturing workers whose jobs have gone overseas. Even many highly skilled workers are not finding the opportunities while job creation has lagged. We believe it is crucial to extend the Emergency Unemployment Compensation program for Iowa's families and communities until our economy is able to make a meaningful recovery. Ideally, Federal benefits would be continued through the end of 2010 to give our economy time to make a significant recovery and create more jobs.

In Iowa, our workforce system is undergoing a dramatic transformation under the leadership of Workforce Development Director Elisabeth Buck. She has undertaken an integration project to better coordinate workforce services. At the heart of the initiative is a mission to treat unemployed workers as job seekers instead of treating them like "claimants." A crucial piece of this effort has been to utilize the ARRA funds for re-employment services to better connect struggling Iowans to work opportunities. Through Federal re-employment services funding, IWD is able to identify struggling Iowans early on and quickly call them into one-stops throughout the State. These workers are then educated about the changing nature of the workforce and given opportunities for free workshops on subjects like computers, job-seeking, resume drafting and labor market information. A strong emphasis is placed on short-term skills development and improvement. The ultimate goal is to reduce the time that workers spend on unemployment and connect them with work more quickly. In the end, everyone wins: workers are better off earning paychecks instead of unemployment checks, employers get the workers they need and the State trust fund stays healthy and in the black. Iowa strongly supports continued Federal funding for re-employment services.

Another program that is showing progress in Iowa is our Voluntary Shared Work program. It has been extremely successful in averting large-scale layoffs in Iowa. Iowa is one of only 17 States which have innovatively used this program on behalf of Iowa businesses. In 2009, 72 Iowa employers took advantage of this program to prevent mass layoffs and instead allowed more than 8,000 workers to collect partial unemployment checks while preserving those jobs. Iowa supports the efforts by the Federal Government to fund this program.

One of the lingering effects of the economic downturn and the high unemployment rates is the effect it has on State and local revenues. Historically, States experience the worst fiscal conditions in the year(s) after a national recession ends.

STATE BUDGET CONDITIONS

According to the Center for Budget and Policy Priorities (CBPP), 48 States have addressed and some still face shortfalls in fiscal year 2010 of nearly $193 billion or 28 percent of State budgets—the largest gap on record. CBPP further projects combined gaps of $350 billion for 2010 and 2011.

These precipitous drops in State revenue have been difficult on State budgets and forced tough choices at the State level. Because of balanced budget requirements, States typically have limited choices in times of extended economic downturns. Many of these necessary actions can make the downturn more severe. I have taken raising taxes off the table, so as not to increase the burden on hard-working Iowans and instead, we have focused on reducing spending. I have taken several "belt tightening" steps to help our State adapt to reduced revenues:

I have cut spending significantly, instituted a far-reaching lean government initiative, ordered furloughs for noncontract employees, and put in motion several efforts to improve efficiency, eliminate redundancies, and identify wasteful spending.

Along with these measures, we successfully negotiated a cost- and job-savings agreement with two of our State's largest unions: the State police officers and AFSCME. Fortunately, their members agreed to prevent significant layoffs and share in the sacrifice for the greater good.

Each of these actions has been a challenge and has required sacrifice in the State and throughout State government. But, just like Iowa families have to make hard budget decisions when times get tough, so should State government. Because of these cost-saving initiatives, our State budget, today, is smaller than it was on the day I took office in 2007. I am proud of the resilience that Iowans have shown during these tough times and know that there are better days ahead.

EXTENSION OF SFSF AND FMAP

Unfortunately, even with distribution of ARRA funds and other innovative programs, States' budgets will continue to be challenged over the next 2 years. That is why I and my fellow Governors appreciate the fact that Congress is considering additional action to help States fully recover from this worldwide economic downturn. I have with me today a letter signed by 23 of my colleagues asking for your assistance in regards to extending the increased Federal Medicaid Assistance Percentage (FMAP) and the SFSF, and I would ask that a copy of it be put in the record.

Continuation of the enhanced FMAP and the SFSF that were enacted as part of ARRA should be included in an appropriate legislative vehicle this spring, if not sooner. Given that State revenues remain at such a reduced rate, I ask that you give States the maximum flexibility when setting the criteria for drawing down these funds. The government services SFSF funds, which made up 18 percent of each State's SFSF allocation, were the most flexible dollars available to States through ARRA. In Iowa, we have been able to use these funds in a variety of areas—we have sent money to counties throughout Iowa for infrastructure repair, public safety, nursing home inspections, elderly wellness, community colleges, the Iowa National Guard, correctional facilities, and other vital services. A greater percentage of funds toward government services would be an improvement in a new iteration of SFSF. This flexibility will ensure that these dollars are able to be used more quickly for the purposes in which they were intended to maintain and create jobs.

I ask that Congress move forward with jobs legislation quickly. Time is of the essence given the State legislative calendar. I am in the process of finalizing my fiscal year 2011 budget that our legislature will consider in the coming weeks. Our legislature has agreed to a shortened session due to budget constraints, which further heightens the time-sensitive nature of this request. Our session will likely be over by the first of April and thus our fiscal year 2011 budget will have been enacted before our legislature departs. Iowa is not unique in this area. Many of my colleagues in other States are facing similar timelines and will have to enact balanced budgets that take into account the funding available at the time of enactment. The promise that more funding might be coming from the Federal Government will not be enough. Timely passage of an extension of ARRA's enhanced FMAP and SFSF provisions would greatly assist us in maintaining services and avoiding tax increases that could slow the Nation's recovery.

To conclude my remarks, I would like to make one last statement regarding renewable energy. As you may have noticed I feel passionately about this subject and think that investment in all forms of renewable energy can be key to future job creation, both in the public and private sectors. As a follow-up to my testimony this morning, I will send specific recommendations for job creation in the area of renewable energy to each of your offices. I ask for your priority consideration of these recommendations.

Again, Senator Harkin, thank you for the invitation to be here today, and I would be pleased to answer any questions you may have.

Senator HARKIN. Well, Governor, thank you very much for a very, I think, precise overview of exactly what we are trying to do with some of our programs here. And thank you for what you have done in Iowa with the recovery funds.

I think you have really set the tone for what this hearing is about, and that is to see what we can do in the short term, what we have to do to keep the Recovery Act going. So I thank you for your leadership, and I know you speak for a lot of other Governors, too, who have similar problems in States around the country.

I know I hear from my fellow Senators about their States and how they are facing the same kind of budget problems that we are facing in Iowa. And again, I can't help but point with pride to what Iowa has done in green jobs and in renewable energy. It has been fantastic. Fifteen percent of our power now from renewable energy in Iowa, and all the jobs it has created.

You know, a lot of times, we wring our hands and bemoan the fact that we are not getting into manufacturing more in this country. Well, we are in Iowa. We are manufacturing every component.

And I can still remember, Governor, just a few years ago when we started building wind turbines in Iowa. And I remember the blades were being shipped from Brazil. The turbines were manufactured in Austria, in places like Czechoslovakia and Austria. And now they are all being made in Iowa. So good manufacturing jobs coming back to this country, and I thank you for your leadership in that area.

One area that I just kind of wanted to cover just briefly with you, Governor Culver. In your written statement, you described how Iowa is transforming its workforce system and using Recovery Act dollars to connect Iowans with opportunities in workforce. Just the other day also, Secretary Solis just released another $6 million, I believe?

Governor CULVER. Correct.

Senator HARKIN. To the State of Iowa, thereabouts, for—it seems to me, for workforce development, if I am not mistaken. Could you just elaborate a little bit on how Iowa is using their workforce development, how they are using some of the recovery funds to develop their workforce and to develop the new workers for the future?

Governor CULVER. Yes. Mr. Chairman, we have been—we have had some very good news in the last week. We have received two important grants from the Department of Labor. One was a $3.9 million workforce development grant that will go to Western Iowa Tech Community College to help displaced workers and, more recently, a $5.9 million energy sector green jobs grant, which will allow us to employ Iowans to go out and do energy efficiency audits, to retrofit government buildings, to allow us to work on smart grid technology, to allow us to do more energy assessments.

So this green job sector is actually growing in Iowa, even during this downturn. Some of our wind energy companies are hiring people again, which is a very good signal.

I do think that it is important for members of this subcommittee to know how vitally important it is in every State to have a very aggressive workforce development piece of the equation. In our case, we have 15 workforce development offices all across the State of Iowa. Those offices need to be funded.

We have transformed those offices so they are much more connected, high tech. They have now become one-stop shops so that people can receive on the ground locally any number of services from these workforce development offices.

It is no longer just coming in and standing in line and filing for unemployment. These staff members will help with resumes. They will help on job skill assessments. And every State, I believe, needs to have that component and especially in terms of recovery.

So if those dollars, if those Federal dollars from the Department of Labor aren't being put to good use at these workforce development offices and if these services aren't being offered, it will delay recovery that much longer. So we are very proud of the work that Director Liz Buck is doing, who heads up our workforce development agency, and these workers are working around the clock to provide these essential services for displaced workers.

Senator HARKIN. Well, thank you. I have been greatly encouraged by what I have seen in Iowa, what you have done with the workforce development teams in Iowa, and how they have been operating under Director Buck. They have been working really well and connecting people with the jobs, getting them the information they need perhaps for further education, that they need to be trained for different things.

It has just been great because, as you know, we have seen a great transition in our State in the last several years, well, last maybe couple of decades in the type of work that we are doing in Iowa. We still are agriculturally based, but a lot of those jobs have left agriculture, and now we are moving more and more into manufacturing.

Thank you, Governor Culver. I didn't know if any of our fellow Senators had any questions for the Governor.

Senator Murray.

Senator MURRAY. Thank you, Mr. Chairman.

And thank you, Governor.

And I have to say, my State, too, received a $6 million grant yesterday through the Department of Labor. We are very excited about it. I was actually out in Seattle a couple of weeks ago and was on the ground seeing some of these workers, one of which was a former electrician. He had been laid off and hadn't worked for some amount of time.

He was trained as an auditor. He went into homes in a neighborhood and audited the homes to say you are leaking air out of these windows, and here is what you can do. Here are ways to insulate your home. They can test the home to see where exactly they are losing energy and then through grants help the homeowner to fix their home, home by home, making a difference for our environment. Certainly making a difference for cost, heating, and for many of these families that they were working with while putting people to work.

And these grants that you just got and that my State got will really help train a lot of people for these kinds of positions. There is a huge demand for it. They do need special training. It is going to put people to work, and it is going to help homeowners, businesses, and the environment in the future. So we are very excited about it in the State of Washington, too, and I am glad Iowa is going to be able to use that as well.

Governor, I just had one broad question. You mentioned in your testimony some great work that is being done by Elizabeth Buck and your Iowa workforce development. In my experience in Washington State with our workforce development system, we see that it is a very effective component with our State and local efforts to create jobs and put people to work.

Can you elaborate on some things that are working in Iowa, some innovations and best practices within your workforce development system that we might benefit from?

Governor CULVER. Yes, thanks for the question, Senator Murray.

One of the other things that we have done, in addition to modernizing the services that we offer, we have reached out to the private sector, and we have formed consortiums across the State to partner with these employers to determine with more specificity what job skills they are looking for. There has been in the past a real disconnect between the skills and the workforce that many of these employers need. I will give you one example.

A couple of years ago, I called a manufacturer, an owner of a manufacturing company. I asked him how his business was doing. He said it was booming. They could hire 100 additional employees if they could find the right skill set.

And the first question I asked him is, well, have you called the community college 2 miles from your business and talked to them about this? And the answer was "No." There was no coordination there.

So we have really addressed that and brought people to the table, large employers, small businesses, and it is proving to be very, very beneficial. And we have 15 terrific community colleges across the State. So whatever we can do, whatever model we developed in central Iowa, which is where this started in the Des Moines area, this consortium, we are now trying to replicate that in other parts of the State. And it is proving to be successful.

Senator MURRAY. Well, thank you for that, Governor.

And Mr. Chairman, as you and I have talked about, with workforce investment, it has been my experience everywhere that there is a disconnect between what employers need and the skill sets they want to hire and what some of our education system is focused on in educating our kids for.

That is why I think these workforce boards are so important, putting together public and private people so those community college folks are sitting down with the employers in their own community to talk about what skills they need to be developing in their own communities for jobs in the future.

And I think that has to be extended into other areas down to our high schools and middle schools, where the kids in those communities and the teachers and the principals are working together with those. And I have been working on legislation to do that, Mr. Chairman.

So your experience is mine, and I think that is something that we can really focus on to help get our economy back on track, making sure that we are doing the skill set training for our young people and for older workers in the skills that are needed to get this economy back on track. And who knows it best? The employers who are out there working. They have got to be at the table with them.

Governor CULVER. And if I could give one quick example, another example. In Davenport, at the community college there, I was there last week. They have partnered with the local hospital to come up with a surgical tech program at the community college.

These students, when they graduate after 2 years, will make $30,000, guaranteed. With overtime, they can make $40,000. They now have 30 people on the waiting list in the surgical tech program, and we help them with a State grant to expand their program there at the community college.

And I met these students. They are excited about this opportunity and what it means to their family. Twelve months ago, they didn't know what they were going to do. Now they are on a career pathway.

Senator MURRAY. They see a path, yes.

Governor CULVER. They are making a positive contribution to their community. They are doing something. They are saving lives in that emergency room in the future.

So we can create these jobs. It is just a matter of being strategic about how we do it and where we make these investments.

Senator MURRAY. Well, thank you. And I will share—my legislation is actually called Career Pathways to bring together local community, business, labor, education folks to start planning and working toward those skills. So we will share that with you, but your experience is mine. So I look forward to working with you on that.

Governor CULVER. Thank you, Senator.

Senator MURRAY. Thank you, Mr. Chairman.

Senator HARKIN. Thank you.

Thank you, Senator Murray.

I just might point out, as you can see, this is Senator Murray's one area of great interest and expertise. So I have asked Senator Murray to sort of head up our Workforce Investment Act (WIA) reauthorization not on this subcommittee, but on the HELP Committee. And hopefully, we can get to that, hopefully, pretty soon. And so, I have asked Senator Murray and Senator Enzi, our ranking member, to put together a bipartisan package to move us ahead, and these are some of the new things I think that we have to be looking at in WIA.

So I thank you.

Former Governor, now Senator Alexander. Did you have anything for Governor Culver?

Senator ALEXANDER. Thanks, Mr. Chairman.

I would like to explore one area, if I may? To explore one area with the Governor, if I might?

First, welcome. We have many fond memories of Iowa. I have been to almost every crossroads in Iowa, as have most United States Senators at one time or another. It is a great State.

I would like to ask a question about the relationship of Medicaid spending and higher education. I mean, Iowa has great universities—Iowa State, the University of Iowa—and then you just talked about the community colleges, many of which I have seen and which are so important.

Thirty years ago, when I had your job in Tennessee, my greatest problem was trying to get down to the end of the budget process, and it was usually a choice between expanding dollars for Medicaid or putting money into higher education. And that problem has gotten worse and worse and worse and worse.

President Obama's budget director, before he was budget director, warned that the lack of State support for public higher education is damaging it, and it is causing, making it harder for students to afford. We see in California tuition up 32 percent. And I am sure that a big part of that is because the Governor and the legislature get down to the end of the budget process, everything goes to Medicaid or healthcare, and there is nothing left for the University of California.

I wanted to get your perspective on that, if I might, in two areas, and then I will listen to whatever you have to say. One criticism of the stimulus package, the so-called stimulus package, earlier was that it had a lot of requirements in it on States—you talk about flexibility some in your testimony. I mean, the Wall Street Journal—and you might expect this from the Wall Street Journal editorial board. But they list all sorts of "encourage new spending, $80 billion more in Medicaid that will vanish in a couple of years, more spending for unemployment insurance, the Davis-Bacon Act, raising State building costs, maintenance of effort," which means you have to spend more.

But Lieutenant Governor Ravitch of New York, a Democrat, wrote a very thoughtful piece the other day when he said the Federal stimulus has provided significant budget relief to States, but the relief is temporary. It makes it harder for States to cut expenditures. In major areas such as transportation, education, healthcare, stimulus funds come with strings attached. These strings prevent States from substituting Federal money for State funds, require States to spend minimum amounts for their own funds, prevent States from tightening eligibility standards for benefits.

Because of these requirements, Lieutenant Governor Ravitch says, States, instead of cutting spending in transportation, education, and healthcare, have been forced to keep most of their expenditures at previous levels and use Federal funds only as supplements. The net result is the Federal stimulus has led States to increase overall spending in these core areas which, in effect, has only raised the height of the cliff from which State spending will fall if stimulus funds evaporate.

So my question is, in Iowa, what has been your experience? If there were to be some second program for jobs, what advice would you have for Congress about all these requirements for State spending and the effect it might have on higher education?

And then, specifically, what do you think about the idea of a healthcare bill in Congress that would expand Medicaid and then send a significant bill for that expansion to State governments?

Governor CULVER. Well, thank you, Senator Alexander.

The maintenance of effort requirement has been challenging for the States to meet and, in fact, I am asking for a waiver on that extension for education. We have had to cut our budget. We just did a 10 percent across the board. I am required by law to balance my budget. We are going to do that.

So that has been an issue with Governors. We have been assured that we will have a waiver option if we can make the case, and I believe most Governors will. So that should be addressed. If there is an extension in the future for education stabilization, for example, that maintenance of effort requirement can be problematic because States have to reduce their expenditures.

However, I think it is still a good combination. I mean, we used about $340 million in education stabilization funds in this current—in fiscal year 2010, even though we reduced the overall education budget by 10 percent. But that really allowed us to keep jobs, about 2,300 of them as a result, even though we had the overall cut in education. So it is still critically important to get those funds for education stabilization and for FMAP.

Related to healthcare, we used about $207 million this fiscal year to cover our obligations in Medicaid. That, again, saved a lot of important jobs, allowed us to continue to provide these essential health services to Iowans that needed them, even though, again, our overall cut to the healthcare budget was significant.

So I really believe that especially in these two areas of education and healthcare, without that financial assistance from the Federal Government, as the chairman noted in his opening comments, it really would have resulted in a much more serious problem across the country in terms of employment.

With respect to your second question, Governors have expressed concern about the cost that the States might incur related to healthcare reform. However, I think there is quite a bit of consensus, certainly among the Democratic Governors, that the current Senate bill would be a better option in terms of the impact financially it would have on the States. And we are hoping that we can have flexibility to work with the Department of Health and Human Services, for example, on certain aspects of our healthcare effort to minimize further the cost to the States.

We have had a very good working relationship in Iowa for the last 10 years with the Department of Human Services. They have allowed us a lot of flexibility. We have been able to create some programs that have actually saved us money. So that ability to partner in the future with the Federal Government, the Department of Human Services, and Health and Human Services in particular, could minimize the cost as well to the States long term.

Senator ALEXANDER. Thank you, Mr. Chairman.

Senator HARKIN. Thank you, Senator.

Thank you very much, Governor Culver, for your testimony and for being here this morning. Thank you for your great leadership in our home State of Iowa.

And I didn't say this at the beginning, but your full statement will be made a part of the record in its entirety, and I will put that letter in there from the 23 Governors you had. I will make sure that is in the record, too. So we thank you very much, Governor Culver, for leading this off this morning.

Governor CULVER. Thank you, Chairman Harkin. Ranking Member Cochran, welcome. And thanks for the opportunity to be here today as well.

Senator COCHRAN. Mr. Chairman, thank you very much for convening the hearing and leading it off with an outstanding witness in Chet Culver. We had the pleasure and honor of serving with your father here in the Senate and developed a close friendship with him and have known you for quite a while.

Congratulations to you on your service as Governor of the State of Iowa. And we particularly appreciate your insights into the subject that we are considering today.

There are tax incentives for States that take initiatives in this area, particularly ethanol and some other substitute fuels that we are learning to deal with and use to good advantage to help deal with our energy needs. What would happen in your State in terms of participation in the ethanol and other programs like that if the tax changes that had been made by Congress are reversed or modified in some way that would deny you the benefit of those tax breaks?

Governor CULVER. Well, the biofuels industry is now an $8 billion industry in Iowa. It supports roughly 80,000 jobs, directly or indirectly. So, in my testimony today, I talked about the importance of extending the biodiesel tax credit that expired on December 31.

Obviously, we are open to changes in how that credit applies. We understand there is competing interest, but we need some type of credit, I think, to support that $8 billion industry. For some period of time in the future, they are going to continue to need that type of support, and same with the ethanol credits as well.

But I think, as the chairman will tell you, Iowa is very interested in being a team player. I think we understand that we need diversification in terms of our renewable energy portfolio. We need all types of biofuels, whether they are cellulosic, ethanol, biodiesel, and we need to keep pushing in terms of the research and development, in terms of second- and third-generation renewable energy fuels.

This is an exciting time for our country. So we have to keep those industries alive that have proven to have a positive economic impact on our country and search for new alternatives at the same time.

Senator COCHRAN. Thank you very much.

Governor CULVER. Thank you, Senator.

Senator HARKIN. Thanks, Governor Culver.

And now we will call our second panel—Dr. Lawrence Mishel, Dr. Jerry Weast, and Marléna Sessions.

Dr. Mishel is president of EPI in Washington. He joined EPI in 1987. He has researched, written, and spoken widely on the economy and economic policy as it affects middle and low-income families and is the principal author of a major research volume, "The State of Working America."

He earned his bachelor's degree at Penn State, his master's at American University, and his Ph.D. in economics from the University of Wisconsin.

Dr. Jerry Weast is superintendent of Montgomery County Public Schools, the largest school district in Maryland, the 16th largest in the United States and, as I was just reminded before the hearing started, is also where Governor Culver graduated from high school in Montgomery County. So they have that connection.

Dr. Weast is currently in his third 4-year term as superintendent of Montgomery County, and he has led the district's effort to close the achievement gap among children of all races. He has been named superintendent of the year in both Maryland and North Carolina, having served as superintendent of schools in eight school districts over a 40-year career in public education.

And for purposes now of introduction, I would turn to Senator Murray.

Senator MURRAY. Well, thank you very much, Senator Harkin. I really want to thank you for the opportunity to invite Marléna Sessions from my home State of Washington here to talk about what more we can do on the jobs legislation that we are working on.

You know, often times here, we get caught up in the numbers and the timelines when we talk about job recovery acts, and we forget how important the work of individuals is in administering this massive undertaking. And I want to tell you, Marléna Sessions is one of the people in my State whose work and dedication make her impossible to forget.

Marléna is the CEO of the Workforce Development Council of Seattle-King County. This is an area that is a major economic driver for my home State. Marléna coordinates efforts in worker training, youth employment, worker placement, on-the-job training, and a lot more.

Last year, there were more than 120,000 visits to One-Stop employment centers in King County. That is a 30 percent increase from the year before. But even with that tremendous increase of new job seekers using the system, the Seattle-King County Workforce Development Council continues to be nationally known for its award-winning approach to workforce development, its strong partnerships with other systems and entities, and its commitment to self-sufficiency for all, from laid-off workers to our young people.

That is why I am really pleased that Marléna is here today to talk with us and share her thoughts because I know that she has a great understanding of how education and training and employers and labor and local communities work together, just as I was talking about with Governor Culver, and how we need to utilize these relationships to create jobs quickly.

This summer, I had the opportunity, firsthand, to see how Marléna can move swiftly to get jobs programs up and running when she helped create a youth employment program in King

County that employed 900 workers only 4 months after the funding of the program was approved as part of our Recovery Act.

I know that, like me, Marléna believes that providing new skills to job seekers is the most important bridge between unemployment and a stable job, and I know that as we now work to create new legislation to boost job creation, she is uniquely prepared to help us find some solutions that will really help our workers, both young and old, find jobs.

So I am pleased that you are here with us today, Marléna. Thank you for traveling all the way across the country on a different time zone to help share with us some of your thoughts this morning. Thank you very much, and I think we will learn a lot from her.

Thank you, Mr. Chairman.

Senator HARKIN. Thank you, Senator Murray.

And we will start—as I was introducing them, we will start with Dr. Mishel first. All of your written statements will be made a part of the record in their entirety. I ask you to sum them up, and what I would like to say is I will try to give each of you up to 10 minutes, up to 10 minutes each, and then we will open it for questions and stuff after that.

So whoever is running my clocks back here, if you could make sure we give at least 10 minutes to each person.

Welcome. Dr. Mishel, let us start with you.

STATEMENT OF LAWRENCE MISHEL, Ph.D., PRESIDENT, ECONOMIC POLICY INSTITUTE

Dr. MISHEL. Thank you very much, Mr. Chairman.

And thank you, Ranking Member Cochran and the other members of the subcommittee, for this opportunity to talk about this very important topic of the jobs crisis and how to address it.

I am here today on behalf of the Economic Policy Institute (EPI), as well as the Jobs for America Now coalition.

As you all know, we are in the worst jobs crisis since the Great Depression. The unemployment rate is at 10 percent now. All the projections I see suggest that it is going to be rising throughout the year, topping out at 10.5 percent or even more by the end of the year.

And this is in spite of the fact that these projections assume that there is going to be the renewal of the unemployment insurance/COBRA program, which has not yet been legislated for throughout the year. That program itself would create around 900,000 jobs, according to our estimates.

We expect job growth to actually resume sometime in the spring, and unemployment will rise even though we will be creating jobs because you need to create at least 100,000 jobs a month to absorb a growing population. So we have to get job growth much more than that.

I would suggest a target for the end of the year that we take the action now that will get us robust job growth, that will get the unemployment rate actually moving steadily down and, hopefully, attain a level no higher than 9.5 percent at the end of the year. So that means policy action on top of renewing the unemployment insurance (UI) system. That will mean creating at least an additional

1.5 million jobs, which will take around $150 billion of expenditure above and beyond the UI renewal.

But I think we have to aim higher than that because there are two factors that are going to militate against getting job growth right now and getting the unemployment rate down. One is what I would call the missing labor force. Since the recession began, there are about 3.5 million people absent from the labor force that we would expect to be in. The labor force has actually shrunk by 2 million since last May alone.

Now these people are not counted as unemployed. When we start seeing job growth, these people could be expected to start coming back into the labor force. This will make it harder to get the unemployment rate to go down and could even drive the unemployment rate up. So that means I think we need to aim for at least another 1 million jobs more than what I have already said just to think that maybe one-third of these people are going to come back in.

The second factor is that we have seen very fast productivity growth. This means employers are able to increase their output without adding jobs. If this high productivity growth sustains itself—and I certainly hope it does—it is going to make it that much harder to get jobs.

Therefore, my suggestion is that we are going to have to shoot for $200 billion to $250 billion more of expenditure to create jobs above and beyond the UI renewal. I think that is what the American people expect you to do, to take decisive action to generate jobs. We are not going to have that many more chances to get things going, and we are going to start running out of bullets if we get a second dip in this recession, which is around a 15 to 20 percent chance according to some economists.

EPI has put together an American jobs plan, which I am describing today. It is a plan to create 4.6 million jobs through 5 different types of actions. The first is certainly a no-brainer, and that is to renew the UI and COBRA program.

Right now, there are 6.4 unemployed persons for every job opening. The fact that people are not finding jobs is not their fault. Giving these people support is not only humane, it actually helps support spending throughout the economy, creating jobs throughout the private sector. So this is a no-brainer to do.

Second, as was discussed earlier with Governor Culver, there needs to be relief for State government and, I think, also directly to city governments, which did not necessarily gain as much from the last round of assistance. We are suggesting $150 billion between the two of them, which includes FMAP, other items.

If nothing is done, you can expect to see 1 million jobs lost this summer and fall as States and local governments pare back on the services they provide, and we estimate that half the jobs lost will be in the private sector. It is not just public sector workers because the State and local governments use private sector firms for construction, for healthcare, for many other different things. And as people lose their jobs who directly provide services in the public sector and private sector, that we can support spending throughout the rest of the economy.

Third, we think that if you want to create jobs, you can do it directly. We think there are about 250,000 jobs can be created through infrastructure and through school renovation and rehab, which I imagine Dr. Weast will address as well. I would hope that we could have schools all across the country rehabbing and modernizing this summer.

There is a big backlog that school districts have. What they need is money to get them going on this. Providing them loans, as some people have suggested, won't really help all that much.

Fourth, we think 1 million jobs can be created directly through public service jobs, providing money to mayors as we have done twice in the past in the Great Depression and in the 1970s. It is a very cost effective and efficient way to get jobs by providing money directly to local governments, to nonprofits, for things like cleaning up abandoned and vacant properties, staffing emergency food programs, Head Start work, child care, early childhood education, working in parks and playgrounds, et cetera.

These need to be new jobs. They cannot supplant the work that is already done by public employees. It has to be done at decent labor standards, but it is something that is going to be needed for many years to come.

Last, we have suggested a jobs tax credit that could be provided to help move employers to provide jobs at this moment.

Let me address a serious concern, and that is deficits. That is a concern of the American people and of all the policymakers. First, we need to understand why we have a large deficit right now. The reason we have a large deficit is because we have a large recession. In a recession, we get fewer taxpayers. Companies don't make as much money. They cut back on their taxes.

Expenditures automatically rise for unemployment insurance, food stamps, Medicaid, and such. The way we need to—so what we know is as long as we have high unemployment, we are going to have high deficits. And second, what we know is the first step toward deficit reduction is actually to generate jobs to create more taxpayers.

It is also really important to understand that doing nothing, that not addressing this jobs crisis, imposes large costs on our economy and on America's families. Persistently high unemployment leaves scars. The families that are affected, their children are hurt. That actually hurts their own educational advancement.

Young workers who come into the labor market at this moment in time will have lower earnings for their entire lives as a result of having to deal with the high unemployment they face. Plus, high unemployment leads firms to scale back on their innovation and on their investment. This limits our potential future growth.

So there is a huge cost of doing nothing, as well as a cost of doing something.

Last, it is also possible to pay for a job creation package. No economist would advise that taxes to support the job creation package would be implemented during the recession itself, but you can do something which legislates things that happen, let us say, in the third year of a 10-year budget window.

We have suggested a financial transactions tax, which you might describe as a modest sales tax on Wall Street transactions. It can reap around $100 billion to $150 billion a year and more than pay for the jobs spending that is needed now to get America moving again.

PREPARED STATEMENT

This sector caused us this crisis. They are doing very well. We seem to be on the hook for them, regardless of what we want. So they might as well be paying some money, year in and year out, on their activities and support the jobs that America needs.

So thank you very much, Mr. Chairman, Senator Cochran, and I look forward to engaging in discussion after the testimony.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF DR. LAWRENCE MISHEL

INTRODUCTION

On behalf of the Economic Policy Institute (EPI) and the Jobs for America Now Coalition, 68 organizations representing tens of millions of Americans, I thank you for the opportunity to testify on the urgent need for a large and effective job creation program.

The United States has already experienced the sharpest rise in unemployment and the longest recession since the Great Depression in the 1930s. This "great recession" is doing great harm to many lives, will impoverish millions, and do great damage to a generation of children, indeed permanently scarring them in ways not easily overcome. It is also doing damage to our long-run growth potential. Consequently, the key priority for economic policy must be to generate millions more jobs this year and start the unemployment rate on a steep downward trajectory. In the absence of additional policy action we can expect the unemployment rate to climb throughout the year, reaching 10.5 percent or above by the end of the year. For reasons explained below, we can expect the unemployment rate to keep increasing even when the expected positive job growth materializes in the early spring.

The administration and Congress' effort to offset the recession was bold and effective and, given the extreme situation, needed to be the largest policy intervention in the economy in several generations. It has undoubtedly slowed the economy's freefall and restored economic growth starting in the summer. However, current projections suggest that unemployment will remain very high and be above 8 percent at the end of 2011. There are strong economic and moral reasons to work to create more jobs so as to avoid this high, persistent unemployment: much more must be done to generate robust job growth, restore incomes, create consumer demand, and generate sustained economic growth.

Congress has the tools to create millions of jobs over the next 12 months. It also has the responsibility. The public is rightly demanding action, and there is no excuse—not the budget deficit, not fears of inflation, not feasibility—for failure to act.

In fact, given the economic realities, only a large-scale intervention by the Federal Government can generate sufficient employment demand and economic activity to sustain healthy job growth and markedly reduce unemployment.

This testimony will discuss:

—The recession—why it happened and how deep it is.

—The persistent unemployment ahead.

—The damage being done by high unemployment.

—What the recovery plan does and how it's working?

—Why that isn't enough, why we need to do more, and what can be done?: a 5-point plan to create more than 4.6 million jobs; and

—Reconciling concerns about the fiscal deficit with the need for job creation.

STRUCTURAL PROBLEMS—A LONG, SLOW TRAIN WRECK

The United States did not wreck its economy overnight. Developments over the last 30 years and deep structural problems lie at the heart of the current economic crisis. Foremost among those problems is a huge growth in inequality of wealth and incomes, greater than in any other advanced nation, and the greatest inequality of our history. It is this inequality that laid the foundation for the crisis we are in, and addressing this inequality will be essential for establishing a firm foundation for growth.

Unbalanced Growth

Since 1989, the bottom 90 percent of Americans received only about 16 percent of all the income growth in our economy. On the other hand, the top 1 percent obtained three-and-a-half times as much—56 percent. Even more astonishing, the upper tenth of the top 1 percent, representing about 13,000 households, reaped more than a one-third of all the income growth of the last 20 years. That appalling accomplishment was no accident—it took concerted political power and policy to accomplish this vast, upward redistribution of income. It was because of this unbalanced growth that the economy's growth heavily depended upon consumption based on the inflated asset values of stocks and housing and from consumer debt.

The feverish growth of the financial sector and its compensation helped drive this unparalleled inequality. By diverting capital from the productive sectors of the economy, pouring money into the kind of derivative trading and securitization that ultimately brought down the economy, economic policy and financial deregulation over the last two decades helped enrich a narrow slice of society to a degree unseen since the Gilded Age. They also generated tremendous risk that resulted in our current economic calamity.

Productivity/pay Disconnect

At the heart of this dynamic is the fact that in recent decades the typical worker became much more productive, but received hardly any of the benefits of the greater amount of goods and services she produced. Productivity—the ability to produce more per hour worked—grew throughout the last 60 years. But it was only in the early postwar period that the compensation of the typical worker grew in tandem with greater productivity. Since 1973, there been a huge and growing gap between the two.

The gap was greatest in the 2002 to 2007 recovery, when productivity surged at historically high rates, but the hourly compensation of both high school and college graduates did not grow at all.

It should not be surprising then that this last business cycle, from 2000 to 2007, was the first on record where the typical working family was no better of at the end of the recovery than it was before the recession began.

To summarize, things weren't going well long before the current recession. Moreover, it will be necessary to address these structural inequalities in order to establish a basis for robust, sustained growth coming out of this economic crisis.

THE GREAT RECESSION

Unemployment/Underemployment

The recession officially started in December 2007, but unemployment started rising earlier in the spring of 2007 and has now more than doubled to 10.0 percent. The steep rise in unemployment we have seen, up 5.7 percentage points, is even greater than the rise in unemployment in the deep recession of the 1980s. Of course, the unemployment rate doesn't capture the folks who are working part-time but want full-time work or those who are not included in the labor force but want a job. Adding them in shows an underemployment rate of 17.3 percent—27 million people. In addition, roughly 3.5 million people dropped out of the labor force over the last 2 years, and they are not counted either as unemployed or discouraged. I will discuss this "missing labor force" below as I describe the challenges ahead.

We Are Now Short 10.6 Million Jobs

We've lost 8.1 million (incorporating the announced data revision) jobs so far, a 5.8 percent drop in total employment and the sharpest drop in employment of any recession since the 1930s. However, "this number understates the magnitude of the hole in the labor market by failing to take into account the fact that the labor market should have added jobs since December 2007 simply to keep up with population growth. This means the labor market is currently 10.6 million jobs below what would restore the pre-recession unemployment rate."[1]

Wage Deceleration

High unemployment adversely affects those who have jobs as well, as wages grow more slowly. Furloughs, reduced hours, and losses in benefits are other ways people are impacted. Gallup reports that one-third of workers fear their wages will be reduced, and a survey conducted for EPI by Hart Research Associates found that 44

[1] Shierholz, Heidi. 2010. "Labor Market Closes 2009 with no Sign of Robust Jobs Recovery," EPI Jobs Picture, http://www.epi.org/publications/entry/jobs__picture__20100108/

percent of households have already experienced job loss or cuts in pay or hours. Wage growth in the first half of 2009 was at a historically low rate.

Unemployment—The Full Picture

So far, I've dealt with "averages" and we all know that there is no "average person" walking around on the streets. Unemployment affects different populations differently. While average unemployment is 10.0 percent, it is 60 percent higher for blacks (16.2 percent), almost one-third higher for Hispanics (12.9 percent) and below average for Asians and Whites. Men are experiencing 11 percent unemployment, blue-collar workers have higher unemployment (14.3 percent) than the national average, and white-collar unemployment is at 6.7 percent, which may seem low but is higher than at any time during the 1980s recession and the highest since the 1930s. College graduates have half the average unemployment (5.0 percent), but it is the highest on record (with data going back to the early 1970s).

Our latest measures of underemployment by demographic group are from November 2009, and they show that when overall underemployment was at 17.2 percent there was underemployment among blacks and Hispanics, respectively, of 24.3 percent and 25.1 percent. Those with high school degrees had underemployment of 21.2 percent.

Long-term Unemployment Explodes

The statistic that most stands out in the current recession is the high rate of long-term unemployment: 6.1 million people have been jobless for more than 6 months, 4 percent of the total labor force. This far surpasses the previous peak of 2.6 percent set in June 1983. The cause of this lengthening unemployment is clear: there are no jobs available. More than six people are looking for work for every job vacancy.

Needless to say, if Congress had not acted to extend unemployment benefits to a maximum of 99 weeks, millions would have been cut off from their only source of income. More than 2 million workers have already been unemployed for more than a year.

Unfortunately, there are still more job losses and rising unemployment ahead.

THE UNEMPLOYMENT AHEAD

I anticipate that unemployment will keep rising until mid-2010 or even until the end of 2010, topping out at 10.5 to 10.7 percent. According to many forecasts the unemployment rate may still be as high as 8 percent at the end of 2011. Eight percent is higher than unemployment had been for the 25 years before this recession, and I consider that an unacceptably high unemployment rate that policy must address.

When the unemployment rate reaches 10.5 percent, we will have an underemployment rate of 18 percent each month. Since people flow into and out of unemployment we'll have over one-third of the workforce unemployed or underemployed at some point during 2010. In the African-American and Hispanic communities, about 40 percent of the workforce will be unemployed or underemployed at some point in 2010.

THE PAIN AHEAD

So, there is a great deal more pain in the pipeline. Families will have fewer family members working, and they will work fewer hours each week at lower hourly wages and with fewer benefits. This will continue for a number of years.

Hardest hit will be children, whose poverty will rise by half, from the 18 percent level in 2007, to 27 percent. For black children, poverty will likely rise from the already unacceptable level of a one-third in 2007 to more than one-half in the year or two ahead.

The recession will cause income declines among families at all income levels, but hit low-income families the hardest. We already know that the median family's income fell by 3.6 percent in 2008, the largest 1-year decline since 1967 (*See* Heidi Shierholz, Income Picture, September 2009, http://www.epi.org/publications/entry/income____picture____20090910/). This decline happened as unemployment rose from 4.6 percent in 2007 to 5.8 percent in 2008, a rise of 1.2 percentage points. We also know that the unemployment rate rose three times faster between 2008 and 2009 (up 3.5 percentage points to 9.3 percent) than in the prior year so it is inescapable that incomes fell sharply in 2009. A very conservative estimate based on historical relationships is that over the 4 years from 2008 to 2011, the average low-income family will have income averaging 7.2 percent, or $1,200, less than they earned in 2007 before the recession, a total loss of more than $4,600. On average, middle-class family will see losses of roughly $3,500 a year for those 4 years with incomes in this period 5.6 percent below their 2007 levels.

These estimates are for all families, those that do and do not directly experience periods of unemployment. The situation will, of course, be much worse for those families that directly experience unemployment.

THE RECOVERY ACT

Matters would have been far worse if Congress had not passed the American Recovery and Reinvestment Act last year. The Recovery Act has been effective, pumping more than $250 billion into the economy and generating about 200,000 jobs each month since April—roughly 2 million jobs overall. The fact that the job situation remains so dismal only reflects how deep a hole the flawed policies that led to this recession had dug. For the most part, those who deny the effectiveness of the recovery package are the very ones who supported the anything-goes, free-market policies that pushed us into this huge hole.

The Deep Hole

The economic downturn is far worse than what economists (myself included) predicted in November 2008. The consensus predicted unemployment would hit 6.9 percent in the first 3 months of 2009, but it actually hit 8.1 percent in the first quarter and reached 8.5 percent in March—before the ink was even dry on the recovery legislation. The loss of $14 trillion in housing and stock market wealth, the credit freeze, and business retrenchment were worse than economic forecasters anticipated.

GDP Decline

The economy was headed steeply downward last winter and in early 2009. The Recovery Act interrupted that decline and created actual growth starting last summer. In the second quarter of 2009, the domestic economy's only area of positive growth was Government consumption and investment, which increased by 6.7 percent over the previous quarter. Private consumption and investment both fell in that quarter. Without the Recovery Act, nondefense Federal Government expenditures would likely have fallen as they did the quarter before, State and local governments would not have been able to expand spending at their highest rate since 2002 (3.9 percent), and private consumption spending would have fallen even further as it would not have been buoyed by the increased transfer payments and tax cuts the Recovery Act provided. The result would have been a contraction of GDP of 3.7 percent rather than the actual 0.7 percent decline. Therefore, the Recovery Act saved between 600,000 and 750,000 jobs in that quarter alone.

In the third quarter the economy expanded by 2.2 percent. Without the Recovery Act this quarter would surely have seen either stagnation or outright contraction again. Estimates for the fourth quarter suggest that economic growth continued, perhaps at an even stronger pace.

It is important that the manner in which the Recovery Act had this impact not be an abstraction. It came about because there were efforts to support household income to allow spending to be greater than it would have been. This is due to the one-time payments to those on Social Security, to higher food stamps, and from the unemployment benefits and COBRA assistance to the unemployed. Second, the fastest and largest impact came from the relief to State governments, which prevented layoffs and boosted employment in both the public and private sectors. Third, there was some Government spending on infrastructure that boosted demand. Last, various temporary tax cuts—such as the Making Work Pay tax cut that limited the taxes withheld from paychecks starting in April 2009—helped boost spending as well.

MORE NEEDS TO BE DONE

The fundamental problem in the economy today is excess capacity—both too many people unemployed and facilities underutilized. In fact, capacity utilization for total industry stood at 71.3 percent in November, a rate 9.6 percentage points below its average for the period from 1972 through 2008. The solution is to increase demand. When the housing and stock bubbles collapsed, people lost wealth and income and cut back. Businesses lost customers and pared back. Exports fell as the world economy declined. That vicious cycle is continuing, though at a slower pace, and that's why Government has to intervene. Businesses won't invest and start hiring until consumer demand picks up, which won't happen with 27 million people unemployed or underemployed.

Obviously, the overwhelming need is to create jobs—millions of them, as quickly as possible. As long as employers are creating only a single job for every six unemployed workers, consumer sentiment and unemployment will not improve, and the recession will continue.

The Jobs Challenge

To be effective at bringing down the unemployment rate, job creation policies must not only focus on those policies that provide the most bang for the buck, but must also be big enough to have a significant impact. Unless Congress approves a job creation plan of sufficient scale, the unemployment rate will be higher in the summer and winter of 2010 than it is today. It should be noted that these projections assume that Congress will extend the unemployment insurance program throughout the year, so making progress on unemployment will take significant additional policy action.

What will it take to keep the unemployment rate from rising through next fall? Moody's Economy.com forecasts 10.5 percent unemployment in the last half of 2010, which implies that roughly a million more people will be unemployed by the end of the year. This projection assumes that legislation already passed—including Recovery Act provisions and the homebuyers' credit—will have a positive impact and assumes there will be a renewal of the unemployment insurance/COBRA package, which also helps create jobs (about 900,000 according to our estimates) and reduce unemployment. The projection shows 400,000 more jobs in the last quarter of 2010 relative to the last quarter of 2009.

There are two special challenges at this moment in time that may make lowering unemployment even more difficult than these projections imply: fast growing productivity and the "missing labor force."

Consider the "missing labor force" first. As mentioned above, the labor force has actually shrunk over this recession rather than grow proportionate to the increase in the working-age population. What this means is that there is a large group of people not currently counted as unemployed—the missing labor force—who reasonably can be expected to start looking for work when job growth resumes. For instance, the labor force has contracted by 810,000 since December 2007 instead of growing by the 2.6 million that could have been expected (with 0.9 percent annual growth). That means the labor force is missing more than 3.5 million workers, more than 2 percent of the labor force. Since May 2009 the labor force has declined by an astonishing 1.9 million. When these workers restart their job searches (as job growth returns), they will either drive the unemployment rate up or make it more difficult to obtain reductions in the unemployment rate.

The second challenge is the recent spike in productivity growth. This means that employers are able to produce more goods and services with the same number of employees. Consequently, it will take faster growth in overall demand and economic activity in order to generate job growth. This spike in (nonfarm business) productivity is very large, growing 8.1 percent and 6.9 percent, respectively, in the most recent two quarters. Productivity has grown 4 percent more than the last year. Some have interpreted this spike as employers retrenching more than necessary, implying that we'll get strong employment growth as overall growth continues (employers will have to hire rapidly to increase production because they have cut into the bone already). I do not think that interpretation is correct. I have been impressed by the recent research of Robert Gordon of Northwestern University, which shows that this productivity spike is the continuation and deepening of a trend observed in the last two recessions. In this light, the productivity growth is not a fluke but expected behavior that will make it extremely difficult to generate a substantial number of jobs in the recovery. Gordon's research helps explain why we have had two successive "jobless" recoveries and why we should expect a repeat performance in this recovery.

So, how many jobs must we create in order to see unemployment fall rather than continuing its upward trajectory? To see 9.7 percent unemployment at the end of the year we would need at least 1.2 million more jobs than we expect to see. There will be roughly 1 million jobs generated (lowering unemployment by roughly 0.67 percent) for each $100 billion of additional (beyond unemployment insurance/COBRA) spending targeted at job creation, say through State and local government assistance or infrastructure spending. That would put unemployment next fall at today's 10 percent rate. However, if just 1 million of the more than 3.5 million workers in the "missing labor force" restart their job searches, then $100 billion in spending on job creation will not lower the unemployment rate at all. If productivity growth continues to be above that expected in the projections, then even more will need to be done. It will require about $200–250 billion of additional spending, above and beyond full-year UI/COBRA renewal, to assure that unemployment would peak by spring or summer and start falling thereafter.

We should also consider the longer-term context. To return, within 2 years, to even the December 2007 pre-recession 4.9 percent unemployment rate, we'd need to create roughly 550,000 jobs every month for the next 24 months. This would require obtaining GDP growth of roughly 7 percent, significantly higher than the expected

3 percent growth over the next 2 years. To put this in perspective, the Nation hasn't experienced a rate of job growth this rapid and sustained since 1950–51, two of the best years on record for job creation in the U.S. GDP growth in those 2 years averaged 8.2 percent.

Clearly, any job creation proposals must be laser-focused on creating the maximum possible number of jobs for every dollar spent. But they must also be part of a job creation package that is big enough to have a major impact and return the economy to where we can rely on private sector growth.

Serious, Large-scale Job Creation will Require a Five-part Approach

First, Congress must strengthen the safety net and provide relief for those directly impacted by the recession. There is a direct boost to GDP (and therefore to employment) from unemployment compensation, COBRA continuation, and food stamps. As a new CBO report, "Policies for Increasing Economic Growth and Employment in 2010 and 2011" makes clear, paying unemployment compensation is among the most effective ways to boost demand and create jobs. All of the Recovery Act provisions to improve and extend benefits to the unemployed (including a total of 99 weeks of unemployment compensation) should be renewed for another year. We predict that a full-year renewal will create about 900,000 jobs, while CBO estimates that about 700,000 jobs would be created, on the assumption that each $1 billion of aid to the unemployed creates 7,000 jobs.

Action to renew these programs is urgently needed, since under current law they expire on February 28. If the program expires, millions of the unemployed will lose benefits, since almost 40 percent have been unemployed for more than the normal 26-week period of benefit payments.

Second, Congress should provide more fiscal relief to the States. Helping State and local governments avoid job cuts is as effective as creating new jobs. Nothing is more clearly an obstacle to recovery than another round of public employee job losses and cutbacks in State spending on goods and services contracted out to the private sector. As Paul Krugman puts it so well, we cannot afford to have the States become 50 little Herbert Hoovers, cutting back spending and raising taxes as the economy struggles to recover. With budget gaps expected to exceed $450 billion in 2010 and 2011, the States and local governments need Federal revenue sharing as never before. EPI researcher Ethan Pollack estimates that if Congress does not intervene, and State and local governments close their budget gaps by cutting spending, GDP growth will be reduced by about 4.5 percent more than the next 2 years, at a cost of more than 3 million jobs. We can expect to see State and local government efforts to close their fiscal imbalances lead to large-scale layoffs and cutbacks this spring and an even larger retrenchment this summer and early fall. We estimate that half the jobs lost through fiscal retrenchment would be private-sector jobs that either directly provide services to citizens (think highways and healthcare), inputs to State services, or are supported by the spending (restaurants, supermarkets, etc.) done by those who deliver services. These actions would also, of course, badly erode needed public services. This damage can and must be avoided.

We recommend that Congress provide $150 billion to State and local governments, an investment that, we estimate, would save or create 1.0–1.4 million jobs. CBO's job creation estimates are lower but still large, assuming that each $1 billion of fiscal relief to the States will create 3,000 to 7,000 jobs over the next 2 years, for a total of 450,000 to 1.05 million jobs.

Third, this subcommittee should fund the direct creation of public service jobs—putting unemployed people to work doing jobs that will benefit their communities. Twice in the past during times of high unemployment, the United States successfully turned to large-scale programs of direct job creation. We can build on those successes to increase employment and household income in the communities most severely affected by the economic downturn. In doing so, we can reduce the need for unemployment compensation and health coverage for the unemployed while improving health, housing, education, job readiness, transportation, and public infrastructure.

With a goal of putting a million people back to work, the program should be funded at $40 billion per year for 3 years, with funding allocated to local governments and States using a modified Community Development Block Grant formula.

The U.S. Department of Labor should allocate funds and oversee the program at the Federal level. Projects would be selected for funding by the highest local elected official based on the ability of the project to provide immediate employment to community residents, its benefit to the community, and the management capacity of the applicant.

Local governments would design public-sector programs or select projects proposed by nonprofit organizations and public-private partnerships that can quickly employ residents of the targeted communities while delivering a needed service.

During the first 6 to 9 months, the program could fund fast-track jobs. Projects would be limited to a discrete list of activities, in order to allow for quick implementation and large-scale employment. This "fast-track" authority should be carefully defined to prevent abuses and limited to four areas that reflect national priorities and demonstrate a high-potential impact for aggregate job creation: neighborhood/community improvement; child health and development; access to public services; and public safety.

Fast-track jobs could include, for example:

—Painting and repairing schools, community centers, and libraries;
—Clean-up of abandoned and vacant properties to alleviate blight in distressed and foreclosure-affected neighborhoods;
—Staffing emergency food programs to reduce hunger and promote family stability;
—Work in Head Start, child care, and other early childhood education programs to promote school readiness and early literacy; and
—Renovation and maintenance of parks, playgrounds, and other public spaces.
—After 9 months, the program would move into the full implementation phase, and projects would be identified based on a planning process that would involve community input. Priority for funding under the longer-term phase would be given to employment projects that:
  —Integrate education and job skills training, including basic skills instruction and secondary education services;
  —Coordinate to the maximum extent feasible with pre-apprenticeship and apprenticeship programs; and
  —Provide jobs in sectors where job growth is most likely and in which career ladders exist to maximize opportunities for long term, sustainable employment for individuals after program participation.

Jobs would be made available broadly to the unemployed, but local governments would be permitted to target the program to those most in need, such as those unemployed for more than 6 months or people residing in a high-poverty community.

It is critically important that the jobs created be new jobs that add to total employment, and not substitutes for jobs currently held by public employees. Experience shows that local governments will be tempted to replace employees paid by local taxpayers with employees paid with Federal funds. To prevent this, there must be strict rules against substitution and strong enforcement along with the State and local fiscal relief also proposed as part of this plan.

To ensure the maximum job creation, 80 percent of funding for each project must be spent on wages, benefits and support services (such as child care) for individuals employed. To ensure that the jobs do not undermine local labor standards, the projects must pay prevailing wages and benefits.

During the Great Depression in the 1930s, public job programs employed millions of people and left a legacy of improvements in the national parks and forests, hundreds of thousands of miles of new roads, 35,000 public buildings, urban art and murals, soil conservation, and many other valuable contributions to national life and prosperity. A smaller program in the 1970s employed 750,000 people at its peak, gave on-the-job training that boosted the long-term income of hundreds of thousands of young people and urban residents, and performed valuable services in thousands of communities.

We know from those experiences that a large-scale jobs program can be geared up quickly and help put a million of our citizens back to work in jobs that will improve their communities and contribute to shared prosperity.

We recommend that the Federal Government spend $40 billion per year over the next 3 years to directly create jobs that put unemployed Americans back to work serving their communities. Each $40 billion could put about a million people to work.

The fourth component of our plan is increased investments in school repair and modernization. I know this has long been an interest of Chairman Harkin, but the time has come to think big and to act. A bold plan to address one of America's most pervasive infrastructure problems could quickly put hundreds of thousands of people to work while improving the safety and education outcomes for millions of children. Investment in the repair and maintenance of the Nation's 97,000 public school buildings would boost the recovery and deliver long-term benefits to the economy.

In 1995, the Government Accountability Office did an extensive survey and analysis and found that America needed $113 billion ($159 billion in today's dollars) to bring its school building inventory into good repair. Although the United States. expended nearly $550 billion for public school construction from 1995 to 2007 ($770 billion in today's dollars), most of these funds were spent to build new schools and additions to meet the space needs of nearly 5 million additional public school students. While thousands of new buildings were built, the 86,000 already existing school buildings were neglected. Most school districts were unable to catch up or keep up with the maintenance, repair or capital renewals needed to support the health, safety, or educational requirements of staff and students.

A detailed analysis by the 21st Century School Fund of school district spending on maintenance, repair, and capital renewals revealed that the Nation's deferred maintenance deficit has worsened considerably since 1995. Nearly $300 billion of required maintenance in our pre-kindergarten through 12th grade public school buildings has been neglected. This is an average of about $41 per square foot of space and $5,400 per student.

Chronic deferred maintenance, repair and capital renewals can result in unsafe drinking water; unsafe food storage and kitchen equipment; inoperable building door locks; infection risk and asthma from exposures to mold under carpets; unrepairable alarm systems; and danger from structural problems. Gyms, pools, and libraries are closed because of leaky roofs and other maintenance problems.

Without adequate funds, school buildings are maintained as part of a "run to fail" system-neglecting preventive and routine maintenance and doing upgrades and replacements of major building systems, component and finishes only in response to crisis.

Maintenance and repair work are labor intensive. Making progress on the most critical needs with an investment of $30 billion—just 10 percent of the most urgent deferred maintenance—could provide important, productive work to nearly 240,000 workers in the private and public sectors. Currently, 1.5 million construction workers are unemployed and the market for new construction remains severely depressed. Both small businesses and their employees desperately need the work.

We recommend that your subcommittee allocate $30 billion to school districts for school modernization, using the Elementary and Secondary Education Act's title I formula to ensure that the money reaches every school district quickly and efficiently.

It is critical to recognize that half-measures like guaranteeing local government construction borrowing won't work. The process to approve the issuance of new bonds, which often includes a public referendum, is too slow to create jobs this summer when school repairs could be done with the least disruption of classroom activities. Equally important, the poorer districts that most need the money and jobs would be the least likely to borrow. And most districts are forbidden by statute to borrow for maintenance and repair of facilities, which are considered part of operations. They can borrow only for their capital budget, for the long term, which limits loans for purposes such as new construction and the purchase of assets with a useful life as long as the term of the bond.

Finally, Congress should enact a new job tax credit to spur job creation in both the private and nonprofit sectors. According to our estimates, a tax credit for firms equal to 15 percent of expanded payroll costs would lead them to hire an additional 2.8 million employees next year. The cost of this program would be relatively low. Net revenue losses to the Federal Government would total an estimated $28 billion in the first year, but half of these costs would likely be recouped in lower spending on unemployment insurance, Medicaid spending, and other safety net programs. Such a credit should be:

—Wide-ranging, designed to stimulate a wide range of jobs across economic sectors and across all kinds of firms, regardless of size or current profitability.
—Temporary, to encourage job creation when the labor market is weakest and to limit the cost to the Treasury.
—Large enough so that it will lead firms to hire new employees, and cause a significant number of jobs to be created economy-wide.
—Efficient. The tax credit should target new job creation as much as possible and not simply be a handout to businesses.

In line with these principles, we suggest a broad-based refundable tax credit for employers that expands their workforce in 2010 and 2011. In the first year the credit would be equal to 15 percent of the net increase in that portion of a firm's payroll subject to Social Security taxes. In the second year the credit would drop to 10 percent. This would encourage firms to hire sooner rather than later, and would provide a significant incentive for expanded employment.

To ensure that the credit is most effective at stimulating new hiring and to ease implementation, the credit would be calculated as a percentage of the increment to firms' Social Security payroll tax expenses over a base amount. We suggest using firm's payrolls in the four quarters prior to enactment (adjusted for inflation), and calculating the tax credit based on the incremental increase in the expenses for payroll taxes paid. This could be implemented by providing the tax credit as part of the employers' quarterly filing of their IRS form 941, which they use to report Social Security and Medicare payroll taxes. Adding a few lines to the form 941 would allow a wage credit to be implemented relatively simply. This credit would be refundable so even firms that are not profitable would benefit. It would also be provided quarterly so it would help firms' cash flow immediately after hiring.

The credit should also be broad-based. The wage credit should be extended to all private firms, nonprofit organizations, and State and local governments.

By applying the credit based on total Social Security payroll taxes, the credit would also reward expansion of work hours as well as employment. The credit should also be based on that portion of wages that is subject to Social Security payroll taxes to ensure that the credit does not apply to wages increases for very high wage earners.

Impact

The job creation tax credit would have a very significant impact on job creation. Using estimates of how wage costs influence employer hiring, we find that the credit would lead to the creation of 1.4 to 2.8 million new jobs in the first year, and slightly less in the following year as the tax credit is reduced.

Even in a down economy many firms expand their workforce, even without a tax credit, so much of the credit will inevitably go to firms that would have expanded anyway. Nevertheless, the cost of our proposal is relatively modest. The revenue loss from the credit would be limited by of setting increases in revenue from corporate tax receipts and individual tax payments. We estimate the gross revenue cost to be $80 billion in the first year. Given our estimate of 1.4 to 2.8 million jobs created, the gross cost per net new job would be between $28,600 and $58,000. Taking into account the positive effects on GDP and reduced expenditures for unemployment compensation and other safety net programs would greatly reduce the net cost per new job, making a job creation tax credit a very efficient job creator.

THE DEFICIT IS NOT A REASON TO FAIL TO ACT

The initiatives I have outlined above necessitate increased spending or lower revenue over the next couple of years, and thus they will add to the Federal debt in the short run. While we do face longer-term budgetary challenges, we cannot be paralyzed into inaction-deficits are both necessary and appropriate with unemployment at current levels.

In fact, the best way to get our fiscal house in order is to ensure we have a vibrant, growing economy and enough jobs and taxpayers so that we as a Nation can start to address the long-term budget. In other words, a major job creation initiative is complementary to any strategy for addressing our future fiscal imbalances.

Experts Agree Deficits are Appropriate and Desirable in Recessions

During times of economic contraction and/or high unemployment, deficits will naturally increase. As incomes and profits fall, tax revenues will decline as a share of the economy. Greater unemployment and lower wages will increase spending on a variety of social supports including unemployment insurance and Medicaid. These "automatic" reactions to recessions imply that deficits will increase. Further, policies enacted specifically to combat recession (through, e.g., infrastructure spending or tax cuts) will have an impact on the deficit as well, at least for the time-limited existence of such efforts.

Textbook economics as well as expert opinion are in agreement that deficits that arise from both the automatic reactions as well as from deliberate, counter-cyclical policy changes are appropriate and desirable to reduce the size and duration of the recession. See examples below for illustrations from experts who are thought to be "deficit hawks":

David Walker, President and CEO of the Peter G. Peterson Foundation:

"I think it's very important to separate the short term from the structural. It's understandable to run deficits when you have a recession, a depression or unprecedented financial services and housing-type of challenges and crises that we've had. That's not what I'm concerned about."[2]

Gene Steuerle, Senior Fellow, The Urban Institute, and co-director of the Urban-Brookings Tax Policy Center:

---

[2] January 11, 2009, Interview with National Public Radio at http://www.npr.org/templates/story/story.php?storyId=122436097&ft=1&f=3

"Contrary to much debate, getting the long-term budget in order does not require avoiding stimulus in bad times; it only means reasonable reductions in those levels in good times."[3]

Greg Mankiw, Harvard Professor and Former Chairman of the Council of Economic Advisors under George W. Bush:

"It is a textbook principle of prudent fiscal policy that deficits are an appropriate response in times of war and recession."[4]

Isabell Sawhill, Senior Fellow, Brookings:

"It is important to stimulate the economy now and not worry about the deficits needed to do this but we should simultaneously be enacting legislation that will gradually phase in spending cuts and revenue increases over the next decade."[5]

Concord Coalition:

"It may be appropriate for government to spend more than it taxes during downturns in the business cycle. The Concord Coalition has always recognized the importance of fiscal stimulus, so long as the stimulus is timely, targeted, and temporary."[6]

Long-term Impact

Discussions of economic recovery and deficits often portray recovery spending as boosting the economy in the short-term while having negative impact on long-term growth through higher debt levels.

However, as a substantial body of economic literature shows, benefits from a recession-fighting effort can have long-lasting positive impacts. Further, because debt is paid of over a very long period of time, and because interest rates are very low, the consequences of debt increases during recessions can be minimal.

According to a recent report by my EPI colleague, John Irons:[7]

[T]he consequences of high unemployment, falling incomes, and reduced economic activity can have lasting consequences. For example, job loss and falling incomes can force families to delay or forgo a college education for their children. Frozen credit markets and depressed consumer spending can stop the creation of otherwise vibrant small businesses. Larger companies may delay or reduce spending on R&D.

In each of these cases, an economic recession can lead to "scarring"—that is, long-lasting damage to individuals' economic situations and the economy more broadly.

A recession, therefore, should not be thought of as a one-time event that stresses individuals and families for a couple of years. Rather, economic downturns will impact the future prospects of all family members, including children, and will have consequences for years to come.

As such, the benefits of a recovery effort can be very high in both the short-run and the long-run. Over time, the additional borrowing to finance these costs would add to the national debt. However, with interest rates at very low levels, and since the costs are spread out over many years, the long-term impact of recovery-related deficit spending would be minimal.

According to a simple example presented by Brad DeLong, a University of California economics professor, $100 billion in extra government purchases would yield $150 billion of increased production and incomes, at a cost of just $800 million a year in additional payments. According to DeLong: "It's not a free lunch. but it is a very cheap lunch: like getting a 2 lb. lobster with all the trimmings for $1.95."[8]

Paying for Recovery: Financial Transactions Tax

As noted above, we should not be concerned about deficits in the short-run. However, there are longer-term challenges that face the Nation and the budget. It is

[3] November 30, 2009, National Journal Experts Blog at http://economy.nationaljournal.com/2009/11/obama-and-the-deficit__1.php

[4] July 16, 2003. Ask the White House blog at http://georgewbush-whitehouse.archives.gov/ask/20030716.html

[5] May 13, 2009, Brookings Transcript at http://www.brookings.edu/events/2009/0513__budget__chat.aspx

[6] December 19, 2002, "A More Responsible Fiscal Course" at http://www.concordcoalition.org/issues/facing-facts/more-responsible fiscal-course.

[7] John Irons, "Economic Scarring: The Long-Term Impacts of the Recession," Briefing Paper #243, Economic Policy Institute, September 30, 2009, at http://www.epi.org/publications/entry/bp243/.

[8] J. Bradford DeLong, "The Simple Arithmetic of Boosting Government Purchases," October 8, 2009, at http://delong.typepad.com/20091008d-epi.pdf

thus reasonable to put in place today revenue options that would be used to pay for recovery efforts over a longer horizon.

The spending required by a jobs plan would likely occur primarily within the first 2 years after its enactment; in years 3 through 10, all of this spending could be recouped through a financial transactions tax.

According to a recent EPI report by my colleague Josh Bivens:[9]

"An intelligently designed financial transactions tax should be a key item on the policy menu. Those concerned about the state of the job market today and the state of the deficit tomorrow should embrace a proposal that calls for increased action to boost employment in the next 2 years that is paid for with the implementation of an FTT. The economic bottom line is that a financial transactions tax is a progressive revenue-raiser that is likely to be either efficiency-neutral or even efficiency-enhancing. Few other revenue-raisers can make this claim."

A financial transactions tax could raise considerably more than these estimates—0.8 percent to 1.6 percent of GDP according to a 2002 study—by taxing a wider range of assets than stocks. In 2009, that range would amount to $113–226 billion. In short, the tax can be a significant revenue-raiser.

Deficit Reduction Will Require Economic Growth and Low Unemployment

History shows us that a strong economy and low unemployment are a prerequisite for deficit reduction. Without an adequate revenue base—which is unachievable in an economy with high unemployment and substantial unused capacity—it is exceedingly difficult to bring tax revenues in line with desired spending.

As noted above, deficits arise from weak economic conditions. For example, between January 2008 and August 2009, the baseline CBO deficit projection rose by $1,380 billion, with more than half of this increase stemmed from changing economic conditions.[10] Policies put in place to combat the recession, including TARP and the Bush-era recovery act, made up most of the rest. Thus a return to economic growth will play a large role in reducing deficits.

Given the large and persistent costs of economic recession and stagnation, the risks associated with doing too little to create jobs far outweigh the risks associated with greater deficits in the short-term. Congress's first priority thus needs to be to enact a jobs package of sufficient size to reduce employment and create a robust recovery. Doing so is not at odds with efforts to address our fiscal imbalances; rather, job creation is totally complementary to and consistent with efforts to lower our longer-term deficits.

The Public Understands This Better Than the Congress

Many Members of Congress believe that the Recovery Act and the bailout of the financial sector exhausted our ability to act or at least exhausted the public's appetite for intervention. Neither is true.

Several recent polls, including one conducted by Hart Research for EPI, show that the American people understand the need to act. While they believe the Recovery Act helped the economy and want it continued, they also want to see more direct action to create jobs. Large majorities support a public jobs program and job creation tax credits, and a majority supports more aid to the States. The public feels that Congress has helped the banks and financial institutions and should now act boldly to help average Americans find jobs. Given a choice between deficit reduction or more spending to create jobs, voters support more job creation by 2 to 1.

CONCLUSION

We face a national jobs crisis that requires immediate attention and a bold response. The jobs recovery won't happen by itself. If Congress doesn't act quickly and at sufficient scale, high and damaging unemployment will continue for years.

Senator HARKIN. Thank you very much, Dr. Mishel.

And now we will turn to Dr. Weast.

---

[9] Full details at American Jobs Plan, at http://www.epi.org/index.php/american__jobs/paying__for__the__plan

[10] Josh Bivens, "Budgeting For Recovery—The Need to Increase the Federal Deficit to Revive a Weak Economy," January 2010, at http://www.epi.org/publications/entry/bp253/

STATEMENT OF JERRY D. WEAST, Ed.D., SUPERINTENDENT, MONTGOMERY COUNTY PUBLIC SCHOOLS

Dr. WEAST. Good morning, Senator Harkin, Ranking Member Senator Cochran, and Senator Murray.

My mother was a one-room schoolteacher in Kansas, where I grew up. And she told me it was a small world, but I didn't realize until I came today how small it was.

Governor Culver graduated from one of our high schools, BCC. Senator Pryor graduated from another one, Whitman High School. My wife came from Tennessee. And a great UT graduate, she bleeds that orange blood. And I grew up in Kansas on a farm. So I am right next to Iowa and was a school superintendent in Montana. So I know a lot about the Washington area.

So it is a small world for a schoolteacher. And that is what I come to you as. I want to thank you for the valuable help that you have given our children because they are going to grow up and do great things. And please don't withdraw that help right now at this critical juncture.

I think you have got to think about how you can use the Federal education funding as a strategy to lever up. You have the school lunch program coming up for reauthorization, and right now, we are not breaking even on that. In my district, we are losing a couple of million dollars because the cost of the meal and commodities have gone up so quickly that we are not able to offset what the cost is to serve it.

And that is in a district that has gained almost 4,000 students on free and reduced lunch just this year. So poverty is affecting us.

How you use the IDEA reauthorization and funding for special education because a lot of our ARRA money is targeted right at that, and that will make a big difference.

What you are going to do with title I for those 4,000 new poverty children. We would have really been hurt if we didn't have the ARRA funds because more kids, less money. Need didn't go away.

The Elementary and Secondary Education Act, hugely important to us. And Race to the Top, how you allocate those funds.

If you can kind of put them all together in some way to give us the energy and flexibility, not only can we hold jobs, we can actually get on with our mission of preparing these children to be high-wage work ready and college ready.

And that is really important. I don't care if you are in Kansas, Iowa, Washington, Montana, et cetera. What we do in a small country of 300 million to compete in a world with 6 billion is going to be hugely important in the next 10 to 15 years, especially with the deficits we are running up. Because these kids in school today are going to be paying the bill and taking our place, and it is really important we don't cut back right now.

We are the 16th largest school system in the country. What is not known too much is that we represent 160 different countries. It is all about location. So everybody that comes, they come to the Washington area, they settle in Montgomery County. We now have children speaking 130 different languages, no majority group, and a great deal of issue with poverty rising, almost 4,000 a year, and 2,500 more kids coming to school this year than we did last year.

We are proud of our accomplishments. It takes a good teacher in every classroom, just like my mom taught in that one-room school. They won't go to work without a good principal and at a good system.

Our African-American students, for example, now represent 3 percent of all the college-ready advanced placement tests in the entire United States of America, 3 percent. They are only 10 percent of the population of African Americans in the State of Maryland, which is ranked by Education Week number one. But 40 percent of all the tests for advanced placement that scored college ready came right out of that district.

Our Hispanic population is graduating from college within 6 years after graduating from our high school at double the rate, almost triple the rate of the Hispanic population in America. So we really need to keep that going. That is the energy that drives our hub.

The ARRA funds provided us with an ability to save 400 jobs or create jobs. The ARRA funds especially helped us with special education students.

Now we have had an 87 percent increase in just 5 years on children diagnosed with autism, 87 percent. We have almost 1,500 of those students—that is a rather large high school in anybody's State—in our system right now. The ARRA funds helped us to start to address that because that growth is exponential, and you are going to rob from Peter to pay Paul if you don't keep that funding stream going.

We were able to save 82 teacher positions, 43 para-educator positions, and help all of our 16,800 students with disabilities. Just in that one area alone, that is 125 jobs.

With these 4,000 almost students coming to us in title I, we were able to concentrate our funds and add more schools into the title I because they were about 60 percent poverty just to get in. We were able to create more than 13 more full-day Head Start classes and move our schools up so we could address almost 400 more children in early childhood education because that is making a huge difference on getting them ready for this college trajectory.

The achievement gap, we find, is an opportunity gap—an opportunity to have a good early childhood education, an opportunity to have a stimulating environment where you get lots of oral language. If we can keep them on that track, we can put them on our college and high-wage work track. And then when they graduate career and tech ready or they graduate to have an option to go to a college, they are fully prepared and don't have to get into remediation.

And we know that for every one that we can get through college, that is $1 million in lifetime earnings over a high school graduate, $1 million. So if we can put out 1,000 more of our 10,000 graduates college ready, that is like $1 billion a year.

So this is good investment. It is good investment in the infrastructure. I didn't mention that Mr. Mishel's children also go to Montgomery County, Montgomery Blair High School. And it is a good investment to invest in job-ready construction, ready to go right now.

Because when you have that growing district, you always have to keep remodeling, and we are not keeping up right now, folks. Fifty to 70 years is what we are keeping a building in service. Can you imagine that with your house? The air conditioning or the windows or almost everything needs to be replaced, and those buildings that we had 70 years ago, they have got walls about 3 feet thick that you can't really run the electrical conduit too well through. And the plumbing was kind of one or two places in each restroom rather than the 10 or 12 that you need because of the size of the school.

So there is a lot to be done, but I want to thank you for what you have done. I want you to be cautious about the funding cliff that has created because if we put it to immediate use and we don't find a way through that, and we don't get the reauthorization of the ESEA or the title I or any of those things, if they are not synchronized, school districts all over will have another big falloff in 2012.

PREPARED STATEMENT

And so, try to remember synchronization of your funding is important. It is making a huge difference, and that huge difference translates into real children who are prepared for that next step, and some day they may be sitting on this committee as a Senator or testifying as a Governor or a famous economist.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF DR. JERRY D. WEAST

Good morning, Senator Harkin, Senator Cochran, and members of the subcommittee. I am Jerry Weast, superintendent of schools for Montgomery County, Maryland. Thank you for this opportunity to testify on behalf of the Montgomery County Public Schools on the impact of Federal stimulus aid under the American Recovery and Reinvestment Act (ARRA) on K–12 education and the funding issues that we face at the expiration of ARRA. In our community, the Federal stimulus aid saves the jobs of teachers while improving the quality of education for all children. My message is: Thanks for your valuable help for our kids, but please don't withdraw it at such a critical juncture. We can't afford to go backwards on the progress that we have made.

BACKGROUND

Montgomery County, Maryland, Public Schools (MCPS) is the Nation's 16th largest school district. Located just outside Washington, DC, the district serves 142,000 students with approximately 22,000 teachers, support professionals, and administrators. The district is proud of its accomplishments during the last decade in improving the level of student achievement and closing the gap between White and Asian-American students and African-American and Hispanic students. Our district is very diverse with no single racial or ethnic majority. African Americans comprise 23 percent of the students, 23 percent are Hispanic, 16 percent Asian American, and 38 percent White. The families of our students come from 164 countries and speak more than 130 languages. More than 40,000 students are eligible for Free and Reduced-price Meals, up nearly 4,000 just this year, a record for our district. We have improved performance with 78 percent of students taking Honors or Advanced Placement (AP) courses. The percentage of African-American and Hispanic students who score a 3 or higher on AP exams surpasses the national percentage for all students. In fact, only New York City has more African-American students who score college ready on AP exams than Montgomery County and they have nine times more African-American students than we do. Nearly half of our graduates go on to complete college within 6 years, almost double the national average.

The new Federal ARRA law provides States and localities an opportunity to strengthen academic progress and avoid some of the most harmful cuts to education and other public services. The law particularly recognizes the importance of protecting education from the most painful reductions that could occur because of the economic recession. In Maryland, unemployment has risen sharply and State and local tax revenues are down. I am very pleased that Governor Martin O'Malley moved quickly to use the fiscal assistance the law provides to protect funding for State aid to education. He devoted the State fiscal stabilization funding included in the new law to protect funding formulas under the State's Bridge to Excellence in Public Schools Act. However, with the State facing a $2 billion potential shortfall in fiscal year 2011, it will prove challenging to maintain the level of State aid to education. Continued Federal support is crucial to permitting school districts such as Montgomery County to keep moving forward to improve achievement for all students.

Montgomery County has received $28 million from the State fiscal stabilization fund during the first year of implementation. This alone saved approximately 200 jobs that would have been lost had State aid been cut as originally anticipated in the Governor's budget.

The law also includes specific increases for education grants to local school districts based on established formulas for title I, special education, and other established programs. This provides immediate help to many of our must vulnerable students, those impacted by poverty and disabilities. We have targeted Federal funds at improving early childhood programs. MCPS has received $12 million for title I and $33 million for the Individuals with Disabilities Education Act (IDEA) over 2 years. This additional grant revenue has enabled us to save or create 150 jobs. This aid redeems the long-stated, but shortchanged promises by the Federal Government to these students. It is aligned with the MCPS strategic plan to close the achievement gap that disproportionately affects these students.

The Montgomery County Board of Education moved quickly to include this Federal aid in its fiscal year 2010 operating budget. Within a week of passage, I presented a plan to the Board of Education. This gave elected officials and the public a very clear and specific idea of how MCPS is using the additional Federal funding. It allowed us to begin work with schools on the practical steps to get stimulus money to the classroom as fast as possible. Much of this additional funding, however, takes the form of targeted grants that do not impact the fiscal shortfall faced by the county or the State. Federal grant funds do not replace unrestricted local funding.

Let me highlight some of the specific way in which our school district has utilized Federal funds to improve educational quality.

SPECIAL EDUCATION

MCPS was fortunate to receive approximately $33 million in ARRA funds. MCPS is a district that believes in the strategic planning process as an effective way to improve student achievement. We stay informed about strategies that work—collect and analyze data—and then focus funds on the areas that will make the biggest difference as we move our students along the path to college and career readiness.

IDEA ARRA funds are making a difference in MCPS. We were able save or create 90 jobs. We added about 30 special education teachers and 40 paraeducators to better meet the needs of our 16,800 students with disabilities. An additional 20 special education teacher positions were saved through ARRA. A staffing model that helps students to receive the support that they need in their neighborhood school, known as hours-based staffing, was expanded.

Hours-based staffing is a service delivery model that provides equitable and appropriate staffing of special education teachers and paraeducators based on the total number of direct instructional service hours on student Individualized Education Programs (IEPs). This staffing model addresses the individualized instructional needs of students and provides resources for more flexible programming options such as co-teaching and supported general education classes, as well as special classes for students who may require this level of instructional support. Hours-based staffing supports the provision of special education services within neighborhood schools rather than in segregated settings. When you consider the range of needs of preschool through high school students who qualify for special education, you can easily imagine how critical these positions are at the individual school and student level.

Staffing has never been more important as the complexity of student needs continues to increase. For example, we serve more than 1,496 students who are diagnosed with autism spectrum disorder, an increase of about 87 percent in just 5 years. We have very high functioning students with Asperger's Syndrome who need support in their full-inclusion academic classes, as well as students who require one-to-one support and sophisticated communication devices to make their needs known. We thank you on behalf of our students and their families as the quality of each child's education was enhanced through these much needed human resources.

Human resources are a priority for us, even though we are well aware of the impending "funding cliff." As a part of our goal to have a highly effective teacher in every classroom, we focused ARRA dollars on professional development. We followed our systemic plan and required professional development for special and general education teachers on effective co-teaching practices, including funds for enhanced planning time. We identified effective intervention programs in reading and mathematics, purchased materials, and again made sure that initial professional development and follow up on how to implement the interventions was provided. We looked at the needs of our staff to work with special populations with unique needs, such as children with Down Syndrome, and ensured that this training was provided over time to incorporate the most training that would have long-term impact aligned with what we know about effective professional development.

To support the implementation of our curriculum, we purchased selected materials for schools and therapists to further incorporate the principles of Universal Design for Learning (UDL) (i.e., Braille writers for our students with visual needs). We initiated a UDL pilot program that incorporates teacher training on effective teaching practices with the integration of technology into the instructional program.

The social-emotional needs of our students and the importance of school climate were our focus as we increased the number of schools in our district that implement the Positive Behavioral Interventions and Supports (PBIS) program. PBIS was first made available through the United States Department of Education. It is having a lasting impact on our schools and our students. We also established a collaborative program for our students with emotional or behavioral issues, working with our local Mental Health Association.

We built a user-friendly system to capture required student data through the IEP team process. This data will greatly enhance our ability to provide information to parents and to plan effectively for students, particularly in the area of staffing and supports. Finally, we purchased new standardized assessments for use by our school psychologists that increased efficiency by making use of software systems that automate scoring, allowing them to spend more time with students and families, and less time hand-scoring somewhat cumbersome evaluations.

When Public Law 94–142 was enacted, Congress' intent, through a phasing in of funding, was for States to reach full funding by fiscal year 1981. Although Congress has not yet met its financial obligation, States embraced the intent of the law to educate students with disabilities using evidence-based educational practices. Consequences to this funding shortfall resulted in States and local districts providing full support for this unfunded Federal mandate.

With the addition of ARRA funds, MCPS was able to more appropriately fund those services to which students with disabilities are entitled.

Without the ARRA allocation, key programs and priorities will need to be re-examined. With special education student projections on the rise, current staffing models will need to be re-evaluated to ensure the appropriate delivery of services to students with IEPs. Professional development opportunities will lack the funding needed to train the large numbers of teachers, paraeducators, and related services provides who interact with students with disabilities on any given day. All school systems, including MCPS, will be challenged to support nationally recognized educational practices such as UDL and assistive technology.

ARRA funding has temporarily and partially provided the level of funding originally intended for special education, removing an undue burden on local taxpayers and jurisdictions. With continued funding for special education services through ARRA, there will be less of a burden on the local taxpayer, States, and local jurisdictions. Congress will be closer to meeting the long-established funding level. Because of ARRA, MCPS was able to more appropriately fund services for students with disabilities which include, but are not limited to, increased allocations of special educators and paraeducators, enhanced professional development, expansion of UDL, and the development of an in-house special education student data system.

TITLE I

ARRA funds were used to provide assistance to MCPS schools that have a high concentration of students highly impacted by poverty, mobility, and limited English proficiency. In order to help improve teaching and learning for students most at risk of failing to meet State standards and to close the achievement gap, the funds were used to support the comprehensive summer program in seven title I ARRA schools. The summer school instructional program gives students an opportunity to preview the upcoming grade level standards in reading and mathematics for rising kindergarten through grade five students. There is no cost to families for this program.

We used ARRA funds to expand 8 half-day Head Start classes to a full day and continue to fund the existing 13 full-day Head Start classes. The full-day program provides additional instructional time in 21 classes for 420 students from low-income families living at or below the Federal poverty level. The full-day curriculum helps students master the foundational knowledge and skills necessary for optimal school learning in kindergarten and beyond.

We increased the number of high-poverty schools receiving title I Federal funds from 28 to 30 and maintained funding for five title I schools that may have been eliminated from title I. We increased support for homeless and neglected students in MCPS. Funds provide tutoring and materials to students in shelters and alternative programs.

These programs created or saved a total of 56 jobs. We added a total of 13 positions, including 8 teaching positions in reading and mathematics for all students including those with limited English proficiency (LEP) and 4 paraprofessional positions to support students with the instructional program in reading and mathematics, and a parent community coordinator position for outreach to families.

We saved a total of 43 positions, including 27 teaching positions in reading and mathematics for all students including those with limited English proficiency, 14 paraprofessional positions, and 2 parent community coordinators.

If ARRA funding is discontinued, we will have to eliminate the added and saved positions despite continued increases in the number of eligible students. We will have to reduce the number of full-day Head Start programs, reduce the number of students able to attend summer school programs, and reduce the number of parent outreach programs, especially English literacy classes for parents. With the growing number of families that do not speak English, we must increase parent involvement activities to include more English literacy classes for parents whose native language is not English and programs that assist parents in helping their children with academic homework and projects. We must offer alternative/extended day and year programs for students who would not be involved in academic activities beyond the school day.

OTHER ARRA FUNDING

Finally, the unrestricted Federal funds enabled us to avoid $28 million of planned reductions. We restored academic intervention teachers to help schools with students not achieving at expected levels, teacher positions in the exciting Middle School Magnet Consortium that is providing accelerated instruction in our neediest middle schools, and we avoided some planned reductions of counselors and of staff development or reading teachers in our smaller elementary schools. MCPS also received ARRA grants to increase services to homeless children and youth, and for school lunch equipment replacement. We also expect to compete for ARRA innovation grants to expand our successful initiatives for an accelerated integrated curriculum as a national model.

FUTURE FUNDING CONCERNS

Despite the additional Federal aid, balancing the budget was possible only because of significant reductions elsewhere in the budget. Our employees sacrificed $89 million in cost-of-living wage increases and we reduced $31 million from the budget through painful but necessary reductions. In order to achieve additional savings this year, we are cutting more than $30 million of spending. Our central administrative costs are less than 2 percent of the budget, one of the lowest proportions in Maryland. The Federal ARRA aid has not provided local districts with a free ride or an excuse not to make painful cuts—ARRA has saved us from even more draconian cuts that would have reduced essential classroom services.

We realize, however, that the current Federal support is temporary, that we face a “funding cliff.” Under current law, ARRA support ends in fiscal year 2012. To avoid a fiscal crisis then, we are maximizing one-time spending that can support long-term educational improvement without a permanent commitment of local funds. This includes teacher training, school materials, and equipment, and technology.

The end of Federal stimulus support could create a significant crisis for our district. Our county faces a $70 million shortfall this fiscal year because of sharply deteriorating tax revenue. Although unemployment in Montgomery County is significantly less than in much of the rest of the Nation, it has nearly doubled this year to unprecedented levels. Next year, the county faces a potential budget gap of $600 million. As property values have deteriorated, the recession also threatens future property tax revenue over the long term. Our recovery is likely to be very slow. This means that our fiscal crisis will likely worsen in fiscal year 2012 and could continue for several years.

A discontinuation of Federal support in education and other areas also will create a major crisis for the State budget. Maryland is facing a $2 billion shortfall for fiscal year 2011, which will mean major cuts at the State level and a reduction in State aid to localities, nearly all of which is for education. The Montgomery County Board of Education is determined not to give up or lose ground in the improvements in student performance that we have made over the last decade. Continuing Federal help targeted at our most vulnerable students will allow us to prevent the most damaging reductions and continue to stimulate the economy by avoiding as many layoffs as possible.

This is good for our county now and valuable for our children over the long-term. Let's not lose sight of the fact that the entire Federal education funding strategy is critical to every student's success. All of the funding, whether it be for IDEA, title I, the Elementary and Secondary Education Act, Race to the Top and even the funding for school lunches, needs to be aligned to give sequence and energy to our goal of preparing every child for college.

I would like to point out that every student who graduates from college can expect to earn $772,000 more than a high school graduate over a lifetime of work. Our graduates who go on to graduate from college at a higher rate than the national average can expect to earn a total of nearly $1.5 billion more over a lifetime of work. That makes a quality education one of the best investments we can make. Your help can make a critically important difference in achieving improved academic results.

Thanks for the opportunity to present our views on these important issues at this public hearing. I welcome your questions.

Senator HARKIN. Thank you very much, Dr. Weast. Thank you. Very poignant testimony.

Now we turn to Ms. Sessions.

STATEMENT OF MARLÉNA SESSIONS, CHIEF EXECUTIVE OFFICER, WORKFORCE DEVELOPMENT COUNCIL OF SEATTLE-KING COUNTY

Ms. SESSIONS. Thank you, Senator.

Chairman and honorable members of the subcommittee, thank you so much for inviting me to participate in today's hearing. I am honored and grateful for this opportunity to talk with you about one of our time's most vital issues, which has obviously been stated over and over this morning—creating and saving jobs.

I also want to thank you for the work that you have already done on behalf of jobs, job training, saving jobs, and creating jobs. I would like to begin with the story of a young man in our summer jobs program in Seattle last summer.

Ryan, age 24, was on a work release from prison and searching for a job. He estimated that he submitted his résumé to more than 200 different fast food restaurants up and down our Puget Sound area, but his conviction was very much a barrier.

Fortunately for Ryan, someone told him about the summer jobs program. He jumped at this opportunity and joined a group of about 90 young people exploring the industrial trades through classes and paid internships.

Ryan's internship was at a maritime supply company called Washington Chain. The company certainly did not intend to hire any new employees, but having seen Ryan's work ethic and willingness to learn, at the end of the summer, they found a place for him as a permanent employee in a union job with a future.

During the summer program, Ryan made $8.55 an hour. He worked through September on that, was hired permanently at $15 an hour, again in a union job, permanent job. And in fact, in 2 years could be making between $22 and $25 an hour.

We went out to Washington Chain to see Ryan, and we got this wonderful picture of him standing amidst huge piles of metal chain that will end up on Navy vessels. And when I see it, I think of the chains that would have been around his future if not for this opportunity to work and learn valuable skills. For the first time, he can support himself and his young children. And as Ryan told us, "I was just waiting for a door to open."

That is what education and training is all about. When people have the skills that employers need, doors open and jobs are created. It is critically important for our economy and our country that we continue to invest in skill training, in K–12 education, and in targeted subsidies that encourage hiring.

What I would like to emphasize is that our public workforce system has the infrastructure and connections to use investments in job training to put paychecks rather than unemployment checks into the hands of Americans. The summer jobs program of 2009 is an example of an innovative way to create jobs. More than 300,000 jobs were created for young people across the country with Recovery Act funds.

Our Nation's local workforce boards, all 575 of them, put this funding into motion immediately and effectively. In Seattle-King County, 900 low-income young people had summer jobs at more than 260 employers of all kinds, who stepped forward to participate.

The results were tremendous in terms of skills learned and money earned. Young people learned to weld, to drive forklifts, provide customer service, design public health campaigns, write a résumé, and be on time. And very importantly, they learned that there is a much bigger world of employment out there than they knew.

Across the country, youth work experience has been shown to increase academic success, civic responsibility, and work readiness. This past summer in particular, we saw young people also enhance our struggling economy by taking what would normally perhaps be discretionary income and their paychecks home to support family members. Subsidized work is a solution that works.

In Seattle, about one-third of the older, out-of-school youth like Ryan transitioned directly to permanent jobs through the summer jobs program. I have to say that was a bit of a surprise to us, and it is a model now that we will continue to employ in every summer program that we do.

By committing to Federal investments in summer jobs, like the bill recently introduced by Senator Murray, we open doors for youth that would otherwise be closed to them.

Another way that we can open doors for workers of all ages is through on-the-job training (OJT). OJT allows an employer to hire someone and then receive support for a portion of that employee's wages and/or the cost of training for a temporary period. This is a very effective tool that helps job seekers get in the door and get up to speed while getting paid.

For businesses, it offsets the expense and risk of training a new hire and often enables job creation earlier in the business hiring cycle. Increasing resources for OJT will help to jump-start our economy and create jobs.

The local workforce boards have proved, most recently through the Recovery Act funding, that we can very quickly and effectively get funding out and working in the community. When it comes to OJT, we can tap into strong connections that we have already made with employers and industry sectors.

PREPARED STATEMENT

We know that skill training and job creation go hand-in-hand, and I hope you agree that we must continue to invest in the skills of our workforce in employer incentives like on-the-job training and in work experience that our young people need in order to continue learning and earning.

Thank you again very much for the opportunity to speak to you.

[The statement follows:]

PREPARED STATEMENT OF MARLÉNA SESSIONS

Chairman and honorable members of the subcommittee: Thank you for inviting me to participate in today's hearing. My name is Marléna Sessions and I am the CEO of the Workforce Development Council of Seattle-King County, as well as a member of the board of trustees of the U.S. Conference of Mayors Workforce Development Council. I am honored and grateful for this opportunity to talk with you about one of our time's most vital issues: creating and saving jobs.

I would like to begin with the story of a young man in our stimulus-funded jobs for youth program in Seattle last summer. Ryan, age 24, had not made good choices in the past. He was on work release from prison and searching for a job. He had submitted his résumé to about 200 different fast-food places, because he had few job skills. Once employers found out about his conviction, he was out of the running.

Fortunately for Ryan, someone told him about the summer jobs program. He jumped at this opportunity to join our SoDo, Inc. program. In this partnership between a youth-services provider and a community college, about 90 young people explored the industrial trades. They spent 3 weeks on campus in classes, followed by 3 weeks in a paid internship with a private company.

Ryan's internship was at a maritime supply company called Washington Chain. His wages were paid by the summer program. The company certainly did not intend to hire any new employees, but at the end of the summer, having seen Ryan's work ethic and willingness to learn, they found a place for him as a permanent employee—in a union job with a future. For the first time, he can support himself and his young children.

When we went to Washington Chain to interview Ryan, he was about 50 feet up in the air, running a crane that moves gigantic mounds of metal chain destined for Navy vessels. We have a wonderful picture of him standing among these huge piles of chain. When I see it, I think of the chains that would have been around his future if not for this opportunity to work and to learn valuable skills. As Ryan said, "I was just waiting for a door to open."

Doors opening: To me, that is what education and job training is all about. When people have the skills that employers need, doors open—and jobs are created.

It is critically important for our economy and our well-being as a country that we continue to invest in skill training—in K–12 education that is the foundation of further education and training—and in targeted subsidies that encourage employers to open their doors to new hires.

And while it isn't directly an issue for workforce boards, I feel it's important to point out that we need to make sure that class sizes don't balloon, that students are able to attend college, and that critical programs that help prepare our students for college and careers don't disappear. The last disbursement of State fiscal stabilization funds significantly helped keep teachers in their jobs and keep programs running, but State and local deficits have continued to worsen since then. Federal support for education and teachers as States work to balance their budgets is essential, and I would encourage that a jobs package offer some support in this direction.

But what I would like to emphasize today is that our public workforce investment system has the infrastructure and connections to take investments in job training and use them to put paychecks—rather than unemployment checks—into the hands of Americans.

The stimulus—funding summer jobs program of 2009 is an example of an innovative way to create jobs and of the role of the workforce investment boards in making it happen. More than 300,000 temporary jobs were created for young people across the country with $1.2 billion of Recovery Act funds. Our Nation's workforce investment boards put this funding into motion immediately and effectively.

In Seattle-King County, our program provided jobs for 900 young people. All were low-income; two-thirds were youth of color and more than half were African American. Almost 70 percent were deficient in basic math and reading skills. About 16 percent had a disability.

As they did around the country, employers in Seattle-King County stepped up to offer jobs. More than 260 local employers, including private, public and nonprofits, participated. The results were tremendous in terms of skills learned, money earned, and inspiration to continue learning. Young people learned to weld, to drive forklifts, to provide customer service, to design a public-health campaign, to write a résumé, to be on time—and they learned that there is a much bigger world of employment out there than they knew.

Across the country, and not just in the summer of 2009, youth work experience has been shown to increase academic success, civic responsibility, and work readiness. And yet, youth employment was at a 60-year low even before the recession, which has further decimated their opportunities in the job market.

Subsidized work is a solution that works. In Seattle, through the summer jobs program, about one-third of older, out-of-school youth like Ryan transitioned directly to permanent jobs. Summer jobs do turn into real jobs when employers work directly with young people, teaching and guiding them in a context that extends and expands on what is taught in the classroom. By committing to Federal investments in summer jobs, like the bill recently introduced by Senator Murray, we can ensure that these opportunities continue and expand. By paying the wages while students work in these jobs, we open doors that would otherwise be closed to them.

Another way we can open doors for workers of all ages is through on-the-job training. On-the-job training (OJT) allows an employer to hire someone and then receive support for a portion of that employee's wages and/or the cost of his or her training. OJT can be structured in several ways, and local workforce boards around the country are already operating OJT programs. Especially when streamlined for less burden on the employer, a formal OJT program is an effective tool that helps jobseekers get in the door and get up to speed while getting paid, while offsetting for the employer the expense and risk of training a new hire. It often enables business to create jobs earlier in the business cycle, thereby increasing productivity sooner and jumpstarting more hiring.

Increasing the capacity of our workforce system to deliver OJT will help to jumpstart our economy and create jobs—and we firmly believe that the most effective way to implement these investments is through the existing system: the local workforce investment boards (WIB).

The local WIBs have proved, most recently through the Recovery Act funding, that we can very quickly and effectively get funding out and working in the community. When it comes to OJT, we can tap into the strong connections we already have with employers, especially through our sector partnerships, which allow us to work across an industry rather than only firm by firm. And we can ensure that OJTs are linked to a plan for employee retention after the training period is over by connecting with all the resources of the one-stop system.

As a local WIB, we can make these connections. We are governed by a businessled board that invests public funds strategically in training for skills that employers need and that are part of a pathway to long-term self-sufficiency. We bring employers together with colleges, K–12 educators, economic development, and many other stakeholders to most effectively use our resources in the community.

We know that skill training and job creation go hand in hand. I hope you will agree, as you hear from businesses and individuals and organizations throughout the country, that we must continue to invest in the skills of our workforce; in incentives like OJT that encourage employers to hire; and in work experience that our young people need in order to continue learning and earning throughout their lives.

Thank you again very much for the opportunity to speak today.

Senator HARKIN. Thank you for the story about Ryan. It was even more poignant when I read it last night because he is, in the popular parlance, an ex-con. And people who are released from prison, serve their time, they have a tough time finding jobs, and they just need a good break. They need to have that door opened for them.

So thank you for the story.

Ms. SESSIONS. Thank you, Senator.

I have to tell you, we do check up on our youth after they have been placed. We have been checking up on Ryan. He is doing very well on the job, continues to.

Senator HARKIN. That is great.

Senator Murray has been here diligently since the beginning. I know you have an appointment, and I would yield to you for questions first.

Senator MURRAY. Well, Mr. Chairman, thank you very much.

And thank you to all of our witnesses. This is really helpful as we move forward.

I, too, am really touched by the story of Ryan and the door that opened for him because of our summer job program that we did under economic recovery. He is one example.

I have heard many stories as I have gone around my State in local communities of people like Ryan who have had doors closed to them, never thought there was an opportunity, and because of that work-based experience that they have gotten, it has helped to re-engage them with their community and teach them about the demands of the workplace and expose them to new career opportunities and possibilities. And I just think it is one of the best investments that we can make.

You talked a lot about Ryan and what that did for him as an employee. Can you talk a little bit about employers and in your experience some of the participating employers and maybe doors that this opened for them as well?

Ms. SESSIONS. Absolutely. One of our hallmarks in the workforce development system, especially locally in the State of Washington, is something called an industry skill panel. This is a very simple concept, bringing together like employers in a similar industry and, as the Governor mentioned earlier, bringing together training facilities who may never have talked between each other.

So we actually have a maritime skills panel that is newly convened that has come to the table and said to us in Seattle area, in 2 to 5 years, they are actually going to have a very large aging-out of their workforce. There is going to be a need for everything from a deck hand to a marine engineer, and they don't quite know what to do about that.

Actually, just yesterday morning, for the first time in our area, a local community college president and her workforce deans came to the table of the industry skill panel around maritime, and they started to coordinate curriculum and actually meet the needs head on. So these are the kinds of things that employers are telling us you, as a workforce system, convene us in times we have never had the chance to do in real time, make the solution available to the industry and to their needs. So one example, Senator.

Senator MURRAY. And an excellent one, it goes right back to what the Governor was saying. When we bring together private employers and local communities to talk about the kinds of jobs that are available in their communities, that is how we can best create economic opportunities in the future, and these were great.

So I appreciate what you are doing about that, and perhaps, could talk to us a little bit about some of the models local boards can use or build upon to especially focus on OJT because, to me, that is really important. It is not just having a class. It is really OJT. If you can talk a little bit about your experience with that for us?

Ms. SESSIONS. Absolutely. Thank you, Senator.

Following along from a skill panel model, those employers are telling us in areas such as manufacturing in the State of Washington, small manufacturing firms to very big ones, interactive media, also known as video gaming, video game creators are telling us we are starting to see it turn around. We think we might be ready to start hiring, but we might wait 6 months. We might wait till the summer.

And in fact, when we have done informal polls at these very same convening tables, they have said, oh, that would probably be the tipping point for us, frankly. If we had some OJT funds to pay for the training or even to pay, offset the cost of other employees' training on the job with new employees, that would do it to start hiring again.

So we are hearing that very much firsthand that small manufacturers, such as Red Dot Corporation, which makes heating and cooling mechanisms, all the way to PACCAR, making trucks, are saying we are thinking about it. We are on the verge. We are seeing something. This would give us that over the edge that we need.

Senator MURRAY. So these dollars are coming at a very critical time when businesses want to think things are doing better, but they are a little bit afraid, and don't have the private investment right now. So youth training, and OJT dollars that come from us allow them to hire, employ or put somebody back to work, and then build on their workforce as well and their economic opportunity.

So I think these are really important that we continue to invest in that. So thank you very much, Ms. Sessions, for being here and sharing that with us.

But I did want to ask Dr. Weast while I have you for a second, you mentioned in your testimony important investments in homeless education, and it is a group of students that we often forget. They are much more difficult to deal with. Yet those are the kinds of examples, those students who we make a small reach-out to now that we can help get back on track and in a better place.

Can you, just for our subcommittee, describe how you use some of the economic recovery funds to serve homeless students, and what is important for us to focus on there?

Dr. WEAST. First of all, we have got about 700 students that wear that tag. And I hate to tag them. We have people who I personally know that are sleeping on couches, just renting a couch so they can get their kids to school and doing everything they can to find these scarce jobs.

The thing that I hear from homeless parents more than anything else is they want stability. They want a good teacher in every classroom, and they don't want their kids labeled. Just because you come from tough socioeconomic circumstances doesn't mean that you should get an inferior education.

Some of their children have issues that we did with early childhood. They need more daycare, you know? And while you don't want to do daycare, we want to get them ready for school. So our Early Head Start programs that we opened up, making it full time is very helpful for their parents while they are out there seeking work.

It is very helpful for us because we are getting our kids ready to go to kindergarten. Adaptive kinds of programs when they move around so we can keep the staffing up there. Recognizing and keeping them in their home school will make it more stable. So being able to run those buses and work it so they can stay——

Senator MURRAY. Transportation dollars in particular——

Dr. WEAST. Yes, right.

Senator MURRAY [continuing]. to keep them at a school so they are not moving around?

Dr. WEAST. Right. Right. Providing them with extra training to our vocational programs because they have an immediate need for everybody in the family to work, to try to get back on their feet.

So there are a lot of ways that we go about doing it, but the biggest way that we go about doing it is the high expectations we have of their children. Expecting them to learn, to be on that track to be college and high-wage work ready is the best favor we are doing for them as a parent and as a child.

And keeping our engagement up and always remembering that you have got to do a little bit of something different. One size doesn't fit all. And the ARRA funds enabled us to keep our issue on poverty, which is where they tend to live in the area because it is high poverty, keeping our attention on IDEA or special education, early childhood education. All of that works together.

And then working with our workforce investment board (WIB). We actually started health clinics in some of our elementary schools and tied it in with always being there, 24/7, and working with the after-school programs for activities and holding fairs, working with them to help them speak different languages, to learn English, construction English or English to work in the hospitals, lots of programs.

Those will all be impacted in a State that is $2 billion behind if we don't keep the ARRA funding going.

Senator MURRAY. Okay. Thank you.

Well, Mr. Chairman, in some of our States, we have seen an 80 to 90 percent increase in homeless students. All of our kids are being impacted by the economy, but as that population grows, some of the ARRA funds that we put out there were extremely important. So I just wanted to do that.

Excellent testimony from all of you, and thank you, Mr. Chairman, for accommodating me. You have given us a lot of good input as we move forward to make sure that our people get the kinds of skills that get the good jobs that put them back in the workforce and get our economy moving again. So thank you very much.

Senator HARKIN. Thank you, Senator Murray.

I thank all of you for being here and for just excellent testimony from all of you.

Dr. Mishel, let me start with you. I am intrigued by something you wrote in your written testimony, which I read last night. You said you believe that the huge growth in inequality of wealth and incomes laid the foundation for the current economic crisis. Can you elaborate on that just a little bit? What does that mean? How could that have led to the present economic crisis?

Dr. MISHEL. Well, thank you very much for your question.

As I pointed out in the testimony, more than the 20 years prior to the recession, only about 15, 16 percent of the income growth went to the bottom 90 percent of American households. And you ask yourself in that kind of situation, how did we actually get growing demand for goods and services? How did we actually get economic growth?

And the answer is that growth came about because there were people consuming based on a sense of inflated assets in their housing, in the stock market, or because they had to go into debt, partly from borrowing against perhaps inflated assets.

You know, that was an unstable growth, and that fell apart. And it makes the challenge going forward how do we get growth? I mean, some people say we have to save and invest. I think part of what we also have to do is earn and spend.

One of the key problems we have had over 30 years is that the benefits of economic growth haven't accrued to a typical worker, that wage growth and compensation growth for a typical worker has lagged far behind the growth of productivity, never more so than in the recovery leading up to this recession. From 2002 to 2007, the hourly compensation of both high school workers and college-educated workers did not grow at all, even though productivity grew around 11 percent.

So moving forward, we have to find a way to get workers to actually benefit from economic growth so that when they spend, they are spending based on their earnings, not based on some asset bubble or greater debt.

Senator HARKIN. Yes, one figure you had here that just leaped out at me and I had not seen this before, but you said that since 1989—you just mentioned that here—the bottom 90 percent received about 16 percent of all the income growth. What is even more startling than that is that the upper 0.1 of 1 percent, the upper 0.1 of the top 1 percent, representing about 13,000 households, reaped more than one-third of all the income growth of the last 20 years.

Dr. MISHEL. Pretty stunning, huh?

Senator HARKIN. Stunning.

Dr. MISHEL. And it didn't happen by accident. I mean, this is the result of conscious policies that skew growth that is based on political power and policy, and it is what, I think, fundamentally has to change.

Senator HARKIN. Talk about redistribution of wealth, that is massive redistribution of wealth.

Dr. MISHEL. Kind of like a class war, huh?

Senator HARKIN. Yes. Wow. I have never seen that figure before, and I hadn't thought about it in that context that is right. That what we have built, we have built our consumption based upon basically debt or bubble assets, that type of thing, rather than just earnings.

Why is it that productivity has gone up over the last several years—usually when productivity goes up, workers' income goes up to match some of that productivity gain. But you are saying that they didn't get any of that productivity gain, and they didn't see that in their paychecks.

Dr. MISHEL. Yes. Since roughly the late 1970s, there was prior to this recession, you know, around 80 percent growth in productivity, and the hourly compensation of workers grew around—of a typical worker grew around 9 percent. Most of that happened in that short period of time in the late 1990s when there was robust wage growth. Other than that, it has been pretty stagnant.

And in my view, it is because policy, frankly, under both Democrats and Republicans, have not put having good jobs, good-quality jobs at the center of economic policy. In fact, we have constructed policies that undercut the ability to have a good job just about everywhere. Weakening unions, low-wage imports, deregulation, allowing the minimum wage to decline to very low levels.

Because we have thought that these kinds of policies make things cheaper for people to buy and were going to make people better off in that way. But in effect, what we have done is we have undercut people's ability to earn a good paycheck to buy the things. And so, things are really out of balance, and I think it means we have to put having people earn a good living at the center of economic policy.

Senator HARKIN. Let me ask one other question. Again, we are looking at the money that we have got to start putting into a new Recovery Act for job creation, and I try to keep my focus here on the short term. Long term, we have to do other things. But this subcommittee is interested right now in the short term.

Where do we get the most bang for the buck? If we are going to spend some billions of dollars here—I don't know how many. We haven't decided on that yet. You say we need to spend at least $200 billion, and that is short term.

Dr. MISHEL. Above and beyond UI renewal.

Senator HARKIN. Above and beyond, yes.

Dr. MISHEL. Because that is going to take around $100 billion to renew that program for all during the year.

Senator HARKIN. Yes.

Dr. MISHEL. Well, bang for the buck, I mean, the UI, and CBO just came out with its ratings, always is above. And I always find it bewildering why there is a hesitancy to just renew that for the whole year to give people some certainty. As I said, it creates 900,000 jobs besides being humane.

The relief to the State governments was the thing that happened earliest and biggest to really help turn around the economy this past year. That is a very effective thing. You know, I think some direct job creation by Government would be the most cost effective at all.

CBO also said that one of the most effective things you can do is to do a jobs tax credit. I think it is something you should only do for a year or two. It is very similar to what Ms. Sessions was saying. If we are at the tipping point where employers are thinking about hiring or not, a little bit of help could get them going.

We have fashioned it so that it can't be gamed. It is based on how many payroll taxes you pay, and it could give a very effective boost for not all that much money.

Senator HARKIN. Of course, a bad problem is the gaming of the system. I mean, you may want to hire people anyway, but as long as you can get the jobs tax credit, why not take that, too, see?

Dr. MISHEL. Well, Senator, you are right. There is an optics problem because many firms will actually benefit from a tax credit that might have been doing the hiring anyway. But even if that is the case, if only one of out the 5 jobs was created because of the jobs tax credit, and let us say you are only spending $8,000 per job, the new job is very inexpensively created, let us say, $25,000, $30,000. So it is definitely worth doing.

And I take—I think, hopefully, people are taking this attitude. You know, we have a dire emergency. I think we have to do whatever we can to really get things going. All of our problems are going to be worse if we don't get jobs going.

And so, this is really the moment to make sure we finally get the unemployment rate going steeply down, and I think that means doing a lot of different effective things and doing it at the scale that can really matter.

Thank you.

Senator HARKIN. Dr. Weast, let me ask you about the school construction. You mentioned that. If we were to put money into school construction and renovation, could you put that money to use this summer?

Dr. WEAST. That is a no-brainer. Absolutely. Local jobs, schools are way behind and have all of this build-up. Like I say, we need—we are keeping schools in session 20, 30, 40—no, 50, 70 years. So it is local jobs, immediate turnaround, go green. We are going green on all of our schools because that helps the students go green and lowers your carbon footprint.

Put arrays on top. We are now producing 1 Meg of electricity off our roofs because there is all this available roof area that we can turn around and generate our own electricity and sell back and lower our cost.

So it is environmental. It is carbon footprint friendly. It is local jobs because these are local contractors. It immediately puts people back to work.

But it has got to be done and in a direct investment because the systems are already starved for money right now. So if it is on a loan, that will be problematic to us. But if it is on a direct investment, you betcha. We are ready to go.

Senator HARKIN. Well, Dr. Weast, I am just going to take a minute of time here probably just to talk about that. Because back in 1991 and 1992, I made a short run for President. Some of you may have missed it. That is okay.

Real short. But one of the things that was in my platform was I called it a blueprint for America, and part of it was school construction and reconstruction. That sort of had its genesis in my father, whose WPA card I still have in a framed thing on my wall in my office, who worked in building schools. And some of the schools that he built on WPA are still being used in Iowa today.

And I thought, gee, and then there was a study that came out in the late 1980s about how much was needed to bring schools up to standards, just fire and safety standards, let alone modernization. And so, I started on that. Well, I didn't get very far with it.

And then President Clinton came to office, and I had introduced legislation at that time and, in fact, went to see the President about this to say that this is something that he had to really get hot on. It creates jobs, build new schools. I could never get it done. I could never convince President Clinton or others to do this.

I worked very hard on it. We finally—the last year of the Clinton administration, we got it in the budget for $1 billion nationwide. That was cut down to $750 million. So just a drop in the bucket. But it went out for 1 year, and then the next administration came in, the Bush administration came in, and they didn't want to do that either. So it has been a lonely struggle for me for more than 20 years trying to get school construction.

So what I did is I said, well, the heck with it. If I can't get this nationally, at least I will try it in Iowa. And so, listen, I am not embarrassed to say this. I got earmarks for the State of Iowa to go to school construction. And we started it in 1989, I think it was, 1988 when I finally gave up on the Clinton administration of actually doing this, I said, well, we will do it on our own.

So went out to Iowa in 1988. I think 1989 was the first year. So we have got all this experience. Every year, we have gotten money out there, about $130 million so far. That has translated into somewhere between $600 million and $1 billion of construction.

Now why is that? Well, because a lot of times, school districts are pressed for money. They put a bond issue out there, and people vote it down. Well, they got these grants. Now they can get a grant of $500,000. That is a big chunk of change. So the only way they can get that is if they agree—and so, they pass the bond issue, and they come up with the local money.

So we have had a good experience in our State in what has happened with this money and how it has been used. We put it in two pots. We have had—anything like this, it takes a while to develop the best ways to do it. So it goes out to the Iowa Department of Education, two pots. One pot is for construction and renovation. The other pot is for fire and safety. The fire and safety pot needs no match. The other pot, you have to have a match, local match. And those matches vary, sliding scale.

The other thing that we found, and it occurred to me after looking at some of these projects, is one of the good things to add about that school construction, aside from, first of all, the jobs are all done locally. You can't ship them off to India. They have got to be done there. So you employ local people and contractors and businesses.

But when you think of the materials that go into building a new classroom or building a new school, think about the cement and the re-rods. Think about the conduit and the lighting. Think about the wall board, the plumbing, the air conditioning, heating, the tiles on the floor. Ninety percent or more of that is made in America.

It is made in this country. So you get a great bounce off of that dollar. This stuff, I mean, all of your electrical switches and your conduits and your wiring and plumbing, all that is made in America. So sort of by default, it is a "buy America" program when you do something like that.

And then what do you get out of it? You get a school that is bright and modern, cheerful. And so, this is something that I just think—and quite frankly, I thought that I had hit the jackpot in the recovery bill. I said here is the deal. We will put it in the recovery bill. I got $16 billion in the recovery bill for school construction, $16 billion.

What happened to it? One Senator didn't like it, and because we needed a vote to pass it, that was dropped. Sixteen billion dollars would have done a heck of a lot for schools in this country. And so, we are going to keep trying, and so I take this time because I think people need to be educated on this as to what it will do to long-term benefits to better schools.

The heating systems, we have got schools in Iowa that had these old oil burners and things like that. And they got this money, and they put in the new heat pumps underground. The savings they are making every year just on their annual budgets for energy is remarkable, remarkable. So——

Dr. MISHEL. Senator Harkin.

Senator HARKIN. Yes?

Dr. MISHEL. May I just note that $16 billion, I would estimate that would actually increase GDP by around $26 billion, and you would get around $10 billion back in revenues from that. So, actually, you know, it does all those different things, and you get a great return in terms of the effect on education, local jobs, and a fair amount of that money actually comes back in revenue.

Ms. SESSIONS. And those are green jobs as well.

Senator HARKIN. What?

Ms. SESSIONS. Those are green jobs.

Dr. WEAST. They are green jobs, and I will say that it is priceless. You have been to ribbon cuttings before on these schools.

Senator HARKIN. Oh, sure.

Dr. WEAST. There is great pride at the local. Parents, the children, they love it, especially on a green school. They will teach you all about the environmental. It saves energy. Its carbon footprint goes down. So that helps that.

The teachers, half of our teachers are walking out of schools in 5 years, quitting. It is one of the biggest dropout rates in the country. Give them a better workplace. Give them a better workplace, and you will retain them better. Give them the tools, and they can work with our children better.

So I would say thank you, thank you, thank you. It is priceless. And let us know who blocked it. We will talk to them.

Senator HARKIN. No.

We just need to educate people. That is all.

Dr. WEAST. Be happy to educate them.

Senator HARKIN. About this, and I hope in the next recovery bill, I can once again try to run this up the flagpole, so to speak, and get the money out. I could use those figures. I don't know how he figured that so fast. I could sure use that.

Dr. MISHEL. A good education.

Dr. WEAST. A good education.

Senator HARKIN. I have taken way too much time.

Thad.

Senator COCHRAN. Well, Mr. Chairman, thank you.

I want to congratulate the panel for adding depth and firsthand knowledge based on your experiences to our hearing. It has been interesting hearing your testimony, and I have enjoyed reminiscing a little bit about the fact that my parents were both schoolteachers, and my dad had the same job in Hinds County, Mississippi, as you do here in the Baltimore area, Montgomery County School District.

And I remember they loved teaching. My mother even would teach at night sometimes in a special commercial college when I was in law school and needed some extra financial help to help pay my way through law school. So our family has been the beneficiaries in many ways of our government—local, State, and national governments' contribution to improving education opportunities for children.

There are a lot of spillover effects that affect a lot of families all over America. So my first reaction to this panel is thank you. We appreciate what you do to contribute to improving our educational opportunities for children and adults looking to improve their lives and to helping make our country a better place to live. I appreciate it very much.

I don't really have any specific questions. I guess, for Dr. Weast, my dad had that same job in Hinds County, balancing teacher interests, balancing community interests, school construction. So much falls under the direction and supervision of a county superintendent of education. I know you don't make as much money as a CEO of a big corporation, but you certainly do have the challenges that someone in a position like that would have.

I wonder if you have any observations on what we, as a Federal Government, could or properly should do to try to help support these initiatives that your district has undertaken in trying to help improve education here in this metropolitan area?

Dr. WEAST. Well, thank you, Senator Cochran.

I hear what you say. The superintendency has not changed since your dad was in it. The sword of Damocles is hanging over you every day, you know? Whether it is a call-off for a snow day or balance interests or how to make a size 9 budget fit a size 5 shoe, you are always trying to figure it out how to do that.

But I would say that the best things you can do is pay special attention to Senator Harkin's interest in the construction. I think you really did hit the jackpot there. I think that if you really do that, you will get that quick turnaround. And you will make education better, and you will show that we have an interest in our children.

These children, as I said, are going to have to pay off this huge debt. They are going to have to create new jobs that we haven't even thought about. And if you take a look at any 10- or 12-year cycle that they are going through, look what has changed in the last 10 or 12 years. We didn't carry BlackBerrys around 12 years ago, and now most of your communication is on all these assistive devices.

So we are really training up the future. So investments in the equity issues like title I are hugely important to us because of the poverty and the homelessness and all of the economy is wreaking havoc on parents, and a lot of the growth in the poverty is with children in this country. For the first time, we are seeing that turnaround dramatically heading the wrong direction.

Good meals, extended health to children, getting them healthy. Because if they can't see or hear or have problems with their health—and I have got an area of our county that their primary health provider is the emergency room, and that is not really beneficial because it doesn't help them very much.

Investments in local jobs that we create things. Again, I go back to the construction. And then don't overlook the power of a good teacher. Keeping your universities strong. That investment is very important. And targeting your investments to teacher training and principal training to catch up with the 21st century because a lot of us came out a while back, and things have changed a lot. So keeping current in that.

So I would hope that you would continue to try to emphasize quality teachers, quality principals, working in a good environment that translates into green schools or futuristic kind of things in support of the technology infrastructure so we can share across each other. And know that we all have a stake in this. The stake is huge right now.

Because when I go into that kindergarten classroom and that first grade classroom, I know they are going to be that class of 2020 or 2024 or something like that, and they are going to come out where everything kind of hits. All of the social programs and the costs with them and all of this debt and all of this energy, they are going to have to face that.

And I think what your dad and mother did was important. What we are doing is important, but it is even more important for the next generation.

Senator COCHRAN. Thank you very much. Very eloquent response.

And for the entire panel, thank you for contributing so much to our hearing.

Senator REED. Thank you very much, Mr. Chairman, and thank you for excellent testimony.

And Dr. Weast, I join all my colleagues. You have a very important job in the school system. My dad had a more important job. He was a school custodian. And you know if the school is not clean, nothing works. So thank you very much for what you do.

Dr. Mishel, we understand that this is a devastating economy, but there are pockets which are much, much worse than other places. My home State has 12.7 percent unemployment. Michigan is above us, Tennessee. It is not localized. It is across the country.

And many of the formulas that we used in the Recovery Act don't reflect at all this differential. The highway formula, for example, has nothing to do really with unemployment rates. And I wonder, as we approach this next round, whether we should consciously—and I hope we can—take into consideration those areas which have unemployment rates in double digits and your views.

Dr. MISHEL. I think—Senator, I think that is a very good point. I might just add that the 10 percent unemployment we have and the high unemployment that is expected, I know it is going to raise child poverty by at least 50 percent, which was 18 percent in 2007, up toward 27 percent and continuing.

And for African-American children, it is going to be at least half. At least 1 out of every 2 black kids is going to be poor over the next few years.

I think one element of our jobs plan lends itself very well to the kind of targeting that you are suggesting, and it is the direct job creation by local governments because we can target that aid to the unemployment rate. And one reason I favor it so much is because even as the unemployment rate gets better nationally, there is going to be—areas are going to be devastated for years to come—Michigan, Rhode Island, South Carolina, California, Nevada. Many, many States, this is an equal opportunity disaster.

So I think it is really important to do things because some of the things we are going to do will need to be extended for years. Most of it should be for this year and next year, but some forever. Not maybe forever, but for many years to come.

So I applaud your effort to try to find something that could be targeted toward what we would call distressed communities.

Senator REED. Well, thank you.

There is another aspect, and it is a program that I think Washington State has, which is work share, which allows the States to take a portion of their unemployment funds and partner with private industry. If the employer will keep the person at work for at least part time and continue benefits, then the State will pay the sort of the unemployment that they would have gotten.

And this is just a win-win. It keeps people working. It takes pressure off the unemployment trust fund. And as you pointed out, the unemployment trust fund has a huge bang for the buck in terms of paying out. So I think do you have any ideas on that, Doctor?

Dr. MISHEL. Well, I think it is a good idea. I think it is very inexpensive to get a lot of help out there. I mean, I think it needs to be coupled with efforts to really expand the demand for goods and services. So, as a standalone thing, but I view it very much the way I view the jobs tax credit. If we are going to do a lot to get demand for goods and services growing, then this will help both preserve jobs and get an extra boost.

Senator REED. Thank you.

Ms. Sessions, you have a program like this in Washington State. Can you comment upon it?

Ms. SESSIONS. It is a nice model, Senator Reed. Absolutely.

So I believe 17 States are involved with some sort of a work share. And the other perhaps intangible benefit for employer and the employee is they have really good employees. They do not want to lay them off. They don't have to. They can reduce their hours, keep that loyalty intact, and keep the longevity of that employee intact, hopefully while unemployment compensation is coming in.

Senator REED. No, we have the same experience in Rhode Island. The employers really like this program, and I think for the reason you point out. They don't lose valuable employees.

And the employees, I was at a factory up in northern Rhode Island, and they—a husband and wife are participating. But they essentially said that without that, they would have lost their home already. They were two working people with good jobs. They have a mortgage, and they would have lost the home.

And having lost the home and the job, they would have been from the middle class to poverty in months. And that, we can avoid that, I think.

Again, let me commend you, Dr. Weast, for your comments about school construction, and let me also commend the chairman. He was relentless in this battle to get targeted funds for municipalities and counties that have school systems to do this. And I want to thank you, Mr. Chairman, because what we have found since, and it varies State by State. But there is sometimes the money goes to the States, but if the State doesn't have the capacity to get the money out—if they don't have the workers in the food stamp program to process applications, that money doesn't go out.

If they don't have the people in the weatherization department, if they don't have the people in the board of education or the Department of Education that can do what they must do to approve your plans, the money sits there.

Dr. WEAST. I would be remiss if, as we are putting all these people back to work—and I want to say what Larry said a minute ago. We are going to see a huge increase in children in poverty, and it is going to hit disproportionately minority children. Those are the children right now who don't have adequate daycare or early childhood education.

If you want a good bang for the buck—now our economists, our scholars, our international scholars have all studied this—you get a great return on investment in early childhood education. So while you are building those buildings, put an early childhood wing on them. It will make a big difference because one of the big problems I will bet you find with your employees that you are putting back to work or what Larry was talking about economically is they are afraid about what happens to their kids when they are out looking for work or what happens to their kids when they do get a job.

Especially since all of that money didn't rain down in those 90 percent, they can't afford the daycare. And that creates the opportunity gap that shows up on the achievement gap.

Senator REED. Right. I have one other question, if I may, Mr. Chairman? And that is to Dr. Mishel. You talked, and I think very perceptively and insightfully, about essentially no increase in wages for working Americans, and that is—I think I agree with you. That was the prelude to this problem, I mean one of them.

But one of the arguments we hear is that all of the productivity gains and the extra money that would have been used for wage increases went to healthcare. Now that is not entirely correct as there are lots of people that got no wage increases, and they didn't have healthcare either. But can you comment upon that in sort of technical aspect?

Dr. MISHEL. Thank you very much for the opportunity.

In fact, I just released a paper 2 weeks ago on this very topic, which I will be glad to make available. You know, economists do tend to believe that there is a tradeoff between higher healthcare costs and wages. I personally don't believe it is a one-to-one tradeoff.

But even if you accept that there was a one-to-one tradeoff, you see that in the late 1990s there was a growth of productivity, and there was a growth of wages at that time for the first time in a generation. But what you find is that there was an acceleration of overall compensation growth, not just wage growth.

So healthcare is around 7 percent of the total compensation bill. It is not big enough, in and of itself, to move the dial about overall wages for most workers. It could be a benefit, but it is a vast exaggeration to say that healthcare is the driver either up or down of wages. And many of the economists that have been contending that it was, after reading my paper, I am glad to say they have recanted, at least privately.

So I would be glad to share that with you. Evidence is overwhelming that what we really need to do is to drive overall compensation. Healthcare is a very important thing. Anyone who has bargained a contract will tell you that it is a difficult thing to get wage increases. It is a difficult thing to give out wage increases when you are also responsible for providing healthcare.

I am an employer myself. I understand that. But it is not to be the start and end of what is going on.

Senator REED. Thank you.

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

Senator HARKIN. Thank you, Senator Reed. You talked about the high unemployment among the youth in this country. What should we be looking at in terms of the summer jobs? Like AmeriCorps, things like that? Well, that is more of the longer term.

But I am just thinking about like summer youth jobs. What is the best thing we can do there?

Ms. SESSIONS. Senator, are you meaning in what areas, what industries, what sectors?

Senator HARKIN. Yes.

Ms. SESSIONS. I would open it up broadly to the community at the local level to help decide that, and regional economists, workforce boards are always looking at what the next thing is 2 years out, 3 years, 5 years out, and I would say it is a vast range.

And I think only flaw I would say about public sector employment from the past in terms of youth is it was a little bit too much in a box of let us have the kids go out in crews and do something. And in fact, nowadays, they are doing and learning very 21st century skills, and I would just say keep those boards and those economists on the cutting edge there to open up lots and lots of opportunities.

Senator HARKIN. Dr. Weast, do you have any comment?

Dr. WEAST. We do a lot of summer youth employment ourselves, and so we work through our WIB. I would try to channel my money through an existing organization out there that will put it to work the quickest and also have the adequate supervision. So we just are keeping meaningful employment, but also building the skills that create the engagement so they can see themselves visioning into a job in the future.

I mean, that is the biggest connection. When I am working with fifth graders, I want them to see themselves in a future with a job that they want to do that is highly engaging. So making that connection, and that youth employment does a really good job on that.

We know that kids that work or have meaningful work tend to translate into getting out of school and not dropping out and seeing themselves in the future.

Dr. MISHEL. Senator, it maybe doesn't even need stating, but when we have high unemployment, the unemployment rate for youth is extraordinarily high. And one of the things we have done over the last 30 years is we have dismantled a lot of our capacity to do things like public service jobs, like youth employment, because these things have been eliminated.

So when we get into a crisis, then we want to do these things, but the infrastructure or the capacity isn't there. So we need to do something on a permanent basis that we can scale up at these moments. We did a big program last summer, which I think was very effective. Surprisingly, we didn't hear anything about it from the media, but, in fact, it was there and providing a lot of jobs.

And you can't motivate a child to do well in school to be able to succeed in the future when there is—the future is really remote that they are going to get a job. So it actually works very much to incentivize kids to do well in school if they know they are going to be able to get a leg up. So I really applaud any efforts to provide youth jobs.

Ms. SESSIONS. Senator, last word on that?

Senator HARKIN. Yes.

Ms. SESSIONS. We did do a very big youth program last summer, more than 300,000 young people employed. The engine has been built. It won't be hard to get that going again this next summer. It is all ready to go.

Senator HARKIN. So you could do that right away?

Ms. SESSIONS. Absolutely. We are working on it right now. Yes.

Senator HARKIN. See, that is the other thing. We haven't talked too much about that today. But I am looking at and what our subcommittee will look at is how much money we need to put up front just for summer youth employment, like for this summer, next summer.

Ms. SESSIONS. We are ready. Yes.

Senator HARKIN. And you think this money could be used wisely and well right away?

Ms. SESSIONS. Absolutely.

Senator HARKIN. Well, there is the longer term. That is the short term. I did want to say also that maybe better investments in AmeriCorps and things like that, these are longer term types of things for youth. But that might help alleviate at least some of the problems of the high unemployment rate among young people.

I have had great experiences with AmeriCorps in our State during our recent floods and things like that when they came out to Iowa. We have a training site in Iowa at a school. So it seems to me, these are also things where you get a lot of bang for the buck.

Well, that is really all I wanted to cover here today. I wanted to open this year with this subcommittee and with my other committee on the HELP Committee looking at jobs. That is what everybody is reading about. It is in the papers—jobs, jobs, jobs. Well, we have got to be about it, and we have got to be about how much.

Dr. Mishel, how much—if you just dribble a little bit out there, that is not going to do anything. Then we have this huge debt hanging over our heads. We have a debt limit increase bill on the floor right now, and we are struggling to get the votes to pass it. And we have to do that.

Our country has never defaulted since the deal was struck with Alexander Hamilton and Thomas Jefferson, a historical story. We have never defaulted. And yet we are in danger of that right now. If we don't get the votes to pass the debt limit, we are in danger of defaulting, and I don't know what that means.

People paint that in apocalyptic terms. I don't know. I am not an economist. But I know it would be something that we have never done before, and it could have some devastating impacts on our ability to raise capital in the future. So we have got that hanging over us.

But I agree with Dr. Mishel that in these times like this, these are the times when you do have to borrow from the future so that we build the infrastructure, both educationally—developmentally, educationally, physical infrastructure so that the youth today from whom we are borrowing—we are borrowing from their future earnings—so that when they make their future earnings, they will have a better society, better infrastructure, better education, better support services so that they can pay the money back in the future.

Dr. MISHEL. Never a better time to borrow it. Low interest rates now.

Senator HARKIN. What?

Dr. MISHEL. It is a great time to borrow. Very low interest rates.

Senator HARKIN. They are around zero.

Dr. MISHEL. Great investment.

Senator HARKIN. It is a great time to borrow money.

Dr. WEAST. True story on high schools. We are building high schools that are costing about $100 million. We can get them now for $75 million. We just bid some. So the same structure that we built 2 years ago, we can build it about 30 percent cheaper, and we can get a free elementary school on the side. So you are right on target on that construction right now.

Senator HARKIN. You get jobs.

Dr. WEAST. Yes, we get jobs. I mean, what is there not to like?

Senator HARKIN. As I said, think about in terms of all the stuff that goes into that, most of it is made in America. So you get other jobs down the line that other people are working on that are made here. You don't import a lot of that stuff.

Well, thank you all very much. It has been a great panel, and it has been very enlightening. You are all doing great jobs out there.

And Dr. Mishel, if I could have from you how you figured that in terms of how much money going out from school construction and what comes back, I had not looked at that before.

Dr. MISHEL. And your point about that there is very few imports in school construction is very apt. It is very important.

Senator HARKIN. Yes, no one ever makes that point. So you get that dollar spending more in our economy than just going overseas somewhere.

CONCLUSION OF HEARING

Well, thank you all very much. I really appreciate it. We kicked off the first of our hearings on this in a great manner.

The subcommittee will stand recessed.

[Whereupon, at 11:39 a.m., Thursday, January 21, the hearing was concluded, and the subcommittee was recessed to reconvene subject to the call of the Chair.]

MATERIAL SUBMITTED SUBSEQUENT TO THE HEARINGS

[CLERK'S NOTE.—The following testimonies were received subsequent to the hearing for inclusion in the record.

PREPARED STATEMENT OF THE AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES

This statement is submitted on behalf of the 1.6 million members of the American Federation of State, County and Municipal Employees (AFSCME) for the official record of the Senate Appropriations Subcommittee on Labor, Health and Human Services, and Education, and Related Agencies January 21, 2010 hearing, entitled "How to Save and Create Jobs."

A thorough discussion on how to preserve and create jobs must include state and local fiscal relief. Across the country, States are facing an estimated $34 billion in mid-year fiscal year 2010 budget shortfalls and a $140 billion budget shortfall for fiscal year 2011. Many States have already announced plans to eliminate public sector jobs, reduce public services, and scale back Medicaid coverage if they do not receive immediate Federal assistance. These State budget cuts will have a ripple effect throughout the economy and, according to economic estimates, could result in the loss of 900,000 jobs.

To preserve jobs and prevent future losses, AFSCME urges the subcommittee to invest in State and local fiscal relief and extend the Federal Medicaid assistance (FMAP) provided by the American Recovery and Reinvestment Act (ARRA) for at least 6 months.

ARRA is Working; Efforts Should be Continued

ARRA provided $87 billion in fiscal relief to States and localities through an increase in FMAP and $48.3 billion for State Fiscal Stabilization Fund block grants. This relief was crucial to the stabilization of State and local economies. Not only did it help States meet Medicaid and education obligations at a time when revenues dramatically dropped, it allowed funds to be redirected toward much needed public services and benefits. Without ARRA assistance, State budget cuts and State tax increases would have been much larger.

ARRA funds preserved and created jobs. The Department of Education found that 318,000 jobs were saved or created by ARRA's Fiscal Stabilization fund, as of September 30, 2009. While official reports are not available on the impact of FMAP funds, the President's Council of Economic Advisors found a strong relationship between increased FMAP contributions and jobs.

Increased FMAP Funds Are a Proven Stimulus

Medicaid represents the largest source (17 percent) of State general revenue expenditures and is a highly effective method for delivering Federal funds to States. An analysis by Mark Zandi, chief economist of Moody's Economy.com, demonstrates that of all the options available to Congress, State fiscal relief through general aid or a temporary increase in the Medicaid matching rate to State governments generates one of the greatest economic returns. Specifically, every $1 increase in spending for general aid to State governments will generate $1.41 in increased real gross domestic product.

States Continue To Face Budget Shortfalls

While Federal assistance provided by ARRA is lessening the need for harmful budget cuts, the funds are set to expire on December 31, 2010, well before State economies are projected to stabilize and mid-way through most States' 2011 fiscal year. The end of these funds will trigger a $39 billion increase in State Medicaid costs for 2011. Governors are now preparing 2011 budgets, and if Congress does not act quickly to extend relief, States will have to impose additional budget cuts in essential services, including public safety, education, and healthcare services to balance their budgets.

Every State, except Vermont, requires States to impose cuts or raise reviews to balance their budgets and comply with balanced budget laws. Most States, unlike the Federal Government, begin their fiscal year in July. For the current fiscal year 2010, States used a combination of budget cuts, reserve funds, tax increases, and Federal ARRA funds to create a balanced budget in July of 2009. Unfortunately, actual revenues have failed to meet even the most pessimistic of projections.

According to the Center on Budget and Policy Priorities (CBPP), 39 States have identified mid-year 2010 budget gaps totaling $34 billion and will need to impose additional budget cuts. Mid-year budget cuts will be in addition to budget cuts enacted in the beginning of the fiscal year and further deplete any reserve funds that could be carried over into fiscal year 2011. These budget cuts will be taking place while States prepare for fiscal year 2011. For fiscal year 2011, the CBPP estimates State deficits will total at least $180 billion. Deficits are projected to continue with a $120 billion shortfall in fiscal year 2012 and stabilize by 2013.

In addition to deficits, States are grappling with increased unemployment. For every 1 percent that unemployment rises, 2.5 million Americans lose employer-sponsored health coverage and enroll in Medicaid. Increased Medicaid enrollment will further strain State budgets, therefore, the best option to protect healthcare among the newly unemployed and help States maintain coverage is to increase Federal funds for Medicaid.

Conclusion

Increasing funding for State and local governments will stabilize their budgets, strengthen the national economy, maintain vital public services, and preserve and create jobs. Specifically, AFSCME urges Congress to extend State and local ARRA funds now, before States release fiscal year 2011 budgets and enact further cuts.

AFSCME is not alone in making this request. As the attached letter shows, numerous national, State, and local organizations support extending FMAP and State fiscal stabilization assistance until at least June 30, 2011.

JANUARY 20, 2010.

Hon. HARRY REID,
Majority Leader, U.S. Senate,
Washington, DC.

Hon. MITCH MCCONNELL,
Minority Leader, U.S. Senate,
Washington, DC.

Hon. NANCY PELOSI,
Office of the Speaker, House of Representatives,
Washington, DC.

Hon. JOHN BOEHNER,
Office of the House Republican Leader, House of Representatives,
Washington, DC.

DEAR LEADER REID, SENATOR MCCONNELL, MADAM SPEAKER, AND REPRESENTATIVE BOEHNER: As you are aware, the American Recovery and Reinvestment Act (ARRA) provided $87 billion in fiscal relief to States and localities through an increase in Medicaid assistance (FMAP) and additional funds for the State Fiscal Stabilization Fund (SFSF). This relief has helped stabilize State and local economies, save and create jobs, and cover critical Medicaid and education services at a time when State revenues precipitously dropped due to the economic downturn.

The additional FMAP assistance provided under ARRA is scheduled to expire on December 31, 2010. By this time, States will also have largely exhausted the SFSF. Unfortunately, with the economy in the midst of an uncertain recovery, States are currently faced with shortfalls totaling $140 billion in fiscal year 2011. Most States, unlike the Federal Government, begin their fiscal year in July, which means States are already being forced to plan spending cuts and tax increases for fiscal year 2011. Many States have already announced plans to eliminate public sector jobs, decrease funding to safety-net providers and scale back Medicaid coverage if the ARRA fiscal relief is not extended. These State budget cuts will have a ripple effect throughout the economy and, according to economic estimates, could result in the loss of 900,000 jobs.

The undersigned organizations urge you to act now to avoid further job losses by fully extending the FMAP and State fiscal stabilization assistance in ARRA until at least June 30, 2011.

Thank you for your consideration and we look forward to working with you on this and additional measures that will preserve our social safety net and ensure a timely economic recovery.

Respectfully yours,

National Organizations

9to5, National Association of Working Women; ACCSES; AFSCME; Alliance for Children and Families; American Association of Children's Residential Centers; American Association of Geriatric Psychiatry; American Association Dance Therapy; Association American Group Psychotherapy Association of People with Disabilities; American Association on Intellectual & Developmental Disabilities; American Counseling Association; American Dance Therapy Association; American Group Psychotherapy Association; American Health Care Association; American Hospital Association; American Humane Association; American Network of Community Options and Resources; American Occupational Therapy Association.

American Physical Therapy Association; American Psychological Association; Amerigroup; Amputee Coalition of America; APSE; Association for Ambulatory Behavioral Healthcare; Association of Assistive Technology Act Programs (ATAP); Association of Jewish Family & Children's Agencies; Association of University Centers on Disabilities; Bazelon Center for Mental Health Law; Black Administrators in Child Welfare Inc.; Brain Injury Association of America; Bread for the World; Burton Blatt Institute; Campaign for Community Change; Children's Defense Fund.

CLASP (Center for Law and Social Policy); Clinical Social Work Association; Coalition on Human Needs; Community Access National Network; Community Action Partnership; Consortium for Child Welfare; CORE: Coalition for Residential Education; Corporation for Supportive Housing; CWLA; Dialysis Patient Citizens; Disability Rights Education and Defense Fund; Easter Seals; Every Child Matters Education Fund; Families USA; Family Preservation Community Services Family Voices; First Focus; Foster Family-based Treatment Association; HIV Medicine Association.

IAFF; International Federation of Professional and Technical Engineers (IFPTE), AFL–CIO, CLC; The Jewish Federations of North America; Lutheran Services in America; Medicaid Health Plans of America; Mental Health America; Mobile MD; NAACAC, the Association for Addiction Professional; NACAC = North American Council on Adoptable Children; National Alliance of State and Territorial AIDS Directors; National Alliance on Mental Illness; National Association for Children's Behavioral Health; National Association for Public Health Policy; National Association of Area Agencies on Aging (n4a); National Association of Children's Hospitals; National Association of Councils on Developmental Disabilities.

National Association of Counties; National Association of County Human Services Administrators; National Association of Directors of Developmental Disabilities Services; National Association of Psychiatric Health Systems; National Association of Public Hospitals and Health Systems; National Association of Social Workers; National Association of State Directors of Special Education; National Association of State Head Injury Administrators; National Association of State Mental Health Program Directors (NASMHPD); National Center for Law and Economic Justice; National Collaboration for Youth; National Council for Community Behavioral Healthcare; National Council of Jewish Women; National Council on Independent Living (NCIL); National Disability Rights Network National Education Association; National Health Care for the Homeless Council.

National Immigration Law Center; National Latina Health Network; National Multiple Sclerosis Society; National Organization of State Associations for Children; National Priorities Project; National Respite Coalition; National Senior Citizens Law Center; National Women's Law Center; NETWORK, A National Catholic Social Justice Lobby; OMB Watch; OWL—The Voice of Midlife and Older Women; Paralyzed Veterans of America Presbyterian Church (U.S.A.); Project Inform; Psychiatric Institute of Washington; RESULTS; School Social Work Association of America;.

SEIU; The Arc of the United States; The National Advocacy Center; The Salvation Army Family & Community Services; The Xaverian Brothers; Treatment Access Expansion Project; United Cerebral Palsy; United Neighborhood Centers of America; United Spinal Association and National Spinal Cord Injury Association; Voices for America's Children; YWCA USA.

State and Local Organizations

(AK) Alaska Center for Public Policy; (AK) HIV /AIDS Services for African Americans in Alaska; (AL) Alabama Arise; (AL) Legion of Mary; (AL) Southwest Alabama Mental Health and Mental Retardation Board, INC.; (AL) YWCA Central Alabama; (AZ) Arizona Association of Counties, Inc.; (AZ) Arizona Council of Human Service

Providers; (AZ) Arizona's Children Association; (AZ) Family Service Agency; (AZ) Stand Together and Recover Centers, Inc.; (CA) 9to5 Bay Area; (CA) 9to5 Los Angeles; (CA) Avant-Garde Foster Family and Adoption Agency; (CA) Binational Center for the Development of Oaxacan Indigenous Communities (CBDIO); (CA) California Alliance of Child and Family Services; (CA) California Church IMPACT; (CA) California Institute for Mental Health; (CA) California Latinas for Reproductive Justice (CLRJ); (CA) California Mental Health Directors Association.

(CA) California National Organization for Women; (CA) California Pan-Ethnic Health Network; (CA) California Senior Leaders Alliance; (CA) California State Association of Counties; (CA) CARA (California Alliance for Retired Americans); (CA) Catholic Charities of Santa Clara County; (CA) Center for Children and Family Futures; (CA) Community Action Partnership of San Bernardino County; (CA) County Welfare Directors Association of California; (CA) El Hogar, Inc.; (CA) Family Care Network, Inc.; (CA) Having Our Say; (CA) Hillview Mental Health Center, Inc.; (CA) Independent Living Resource Center; (CA) Jewish Family Service; (CA) Jewish Family Services of Silicon Valley; (CA) Kanana Fou Church; (CA) Lifelong Medical Care; (CA) Maternal and Child Health Access; (CA) Mental Health America of Los Angeles.

(CA) National Council of Jewish Women, California; (CA) Opportunity House; (CA) Parent Voices of Sonoma County; (CA) Sacramento Occupational Advancement Resources Inc.; (CA) Senior Volunteers; (CA) Shasta Community Health Center; (CA) Sonoma County Commission on Aids; (CA) St. Mary's Center; (CA) United Way of California; (CA) United Way of Santa Cruz County; (CA) United Way of Silicon Valley; (CA) Valley Housing Foundation; (CO) 9to5 Colorado; (CO) Centennial Mental Health Center; (CO) Colorado Behavioral Healthcare Council; (CO) Community Reach Center; (CO) Jefferson Center for Mental Health; (CO) Mental Health Center of Denver; (CO) San Luis Valley Comprehensive Community Mental Health Center; (CO) The Mental Health Center Serving Boulder and Broomfield Counties.

(CT) Birmingham Group Health Services, Inc.; (CT) Center for Social Research; (CT) City of Bridgeport, Social Services Department; (CT) Connecticut Association for Human Services (CAHS); (CT) Connecticut Immigrant and Refugee Coalition; (CT) Connecticut Legal Services; (CT) Connecticut Legal Rights Project; (CT) Connecticut Oral Health Initiative; (CT) CT Coalition for Justice in Education Funding; (CT) CT Council of Family Service Agencies; (CT) Family Services of Greater Waterbury, Inc.; (CT) FSW, Inc. CT; (CT) Glastonbury and Portland United Methodist Charge; (CT) Greater Hartford Legal Aid; (CT) Jewish Federation Association of Connecticut (JFACT); (CT) Legal Assistance Resource Center of CT; (CT) Middlesex Coalition for Children; (CT) Morris Foundation, Inc.; (CT) National Association of Social Workers, CT Chapter; (CT) New Haven Family Alliance, Inc.

(CT) New Haven Legal Assistance Association; (CT) POOR PEOPLE'S ALLIANCE; (CT) The Village for Families and Children; (CT) Vecinos Unidos; (DC) District of Columbia Behavioral Health Association; (DE) Children & Families First; (DE) Recovery & Prevention Resources of Delaware and Morrow; Counties, Inc.; (FL) Family Counseling Services of Greater Miami, Inc.; (FL) Florida CHAIN; (FL) Prader-Willi Syndrome Association (USA); (FL) Rural Health Partnership; (GA) 9to5 Atlanta; (GA) Families First, Inc.; (GA) Georgia Association of Homes and Services for Children; (GA) Georgia Rural Urban Summit; (GA) The Association County Commissioners of Georgia; (GA) The Methodist Home for Children and Youth; (HI) Child & Family Service; (IA) Comprehensive Systems, Inc.; (IA) Exceptional Opportunities, Inc.

(IA) G & G Living Centers, Inc.; (IA) Goodwill of the Heartland; (IA) Handicapped Development Center; (IA) Hills & Dales; (IA) Howard Center, Inc.; (IA) Iowa Association of Community Providers; (IA) Iowa State Association of Counties; (IA) Krysilis; (IA) New Choices Inc. Home Health; (IA) New Choices, Inc.; (IA) New Hope Village; (IA) Nishna Productions, Inc.; (IA) Progress Industries; (IA) REM Iowa; (IA) REM Iowa & Nebraska MENTOR; (IA) Story County Community Life Program; (IA) SW IA Latino Resource Center; (IA) The Homestead; (IA) The North Central Sheltered Workshop, dba LifeWorks Community Services; (IA) Village Northwest Unlimited.

(IA) West Fork Services, Inc.; (IL) AIDS Foundation of Chicago; (IL) Chaddock; (IL) Chicago Democratic Socialists of American; (IL) Child Care Association of Illinois; (IL) CJE SeniorLife in Illinois; (IL) Community Behavioral Healthcare Association of IL (CBHA); (IL) Goodwill of the Heartland; (IL) Grassroots Collaborative; (IL) GriffinCenter; (IL) Health & Disability Advocates; (IL) Heartland Alliance for Human Needs & Human Rights; (IL) Illinois Association of Rehabilitation Facilities; (IL) Illinois Community Behavioral Healthcare Association; (IL) Illinois Maternal and Child Health Coalition; (IL) Jewish Child and Family Services; (IL) Jewish Federation of Metropolitan Chicago; (IL) Kids Hope United; (IL) Lawrence Hall Youth Services; (IL) Lutheran Advocacy—Illinois.

(IL) Lutheran Social Services of Illinois; (IL) Metropolitan Family Services; (IL) Northeast Chicago Chapter Older Women's League (OWL); (IL) Sinai Health System, Chicago; (IL) The H Group; (IN) Agape Respite Care, Inc.; (IN) Centerstone of Indiana; (IN) Centerstone Research Institute; (IN) Cummins Behavioral Health Systems, Inc.; (IN) Family and Children's Center, Inc.; (IN) Family Service Association; (IN) Family Service Association of the Wabash Valley, Inc.; (IN) IARCCA An Association of Children & Family Services; (IN) Indiana Catholic Conference; (IN) Lampion Center; (IN) LifeSpring, Inc.; (IN) Oaklawn Psychiatric Center, Inc.; (KS) Kansas Association of Counties; (KS) Kansas Children's Service League; (KS) Trinity In-Home Care.

(KY) Bellewood Presbyterian Home for Children; (KY) Boys and Girls Haven; (KY) Children's Alliance; (KY) Communicare; (KY) Family & Children's Place; (KY) KVC Behavioral HealthCare Kentucky; (KY) Necco; (KY) Pathways, Inc.; (KY) Presbyterian Child Welfare Agency; (KY) SAFY of Kentucky, Inc.; (KY) Seven Counties Services, Inc. (KY) Spectrum Care Academy; (LA) Agenda for Children; (MA) Association for Behavioral Healthcare; (MA) Family Services of Central Massachusetts; (MA) Family Services of Greater Boston; (MA) Health Care for All; (MA) Massachusetts Family and Child; (MA) Riverside Community Care; (MA) ServiceNet, Inc.

(MA) The MENTOR Network; (MD) AIDS Action Baltimore; (MD) Alliance, Inc.; (MD) Center for Children, Inc.; (MD) Community Behavioral Health Association of Maryland; (MD) Eastern Shore Psychological Services, LLC; (MD) Health Care for the Homeless, Inc.; (MD) Maryland Addictions; Directors Council; (MD) Maryland Association of Counties; (MD) Maryland Association of Resources for Families and Youth; (MD) Maryland Budget & Tax Policy Institute; (MD) Maryland Citizens' Health Initiative; (MD) Maryland Coalition of Families for Children's Mental Health; (MD) Maryland Disability Law Center; (MD) Maryland Society for Clinical Social Work; (MD) Mental Health Association of Frederick County; (MD) Mental Health Association of Maryland; (MD) Montgomery County Federation of Families for Children's Mental Health; (MD) Omni House Inc.; (MD) Pro Bono Counseling Project.

(MD) Sheppard Pratt Health System; (MD) Simon Publications; (ME) Maine Equal Justice Partners; (MI) Bay-Arenac Behavioral Health; (MI) Catholic Social Services of Oakland County, Inc.; (MI) Eagle Village, Inc.; (MI) Elder Law of Michigan, Inc.; (MI) Family Service Agency of Mid Michigan; (MI) Judson Center; (MI) LifeWays; (MI) Livingston County Community Mental Health Authority; (MI) Michigan Association of Counties; (MI) Michigan Unitarian Universalist Social Justice Network (MUUSJN); (MI) Oakland County Community Mental Health Authority; (MI) West Michigan Community Mental Health System; (MN) Association of Minnesota Counties; (MN) Growth & Justice; (MN) Legal Services Advocacy Project; (MN) Minnesota Association of Community Mental Health Programs, Inc.; (MN) Minnesota Citizens for Tax Justice.

(MN) Minnesota Council of Nonprofits; (MN) Minnesota Kinship Caregivers Association; (MN) National Association of Social Workers, Minnesota Chapter; (MN) Pillsbury United Communities; (MN) RESULTS-Domestic, Minnesota; (MN) Take Action Minnesota; (MN) The Arc of Minnesota; (MN) The Minnesota Council of Child Caring Agencies; (MN) Therapeutic Services Agency, Inc.; (MO) Children's Foundation of Mid America; (MO) Family Counseling Center of Missouri, Inc.; (MO) Pathways Community Behavioral Healthcare, Inc.; (MO) Preferred Family Healthcare; (MT) Intermountain; (NC) Action for Children North Carolina; (NC) Children and Family Services Association, NC; (NC) Family Service of the Piedmont; (NC) Footprints Carolina, LLC; (ND) Dakota Boys and Girls Ranch; (NE) ADAPT NE.

(NE) Child Guidance Center; (NE) Kolb Foundation for Disability Education; (NE) Nebraska Association of County Officials; (NE) Sisters of Mercy West Midwest Community; (NJ) Bonnie Brae; (NJ) Center for Family Services, Inc.; (NJ) New Jersey Alliance for Children, Youth and Families; (NJ) New Jersey Association of Mental Health Agencies, Inc.; (NJ) New Jersey Policy Perspective; (NJ) New Jersey Tenants Organization; (NJ) Statewide Parent Advocacy Network of New Jersey; (NM) Community Action New Mexico; (NM) Family Voices; (NM) New Mexico Association of Counties; (NM) New Mexico Center on Law and Poverty; (NM) New Mexico Voices for Children; (NV) Community Chest, Inc.; (NV) Health Access Washoe County; (NV) Nevada Association of Counties; (NV) Nevada Health Care Association.

(NV) NV Lawyers for Progressive Policy; (NV) Planned Parenthood Mar Monte; (NV) Planned Parenthood of Southern Nevada; (NV) Progressive Leadership Alliance of Nevada; (NV) SAFY (Specialized Alternatives for Family & Youth) of Nevada; (NY) Abbott House; (NY) ARISE; (NY) ARISE Child and Family Services;

(NY) Behavioral Health Services North; (NY) Catholic Family Center; (NY) Center for Independence of the Disabled, New York; (NY) Citizens' Committee for Children of New York, Inc.; (NY) Community Healthcare Network; (NY) Council of Family and Child Caring Agencies; (NY) Early Care & Learning Council; (NY) Families and Children's Association; (NY) Fiscal Policy Institute; (NY) Gray Panthers of Suffolk County; (NY) Greater New York Labor-Religion Coalition; (NY) Healthcare Association of New York State.

(NY) Hillside Children's Center; (NY) Hope House Inc.; (NY) Human Services Council of New York City; (NY) Hunger Action Network of NYS; (NY) Jewish Board of Family & Children's Services; (NY) LaSalle School; (NY) Liberty Resources, Inc.; (NY) National Jobs for All Coalition; (NY) New York Association of Psychiatric Rehabilitation Services; (NY) New York City AIDS Housing Network (NYCAHN); (NY) New York City Coalition Against Hunger; (NY) New York State Association of Counties; (NY) New York State Council for Community Behavioral Healthcare; (NY) New Yorkers for Accessible Health Coverage Center for Independence of the Disabled; (NY) New Yorkers for Fiscal Fairness; (NY) Office of Peace and Justice Sisters of Charity of New York; (NY) Parsons Child and Family Center; (NY) Spectrum Human Services; (NY) Temple Beth Am; (NY) The Children's Village.

(NY) Therapeutic Communities Association of New York State; (NY) UJA-Federation of New York, Inc.; (NY) United Neighborhood Houses; (NY) Violence Intervention Program, Inc.; (OH) Alcohol and Drug FREEDOM CENTER of Knox County; (OH) Butler Behavioral Health Services; (OH) Community Mental Health and Recovery Board of Licking and Knox Counties; (OH) Community Services of Stark County; (OH) Community Solutions Association; (OH) Community Support Services, Inc.; (OH) Crossroads; (OH) Health Recovery Services Inc.; (OH) Mental Health Services for Clark and Madison Counties, Inc.; (OH) Ohio Association of Child Caring Agencies (OACCA); (OH) Ohio Council of Behavioral Health & Family Services Providers; (OH) Results Columbus; (OH) Specialized Alternatives For Families & Youth of America, Inc.; (OH) Stop Targeting Ohio Poor; (OH) The Neighborhood House, Inc.; (OH) Townhall II.

(OK) Association of County Commissioners of Oklahoma; (OR) Association of Oregon Counties; (OR) Benton County Mental Health (OR) Disability Navigators Inc.; (OR) Full Access; (OR) Impact NW; (OR) Independence Northwest; (OR) Living Opportunities, Inc.; (OR) Looking Glass Youth and Family Services, Inc.; (OR) Oregon Alliance for Retired Americans; (OR) Oregon Council on Developmental Disabilities; (OR) Oregon Developmental Disabilities Coalition; (OR) Oregon Disabilities Commission; (OR) Oregon State Council for Retired Citizens; (OR) Southern Oregon Adolescent Study and Treatment Center; (OR) The Oregon Rehabilitation Association; (OR) United Seniors of Oregon; (PA) CareLink Community Support Services; (PA) Community Services Group; (PA) County Commissioners Association of Pennsylvania.

(PA) Family and Community Service of Delaware County; (PA) Family Answers; (PA) Family Service Association; (PA) Family Services of NWPa; (PA) Family Services of Western Pennsylvania; (PA) JEVS Human Services; (PA) Jewish Family and Children's Service of Greater Philadelphia; (PA) Jewish Federation of Greater Philadelphia; (PA) Lenape Valley Foundation; (PA) Methodist Home for Children; (PA) Parental Stress; (PA) Pennsylvania Hunger Action Center; (PA) Pennsylvania Jewish Coalition; (PA) Pennsylvania Partnerships for Children; (PA) Pressley Ridge; (PA) UCP/CLASS; (RI) Gateway Healthcare, Inc.; (RI) Ocean State Action; (SC) Carolina Youth Development Center; (SC) Children's Trust of South Carolina.

(SD) South Dakota Association of County Commissioners; (SD) South Dakota Association of County Officials; (SD) South Dakota Council of Mental Health Centers, Inc.; (SD) South Dakota Council of Substance Abuse Directors, Inc.; (TN) Advantage Behavioral Health; (TN) Centerstone of Tennessee; (TN) Tennessee Association of Mental Health Organizations; (TN) Tennessee Respite Coalition; (TN) The Tennessee Conference on Social Welfare; (TX) ACCESS MHMR; (TX) Border Region Metal Health Mental Retardation Center; (TX) Center for Public Policy Priorities; (TX) DePelchin Children's Center; (TX) Family Service Association of San Antonio, Inc.; (TX) Family Services of Southeast Texas; (TX) Houston Peace News; (TX) La Fe Policy Research & Education Center; (TX) LifePath Systems; (TX) Senior Community Outreach Services, Inc.; (TX) Tarrant County CHIP Coalition.

(TX) Texans Care for Children; (TX) Tri-County MHMR; (UT) Anti-Hunger Action Committee; (UT) Bear River Mental Health Services, Inc.; (UT) Coalition of Religious Communities; (UT) Disabled Rights Action Committee; (UT) Legislative Coalition for People with Disabilities; (UT) Salt Lake Community Action Program; (UT) Southwest Behavioral Health Center; (UT) Utah Association of Counties; (UT) Wasatch Mental Health; (VA) Institute of Social Medicine & Community Health; (VA) Loudoun Community Health Center; (VA) Prevent Child Abuse Hampton

Roads; (VA) Prevent Child Abuse; Virginia; (VA) Project Community, Inc.; (VA) Virginia Association of Counties; (VA) Virginia Association of Personal Care Assistants, Local 5; (VT) VT Affordable Housing Coalition; (WA) Family Service Spokane.

(WA) International Community Health Services; (WA) Navos; (WA) Northwest Federation of Community Organizations; (WA) Triumph Treatment Service; (WA) Washington Community Action Network; (WA) WFSE 304/Council 28; (WA) Willapa Behavioral Health; (WA) Women's Coalition of Washington; (WI) 9to5 Milwaukee; (WI) Coalition of Wisconsin Aging Groups; (WI) Family Services of Northeast Wisconsin; (WI) One Wisconsin Now; (WI) Respite Care Association of Wisconsin; (WI) St. Rose Youth & Family Center; (WI) Wisconsin Association of Family and Children's Agencies; (WI) Wisconsin Council on Children and Families; (WI) Wisconsin Jewish Conference and Wisconsin Personal Services Association; (WV) County Commissioners Association of West Virginia; (WV) West Virginia Association of Counties.

PREPARED STATEMENT OF JERRY S. HEPPES

This written testimony is submitted after the hearing conducted on January 21, 2010. Senator Harkin, Ranking Member Cochran, and members of the subcommittee I am the CEO of the Door and Hardware Institute (DHI). Our written testimony will underscore several key points that were discussed during the January 21, 2010 hearing as well as to offer additional perspective.

Introduction to Our Organization

To provide some background information, DHI is an IRC section 501(c)(6) membership association founded in 1975 with a core purpose to advance life safety and security of the built environment throughout North America. DHI represents the architectural openings trade—a $6 billion industry—with more than 5,000 members. Membership consists of individuals, consultants and corporations involved in the writing of architectural specifications, and the manufacturing and distribution of products (doors, frames, architectural hardware, and access control) in all commercial buildings. DHI is uniquely devoted to the interests of the door and hardware industry with its professional certifications, publications, advocacy, and educational programs.

Our members write the specifications, consult, and provide product for the architectural openings (doorways) in schools. Schools are comprised of many particular complicated openings which provide security, life safety, and ADA compliance. Specifying long-term and on-going maintenance is also part of our responsibilities. As much as 30 percent of a distributors business can be dedicated to schools (K–12, colleges, and universities).

Recessions Impact on Construction

As we are all well aware, the construction industry has been severely impacted by the current recession. In fact, according to Stephen E. Sandherr, the Chief Executive Officer of the Associated General Contractors of America, construction spending declined by $137 billion last year, and now is the lowest in 6 years.[1] The forecast for 2010 is just as bleak: McGraw Hill estimates a 3.1 percent decrease; Reed Construction Data estimates an 8.5 percent decrease; and the American Institute of Architects Consensus Forecast (AIA consensus forecast comprised of McGraw Hill, Global Insight, Portland Cement Association, Moody's Economy, and Reed Construction Data) estimates a 13.4 percent decrease. All of these decreases are for nonresidential construction. Specific to schools, the estimates are: AIA consensus, −5.6 percent; McGraw Hill, −5.4 percent; and Reed Construction Data, −3.4 percent.[2]

Job Creation

During testimony, the topic of job creation through school construction was briefly touched upon. It is important to further explore the job creation opportunity and I thought it would be helpful from the perspective of one segment of the institutional construction industry.

What type of impact has the recession had on jobs? The construction industry is only 5 percent of the U.S. workforce, however according to Mr. Sandherr, construction workers shouldered 20 percent of nonfarm layoffs last year. He continues to state that the latest Federal figures make clear, the depression-like conditions in

---

[1] Construction NEWS Associated General Contractors of America 2010 Construction Industry Employment and Business Forecast Media Conference Call Remarks, Stephen E. Sandherr, CEO, January 20, 2010.

[2] AIA Non-Residential Construction Forecast, January 14, 2010.

the construction industry are one of the main factors dragging overall employment.[1] These are staggering numbers.

What type of impact does this have on one segment of the construction industry such as our industry? The typical door and hardware distributor requires one employee for every $287,000 in sales.[3] According to Brian K. Edwards, Chief of Staff of Montgomery County Schools, Montgomery County spent $250 million of construction in 2009. Doors and hardware average 2.5 percent of the construction cost which means, based upon the sales per employee number referenced above, in 2009 Montgomery County school construction yielded (secured or created) 21 jobs in our industry in one county. Please consider that this is one county in one State. Magnify this number across the country and to all of the industries (the remaining 97.5 percent of the cost of the job) involved in a construction project and the job creation possibilities are impressive through school construction.

School construction involves a great number of professions, industries, and products, perhaps more than any other building type. This is because there is a specific end-user with a specifically detailed user population. At the onset of a school project, be it a new facility, addition, or renovation, the benefit to designers and engineers is immediate. Architects, site planners, and consulting engineers (civil, structural, mechanical, and electrical) are put to work right from the first notice to proceed.[4]

After the design and construction documents are complete the contractors and material suppliers join the design team in the benefits of school construction. Virtually every construction trade is involved in the construction of the base building and interior fit out of a school. The shell building incorporates major trades such as excavation, steel, concrete, masonry, windows, paving, roofing, and utility contractors.[4]

Unlike a speculative office or commercial building a school then has full interior fit out. This project scope will typically include all build-out of metal stud, gypsum wall board, CMU partitions, lighting, plumbing, plumbing fixtures and of course, literally, hundreds of doors/frames and hardware sets in a typical school. Built in furniture, case work, and equipment is also designed and installed as part of the construction project. Finishing contractors can include flooring, carpet, paint, wall coverings, tile, ceilings, and window treatments. This interior work employs material suppliers, manufacturers, transportation companies, and installation contractors.[4]

A school will also typically include specialty designers, systems, equipment, and contractors. These can include kitchen/food service, information technologies, audio/visual, and theater/lighting/acoustics. Special teaching programs—such as science, technical education, and automotive—also include all the associated special design, equipment, and contractors. The list goes on and on.[4]

However, this is not the only reason to support school construction.

Funding Cliff

One of the concerns raised during the hearing was the "funding cliff" for the American Recovery and Reinvestment Act (ARRA) set to expire in 2012. The concern surrounds creating obligations for States to continue programs funded by the ARRA which conclude in 2012. The Montgomery County Superintendent testified that to avoid a fiscal crisis for their State, the county is maximizing one-time spending that can support long-term educational improvement without a permanent commitment of local funds.[5] The superintendent stated verbally during his testimony that utilizing the funds from the ARRA school construction was a "no brainer."

A "no brainer" because, as he stated, school construction creates a program with an "immediate turnaround." Construction, whether new or renovation, produces a benefit for years to come; both "statically" in terms of the economic infusion into the communities with jobs and "dynamically" with improved conditions for educating America's next generations and presumably aesthetically by increasing community value. The superintendent stated that school buildings are being utilized for up to 70 years. This translates into a real need for funds for ongoing renovations as well as the long-term benefits of construction.

Additional Residual Value

In addition, the jobs that are created in construction assist small businesses. This community has recently been identified by many political representatives, including President Obama, as a segment of our country that we must assist as they create

[3] Door and Hardware Institute 2008 Profit Report; Profit Planning Group.

[4] James W. Emr, AIA, President, Smolen Emr + Associates Architects.

[5] Testimony of Dr. Jerry D. Weast, Superintendent of Schools, Montgomery County Public Schools, Hearing of the United States Senate Appropriations Committee, January 21, 2010.

a minimum of 65 percent of the jobs in our country. The construction industry is primarily comprised of small businesses.

In addition, the majority of construction products are made in America; an additional consideration and consistent with advancing jobs. In fact the numbers of job creation noted earlier do not even consider the impact on the manufacturers of construction products.

As of late, there has been increased attention, both organically among Americans wishing to "do more" as well as by elected officials recognizing the need for increased focus on environmental issues, toward green construction. The benefits range from increased sustainability and healthy learning environments to decreased energy cost.

Finally, as suggested above, although admittedly an "intangible" benefit, Congress, local governments, and all concerned Americans have focused on the quality of education provided in our country in light of an ever more competitive world. Clearly, the environment in which learning occurs can contribute to their likelihood of success.

What better time to support school construction with so many residual values.

Decreased Construction Cost

Finally, there is another pragmatic reason to invest in school construction—decreased cost. The estimates of decreased pricing range as high as 75 percent. In fact Superintendent Weast stated that they were able to build a high school and with the savings build an elementary school as well. Why not take advantage of these cost savings to advance education.

The reasons to support school construction and renovation are compelling.

Life Safety and Security

Finally, allow me to address a final powerful topic that was not considered during the hearing but is on the minds of every educator as well as parent of a student.

Since 9/11 our country has become intensely focused on security. Often when facility managers have taken steps to increase security in the buildings' doorways they have done so at the compromise of life safety—a dangerous trend. This is due to a lack of knowledge and comprehensive understanding of the applicable building codes which govern the opening as well as product application and capability. The result can often be disastrous whereby the doorway may be more secure, but does not provide the intended egress which ensures life safety.

Furthermore, since events such as the shootings at Columbine High School and Virginia Tech, society has become concerned for the safety of our children in schools. Accordingly, schools are faced with complicated life safety and security issues like never before. Administrators, principals, teachers, parents, educational facility mangers, and school designers are faced with addressing the demand for security solutions every day. Of course, school life safety is a problem that requires sound psychological solutions as well as effective physical security solutions.

The psychological solutions are complicated and rapidly changing, making them difficult to address. Fortunately, physical security changes are readily available within existing products, technology and design and can make an impact. A paradigm shift needs to take place by putting a greater importance on the architectural opening (doorways) and the significant role these products play in improving life safety and security through specification design, product implementation and ongoing maintenance. Every school uses doors and hardware, but few are designed to take full advantage of the immense role these products can play in creating safer environments for our children to learn. Access control only goes so far, oftentimes it is simply the door and the locking hardware that provide the last barrier between an intruder and our children.

In 2007, DHI, through their efforts with the National Fire Protection Association, was successful in adding a requirement to the 2007 Edition of NFPA 80 Standard for Fire Doors and Other Opening Protectives for periodic annual inspections, by knowledgeable individuals, of fire door assemblies. In 2008 DHI was able to expand that requirement into NFPA 101, The Life Safety Code, to require inspections of doors which provide safe egress (exit) in the following occupancies: educational facilities, day cares, and places of assembly.

With these codes in place, thousands of jobs will be created or maintained since these updated codes require that these fire and life safety inspections be performed by knowledgeable individuals. There are literally millions of doors that have never been inspected. Money for training, repair, and/or replacement of doors will put people to work. The end result is that we have a self-sustainable project that, in the end, will provide thousands of jobs, update thousands of schools through renovations, and provide a safe learning environment for our children. As you can see, there is immediate payback on numerous fronts.

Over time, this will enable our industry to work with the building community to correct these types of code violations and to begin to offer better solutions for the balance of life safety and security. It is these types of solutions that we must continue to develop as there should be no greater priority for our Government than protecting our students and citizens. What a better use of our funds.

Unfortunately, to date, during the process of maintaining existing schools, or designing new schools, the life safety and security features that doors and locks provide tend to be overlooked as to the crucial role they can play. This results in: designs which do not take advantage of simple life safety and security solutions; costly and unnecessary changes during the life of the building; and band-aid solutions which satisfy only an emotional response.

In the study produced by a Virginia Tech Review Panel appointed by the Virginia Governor Timothy M. Kaine in an effort to respond to the terrible events of April 16, 2007 a recommendation is offered by the panel in regards to improving the security infrastructure of universities across the county. Emergency Planning Recommendation 11–1 states:

> "Universities should do a risk analysis (threat assessment) and then choose a level of security appropriate for their campus. How far to go in safeguarding campuses, and from which threats, needs to be considered by each institution. Security requirements vary across universities and each must do its own threat assessment to determine what security measures are appropriate."

The Virginia Tech Review Panel addresses doors and locking systems and specifically noted that in regards to Virginia Tech "most classrooms, such as those in Norris Hall, have no locks. Staff offices generally do have locks, including those in Norris Hall". It further states that "some universities have locks on classroom doors, but they typically operate by a key from the hallway. They are intended to keep students and strangers out when they are not in use and often cannot be locked from the inside." This illustrates the lack of knowledge within the university systems with regards to simple solutions. A report generated after the Columbine event noted the use of classroom function locks which enable teachers to lock the doorways from inside the classroom resulting in saved lives. These "intruder function" classroom locks have been on the market for quite some time and illustrate the need for our industry to be working closer with Educational Facilities to properly secure their campuses with simple solutions.

The Virginia Tech Review Panel also addressed "lockdowns" noting that they are not always feasible. However, there are sophisticated systems in place that can provide workable solutions to produce an effective lockdown.

Please consider the impact that funding the advancement of life safety and security in schools could have on our country.

Conclusion

In summary, school construction has tremendous benefits for our society. We have noted job creation, long-term facility benefits, projects with immediate payback and a finite end, support of the green movement, ADA compliance, and the advancement of life safety and security. School construction makes sense.

○