EXAMINING THE NEED FOR A FISCAL COMMISSION REVIEWING H.R. 710, H.R. 5779, AND S. 3262

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, D.C., November 29, 2023

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EXAMINING THE NEED FOR A FISCAL COMMISSION REVIEWING H.R. 710, H.R. 5779, AND S. 3262

WEDNESDAY, NOVEMBER 29, 2023

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The Committee met, pursuant to call, at 10:05 a.m., in Room 210, Cannon Building, Hon. Jodey Arrington [Chairman of the Committee] presiding.

Present: Representatives Arrington, Grothman, Smucker, Burgess, Cline, Good, Bergman, Ferguson, Moore, Estes, Bice, McClain, Fischbach, Yakym, Brecheen, Boyle, Schakowsky, Blumenauer, Peters, Panetta, Scott, and Espaillat.

Chairman ARRINGTON. The hearing will come to order. Today's hearing will focus on the need for a fiscal commission. We will discuss several legislative proposals to create a fiscal commission and hear testimony from several of our capable colleagues who have introduced legislation in the House and the Senate. The Senate panel will follow the House panel. We will have the colleagues testify this morning from the House.

Leading off is my dear friend Bill Huizenga from Michigan, serves on the Financial Services Committee, and my other dear friend, Scott Peters. Both of them are chairing, they are co-chairs of a bipartisan caucus that focuses on how to reform this dysfunctional budgetary process so we have more responsible behavior by Members of Congress, better motivation for a greater and more responsible outcome for the American people. So, I appreciate y'all's leadership there. They have introduced together, H.R. 5779, the Fiscal Commission Act of 2023.

Representatives Steve Womack and Ed Case join us as well. Chairman Womack from Arkansas is chairing the Financial Services and General Government Subcommittee at the Appropriations Committee, former Chairman of this august body and a mentor of mine, and I am grateful that you continue to provide your insights to our Committee to give us the best chance of success, and Ed Case, a great Member from Hawaii and a leader on this issue. Mr. Case and Mr. Womack have introduced H.R. 710, the Sustainable Budget Act, and we appreciate their input and their leadership over the years on this particular issue.

Then we have with us Representative Lloyd Smucker, our very own from the Keystone State who serves not only on Ways and Means but also this Committee, and has had an experience with commissions, solving big problems, and he served as chair of a commission in Pennsylvania that was successful, believe it or not, and we want to learn about the best practices so that we can construct a commission that will ultimately work.

As a friend of mine said in Washington, when all is said and done, more is said than done, and we don't have much more runway, Mr. Chairman, to talk about this issue and to not do anything about it for the sake of our beloved country, its future, and our children's future in America.

Jim McGovern is another leader on a number of issues. He is our Ranking Member on the Rules Committee. I say our because we are all on one team. This is not a Republican or Democrat problem. This is America's problem. It is our problem, and we have got to figure out how to solve it.

The second panel will include Senator Mitt Romney from Utah and Senator Joe Manchin from West Virginia. They have introduced Senate Bill 3262. I think it is the companion bill of Mr. Peters' and Huizenga's, called the Fiscal Stability Act of 2023. We look forward to hearing from them as well.

At this time, I would like to yield myself as much time as I may consume for an opening statement, and I don't like to read opening statements. It is tattooed on my heart, this issue, like I know it is for you all as our witnesses and many in this room who are deeply concerned about the bleak, fragile, and rapidly deteriorating fiscal state of affairs in the greatest Nation in human history.

Let me start by again thanking the Members who are testifying for their leadership on what I believe is the most significant challenge facing our Nation in the 21st century, which is our runaway deficit spending and unsustainable national debt that threatens not only our economy, but our national security, our way of life, our leadership in the world, and everything good about America's influence, and our children's future.

I think it is worth repeating some of the startling statistics that demonstrate just how fragile the situation is and just how bad off we are from a fiscal standpoint. 120 percent debt-to-GDP. This is the highest level of indebtedness in the history of our country, surpassing World War II, and we are not at war. We are in relative peace and prosperity, and it is only going to get worse.

The CBO projection 30 years out has our indebtedness at twice the size of the largest economy in the world. Our annual deficits have reached almost $2 trillion this past year. CBO projects them to double. We will add $20 trillion if we just keep the policies as they are today, $20 trillion, ten years. Now hear this: half of that $20 trillion is interest expenses alone. Chairman, we don't get another soldier or sailor equipped for battle. We don't sustain the senior safety net. We get nothing for that, and the interest, according to CBO, will triple. It was almost three quarters of a trillion dollars this past year. It is projected to be a trillion dollars. We will eclipse what we spent on national defense on interest alone.

If that is not enough to wake all of us up and give us the sense of urgency to act, I don't know what will. No responsible leader can look at the rapid deterioration of our balance sheet, the CBO projection of these unsustainable deficits, and the long-term unfunded liabilities of our Nation, and not feel compelled to intervene and change course. No responsible leader can do that.

As I said from the outset, this is the 21st century challenge for America. I believe this is our generation's world war, and the cost of losing this war will be catastrophic and irreparable, and I have three children. I imagine many of you have children and grandchildren, and they are counting on us to step up and be leaders and work together to solve the problem. If we don't have this sense of urgency, we don't have a plan, if we don't exercise political courage to execute the plan, we will be the first generation of leaders to fail to leave the country better than we found it.

What a sad commentary. I refuse to accept that, and I know you do too. As I said before, this isn't a Republican or Democrat problem. This is our collective problem to solve, and it is a mathematic reality that will require real leadership on both sides of the aisle and in both chambers. Unfortunately, over the last several years, maybe even the last few decades, too many Americans have become desensitized to the trillions of dollars of accumulating debt, and too many lawmakers have been disengaged with a false sense of security that we can continue down this treacherous fiscal path without any real consequence.

However, the past two years, I think, have provided a wakeup call. Record spending, $11 trillion, six of which has been added to the national debt, has resulted in a cost-of-living crisis for the American people, and because of inflation and because of soaring interest rates, the American people are waking up to the bad fiscal and monetary policies that are impacting their own pocketbooks. There is a silver lining there because they are engaged in this, which means we might have a fighting chance to actually address it together.

As I have said before, this trajectory we are on is unsustainable, but it is not unfixable, and I believe that, but both parties have to acknowledge they have contributed to it. Mr. McGovern, the Republicans have made their fair share of contributions to get us in this financial mess, and I say it at every hearing. We don't get a pass. We don't get a pass. Seven years since I have been here, I have watched it, waiving pay-fors, waiving spending caps, and the list goes on of fiscal recklessness and irresponsibility of both parties.

So, now that I have called out both sides, Mr. Ranking Member, I don't think a fiscal commission is the panacea for all of our financial woes. I just don't think there is a silver bullet. At the end of the day, we have to have the political courage as a body to cut through the brinkmanship, the weaponization, the fear mongering that we get from the outside and the inside, and we have to hold hands, as they say, and move forward with courage for the sake of our seniors who are now in jeopardy of insolvency in two very important safety net programs that they rely on, but also for our children.

I know I am going over time. I can see you kind of getting restless, but I am just getting warmed up. No, I am kidding. Guys, I have met with a lot of interest groups, some of them with a very righteous cause, many of them with a mutual interest. I have yet to meet with the people who represent my children. I have yet to meet with the people who are concerned about a country that has been bankrupted because of our recklessness. We are sowing the wind and our children will reap the whirlwind of this fiscal disaster if we don't work together and do it quickly.

So, we are going to evaluate these proposals. We are going to look for common themes. We are going to ask a lot of questions about the various contours and constructs and structural designs so that if we can move forward with a bipartisan, bicameral fiscal commission, even though I don't think there is a silver bullet out there, maybe, just maybe, it will provide a forum, Ed Case, for constructive, like real constructive, not posing for cameras and posturing for different groups, but real constructive dialogue that could lead to a real outcome with a real impact on the national debt and put us on a more sustainable path for the sake of our great country and our children. Amen? And the people said, amen.

With that, I yield as much time as my Ranking Member shall desire to make his opening remarks.

[The prepared statement of Chairman Arrington follows:]

CHAIR JODEY ARRINGTON

HOUSE BUDGET COMMITTEE

Arrington Opening Statement at "Examining the Need for a Fiscal Commission Reviewing H.R. 710, H.R. 5779, and S. 3262" Hearing

November 29, 2023

As prepared for delivery

"I want to thank the Members testifying today for their leadership on what I believe is the most significant challenge facing our nation in the 21st century – our runaway deficit spending and unsustainable National debt that threatens not only our economy, but our National security, our way of life, and America's leadership in the world.

I think it's worth repeating some of the startling statistics regarding the magnitude and explosive growth of our Nation's indebtedness.

- 120% debt-to-GDP – 200% 30-year outlook
- Annual deficits have doubled just over the last year, reaching a record $2 trillion (borrowing $6 billion per day)
    - And CBO projects this number to double in this budget window – adding almost $20 trillion to our National debt – half of which is interest expenses!
- Interest payments are the fastest growing expenditure in the Federal budget, reaching almost 3/4 of a trillion dollars last year and projected to be $1 trillion next year.

No responsible leader can look at the rapid deterioration of our balance sheet, CBO's projections of unsustainable debt and deficit spending, and our long-term unfunded liabilities and not feel compelled to intervene, change course, and prevent a sovereign debt crisis before it's too late.

As I said from the outset, this is the 21st century challenge for our Nation. I believe this is our generation's World War and the cost of losing this war will be catastrophic and irreparable.

If we don't have this sense of urgency, if we don't have a plan, and if we don't exercise the political courage to execute that plan – we will be the first generation of leaders to fail to leave this country better than we found it for our children.

Let's be clear: this isn't a Republican problem or Democrat problem – it's America's problem, and it's a mathematic reality that will require real leadership from both sides of the aisle before it's too late.

Unfortunately, over the years, too many Americans have become desensitized to trillions of dollars of accumulating debt, and too many lawmakers have been disengaged, with a false sense of security that we can continue down this treacherous fiscal path with no real consequence.

However, the past two years have provided a wakeup call. Record spending resulting in our current cost-of-living crisis, along with a bleak economic outlook and looming recession have provided a rare, acute sensitivity for the American people regarding Washington's reckless fiscal and monetary policy and its direct impact on their pocketbooks.

As I've said before, while our fiscal trajectory is unsustainable, it's not unfixable. Both parties have to acknowledge they contributed in some way, and both parties need to come to the table to work on strategies to fix it.

To date, we have not reached consensus on the problem and potential solutions, so this commission can offer a productive, depoliticized forum for educating the public and identifying consensus solutions for addressing our growing deficits and long-term unfunded liabilities.

The purpose of today's hearing is to evaluate:

- the various bipartisan proposals for a debt commission,
- various desired outcomes,
- structural designs,
- other provisions meant to address our deficits and long-term unfunded liabilities,
- and finally – identify common themes that can be woven together in a bipartisan, bicameral consensus commission framework that could pass both chambers, be signed by the President, and have a meaningful impact on our current debt trajectory and looming debt crisis."

Mr. BOYLE. Well, thank you. Thank you, Mr. Chairman, and I appreciate your passion for this issue, and I hope they know I respect every single one of my colleagues on both sides of the aisle and appreciate their sincerity when it comes to this issue.

I don't know how to go about this without being repetitive, because we just had a hearing on exactly this topic a couple of weeks ago, and so I don't want to repeat everything that I said then, but some of that overlap will obviously be unavoidable. For those of you who were at our last hearing just a couple of weeks ago on this topic, you know that I have real skepticism when it comes to the topic of commissions. I thought the panel that we had a couple of weeks ago, of those Members, former Members of the House and current Members, or current Member of the House, who participated in prior commissions talked about their experiences. Every one of those commissions ultimately ended in failure.

So, rather than focus on a commission, which ultimately is about process, I want to focus my remarks actually on substance and very specifically on Social Security. Here is why. As someone who watches the Republican presidential debates, I have been—I have interesting viewing habits, I know—I have been struck by how a number of the leading candidates have flat out said they want to raise the retirement age. One of the leading candidates who just got a major endorsement from a Republican establishment group yesterday, she has repeatedly said we need to raise the retirement age from 65. She seems to be entirely unaware that the retirement age for Social Security hasn't been 65 for quite some time.

Almost a decade ago, when my father, after 50 years of hard work at blue collar jobs from the age of 16 to the age of 67, went ahead and retired, his retirement age then was 66. In a few years, it will be 67 because of changes that were made in a law that passed this body in 1983. So if someone wants to send an email to the Governor of South Carolina and let her know this, it would be wonderful.

I would also like people to know a few other facts about Social Security, greatest antipoverty program in American history. Just think, back in the throes of the Great Depression, 46 percent of seniors lived in poverty. Today that number is a fraction of that. So, those who are saying that in order to save the program, we have to extract exorbitant cuts or we have to raise the retirement age, I don't know, to 70, or beyond, that is a little like saying we need to burn the village in order to save it. It just isn't true.

And as I pointed out at the very last hearing, I have actually put down a plan on paper that would extend the life of the Social Security Trust Fund through the year 2100. I have a piece of legislation with Sheldon Whitehouse, the Senator from Rhode Island, who is the Chairman of our counterpart, the Senate Budget Committee, he and I have a bill that would do that for Social Security simply by bringing in more revenues from those who make more than $400,000 a year.

Now, some might object to more revenues coming into the Social Security pot. I would say two things in response. First, and this comes up every single time I have a town hall, whether it was in person or a tele town hall, maybe some of you have had the same experience. For years and years, the Social Security Trust Fund was running a surplus. In the 1960s and the 1970s and the 1980s and the 1990s, and here is where I would agree with the Chairman. Congresses under the control of both parties, instead of using that surplus to set it aside for future retirees so it would be there, they decided to spend that surplus to meet the needs of the current day. That is a tragedy.

You know, I remember those great Saturday Night Live skits about Al Gore and making fun of his lockbox in the year 2000, but, you know, he was right. Had that surplus been saved in a lockbox or whatever you want to call it, there would be more revenue available now that those who were earning those wages to pay those Social Security taxes back in the 1970s, 1980s, and 1990s, making them available for their retirement today.

So, it is only fair that more revenue is brought into the system when you consider back when there was more revenue than was going out to meet the needs of retirees then, that money was spent on things that were other than Social Security. So, I think that it is entirely appropriate when it comes to extending the life of the Social Security Trust Fund.

I would also point out, and this has come up repeatedly throughout the year in the hearings that we have had here in this room, when you take the 2001 George W. Bush tax cuts that weren't paid for, the 2003 Bush tax cuts that weren't paid for, the reauthorization of most of that a decade later, and then the 2017 TCJA, I asked numerous witnesses, what is the cumulative amount of those tax cuts that weren't paid for? And the figure that was cited repeatedly at that table was $10 trillion. So, when we look at that national debt of about $33 trillion, remember, about $10 trillion of that is missing revenue from the last 22 years of tax cuts that weren't paid for.

So, I appreciate again the sincerity of those who believe that a commission would be a better process, but as I pointed out a couple of weeks ago, and I will repeat today, whether it is a commission or some other process, at the end of the day it will come down to individuals voting from a couple menus of options, and the main menu will have either more revenues or cuts or some combination of thereof, and you can have the greatest, biggest blue ribbon possible and put that on a commission, that won't be a substitute for the fact that ultimately individuals will have to put up a vote either saying, yes, this is how we are going to raise more revenue, or yes, this is how we are going to enact cuts.

I am very clear the side that I come on. It would be very easy and intellectually dishonest if I sat here and said, oh, we don't need more revenues and things are going to be perfectly fine. No, I acknowledge, as I have said, the Social Security Trust Fund is projected to fall short of meeting 75 percent of benefits somewhere between the year 2033 and 2034. The Trustees of Social Security say it is 2034. CBO says it is 2033. We can safely say in roughly a decade we will meet a critical point. It is pretty clear on which side I come down. More revenues into the Social Security Trust Fund, and we will be able to say for the lifetime of my daughter, who in the year 2100, God willing, if she is still alive, would be 86 years old, I will be able to look her in the eye and say, Social Security will be there for the rest of your lifetime and beyond that simply by bringing in more revenues from those who are in the top one percent of earners.

I think that is fair. I think that is appropriate, and for those who disagree, I would be very interested in seeing what their plan is and their alternative, and with that, I will yield back. Thank you, Chairman.

[The prepared statement of Ranking Member Boyle follows:]

Ranking Member Brendan F. Boyle
Hearing on Examining the Need for a Fiscal Commission
Reviewing H.R. 710, H.R. 5779, and S. 3262
Opening Remarks
Wednesday, November 29, 2023

Thank you, Mr. Chairman, and I appreciate your passion for this issue. And I also, I hope they know I respect every single one of my colleagues on both sides of the aisle and appreciate their sincerity when it comes to this issue.

I don't know how to go about this without being repetitive because we just had a hearing on exactly this topic a couple weeks ago. And so I don't want to repeat everything that I said then, but some of that overlap will obviously be unavoidable. For those of you who were at our last hearing just a couple weeks ago on this topic, you know that I have real skepticism when it comes to the topic of commissions.

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And very specifically on Social Security. Here's why: As someone who watches the Republican presidential debates, I have been — I have interesting viewing habits, I know — I have been struck by how a number of the leading candidates have flat out said they want to raise the retirement age. One of the leading candidates, who just got a major endorsement from a Republican establishment group yesterday, has repeatedly said, we need to raise the retirement age from 65.

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So if someone wants to send an email to the governor of South Carolina and let her know this, it would be wonderful. I would also like to let people know a few other facts about Social Security. Greatest anti-poverty program in American history. Just think, back in the throes of the Great Depression, 46 percent of seniors lived in poverty.

Today that number is a fraction of that. So to those who are saying that in order to save the program, we have to extract exorbitant cuts. Where we have to raise the retirement age, to I don't know, to 70? Beyond? That's a little like saying, uh, we need to burn the village in order to save it. It just isn't true.

And as I pointed out in the very last hearing, I have actually put down a plan on paper that would extend the life of the Social Security Trust Fund through the year 2100. I have a piece of legislation with Sheldon Whitehouse, the Senator from Rhode Island, who is the Chairman of our counterpart, the Senate Budget Committee.

He and I have a bill that would do that for Social Security, simply by bringing in more revenues, from those who make more than $400,000 a year. Now, some might object to more revenues coming into the Social Security pot. I would say two things in response. First, and this comes up every single time I have a town hall, whether it was in person or tele-town hall, maybe some of you have had the same experience.

For years and years, Social Security Trust Fund was running a surplus. The 60s, and the 70s, and the 80s, and the 90s. And here's where I would agree with the Chairman. Congress is under the control of both parties. Instead of using that surplus to set it aside for future retirees that would be there, they decided to spend that surplus to meet what were the needs of the current day.

That is a tragedy. You know, I remember those great Saturday Night Live skits about Al Gore and making fun of his lockbox, in the year 2000. You know, he was right. Had that surplus been saved in a lockbox or whatever you want to call it, there would be more revenue available now that those who were earning those wages to pay those Social Security taxes back in the 70s and 80s and 90s and aughts now that they're retiring today.

So it is only fair that more revenue is brought into the system when you consider back when there was more revenue than was going out to meet the needs of retirees then, that money was spent on things that were other than Social Security. So, I think that it is entirely appropriate when it comes to extending the life of the Social Security Trust Fund.

I would also point out, and this has come up repeatedly throughout the year that we've had here in this room of hearings, when you take the 2001 George W. Bush tax cuts that weren't paid for, the 2003 Bush tax cuts that weren't paid for, the reauthorization of most of that a decade later, and then the 2017 TCJA. I asked numerous witnesses, what is the cumulative amount of those tax cuts that weren't paid for? And the figure that was cited repeatedly at that table was $10 trillion. So when we look at that national debt of about $33 trillion, remember, about 10 of that is missing revenue from the last 22 years of tax cuts that weren't paid for.

So I appreciate, again, the sincerity of those who believe that a commission would be a better process, but as I pointed out a couple weeks ago and I'll repeat today, whether it's a commission or some other process, in the end of the day, it will come down to individuals voting from a couple menus of options.

And the main menu will have either more revenues, or cuts, or some combination of thereof. And you can have the greatest, biggest blue ribbon possible and put that on a commission. That won't be a substitute for the fact that ultimately, individuals will have to put up a vote, either saying yes, this is how we're going to raise more revenue, or yes, this is how we're going to enact cuts.

I'm very clear the side that I come on. It would be very easy and intellectually dishonest if I sat here and said, oh we don't need more revenues, and things are going to be perfectly fine. No, I acknowledge, as I've said, the Social Security Trust Fund is projected to fall short of meeting 75 percent of benefits somewhere between the year 2033 and 2034.

The trustees of Social Security say it's 2034, CBO says it's 2033. We can safely say in roughly a decade, we will meet a critical point. It's pretty clear on what side I come down. More revenues into the Social Security Trust Fund and we will be able to say for the lifetime of my daughter, who in the year 2100, God willing, if she's still alive, would be 86 years old.

I'll be able to look her in the eye and say, Social Security will be there for the rest of your lifetime and beyond that, simply by bringing in more revenues from those who are in the top 1 percent of earners. I think that is fair. I think that is appropriate. And for those who disagree, I would be very interested in seeing what their plan is and their alternative.

And with that, I'll yield back. Thank you, Chairman.

Chairman ARRINGTON. I thank my Ranking Member. Just for the audience and for context, the Democrats had total control of Congress the last couple years, and none of that vision or those proposals have come to fruition, and Republicans had total control of Congress when I got here. Both sides have contributed. Neither of them have passed a Social Security proposal, a solvency proposal, and both parties have contributed to our growing deficits and debt. I think that is just a fact I think everybody needs to keep in mind when I say no party gets a pass, but I appreciate the sincere views and your vision for addressing the solvency of Social Security.

Now, let's move on to our panelists. If there are any other Members or organizations who have written statements for the record, I will hold the record open until the end of the day to accommodate those who may not have had prepared written statements.

[The information follows:]

House Budget Committee
November 29, 2023
SOUNDING THE ALARM: Examining the Need for a Fiscal Commission
Congressman William R. Timmons, IV

Statement For the Record

Chairman Arrington, Ranking Member Boyle, and members of the House Budget Committee, today's hearing on Examining the Need for a Fiscal Commission could not come at a more critical time for our nation's fiscal future. It is past time for leaders of our nation to come together and solve the tough problems we can no longer ignore.

As members of this committee are fully aware, Washington has a spending problem. We currently have $33.8 trillion in debt. Our debt to GDP ratio is 121.99 percent—the highest it has ever been. Next year, for the first time in our nation's history, our interest payments on the national debt will be our number one expenditure. Social Security will be insolvent in 2033 and our healthcare system is fundamentally broken. We spend twice as much as the average country per person on healthcare and our obesity rate is three times the average—which does not bode well for our future health care spending either.

Our fiscal situation is not the fault of a single political party or administration. It is the collective shame of generations of politicians who continually kicked the can down the road and chose political expediency over what is right for the future of our country. And it is no secret why. Interest groups from both sides of the aisle have preemptively started political attacks alleging the other side wants to take seniors' benefits. This is a false narrative. If we do nothing, in ten years, there will be a 22% reduction in benefits across the board due to insolvency. This is clearly unacceptable.

The issue of the national debt affects every American, regardless of party affiliation. No one political party, scholar, or economist can solve this problem. Enter the fiscal commission, a historically used tool to bring together the best and brightest to tackle the issues politicians are afraid to go near. By bringing together experts, economists, and representatives from both sides of the aisle, a fiscal commission will foster bipartisan cooperation, setting aside ideological differences to focus on pragmatic, long-term solutions. The structure is intended to transcend the political divide and elevate the public discourse.

The creation of this commission is not merely an option; it is a necessity. Such a commission would be tasked with the critical responsibility of comprehensively evaluating our fiscal policies, identifying areas of inefficiency, and formulating strategic solutions to address the root causes of our escalating debt.

As we all know, a root cause of our debt is mandatory spending. Medicare spending grew by 18 percent and Social Security spending grew by 11 percent in 2023. These are vital programs and lifelines for millions of Americans, and we must ensure their viability for generations to come without compromising the important safety nets they provide. This is not about sacrificing the welfare of our citizens but rather about ensuring that these vital programs remain viable and robust in the face of fiscal challenges. Every day we fail to move forward with this effort represents a theft from seniors and future generations of Americans.

If we are to truly address our nation's fiscal solvency, we must have serious and uncomfortable conversations about the true drivers of our debt. Establishing a fiscal commission will force this body to finally face this issue head-on, rather than continually placing more and more of a burden on the American taxpayer.

Again, I want to express my gratitude for holding this hearing today. It is a step in the right direction for us to come together and have a serious discussion about the need for a fiscal commission, its mission, and begin the process of restoring our fiscal solvency and securing our nation's future.

November 28, 2023

The Honorable Jody Arrington
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

The Honorable Brendan Boyle
Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Arrington, Ranking Member Boyle, and Members of the Committee:

My name is Romina Boccia, and I am an economist and director of federal budget and entitlements policy with the Cato Institute. I would like to thank the Committee on the Budget for convening this Hearing on Examining the Need for a Fiscal Commission: Reviewing H.R. 710, H.R. 5779, and S. 3262, on November 29, 2023, and for providing the opportunity to express my views regarding this topic. In particular, I am writing to discuss the important criteria Congress should consider in establishing a fiscal commission that can succeed.

Members of Congress have indicated that they wish to be in the driver's seat on correcting America's rapidly deteriorating fiscal situation. This is apparent from recent fiscal commission bills, such as the House Fiscal Commission Act [H.R. 5779] and its companion bill the Senate Fiscal Stability Act [S. 3262], both of which would require that members of Congress make up a majority of commission members, and that Congress vote on a final package. Previous bills, including the Sustainable Budget Act (H.R. 710) would only allow members of Congress to serve on a fiscal commission.

Unfortunately, this very same approach has failed several times in US history, including recently in the form of the Simpson-Bowles commission and the Budget Control Act Supercommittee. Even the Greenspan commission initially failed and was only successful due to the immense pressure on Congress to avert automatic benefit cuts to Social Security. The one commission that was an overall success was the Base Realignment and Closure (BRAC) commission.

In light of Congress wanting to play a more active role in resolving the US fiscal crisis, instead of relying exclusively on independent experts as was the case for BRAC, what if members of Congress could have their fiscal commission and taxpayers could secure a fail-safe mechanism in the event Congress's plan went belly up?

Enter what I call the "fail-safe commission approach."

Instead of relying entirely on one commission to come up with a plan to stabilize the debt, Congress could establish two fiscal commissions, working along parallel tracks, to increase the chances of a working proposal emerging from either or both.

One of the commissions would be a congressional commission, with members of Congress at the helm, guided by a competent staff and perhaps some outside experts. The other commission would be an independent commission, composed entirely of outside experts, guided by competent staff, and including perhaps some former members of Congress (who do not intend to run for re-election again, ever).

The two commissions would work in parallel, coming up with their respective proposals for stabilizing the US public debt at no higher than the economic product of the country, or 100 percent of GDP, and ensuring the long-term solvency of old-age benefit programs: Medicare and Social Security.

If the congressional commission succeeds in advancing a proposal that meets these goals, and Congress passes said proposal via expedited procedures in both the House and Senate, the congressional proposal would save the day. We should hope for such an outcome. It would be a relief to see Congress responsibly and sensibly address the growing US fiscal crisis by reforming politically popular and economically unsustainable old-age benefit programs, guided by re-establishing generational equity and securing a prosperous future for all Americans.

But we shouldn't put all our eggs in this one basket. We can't afford it.

If the congressional committee failed, either in devising a working proposal or in passing it, the independent commission's proposal could advance through silent approval. This means the independent proposal would become law if the president approved it and Congress did not pass a resolution of disapproval within 45 days.

As such, this fail-safe congressional fiscal commission plan would establish both a congressional commission, with expedited voting procedures to smooth the path to adoption, and a BRAC-like fiscal commission, modeled after the successful BRAC commission, composed of independent experts whose proposal would be fast-tracked to the president with silent approval by Congress.

This is not an entirely new concept. In a joint Brookings and Committee for a Responsible Federal Budget paper, from January 2017, titled "Redesigning the Budget Process: A Role for Independent Commissions?" Stuart Butler and Maya MacGuineas propose what they coin an "inside-outside" approach for how Congress might stay within a long-term budget for entitlements. The "outside" part would establish an independent commission whose recommendations would be the default mechanism to set the long-term budget for entitlements. The "inside" part would simultaneously set up a congressional super committee that could override the independent commission's package and whose proposals would be eligible for an expedited vote.

As described by Butler and Timothy Higashi in a separate October 2018 Brookings paper, titled "Redesigning the budget process: A role for independent commissions?":

> "In this way, the commission would, in effect, force the issue but the congressional leadership would not in practice concede the details to the commission."

Washington politicians have long known that current spending policies are unsustainable. Yet they've failed to act to avoid a debt crisis that's now closer than ever. Previous commissions, relying primarily or exclusively on members of Congress to fix the debt, have failed. Even when they've succeeded in coming up with a plan, they haven't been able to pass it in Congress.

Interest costs are rising. Treasury will need to refinance about one-third of all publicly held debt in the next year, at now far higher rates. The large size of the US public debt, approaching $27 trillion entails higher interest costs as well. Additional borrowing to the tune of $2 trillion in 2023 further adds to the problem, crowding out other private sector investments and pushing up rates further.

Americans can no longer afford to wait on Congress to step up to the challenge.
It's time for a new approach. Pairing a congressional fiscal commission with an independent fiscal commission that's modeled after BRAC will establish a fail-safe approach. It will put additional pressure on Congress to do the right thing and bail us out should lawmakers fail us yet again.

Sincerely,

Romina Boccia
Director
Federal Budget and Entitlements Policy

Cato Institute

STATEMENT OF STAFF TO THE
1981-83 NATIONAL COMMISSION ON SOCIAL SECURITY REFORM
(SO-CALLED GREENSPAN COMMISSION)

HEARING ON EXAMINING THE NEED FOR A FISCAL COMMISSION REVIEWING H.R. 710, H.R. 5779, AND S. 3262

United States House of Representatives
House Committee on the Budget

November 29, 2023

Chairman Arrington, Ranking Member Boyle, and Members of the Committee:

This statement represents the views of five individuals who worked as staff to the Greenspan Commission or to its individual members.[1] In that enterprise, two of us worked for Republicans, two for Democrats, and one as a career civil servant on leave from the Social Security Administration.

Recently, the Greenspan Commission has been mentioned frequently as an important model to address Social Security's current projected shortfall,[2] as well as to address the overall federal deficit. None of those asserting it as a model were involved forty years ago in the Commission's work. They are mistaken on both the facts and the conclusion. We hope that our firsthand knowledge of the Commission's work may provide useful insights into the inadvisability of using a fast-track commission to address either Social Security on its own or to address it as part of a commission tasked to address the federal debt.

Introduction

There is much discussion of late in and around Congress about creating a commission that would consider changes to Social Security and other mandatory and non-defense discretionary spending and report immediately after the 2024 election.[3] Its recommendations would have priority over

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[1] Nancy J. Altman, J.D. served as executive assistant to Alan Greenspan, who chaired the Commission; Suzanne M. Blouin served as executive assistant to Robert J. Myers who was executive director of the Commission; Lori L. Hansen served as technical adviser to Commission member Robert M. Ball; Eric Kingson, Ph.D. served as policy advisor to the Commission (staffing the five Democratic Senate and House appointees); and Bruce D. Schobel, FSA, served as staff actuary to the Commission.

[2] Social Security's current projected shortfall is much less immediate and severe than the shortfall Congress eliminated forty years ago.

[3] Those calling for a commission include new Republican Speaker Mike Johnson, several US Senators, and outside groups such as FreedomWorks and the Committee for a Responsible Federal Budget. The vast majority of House Republicans recently voted for a specific commission proposal that would report right after the 2024 election, although it did not become law.

other legislative business and would have to be considered without amendment and without the ability to filibuster.

These proposals are only the latest of a series of similar efforts that have failed. In 2009, Senators Kent Conrad (D-ND) and Judd Gregg (R-NH), then chairman and ranking member respectively of the Senate Budget Committee, proposed such a fast-track commission. When the federal debt limit had to be increased in early 2010, they organized fellow conservative Democratic and Republican Senators to refuse to lift it unless they received a vote on their fast-track commission.

Senator Max Baucus (D-MT), then chairman of the Senate Finance Committee, which has jurisdiction over Social Security and Medicare, led the opposition to the Conrad-Gregg commission, stating, "The Chairman and Ranking Republican Member of the Budget Committee have painted a big red bull's eye on Social Security. Their commission is a Social Security-cutting machine."

The Conrad-Gregg proposal failed to pass the Senate, but President Barack Obama established the National Commission on Fiscal Responsibility and Reform by executive order in early 2010. Co-chaired by Erskine Bowles and Alan Simpson, the so-called Bowles-Simpson Commission met for a year, but was unsuccessful. The co-chairs' proposal, which included very deep cuts to Social Security, failed to achieve the support needed to have its recommendations fast-tracked through Congress and so the Commission simply issued a report in December 2010.

Undeterred, those wanting a fast-track process used the need to once again increase the debt limit in August 2011, to force the creation of another fast-track process, generally known as the Supercommittee. It consisted of six Senators and six members of the House with equal numbers of Democrats and Republicans. The Supercommittee's charge was similar to that of the Bowles-Simpson Commission. "Everything" was deemed to be "on the table," and its recommendations were to be fast-tracked, with no chance for amendment. Like the Bowles-Simpson Commission, the Supercommittee failed to reach an agreement that would lead to fast-tracked legislation.

Similar efforts to create a fast-track commission came up periodically over the next few years when either the debt limit had to be raised or the government needed to be funded. The public discussion about addressing Social Security and the federal debt through such a process disappeared during the Trump administration, but began again with the 2020 election of President Joe Biden and the concomitant need to raise the debt limit and fund the government.

Coming full circle, on October 19, 2023, the House Budget Committee held a hearing about establishing a fast-track commission. Former Senator Kent Conrad testified strongly in favor of its creation.

It is in this context that some hearken back to the Greenspan Commission. They misunderstand why the commission was formed, why it was able to reach agreement, and why Congress largely enacted the commission's recommendations into law. Those that seek a fast-track commission also misunderstand why the latest efforts have failed. What follows answers those questions and sets out a successful path forward.

Why the Greenspan Commission Was Created

Some today assert that Congress in 1983 delayed acting on Social Security until the last minute and when it did act, it used the Greenspan Commission as political cover. Nothing could be further from the truth. In fact, the Greenspan Commission was created by President Ronald Reagan to escape from a political firestorm his administration had ignited. The following is what happened.

The Social Security Board of Trustees first reported a shortfall in 1975.[4] In response, Congress enacted the Social Security Amendments of 1977.[5] Accordingly, the 1978 Trustees Report to Congress stated, "The Social Security Amendments of 1977...restore the financial soundness of the cash benefit program throughout the remainder of this century," but the projection proved to be too optimistic.[6] Consequently, the 1980 Trustees Report projected that Social Security would

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[4] A primary cause of the shortfall was the so-called economic stagflation, which resulted when Egypt and Syria attacked Israel on Yom Kippur in 1973, and the Organization of Petroleum Exporting Countries (OPEC) announced that its members would ship no oil to the United States or any other country supporting Israel in the war and would quadruple the price of oil worldwide.

An already-sluggish U.S. economy and already-high inflation intensified, as lines at gas stations grew long, sometimes snaking for miles. Inflation climbed to 11 percent, with some months reaching annualized rates of over 16 percent. The price of food jumped 20 percent. At the same time, unemployment rates soared. By 1975, unemployment reached 8.5 percent, the highest it had been since before the nation's entry into World War II.

The high unemployment and slow wage growth caused Social Security income to be lower than projected. Moreover, an automatic inflation adjustment had been enacted in 1972, first effective in 1974. The high rates of inflation caused benefit levels—outgo—to increase more rapidly than anticipated. Moreover, the formula enacted in 1972 was extremely sensitive to the exact economic conditions the country was experiencing. For those just applying for benefits, the formula produced larger and larger benefits as a percentage of final pay. If the formula were unchanged and the economic conditions remained what they were, eventually Social Security would have provided people more in monthly benefits than they took home in paychecks while working.

[5] In February 1976, President Gerald Ford proposed changing the faulty indexing formula (described above in footnote 4) to the method known as wage-indexing and increasing the FICA rate. Congress did not act, so President Jimmy Carter proposed his own package during his first year in office. It contained the same wage-indexing proposal as Ford advocated. Instead of a rate increase, though, Carter proposed taxing employers on their entire payrolls, while employees continued to contribute just up to a maximum taxable wage base. In addition, Carter proposed general revenue financing in times of high unemployment. The 1977 amendments replaced the flawed benefit formula with the wage-indexing formula that both Ford and Carter proposed, and stayed with the traditional method of increasing the maximum taxable wage base and raising the FICA rate equally on employers and employees, as had been done throughout Social Security's history.

[6] The economy grew worse than anticipated. Already high, inflation ran in double digits consistently, hitting 13.5 percent in 1980. Wages decreased, declining 4.9 percent in 1980, and unemployment climbed close to 8 percent. Moreover, the 1977 amendments had delayed the effective date of the benefit formula change.

have insufficient revenue to pay old-age benefits starting at the end of 1981 or early 1982, though interfund borrowing could permit benefits to continue to be paid into 1983.

In response, in 1981, as soon as the new Congress convened, Representative J. J. Pickle (D-TX), the chairman of the Social Security Subcommittee of the Ways and Means Committee, instructed his staff to develop legislation. With bipartisan support, Pickle introduced his bill on April 9, 1981.

That same year, President Ronald Reagan appointed Representative David Stockman (R-MI) to be the director of the Office of Management and Budget (OMB). Stockman saw Social Security, which he called “closet socialism,” as simply one more part of what he viewed as an overblown welfare state.

Although Pickle’s bill was projected to eliminate Social Security’s projected deficit, Stockman was hostile to the proposal. “If it succeeded, a once-in-a-century opportunity would be lost,” he later confided. Stockman believed that “what was needed was something far more radical” for Social Security. He termed the Pickle bill “a tepid and inadequate palliative.” Consequently, the administration developed its own Social Security financing bill, which it unveiled on May 12, 1981.

Among its provisions, the proposal would have reduced the benefits for people who retired early. The law provides that people who retire at age 62 receive 80 percent of the monthly amount received by people who retired at age 65. The administration proposed to reduce the percentage to 55 percent of the age 65 benefit.

The negative reaction to the proposal, particularly by those who were nearing early retirement age, was overwhelming. Representative Carroll A. Campbell, Jr. (R-SC), told the media, “I’ve got thousands of sixty-year-old textile workers who think it’s the end of the world. What the hell am I supposed to tell them?”

When the Reagan administration released the proposal, Speaker of the House Thomas P. (Tip) O’Neill immediately called a press conference to denounce it. He charged, “For the first time since 1935 people would suffer because they trusted in the Social Security system.” On May 20, the Senate voted 96 to 0 for a resolution stating unequivocally that they would never enact any change in Social Security that would “precipitously and unfairly penalize early retirees.”

At first, the administration thought it could forge a compromise. On May 21, the president sent a letter to the leaders of Congress warning that “the Social Security System is teetering on the edge of bankruptcy,” and explaining, “I have today asked Secretary [of Health and Human Services Richard] Schweiker to meet with you...to launch a bipartisan effort to save Social Security.”

Like many policymakers today, the Reagan administration employed alarmist language. “Unless both the House and the Senate pass a bill in the Congress which can be signed by the President within the next 15 months, the most devastating bankruptcy in history will occur,” Stockman charged in testimony before the Social Security Subcommittee of the House Ways and Means Committee.

In private, Stockman made clear that he wanted an excuse to cut Social Security. "[The need to address Social Security's projected deficit] will permit the politicians to make it look like they're doing something *for* the beneficiary population when they are doing something *to* it which they normally wouldn't have the courage to undertake," Stockman confided privately to *Washington Post* writer and editor William Greider.

Rhetoric remained heated throughout the summer. In a Senate Finance Committee hearing on the state of the trust funds, Senator Moynihan lashed out at the administration: "[A] two-page [administration] press release uses the word 'crisis'—page 1—'crisis,' 'crisis,' bankrupt'—you turn over, 'crisis,' 'crisis.' Four crises, one bankrupt and two pages," Moynihan highlighted. The Senator charged that the administration was engaged in "political terrorism," and "terrifying older people," in an effort to stampede Congress into making benefit cuts.

At this point, the administration had no desire to push its proposals that had caused such a firestorm. Although the subcommittee requested that Schweiker and Stockman appear, the administration sent the Social Security Administration's Deputy Commissioner for Programs. When asked to explain Schweiker and Stockman's absence, he told the committee, "As I understand it, the secretary [Schweiker] had another engagement." As he reflected on it later, he commented, "That was pretty lame, but the excuse that came from Stockman's office was breathtaking. They said that they lost the invitation....They may as well have said the dog ate their homework."

A few weeks later, Reagan sought to save face, while implicitly admitting defeat. On September 24, in a nationwide televised address from the Oval Office, the President announced that he would form a bipartisan commission to study Social Security's finances and make recommendations.

How and Why the Greenspan Commission Succeeded

The Greenspan Commission was broadly representative, including members from business, labor, and the general public. Its recommendations had great influence because of its diverse membership, which included the then-President of the AFL-CIO; several business leaders, including the then-President of the National Association of Manufacturers; a leading advocate for the elderly, then-Congressman Claude Pepper (D-FL); and a leading women's advocate, former Congresswoman Martha Keys (D-KS). It included other members of Congress, as well. They ran the gamut from the most conservative to the most liberal.[7] The membership represented

[7] Seven of the fifteen members were sitting members of Congress. In addition to Pepper, who chaired the House Select Committee on Aging, extremely conservative Bill Archer (R-TX) — ranking minority member of the Social Security Subcommittee of the Ways and Means Committee — and more moderate Barber Conable (R-NY) — ranking minority member of the Ways and Means Committee — were commission members. The Senate members included Senators Robert Dole (R-KS), chairman of the Senate Finance Committee; extremely conservative Bill

the broadest diversity of views that existed. It included Social Security's strongest advocates and most committed stakeholders.

The initial reaction to the composition of the Commission was that its membership included individuals who were too far apart in views to reach consensus. If the diversity of views did not block agreement, appointing sitting members of Congress almost surely would, it was thought. None of them could be expected to sign onto controversial proposals and take political heat as part of an academic exercise.

After all, the commission was only given the power to make recommendations to the president and Congress. Its recommendations were not to be fast-tracked. Nothing it decided would have the force of law. From the outside, it looked as if a number of appointees had agreed to serve on the commission simply to block it from agreeing to something they hated. It certainly did not look like a group that could find common ground.

President Reagan directed the commission to report its recommendations by December 31, 1982. Even if the diverse membership was unlikely to solve Social Security's financing shortfall, it might be successful in an unspoken goal. Perhaps, the White House may have hoped, the Commission could keep the volatile Social Security issue off the political table through the midterm election, to be held a comfortable two months before the Commission was required to report.

As much as the President may have hoped that the Commission would provide cover during the election season, it did not. Pepper, for example, so closely identified with the rights of the elderly — and 82 himself — traveled to 22 states in an effort to get Democrats elected.

The Democrats gained 26 seats in the House. Republican Congressman Robert Michel (R-IL), who had represented his district of Peoria, Illinois for 26 years and had risen to the powerful position of minority whip, barely won reelection. The day after the election, President Reagan held a press conference, where he said, "There have been concessions and compromises in both directions on all the major issues, and we expect to continue to work with the Congress in that way."

Because of the diverse membership of the Commission and its representation of powerful interests, it provided validation for what became a negotiation among the president, the Senate, and the House. Robert M. Ball, still the longest-serving commissioner of Social Security, the nation's leading expert, and a close adviser to the Speaker, unofficially represented the interests of the Speaker along with the interests of labor, and the elderly, in that face-to-face negotiation.

Reagan's Chief of Staff, James Baker, was the chief negotiator for the President. The negotiations occurred across the street from the White House, at the historic Blair House, which

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Armstrong (R-CO), chairman of the Social Security Subcommittee of the Senate Finance Committee; liberal Daniel Patrick Moynihan (D-NY), ranking minority member of the Social Security Subcommittee of the Senate Finance Committee; and the more moderate John Heinz (R-PA), chairman of the Senate Special Committee on Aging.

allowed him to consult with Reagan frequently face-to-face to ensure that the president would sign off on any agreement that was reached.

Commission member and ranking minority member of the House Ways and Means Committee, Congressman Barber Conable, represented the House Republicans. Commission member and Chairman of the Senate Finance Committee, Senator Robert M. Dole, along with commission member and Democratic member of the Senate Finance Committee, Patrick Moynihan, sat in as the Senate representatives.

When the negotiators reached agreement and twelve of the fifteen Commission members agreed to adopt the recommendations — only the three most conservative members,[8] and none of the business representatives, opposed them — there was the broad-based support that made it able to pass Congress quickly, notwithstanding its consideration through regular order. Indeed, the decision to raise the retirement age was the result not of a commission recommendation but rather an amendment offered by Representative J.J. "Jake" Pickle (D-TX) during consideration of the legislation on the floor of the House of Representatives.[9]

It is imperative to recognize that, despite the involvement of powerful, key players in the negotiation, the Greenspan Commission recommendations were nothing more than recommendations. Regular order was employed, no fast-tracking.

The 1984 Trustees Report projected that the 1983 amendments had restored Social Security to actuarial balance for the full seventy-five-year valuation period, through 2057. What was not anticipated, though, was the enormous income and wealth inequality that the nation has experienced. It has been estimated that income inequality has reduced Social Security's income by more than $1.4 trillion. That is a primary reason why the 2023 Trustees Report has projected that Social Security's revenue will only be able to cover 80 percent of total costs starting in 2034.

Lessons from the Greenspan Commission: How Congress Should Eliminate Social Security's Current Shortfall and Address the General Fund Deficit

When Congress does address Social Security, it should do so not through a commission and not through a fast-track process, but through regular order, as it always has. Since its enactment in 1935, Social Security legislation has always had the benefit of (1) full hearings before the House Ways and Means Committee and the Senate Finance Committee; (2) executive sessions which provided all members the opportunity to offer amendments; (3) unlimited debate and opportunity for amendments in the Senate; and (4) debate and amendment in the House of Representatives,

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[8] The only dissenters were Representative Bill Archer (R-TX), Senator Bill Armstrong (R-CO), and former Representative Joe Waggonner (D-LA).

[9] The Commission recommended that Congress either increase revenue to close the long-range deficit or increase the retirement age. Labor and other opponents of the change did not fight it aggressively, believing — incorrectly — that they could get it repealed before it took effect decades in the future.

consistent with its rules. An expedited procedure, which limits debate and prohibits all amendments, would be unprecedented.

The importance of Social Security demands that proposals for change receive careful consideration, with public participation through its representative groups, so that the implications of all changes are closely examined and clearly understood. Any kind of expedited procedure would be a disservice to the American people.

More fundamentally, all of the options for eliminating Social Security's projected shortfall, manageable in size and still a decade away, are fully understood. In this Congress alone, several legislative proposals that do just that have been introduced with numerous cosponsors.[10] Importantly, none of them cut benefits, including no increase in the retirement age. Rather, all of them restore Social Security to long-range actuarial balance by requiring the wealthiest among us to contribute additional dedicated revenue.

The only reason to make changes to Social Security via a closed-door commission is to cut already modest earned benefits — something the American people overwhelmingly oppose — while avoiding political accountability. By considering the recommendations during the lame duck session, incumbents running for re-election would be able to deny their support of highly unpopular cuts to Social Security — and then vote for those cuts in the lame duck Congress, arguing that, though they opposed them, they were part of a package that couldn't be amended.

As polarized as the American people are over many issues, poll after poll reveals that we are united in our strong support for Social Security and our strong opposition to its benefits being cut. No process can change that reality. Indeed, we believe the reason the Bowles-Simpson Commission and the other efforts at fast-track, closed-door processes have failed is that they have all sought to force through benefit cuts the American people overwhelmingly — and for sound reasons — oppose.

With respect to the general fund deficit, Congress already has a procedure. It is known as reconciliation. Importantly, Social Security is excluded from the reconciliation process, because — by law — the program cannot and does not add even a penny to the federal deficit. It is totally self-funded, cannot pay benefits or associated administrative costs without the revenue to cover those expenses, and it has no borrowing authority.

Because Social Security cannot run a deficit, it cannot add to the federal debt. In fact, Social Security implicitly contains an automatic cap to restrict its spending and restore it to balance, if Congress should fail to act.

[10] These proposals include the Social Security 2100 Act, introduced by Representative John Larson (with 179 cosponsors) and Senator Richard Blumenthal; the Social Security Expansion Act, sponsored by Senators Bernie Sanders and Elizabeth Warren and Representative Jan Schakowsky; and the Medicare and Social Security Fair Share Act, sponsored by Senator Sheldon Whitehouse and Representative Brendon Boyle. All of these proposals bring in enough revenue to not only eliminate Social Security's projected shortfall but to also expand benefits.

When these exact points were raised in response to the Bowles-Simpson Commission's jurisdiction over Social Security, the Commission started to employ rhetoric that it was reforming Social Security "for its own sake, and not for deficit reduction." But addressing Social Security in a process that is focused on reducing the federal deficit — irrespective of the rationale — is, in and of itself, harmful.

Social Security's legal requirement that its income can only be used for benefits and associated administrative costs is not just the operation of law; it represents the solemn, long-standing, fiduciary responsibility of the government, as the plan sponsor.

Historically, Congress has been extremely diligent and careful in executing its fiduciary responsibilities with respect to Social Security's income and assets. From the program's origin, Congress has required Social Security's trustees to carefully account for all dedicated revenue, to keep it segregated in a trust (separate and apart from the general operating fund), and to report annually to Congress about it. Diverting Social Security's dedicated income and assets from their intended purpose is legally impermissible.

Not surprisingly, numerous polls indicate that the American people do not want their Social Security contributions diverted to governmental purposes other than Social Security. Yet, polling and focus groups reveal that many Americans believe that the government has already stolen their contributions or fear that it will.

The reason for this widely-held belief is easy to understand. The American people are constantly bombarded with irresponsible rhetoric about Social Security. Some policymakers have argued for addressing Social Security as part of deficit discussions by quoting Willie Sutton, a notorious bank robber, who — when asked why he robbed banks — replied, "because that's where the money is." The quip presents an unintended picture in the minds of too many Americans – bank robbers and politicians, all eager to grab the money that hard-working Americans trustingly hand over every payday to what they believe is a safe institution.

All of this casual, irresponsible rhetoric is a serious disservice to the American people and explains why so many Americans believe that their contributions have been stolen. Past policymakers have understood their fiduciary responsibility for the funds which are held in trust for the trusts' beneficial owners, American workers and their families. Past policymakers have understood that, to avoid even the appearance of impropriety, deliberations over Social Security's future solvency should be kept completely separate from broad deficit-reduction efforts.

To include Social Security in deficit legislation, even with the explanation that the inclusion has nothing to do with deficit reduction, risks reinforcing the widespread belief that Congress is improperly commingling Social Security's dedicated monies with the government's general operating fund. The foreseeable suspicion and anger on the part of the American people can easily be avoided by addressing Social Security in legislation devoted to it alone, so that Social Security deliberations are totally divorced from general budget discussions.

Conclusion

Today's policymakers should not use the Greenspan Commission as the rationale for using a fast-tracked commission to push through highly unpopular and unwise benefit cuts. With the disappearance of traditional pensions, Social Security is more important than ever.

Social Security provides working families with invaluable insurance against the loss of wages in the event of death, disability, and old age. It is essential to its nearly 67 million beneficiaries. It is especially important to women, people with disabilities, people of color, the LGBTQ+ community and others who have been disadvantaged in the workforce.

Congress should address Social Security in the sunshine through regular order, as it always has. If that legislation reflects the overwhelming will of the people (as the current legislative proposals raising only revenue from the very wealthiest do) it either will pass or those voting against it will face the political consequences at their next election.

The late Robert M. Ball — who, as described above, represented then-Speaker Tip O'Neill both on the commission and in negotiating the Social Security package with the Reagan White House — was so concerned that the Greenspan Commission might be invoked to force another commission at a later date, that he requested — literally on his deathbed — that the chapter from his memoir about the Greenspan Commission be published as a separate monograph, which it has been. He wanted it known that "[t]o suggest that the Greenspan Commission provides a model for resolving questions about Social Security's future would be laughable if it were not so dangerous."

Thank you.

Chairman ARRINGTON. Once again, I would like to welcome our panel of witnesses on behalf of our Committee. Thank you for your time and your insights. The Committee has received your written statements. They will be made part of the formal hearing record. You will each have three minutes to deliver your oral remarks. I now yield three minutes to Representative Bill Huizenga.

STATEMENT OF HON. BILL HUIZENGA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. HUIZENGA. Thank you, Mr. Chairman and Ranking Member. I am going to go quickly on this with this three minutes, and as has been acknowledged, our national debt is now $33.8 trillion and climbing. Just the interest we pay on this debt already exceeds everything we spend on children, and within three years, the amount we pay on interest will eclipse our defense budget. Social Security will become insolvent by 2034, forcing a 23 percent mandatory cut. Medicare Part A will be depleted by 2031, even sooner than Social Security, resulting in an 11 percent cut. As has been noted, this isn't a Republican saying this. It is not Democrats saying this. It is the Trustees of these trust funds themselves.

So, I am not interested in a partisan food fight either. I want results that protect our seniors and current beneficiaries while preserving these key programs for future generations. If the status quo holds and Congress does nothing, simply put, it will result in a cut. A best path forward, in fact, the only path forward, in my opinion, is a bipartisan, bicameral solution, such as the Fiscal Commission Act.

Before you or the public, frankly, writes this off as, "just another commission," know that we can learn from both the failures and the successes of our Nation's long history of utilizing commissions. For example, Simpson-Bowles suffered from an atmosphere of partisanship, much like what we see now. Yet, it focused the national conversation on fiscal reforms, and whereas the Greenspan Commission benefited from a clearer purpose, fostering agreement that helped rescue Social Security was the end result.

Acknowledging these lessons, I introduced the Fiscal Commission Act in September, along with my BFF, my co-chair of the Bipartisan Fiscal Forum, Scott Peters, which has gained 20 evenly divided partisan co-sponsors. Our commission proposal features equal representation from both chambers and both parties, is transparent and focused on clear goals, retaining Congress's Constitutional duties, and has real teeth. Specifically, our bill forces Congress to vote on a package of proposals offered by this bipartisan, bicameral fiscal commission. It begins with the four corners of the Congressional leadership, each appointing four members to the commission, 16 appointees total. Three of each leader's selections must be colleagues from our respective chambers, in addition to one individual from the private sector.

This commission must craft a package of recommendations to both improve the fiscal situation in the medium term as well as to achieve a sustainable debt-to-GDP ratio in the long term. For any recommendations related to Federal programs for which a Federal trust fund exists, the commission must improve their solvency for a period of 75 years. No stone can be, or hopefully will be, left unturned, Mr. Chairman. In the first week after the 2024 election then, the commission must vote to report its proposal to Congress. After that, before the lame duck session ends, both the House and the Senate must put the proposal to an up or down vote without amendment and without delay.

So, let's be clear, I don't expect that this will be an easy vote for any of us, and frankly, Congress has proven it is not able to simply pass a bill like many have noted. Yet, I believe a fiscal commission may not be the magic potion, as the Chairman had said, and it may fail. It may, but we cannot stop trying, and I do believe this is the most practical and immediate way Congress can break the status quo here in Washington. With that, I yield back.

[The information follows:]

Rep. Bill Huizenga (R-MI-4) Testimony

11.29.23 – House Budget Committee

Mr. Chairman, thank you for inviting us to testify on the Fiscal Commission Act today.

Our national debt is now $33.8 trillion. Just the interest we pay on this debt already exceeds everything we spend on children, and within 3 years, the amount we pay on interest will eclipse our defense budget. Social Security will become insolvent by 2033, forcing a 23% mandatory cut. Medicare Part A will be depleted by 2031, even sooner than Social Security, resulting in an 11% cut.

I'm not interested in a partisan food fight. I want results that protect our seniors and current beneficiaries while preserving these key programs for future generations. If the status quo holds and Congress does nothing, it will result in a cut. The best path forward, in fact the only path forward, is a bipartisan, bicameral solution such as the Fiscal Commission Act.

Before you write this off as "just another commission," know that we can learn from both the failures and successes in our nation's long history of commissions. For example, Simpson-Bowles suffered from partisanship, yet it focused the national conversation on fiscal reforms. Whereas the Greenspan Commission benefitted from clear purpose, fostering agreement that helped rescue Social Security.

Acknowledging these lessons, in September, I introduced the Fiscal Commission Act along with Representative Scott Peters, which has gained 20 evenly bipartisan cosponsors. Our commission proposal features equal representation from both chambers and parties, is transparent and focused on clear goals, retains Congress' constitutional duties, and has real teeth.

Specifically, this bill forces Congress to vote on a package of proposals offered by this bipartisan, bicameral fiscal commission. It begins with the four corners of congressional leadership (the Speaker, Senate Majority Leader, etc.) each appointing four members to the commission, 16 appointees total. Three of each leader's selections must be colleagues from their respective chambers, in addition to one individual from the private sector. This commission must craft a package of recommendations to both improve the fiscal situation in the medium term and also to achieve a sustainable debt-to-GDP ratio in the long term. For any recommendations related to Federal programs for which a Federal trust fund exists, the Commission must improve their solvency for a period of at least 75 years. No stone can be, or hopefully will be, left unturned.

In the first week after the 2024 election, the commission must vote to report its proposal to Congress. Then, before the lame duck ends, both the House and Senate must put the proposal to an up-or-down vote without amendment and without delay.

Let's be clear, I don't expect that this will be an easy vote for any of us. Yet, I believe a fiscal commission is the most practical and immediate way Congress breaks the status quo. Thank you.

Chairman ARRINGTON. I thank the gentleman from Michigan, and now yield to the gentleman from California, Mr. Scott Peters, for three minutes.

STATEMENT OF HON. SCOTT PETERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. PETERS. Thank you, Mr. Chairman, and thank you, Mr. Ranking Member, for holding this hearing. Despite a healthy economy, our country's deficit is growing. We are borrowing nearly $2 trillion a year just to pay our expenses, and as a result, this year we are spending more than $663 billion on interest alone. That is more than we spend on Medicaid. That is more than we spend on our children. Soon to be more than we spend on defense. Democrats should be very worried about what the ballooning debt and interest payments will mean for current and future investments in our kids. These interest payments crowd out the investments we want to make, like an expanded child tax credit, crowd out investments like making college affordable, and expanding apprenticeships, crowd out our ability to ensure the clean energy transition leaves no one behind.

I have heard many of my colleagues on both sides of the aisle contend, sometimes emphatically, sometimes indignantly, that we should get our debt under control through regular order with the tools we already have, and of course, they are right, we should do that, but I have been here now almost 11 years. It is clear to me and everyone in this room that we are not going to do that. That this process we have today, it doesn't allow us to get to 218 and 60. To spend less and to keep tax policy right, we are going to need something outside of that. Indignity will not solve our problem.

And it is a problem of historic proportions. It did not appear overnight. Our failure to manage the national debt is not the sole responsibility of one party or one administration, as the point has been made. Over the last 20 years, our conflicts in Afghanistan and Iraq, President Bush's tax cuts, President Obama's extension of the Bush tax cuts, the Trump tax cuts, and vital COVID relief programs, on top of our trillions in annual borrowing, remember, $2 trillion every year have added more than $10 trillion to the national debt. When the Trump tax cuts expire in a couple of years, we will have a lot of pressure to extend those tax cuts. A commission with outside experts can help ensure we are driven by the truth about what really happens to the deficits when we do that.

Finally, a lot of folks have said that Republicans want to cut Medicare and Social Security. I believe that some of them do. Under current law, Republicans are in the driver's seat. Current law says in ten years when the trust fund is insolvent, there will be automatic cuts to close the gap, an overnight 23 percent benefit cut for the average recipient on the order of $17,000 a year, and I worry that come 2033, a year before we go insolvent, Republicans say, okay, let's compromise. Let's call it a 15 or 20 percent cut, and they will have all the leverage in the room.

The best thing we could do to protect Medicare and Social Security is to act now, and to act now to get something that can get 60 votes in the Senate and 218 votes in this House and a presidential signature. A commission gives us a fact driven venue instead of some waiting till the last minute, backdoor, 11th hour deal between party leaders to do that, and I think we should take advantage of it.

So, I introduced the Bipartisan Fiscal Commission, which Bill Huizenga has explained. I welcome your thoughts, input, and recommendations to ensure we can make this process better. A commission is a good start. I think it is the best chance we have to deal with these problems, and I look forward to working with all of you to get a resolution, not just on this process, but on the policy. Thank you. I yield back.

[The information follows:]

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BUDGET

Testimony to the House Budget Committee
November 29, 2023

Despite a healthy economy, our country's deficit is growing. We are borrowing nearly $2 trillion dollars a year just to pay our expenses, and as a result, this year we're spending $663 billion dollars on interest alone – more than we spend on Medicaid or our children, and soon to be more than what we spend on Defense.

These interest payments crowd out investments like an expanded child tax credit, crowd out investments like making college affordable and expanding apprenticeships, crowd out our ability to ensure the clean energy transition leaves no one behind. Democrats should be very worried about what the ballooning debt and interest payments will mean for current and future investments in our kids.

I've heard many of my Democratic colleagues argue emphatically that we should get our debt under control through regular order and with the tools we already have. Of course, they are right but we all know that just won't happen.

There is no cop on the beat to save us from ourselves. It's much easier to get 218 and 60 to spend more and to keep tax cuts in place than to discipline ourselves. This is a problem of historic proportions, and it did not appear overnight. Congress' failure to manage the national debt is not the sole responsibility of one party or one administration.

Over the last 20 years, our conflicts in Afghanistan and Iraq, President Bush's tax cuts, President Obama's extension of the Bush tax cuts, the Trump tax cuts, and vital COVID relief programs, on top of our trillions in annual borrowing have added more than $10 trillion to the national debt. When the Trump tax cuts expire in a couple of years, we will have every incentive to extend them. A commission with outside experts can ensure we are driven by data and help us break that cycle.

Finally, I take Republicans at their word when they say want to cut Social Security and Medicare. And under current law, Republicans are in the driver's seat. Current law says, in ten years when the trust fund is insolvent, there will be automatic cuts to close the gap – an overnight 23% benefit cut for the average recipients. I worry that come 2033, Republicans will say, "okay let's compromise and call it a 15% benefit cut instead." And with a pending 23% cut, they will have all the leverage in the room.

The best thing we can do to protect Social Security and Medicare is to act now. A commission gives us a fact-driven venue, instead of some backdoor, eleventh-hour deal between party leaders, to do just that.

I introduced the bipartisan Fiscal Commission Act with my friend, Bill Huizenga, in September with 10 Democrats and 10 Republicans. I welcome each of your thoughts, input, and recommendations to ensure we can make this process better. A commission is a good start and I sincerely look forward to working with each of you. Thank you.

Chairman ARRINGTON. I thank my friend from California and now yield three minutes to the Chairman for opening remarks.

STATEMENT OF HON. STEVE WOMACK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. WOMACK. I am not going to read my prepared remarks. I seek unanimous consent that they be entered into the record as submitted to the Committee. I just have a couple of observations, and then I think it is important that we get to the questions and answers. First of all——

Chairman ARRINGTON. Without objection, so ordered.

Mr. WOMACK. Thank you. First of all, let me just say this: with all due respect to my colleagues, the only people that can fix this is the United States Congress, and to think that the United States Congress is going to be willing to do this is laughable. That is why I support a fiscal commission. We need an outside group of experts to help us understand what the absolute truth is. Now, I have advocated for, for a long time, a Fiscal State of the Union, a joint session of Congress specifically designed to target, I believe, the most important and incredible threat to the Republic as we know it, and that is the fiscal condition of this country. I personally think it would be much more beneficial to have a Fiscal State of the Union than that theater that we have once a year, sometime early in the year, called the State of the Union.

I have got a couple of observations that I want to make. We have spent, this Congress has spent the better part of this year, going into last year, debating the spending on the discretionary side of the budget. It is about a third of government spending, probably a little less, but we have tried to convince, through our actions, that the way we are going to fix the fiscal condition of this country is by having these big food fights on discretionary spending, and that is only going to touch the edges.

The real issues out there are in the entitlement programs and we have to do something. Now, I will say this, that if we wanted, we, either Republicans or Democrats, wanted to cut those programs, we would do exactly what we are doing today—nothing, because those programs are going to be cut on their own in due time.

So, I support a fiscal commission. Now, Ed and I, Ed Case and I, have jointly worked since 2019 on this sustainable budget formula and we will talk about that today, and that is a way forward. Now, it uses a debt-to-GDP target. It doesn't go after specific changes to get where we need, but we do need a fiscal commission to help us outline what are the options.

Brendan Boyle talks about revenues. If revenues need to be part of that discussion, the fiscal commission needs to tell us revenues are part of that. If raising the age needs to be part of that discussion, then the fiscal commission will tell us that raising the age.

I would submit to you and then I will yield back my time, that given the condition that we are in today, you cannot rationally take any option off the table because it only increases the cost of the remaining options. So, with that said, I support anything that works to get us to an end result that can save the fiscal condition of our country. I yield back.

[The information follows:]

Chairman Arrington, Ranking Member Boyle, and members of the Budget Committee, thank you for inviting me to testify before you today.

As everyone here is aware, one of the biggest challenges we face as a nation right now is our $33 trillion sovereign debt.

This stark fiscal reality we face should alarm every member of Congress. It should be top of mind for every American.

While it may be the number one issue for members of this committee, everyday Americans have yet to feel serious impacts.

There has been no catastrophic crash or headline-making event that would bring it to the crisis level required to act in today's Congress.

As Members of Congress, it is our responsibility to educate the American people on this issue and then take concrete steps to solve it – before catastrophic events make Americans painfully aware of this curse.

Our unsustainable trajectory is one of the greatest threats to American prosperity, security, and the economic success of future generations.

We need to tackle the fiscal dysfunction. I believe a fiscal commission would help deliver the needed policy solutions to chart a responsible way forward in addressing our spending problem.

My preference would be to address this problem through the established Budget Committee channels, but we all know that isn't likely to yield results. I want to commend Chairman Arrington for reporting a Budget Resolution from the Committee, but we all know the path forward for any real Budget Resolution from this Committee is rough – no matter the party in charge.

That tough path is why I'm supportive of a Fiscal Commission – because we must move forward no matter the forum.

Since 2019, my colleague Representative Ed Case and I have introduced the Sustainable Budget Act at the start of each Congress to establish a debt commission which we believe would put America on a better fiscal and economic path.

The National Commission on Fiscal Responsibility and Reform would identify policies that meaningfully improve our nation's fiscal situation in the medium term and achieve fiscal sustainability over the long term.

Consisting of 18 members, chosen by the President and bipartisan, bicameral Congressional Leadership, this Commission would provide an avenue to propose recommendations that balance the budget by the end of the 10-year period in order to stabilize the debt-to-GDP ratio at an acceptable level and meaningfully improve the long-term fiscal outlook.

This includes changes to address the growth of entitlement spending and the gap between the projected revenues and expenditures of the Federal Government.

Given the political realities we face, I have long been a proponent of establishing a fiscal commission, as it is a valuable tool to facilitate productive discussion between parties on what will work effectively to address the fiscal state of our nation.

At the end of the day, whether a commission is structured in such a way that my colleague and I have put forth in our bill, or mirrors that of a commission established by other pieces of legislation put forth by other members of this panel, a commission must be bipartisan in everything it does.

If you only take one thing from my remarks, take this. Any solution to our fiscal challenges must be bipartisan. We can't do this as one party and any commission we put together can't take anything off the table. We must be willing to have tough conversations.

People believe that Washington is too far gone to work together on a bipartisan basis, but I am here to tell you that there are areas of bipartisan, bicameral agreement on fiscal challenges.

I saw it firsthand during my time as Co-Chairman of the Joint Select Committee on Budget and Appropriations Process Reform, so I know there is an appetite for fiscal reform on both sides of the aisle that cuts through the political divisiveness we are so accustomed to in Washington.

It is past time we come together to find common ground and address the fiscal challenges of today that will establish economic stability for the future generations of tomorrow. A Fiscal Commission to address these challenges would be a considerable step forward in the right direction.

Thank you again for inviting me to testify today. I look forward to a productive discussion.

Chairman ARRINGTON. Thank you, Chairman Womack. Now we will enjoy the remarks of Ed Case, your partner in crime on this fiscal commission, the Honorable Ed Case——

Mr. BOYLE. Watch that phrase around here.

Chairman ARRINGTON. Three minutes.

STATEMENT OF HON. ED CASE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mr. CASE. Mr. Chair, Ranking Member, good morning, aloha. You have my written testimony, which I am not going to repeat, but I will summarize it. Number one, our Federal finances are in dire straits and declining. Number two, continued inaction will prove disastrous. Number three, Congress has proven absolutely unable to do our job, at least without some help, and number four, a truly bipartisan inclusive fiscal commission can and will help.

I would like to instead spend my time responding to some of the principal arguments against a commission. The first principal argument goes like this: we don't need it because we are not in trouble to start with. This is denial at its most insidious. We are in deep trouble and heading in the wrong way by any metric whatsoever, and the consequences of inaction will include forced and indiscriminate reductions in core base Federal defense and non-defense spending and foundational entitlement programs such as Social Security and Medicare, and we do a disservice to the tens of millions on Social Security and Medicare and the tens of millions more that are coming up on it by not stating that very frontally. The American people agree that this is a problem. In my reliable Democratic district, it is one of the top issues that is of concern to my Democratic constituents. This is not a partisan issue.

The number two argument goes like this: fiscal commissions supersede Congress's role. No, we always retain our role at the end of the day. We have not ceded our responsibility, but we have not been able to do our job, and if we could do our job, then maybe we wouldn't need a fiscal commission, but we haven't, and we do. We have the ultimate decision. The question is how to present that decision to us in a way that we will in fact make the decisions that need to be done.

The third argument goes like this, and we heard it from my respected Ranking Member, fiscal commissions have failed. They don't work. Well, that is a matter of definition. First of all, my colleague cited the successes in 1983 to save Social Security for 50 years. That came about because of a commission, the Greenspan Commission, which recommended the way forward to save Social Security. That worked. The Simpson-Bowles Commission, which is much maligned, actually did work in the sense of framing the issues to Congress, which led to the negotiations that did actually provide some a better path for our fiscal situation, at least for some period of time. So, they can work even if ultimately Congress doesn't agree with them.

And fourth, substantively, the argument goes like this: let's skip forward to the feared result of the fiscal commission and therefore deny that we need a fiscal commission to start with. Let's just start debating the merits. The fact is that if we could actually have that debate on the merits in Congress in a reasoned, inclusive, broad way, that we would do so, but the fiscal commission needs to frame those issues, and so, to skip forward to a presumed result against the commission is the wrong way to look at it. We obviously need to make those decisions, but we need the help of a commission to get to those basic decisions to start with.

So, the bottom line here is if you do agree that there is a major problem or a crisis, then how are you going to solve it? Because you haven't, we haven't. A fiscal commission is the best way forward through a difficult but unavoidable debate and we can talk about how that commission gets put forward and put together, but the bottom line is it is not really the process that matters, but the putting together of the commission to start with that we need to start there. Thank you.

[The information follows:]

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WATER, WILDLIFE AND FISHERIES

Testimony to the House Budget Committee

Congressman Ed Case, Hawai'i District One

November 29, 2023

Chair Arrington, Ranking Member Boyle and members of the Committee,

Thank you for the opportunity to testify on the need for a bipartisan fiscal commission to address our nation's fiscal crisis.

Our budget is on an unsustainable path and the American people know it. Every metric – annual deficits, total debt, debt-to-GDP ratio, interest payments as a percentage of debt and GDP and so on – paints a bleak and deteriorating picture. We are placing all our domestic and national security programs at grave risk. If we do not act now, we are on track to see critical programs made insolvent and social services benefits cut.

The Sustainable Budget Act, which I introduced with Congressman Womack, can address this issue by establishing an 18-person bipartisan commission to propose policies to improve our fiscal outlook, balance the budget and achieve fiscal sustainability. The bill requires Congress to take an up or down vote on the commission's recommendations within a year after they are issued.

These are not the only possible solutions using a commission. I am also an original cosponsor of the Fiscal Commission Act from Congressmen Huizenga and Peters, and I support Senators Manchin and Romney's Fiscal Stability Act. Both establish fiscal commissions with slightly different structures and timelines.

A bipartisan fiscal commission, structured correctly, can do several things to redirect us to a sustainable path. First, it places all options on the table and provides a forcing mechanism, requiring an honest discussion about policies to improve our fiscal situation. Second, a commission can cut through the competing jurisdictions of different Congressional committees to promote the necessary big picture approach to addressing our debt and deficit. Finally, a commission can foster a long overdue and necessary bipartisan discussion on the fiscal situation, while building consensus around solutions.

To be effective, both Republicans and Democrats will need to compromise to address the debt and deficit. Our nation's fiscal health is not a partisan issue, nor can we afford to let it become one.

It will be a long and difficult road back to fiscal sustainability. I am committed to working with you to take the first steps before it is truly too late. The longer we wait to address our fiscal crisis, the more drastic and painful the requisite solutions. We must act swiftly before our choices become far more limited by our financial straitjacket.

Thank you.

Chairman ARRINGTON. I thank the gentleman from Hawaii and now yield three minutes to the Ranking Member, Mr. McGovern.

STATEMENT OF HON. JIM McGOVERN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. McGOVERN. Well, Chairman Arrington and Ranking Member Boyle, thank you for inviting me to testify. I want to say that it is an honor to be here alongside my colleagues, who I know all care deeply about this issue, and I look forward to a productive conversation. I may be a little bit of an outlier on this panel, but let me say upfront that I am deeply skeptical of a fiscal commission.

First, there already is a bipartisan forum where these kinds of decisions should get made. It is called Congress, and we shouldn't pass the buck to a fiscal commission to do the work that we ourselves don't want to do. If we don't want to do it, maybe we should leave. There isn't some secret formula. We either cut spending, tax the rich, or a combination of both. We don't need a commission to tell us that. We just need common sense.

And I want to echo what the former Chairman of this Committee, Mr. Yarmuth, said in October on the same issue: the problem is not the process, it is the people. There is no shortage of legislation to address our fiscal challenges. Legislation has been introduced to extend Social Security solvency indefinitely, to demand that the Pentagon actually pass an audit, and to end the billions of dollars of subsidies we give to big oil, just to name a few. Committees and subcommittees of jurisdiction can hold hearings and markups. That is what we are supposed to do. That is what the American people pay us to do. The buck should stop with us.

We also don't need a commission to acknowledge a few simple mathematical facts, and as the Chairman says, no one has clean hands here, but for decades, Republicans have driven up the debt with their tax cuts for billionaires and big corporations. Of the $33.8 trillion national debt, $10 trillion, nearly a third, is from the Bush and Trump tax cuts. My friends on the other side promised that both of those tax cuts would trickle down and pay for themselves. They were wrong. In fact, without those tax cuts, revenues would have kept up with spending indefinitely, and the wars in Afghanistan and Iraq have and will add another $6.5 trillion to our debt.

Look back further. Bill Clinton balanced the budget after Ronald Reagan and George H. W. Bush racked up the debt, and today Republicans are still pushing bills that would increase the deficit. The very first bill this Congress considered was a giveaway to ultra rich tax evaders that would add $114 billion to the deficit, according to the nonpartisan Congressional Budget Office.

So, I am a little skeptical of the sudden realization from my friends that they care about this issue. My friends tell us that millionaires and billionaires can't pay a cent more in taxes and not a dollar can be saved from the Pentagon's blow to budget, where we know, waste runs rampant, but when the time comes to pay for it all, they want to nickel and dime American families. Look at Social Security. It should be a national scandal that middle and working-class families have to pay Social Security taxes on all of their income, but millionaires and billionaires do not.

And if we want to ensure long term solvency, there are two choices. Some on the other side think we should cut benefits. I think we should ask the ultrarich to pay their fair share. We don't need a commission to tell us that, and my fear is that a commission would be used by some as an excuse to slash Social Security, Medicare, Medicaid, and other Federal antipoverty programs.

I know some of you are thinking that I am just a tax and spend Massachusetts liberal, but I think that investing in our people actually saves us money. Look at hunger. It is not just a moral problem, it is an economic one. Hunger in America costs us tens of billions of dollars every year in the form of increased healthcare costs, lost productivity, kids who can't learn. I go on and on. Investing in our antihunger safety net will actually save us money in the long term.

Now, I hear some of my colleagues say that they lose sleep over the debt. Well, let me tell you what I lose sleep over. There are 40 million hungry people in this country. Half a million people who sleep out on the streets every night. Seniors on fixed incomes who can't make ends meet. Those are the things I lose sleep over, and so, yes, we ought to talk about the debt and do something, but the real challenge here is an increase in extremism and a lack of political will to make the wealthy pay their fair share and cut our bloated and wasteful military budget. I thank you, and I yield back my time.

[The information follows:]

Ranking Member Jim McGovern
Testimony to the House Budget Committee
Wednesday, November 29, 2023

Chairman Arrington, Ranking Member Boyle, members of the committee, thank you for inviting me here to testify. I want to say what an honor it is to be here alongside my colleagues who I know all care about this issue deeply, and I look forward to a productive conversation.

Let me say up front that I am deeply skeptical of a fiscal commission.

First, there already is a bipartisan forum where these kinds of decisions should get made—it's called Congress. And we shouldn't pass the buck to a fiscal commission to do the work that we ourselves don't want to do.

There isn't some secret formula. We either cut spending, tax the rich, or a combination of both. We don't need a commission to tell us that, we just need common sense. And I want to echo what the former Chairman of this Committee, Mr. Yarmuth, said in October on this same issue—the problem is not the process, it's the people.

There is no shortage of legislation to address our fiscal challenges. Legislation to extend Social Security solvency indefinitely; to demand that the Pentagon pass an audit; and to end the billions of dollars of subsidies we give to big oil. Committees and subcommittees can hold hearings and markups. That's what the American people pay us to do, and the buck should stop with us.

We also don't need a commission to acknowledge a few simple mathematical facts. For decades, Republicans have driven up the debt with their tax cuts for billionaires and big corporations.

Of the $33.8 trillion-dollar national debt, $10 trillion, nearly a third, is from the Bush and Trump tax cuts. My Republican friends promised that both of those tax cuts would "trickle down" and pay for themselves. They were wrong.

In fact, without those tax cuts, revenues would have kept up with spending indefinitely. And the wars in Afghanistan and Iraq have and will add another six-and-a-half trillion to the debt.

Look back further—Bill Clinton balanced the budget after Ronald Reagan and George H.W. Bush racked up the debt.

And today, Republicans are ***still pushing bills that would increase the deficit.*** Their very first bill this Congress was a giveaway to ultra-rich tax evaders that would add $114 billion dollars to the deficit, according to the nonpartisan Congressional Budget Office.

So I'm a little skeptical of the sudden realization from my friends that they care about this issue.

Republicans tell us millionaires and billionaires can't pay a cent more in taxes—and not a dollar can be saved from the Pentagon's bloated budget where we know waste runs rampant. But when the time comes to pay for it all, they want to nickel and dime American families.

Look at Social Security. It should be a national scandal that middle and working class families have to pay social security taxes on **all** of their income, but millionaires and billionaires don't.

And if we want to ensure long-term solvency, there are two choices. Some on the other side think we should cut benefits; I think we should ask the ultra-rich to pay their fair share. We don't need a commission to tell us that. And my fear here is that a commission would be used by some as an excuse to slash Social Security, Medicare, Medicaid, and other federal anti-poverty programs.

Now I know some of you think I'm just a tax-and-spend liberal. But I think that investing in our people actually **saves** us money.

Look at hunger. It's not just a moral problem, it's an economic one. Hunger in America costs us tens of billions of dollars every year— in the form of increased healthcare costs, lost productivity, kids who can't learn, I could go on and on. Investing in our anti-hunger safety will actually save us money in the long term.

I hear some of my colleagues say they lose sleep over the debt. Let me tell you what I lose sleep over. There are over 40 million hungry people in this country. Half a million people who sleep out on the streets every night. Seniors on a fixed income who can't make ends meet. Those are the things I lose sleep over.

So yes, we ought to talk about the debt. But the real challenge here is an increase in extremism and a lack of political will to make the wealthy pay their fair share and cut our bloated and wasteful military budget.

Thank you, and I look forward to your questions.

Chairman ARRINGTON. I think, Mr. McGovern, you are not just a liberal from Massachusetts, you are a good man who happens to be a liberal from Massachusetts, and I appreciate your compassionate and thoughtful insight.

Now, to round the Committee, or panelists out with final comments from our fellow Budget Committee Member and my dear friend who cares a lot about this issue, Lloyd Smucker, tell us about that commission in Pennsylvania. How did it work? How in the world was that commission successful?

STATEMENT OF HON. LLOYD SMUCKER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. SMUCKER. Thank you, Mr. Chairman, for this important hearing and for the opportunity to share with you some of my thoughts regarding a fiscal commission. I believe our debt and our fiscal trajectory pose an existential threat to America's future, and I think establishing a commission is our best chance of addressing it, and I say that based on my experience with a highly successful commission in Pennsylvania, which I would say was perhaps the most successful legislative effort that I have ever been part of. Now, I will acknowledge to those who have mentioned they are skeptical of commissions, that many commissions do fail. They are right on that, but this is one that was very successful and everyone associated with it believed that.

So, it was the Basic Education Funding Commission established in 2014, and in this case, it was to address a decades old problem that existed in Pennsylvania of how state dollars were divided among the 500 school districts there. It was bipartisan, bicameral, and it also included representatives of the governor's administration.

The commission held hearings around the state for over a year receiving testimony and input from all stakeholder groups, from experts, and even any member of the public who wanted to participate. It worked across two legislative sessions and interestingly, also across two governors' administrations, first a Republican governor and then a Democrat. Recommendations were released unanimously by the commission members in June of 2015, and they were enacted into law in 2016. So, in a relatively short period of time, this commission solved a really very difficult and what had previously been seen as sort of an unsolvable problem.

Some factors that were critical to its success. There was broad bipartisan agreement in the legislature on the nature and scope of the problem. For a fiscal commission to work, both parties must believe that it is necessary, and that goes for leadership as well. If either party or the President opposes a fiscal commission, it just simply will not work. The right people were placed on the commission. They were members who had skin in the game, including the chairs and minority chairs of relevant committees, and by the way, just to correct the record slightly, I was not the chair of this commission. There were two capable co-chairs. I was a member as the chair of the Education Committee in the State Senate at that point, but I suggest that our fiscal commission here should include the Chairs and Ranking Members of relevant committees like the Budget Committee, the House Ways and Means Committee, Senate

Finance Committee, and the Senate Budget Committee as well, as well as Speaker appointees, and I think members of the administration are critical as well.

Third point of why the commission was successful: everything was on the table and all options were considered and all opinions were welcomed. A fiscal commission must be willing to consider all options. Democrats and Republicans alike are responsible for where we are. The debt has increased under the watch of both. So, we all share responsibility and must consider options that we may not like.

Final point, public engagement. Public education was absolutely critical to the commission's success and I would say it was perhaps the most important key to success of the commission and would be of the fiscal commission. The job of the commission would be to convince the American public that debt will impact them directly and that change is necessary. This is done through a very transparent public process and at the same time, amplifying the work of a debt commission with a corresponding public relations campaign, which is what occurred in Pennsylvania.

We know it is tough work. There is no guarantee of success, but based on what happened in Pennsylvania and some other commissions, we know it can be done. We can change the trajectory. We can ensure the promise of America for future generations, and in my view, we have no other choice. Thank you, Mr. Chair.

[The information follows:]

TESTIMONY

For the Committee's Hearing on
"Examining the Need for a Fiscal Commission"

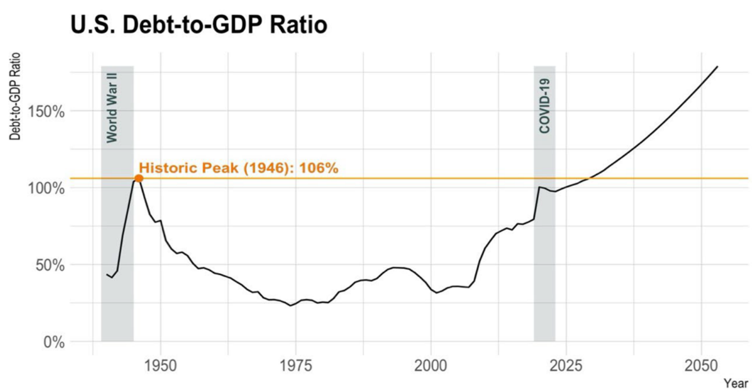
November 29, 2023

Congressman Lloyd Smucker
Pennsylvania's 11th Congressional District

Chairman Arrington, Ranking Member Boyle, and members of the committee, thank you for this opportunity to share with you my thoughts regarding a fiscal commission, drawing from my experience with a successful commission in Pennsylvania.

Recently, this committee recommended the creation of a fiscal commission when it passed its FY2024 budget resolution. In fact, this commission was one of the few things that members from both sides of the aisle agreed was necessary.[1]

We agreed it was necessary because we have seen the numbers. We know that the U.S. debt is projected to reach 181 percent of GDP in 2053 – leading to higher interest rates, slower economic growth, reduced economic stability, and fewer government services.[2]



[1] The Markup of the Concurrent Resolution on the Budget For Fiscal Year 2024, https://www.youtube.com/live/-1xyJ8L_g0U?si=z6_KAuzTe92Y5Uhv&t=4331.
[2] The Congressional Budget Office, "The 2023 Long-Term Budget Outlook," 1.

Absent an act of Congress, our rising national debt will jeapordize funding for critical priorities like national defense, health care, and retirement programs. Social Security will go insolvent within a decade and Medicare will run out of money as soon as 2035 – directly impacting the very seniors we have all vowed to support.

The Peterson Foundation points out that our fiscal trajectory is set to become our greatest national security threat, saying:

> "Rising spending on military compensation, retirement benefits, and procurement will put unbearable pressure on the rest of the defense budget over the long term. Absent reforms, the growth of these costs will either swell the defense budget unsustainably, or squeeze out other areas of national security spending, leading to a hollowing of the force."[3]

Excessive debt also poses severe economic and political challenges. History illustrates the decline and fall of once-mighty empires and nations due to uncontrolled debt and economic mismanagement.

It is imperative to change this trajectory, and I believe a bipartisan, bicameral fiscal commission is our best avenue for achieving this.

Case Study: Pennsylvania Basic Education Funding Commission

To underscore the potential success of such a commission, I draw on Pennsylvania's experience with the Basic Education Funding Commission (BEFC), on which I served as Chair of the Senate Education committee. This bipartisan effort, addressing funding disparities among school districts, holds valuable lessons for designing an effective fiscal commission.

For decades, lawmakers in Pennsylvania had failed to reform the basic education funding formula that allocated funds to over 500 school districts across the Commonwealth. This created huge disparities in funding levels and academic outcomes between school districts. To address this problem, we established the BEFC.[4]

The BEFC brought together legislative leaders of both political parties in both houses of the Pennsylvania General Assembly and representatives of the governor's administration to create a new funding formula.

The BEFC held hearings around the state, receiving testimony and input from all stakeholder groups, experts, and the general public. It worked across two sessions of the General Assembly and across two governors' administrations (one Republican and one Democrat). Our recommendations were released unanimously by the committee members in June of 2015 and were enacted into law in 2016 by the Pennsylvania General Assembly and the Governor. In a relatively short period of time, this commission solved a difficult and previously unsolvable problem that had existed for decades.

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[3] Peter G. Peterson Foundation, "Strength At Home And Abroad: Ensuring America's Fiscal And National Security," https://www.pgpf.org/pgpf-programs-and-projects/2016-cfns-statement.

[4] Pennsylvania General Assembly, House Bill No. 1738, 2014.

Given the success of this commission, I want to review some factors that were critical to its success and relate them to our present conversation.

1. There was broad bipartisan agreement in the legislature on the nature and scope of the problem.
    a. In Pennsylvania, legislators knew the funding system was broken and unfair, affecting local tax levels and student outcomes.
    b. In Congress, for a fiscal commission to work, both parties must believe a fiscal commission is necessary to confront the threats of our long-term fiscal trajectory. If either party or the administration opposes the commission, then it will not work.

2. There was complete buy-in from leaders of both parties and the governor.
    a. In Pennsylvania, the commission was created through legislation with strong support of all leadership and signed by the governor.
    b. Again, in Congress, if the leadership of either party or the President opposes the commission, it will fail.

3. The right people were placed on the commission, including the leaders of relevant committees.
    a. In Pennsylvania, the BEFC was comprised of the chair and minority chair of the House and Senate Education Committees, two legislators from each of the four legislative caucuses, the Secretary of Education, the Deputy Secretary of Elementary and Secondary Education, and an individual appointed by the Governor from within the Governor's administration.[5]
    b. In Congress, a fiscal commission should be constituted along similar lines – including the Chairs and ranking members of relevant committees (e.g., House and Senate Budget, House Ways and Means, and Senate Finance), as well as Speaker appointees and members of the Administration. The final composition should be evenly divided between Democrats and Republicans.

4. Everything was on the table and all opinions were welcomed.
    a. In Pennsylvania, the BEFC engaged with people with very different opinions of the problem, including teachers' unions, student advocacy groups, taxpayer advocates, school board groups, non-profits, and many others. Members of the public were even invited to speak at public hearings.
    b. In Congress, a fiscal commission must be willing to consider all options. Deficits and the debt have increased under the watch of both Republicans and Democrats. We all share responsibility for our fiscal trajectory and must consider options that we may not like.

[5] Pennsylvania Basic Education Funding Commission, "Report and Recommendations," 2015, 7.

5. Public engagement and education were critical to the commission’s success.
    a. In Pennsylvania, the BEFC held 15 hearings across the state and gave any interested group or individual the opportunity to be heard. A media campaign accompanied the commission to educate the public and solicit their engagement.
    b. In Congress, we must convince the American people that our fiscal trajectory is a threat to our future by amplifying the work of a fiscal commission with a corresponding public relations campaign. Many organizations have already been doing this. The commission whould work with them to build public support for its work.

Conclusion

We know this is going to be tough work, but it can be done. We can change the trajectory and ensure the promise of America for future generations. In my view, we have no other choice.

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BASIC
EDUCATION
FUNDING
COMMISSION
REPORT
AND RECOMMENDATIONS
SEAL OF THE STATE OF PENNSYLVANIA
JUNE 18, 2015

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EXECUTIVE SUMMARY

The Commonwealth of Pennsylvania has a strong history of providing quality public education in order to prepare students to be productive citizens and to fulfill their individual potential. Approximately 1,763,000 students attend Pennsylvania's public schools. Financial support for Pennsylvania's public school districts comes from local, state and federal sources.

The Basic Education Funding Commission was established pursuant to Act 51 of 2014 (House Bill 1738, prime sponsored by Representative Bernie O'Neill) in order to examine the basic education funding formula. The Commission held 15 hearings across the Commonwealth in 2014 and 2015. The Commission received testimony from over 110 individuals including superintendents, academics, school board presidents, representatives of the business community, nonprofit groups, other states, and parents. The Commission also engaged the Independent Fiscal Office (IFO) to conduct a survey.

The IFO survey sought input from 125 schools in order to determine their cost for various factors. This information was used to assist in determining weights for the Commission's recommended student factors, such as English Language Learners and children in poverty. These factors are an integral piece of an equitable funding formula.

The Commission recommends that the General Assembly adopt a new formula for distributing state funding in the basic education funding appropriation. The allocation of basic education funding needs to allow for accountability, transparency and predictability. The main objective of the new funding formula is to equitably distribute state resources according to various student and school district factors. The new formula will include factors reflecting student and community differences such as poverty, local effort and capacity, and rural and small district conditions. Furthermore, in accordance with Act 51, the Basic Education Funding Commission will continue its work by assisting in the drafting of implementation legislation.

ACT 51 AND THE CHARGE TO THE COMMISSION

Pursuant to Act 51 of 2014 (House Bill 1738), the General Assembly established a Basic Education Funding Commission, charged with the following duties and responsibilities:

The Commission shall:

1. Review and make recommendations related to basic education funding. *Section 123(b).* Review and make findings and recommendations related to basic education funding in this Commonwealth. *Section 123(i)(1).*

2. Develop a basic education funding formula and identify factors that may be used to determine the distribution of basic education funding among the school districts in this Commonwealth. *Section 123(h).* Review and consider basic education funding formulas and factors utilized throughout the United States. *Section 123(i)(5).* Consider the impact that factors identified by the Commission may have on the distribution of basic education funding among the school districts. *Section 123(i)(6).* Review the administration of State and regional basic education programs and services to determine if cost savings may be achieved and make recommendations to implement the savings. *Section 123(i)(7).* Consider the potential consequences of a formula that does not allocate to each district at least the same level or proportion of State basic education funding as the district received in the prior school year. *Section 123(i)(8).* The factors identified by the Commission may include all of the following:
   a. The market value/personal income ratio averaged for each of the three most recent years for each school district. *Section 123(h)(1).*
   b. The equalized millage rate averaged for each of the three most recent years for each school district. *Section 123(h)(2).*
   c. Geographic price differences identified for each school district. *Section 123(h)(3).*
   d. Whether a school district has experienced exceptionally high enrollment growth. *Section 123(h)(4).*
   e. Whether a school district has an exceptionally high level of local support. *Section 123(h)(5).*
   f. Whether a school district has a high level of its students in poverty as identified as eligible for free or reduced price meals under the National School Lunch Program. *Section 123(h)(6).*
   g. Whether a school district has students identified as limited English proficient. *Section 123(h)(7).*
   h. Whether the district has a scarce or dense population in relation to the district size. *Section 123(h)(8).*
   i. Other factors related to the distribution of basic education funding. *Section 123(h)(9).*

3. Receive input from interested parties, including, but not limited to, school districts and charter and cyber charter school operators. *Section 123(i)(3).*

4. Consider nationally accepted accounting and budgeting standards. *Section 123(i)(9).*

5. Issue a report of its findings and recommendations. *Section 123(i)(12).* Draft proposed regulations and proposed legislation based upon the Commission's findings. *Section 123(i)(11).*

6. Reconstitute the Commission every five years to meet and hold public hearings to review the operation of the basic education funding provisions of this section, and to make a further report to the General Assembly. *Section 123(k).*

Act 51 placed the following limitations on the work of the Commission:

- The basic education formula developed by the Commission shall not go into effect unless the formula is approved by an act of the General Assembly enacted after the effective date of this section. *Section 123(j).*

- The General Assembly, through the annual appropriation process, shall determine the level of state funding for basic education. *Section 123(l).*

MEMBERS OF THE BASIC EDUCATION FUNDING COMMISSION

Act 51 of 2014 defined the requirements for the composition and operation of the commission.

The Commission shall:

1. Consist of the following 15 members or their designees. *Section 123(c)(1)*:

   a. The chair and minority chair of the Education Committee of the Senate.
   b. The chair and minority chair of the Education Committee of the House.
   c. Two legislators from each of the four legislative caucuses.
   d. The Secretary of Education.
   e. The Deputy Secretary for Elementary and Secondary Education.
   f. An individual appointed by the Governor from within the Governor's administration.

2. Appoint a member to serve as the chair of the commission. *Section 123(c)(2).*

Current Basic Education Funding Commission Members

Senate

Pat Browne (R-16 Lehigh) - Co-Chair
Jay Costa (D–43 Allegheny)
Andrew Dinniman (D-19 Chester)
Mike Folmer (R-48 Lebanon/Dauphin/York)
Lloyd Smucker (R-13 Lancaster)
Rob Teplitz (D-15 Dauphin/Perry)

House of Representatives

Mike Vereb (R-150 Montgomery) - Co-Chair
Mark Longietti (D-7 Mercer)
Donna Oberlander (R-63 Clarion/Armstrong)
James Roebuck, Jr. (D-203 Philadelphia)
Designee: Chris Wakeley, Executive Director
Stan Saylor (R-94 York)
Designee: Bernie O'Neill (R– 29 Bucks)
Mike Sturla (D-96 Lancaster)

Governor Tom Wolf's Administration

Pedro Rivera, Secretary of Education
John Hanger, Secretary of Planning and Policy
Randy Albright, Secretary of the Budget

Original Basic Education Funding Commission Members

Senate

Pat Browne (R-16 Lehigh) - Co-Chair
Andrew Dinniman (D-19 Chester)
Mike Folmer (R-48 Lebanon/Dauphin/York)
Matt Smith (D–37 Allegheny)
Lloyd Smucker (R-13 Lancaster)
Rob Teplitz (D-15 Dauphin/Perry)

House of Representatives

Mike Vereb (R-150 Montgomery) - Co-Chair
Paul Clymer (R-145 Bucks)
Designee: Bernie O'Neill (R– 29 Bucks)
Mark Longietti (D-7 Mercer)
Donna Oberlander (R-63 Clarion/Armstrong)
James Roebuck, Jr. (D-203 Philadelphia)
Designee: Chris Wakeley, Executive Director
Mike Sturla (D-96 Lancaster)

Governor Tom Corbett's Administration

Carolyn Dumaresq, Acting Secretary of Education
Rita Perez, Acting Deputy Secretary for Elementary & Secondary Education
Designee: Nichole Duffy, Deputy Secretary for the Office of Administration
Charles Zogby, Secretary of the Budget

HEARINGS OF THE COMMISSION

Act 51 established the requirements for the hearings of the Basic Education Funding Commission.

The Commission shall:

1. Hold its first meeting within 45 days of the effective date of this section. *Section 123(d).*
2. Hold meetings at the call of the chair. *Section 123(e).*
3. Hold public hearings in different regions of this Commonwealth. *Section 123(i)(4).*
4. Consult with and utilize experts to assist the Commission in carrying out its duties. *Section 123(i)(2).*
5. Receive input from interested parties, including, but not limited to, school districts and charter and cyber charter school operators. *Section 123(i)(3).*

Members were appointed to the Commission during July 2014. Subsequently, the Commission held the following hearings.[1]

August 20, 2014	North Office Building, State Capitol, Harrisburg, PA
September 9, 2014	Parkland School District, Allentown, PA
September 30, 2014	Clarion University, Clarion, PA
October 16, 2014	Perkiomen Valley School District, Collegeville, PA
October 21, 2014	Community College of Allegheny County, Oakdale, PA
November 6, 2014	North Office Building, State Capitol, Harrisburg, PA
November 18, 2014	Philadelphia City Hall, Philadelphia, PA
November 19, 2014	Philadelphia City Hall, Philadelphia, PA
November 24, 2014	Lancaster-Lebanon Intermediate Unit 13, Lancaster, PA
December 4, 2014	East Stroudsburg Area School District, East Stroudsburg, PA
December 10, 2014	McCaskey East High School, Lancaster, PA
January 29, 2015	Greenville Junior/Senior High School, Greenville, PA
February 5, 2015	Central Montco Technical High School, Plymouth Meeting, PA
March 12, 2015	North Office Building, State Capitol, Harrisburg, PA
April 27, 2015	University of Pittsburgh, Pittsburgh, PA

[1] Please see the Appendix for additional information.

TESTIMONY RECEIVED BY THE COMMISSION

The following witnesses testified before the Commission at its public hearings:

Thomas Allen, President, PA Association of Career and Technical Administrators, and Administrative Director, Eastern Center for Arts and Technology (Feb. 2)

Jay Badams, Ed.D., Superintendent, Erie School District (Jan. 29)

Bruce Baker, Ed.D., Professor of Education Theory, Policy, & Administration, Rutgers – The State University of New Jersey (Nov. 6)

Joseph Bard, Executive Director, PA Association of Rural and Small Schools (PARSS) (Sept. 30)

Joanne Barnett, Ph.D., CEO, PA Virtual Cyber Charter School (Feb. 2)

Brian Barnhart, Ed.D., Executive Director, Lancaster-Lebanon Intermediate Unit 13 (Nov. 24)

Aaron Bass, Chief of Staff, KIPP Philadelphia Charter School and KIPP West Philadelphia Preparatory Charter School (Nov. 19)

Daniel J. Bell, Ed.D., Superintendent, Hermitage School District (Jan. 29)

John Bell, Superintendent, Delaware Valley School District (Dec. 4)

Nate Benefield, Vice President, Policy Analysis, Commonwealth Foundation (Dec. 4)

Joan Benso, President & CEO, PA Partnerships for Children (Dec. 10)

Gina Brillhart, CFO & Assistant to the Executive Director, Lancaster-Lebanon Intermediate Unit 13 (Nov. 24)

Christine M. Borelli, Ed.D., CEO, Memphis Street Academy Charter School (Nov. 19)

Jim Buckheit, Executive Director, PA Association of School Administrators (PASA) (Aug. 20)

Lee Burket, Ed.D., Director, Bureau of Career and Technical Education, PA Department of Education (Feb. 2)

Michael Calla, Superintendent, Sharon City School District (Jan. 29)

Marilyn Carrion-Mejia, Principal, William McKinley Elementary School (Nov. 18)

Michael Churchill, Esq., Of Counsel, Public Interest Law Center of Philadelphia (Dec. 10)

Jason Corosanite, D.C., COO, String Theory Schools (Nov. 19)

Ron Cowell, J.D., President, Education Policy and Leadership Center (EPLC) (Sept. 30)

Michael Crossey, President, PA State Education Association (PSEA) (Dec. 10)

Jackie Cullen, Executive Director, PACTA (Feb. 2)

Tracey DePasquale, Associate Director, Lutheran Advocacy Ministry (March 12)

Curtis Dietrich, Ed.D., Superintendent, North Penn School District (Oct. 16)

Meg Dilger, Board President, Pocono Mountain School District (Dec. 4)

Mark DiRocco, Ph.D., Superintendent, Lewisburg Area School District (March 12)

Patrick Dowd, Ph.D., Executive Director, Allies for Children (Oct. 21)

Rob Dubow, CFO, Office of the Director of Finance, City of Philadelphia (Nov. 18)

Carolyn Dumaresq, Ed.D., Acting Secretary, Department of Education (Aug. 20)

Nichole Duffy, Deputy Secretary for Administration, Department of Education (Aug. 20)

Joan Duvall-Flynn, Ed.D., Chair of the Education Committee, PA NAACP (March 12)

Eric Elliott, Ph.D., Director of Research for School Funding and Finance, PSEA (Dec. 10)

William Farmer, Child Trauma Therapist and Member, Trauma Informed Education Coalition (March 12)

Brad Ferko, Ed.D., Superintendent, Sharpsville Area School District (Jan. 29)

Mark Ferrara, Superintendent, Greenville Area School District (Jan. 29)

Michael Faccinetto, Board President, Bethlehem Area School District (Sept. 9)

Alan D. Fegley, Ed.D., Superintendent, Phoenixville Area School District (Oct. 16)

Lori Gallagher, LPC, Gallagher Counseling (March 12)

Mike Gentile, CEO, Keystone Charter School (Jan. 29)

Carole Geary, Superintendent, Pleasant Valley School District (Dec. 4)

Mark Gleason, CEO, Philadelphia School Partnership (Nov. 18)

Thomas Gluck, Executive Director, PA Association of Intermediate Units (PAIU) (Nov. 24)

David Goodin, Ed.D., Superintendent, Spring-Ford Area School District (Oct. 16)

Scott Gordon, CEO, Mastery Charter Schools (Nov. 19)

Harold Grant, Pittsburgh Federation of Teachers (April 27)

William J. Green, J.D., Chairman, School Reform Commission (SRC) (Nov. 18)

Curtis Griffin, Ed.D., Superintendent, Hatboro-Horsham School District (Oct. 16)

Michael Griffith, School Finance Consultant, Education Commission of the States (ECS) (Oct. 16)

Otis Hackney, Principal, South Philadelphia High School (Nov. 18)

Dave Hardy, Boys' Latin of Philadelphia Charter School (Feb. 2)

Carey Harris, Executive Director, A+ Schools (April 27)

Amanda Hetrick, Superintendent, Forest Area School District (Sept. 30)

Jay Himes, Executive Director, PA Association of School Business Officials (PASBO) (Aug. 20 & Nov. 24)

Sandra Himes, Executive Director, Lehigh Career & Technical Institute (Feb. 2)

Linda Hippert, Ed.D., Executive Director, Allegheny Intermediate Unit (Oct. 21)

William R. Hite, Jr., Ed.D., Superintendent, School District of Philadelphia (Nov. 18)

Bill Hodge, Associate Superintendent, Chambersburg Area School District (March 12)

Joanne A. Jones, Ph.D., CEO, PA Virtual Charter School (Nov. 19)

Larry Jones, CEO, Richard Allen Preparatory Charter School (Nov. 19)

Ron Joseph, CEO, Pittsburgh School District (April 27)

Cheryl Kleiman, Esq., Education Law Center (ELC), Pittsburgh Office (Oct. 21)

John Kurelja, Ph.D., Superintendent, Troy Area School District (March 12)

Linda Lane, Ed.D., Superintendent, Pittsburgh Public Schools (Nov. 24 and April 27))

Sharon Laverdure, Superintendent, Pleasant Valley School District (Dec. 4)

Jesse Levin, Ph.D., Principal Research Scientist, American Institutes for Research (AIR) (Nov. 6)

Roberta Marcus, Board President, Parkland School District (Sept. 9)

Russ Mayo, Ed.D., Superintendent, Allentown School District (Sept. 9)

Jean McCleary, Superintendent, Union School District (Sept. 30)

Maureen McClure, Ph.D., Associate Professor, Administrative & Policy Studies, University of Pittsburgh, School of Education (Oct. 21)

Wayne McCullough, D.B.A., Chief Financial & Operations Officer, Southern York County School District (Nov. 24)

Carol Metzker, Coalition Against Human Trafficking (March 12)

David Mosenkis, Independent Consultant (Nov. 19)

W. Michael Nailor, President, PA School Librarians Association (Dec. 10)

Bill Nichols, Superintendent, Corry School District (Jan. 29)

John Nodecker, Superintendent, Manheim Township School District (Dec. 10)

The Honorable Michael A. Nutter, Mayor, City of Philadelphia (Nov. 18)

Patrick O'Toole, Ed.D., Superintendent, Upper St. Clair School District (Oct. 21)

David W. Patti, President & CEO, PA Business Council (Oct. 21)

James Paul, Senior Policy Analyst, Commonwealth Foundation (Dec. 4)

The Honorable William Peduto, Mayor, City of Pittsburgh (April 27)

Matt Przywara, CFO, School District of Lancaster (Dec. 10)

Thomas Ralston, Ed.D., Superintendent, Avonworth School District (Oct. 21)

Pedro A. Rivera, Superintendent, School District of Lancaster (Dec. 10)

Kristy Robinson, MSW, Program Training and Development, Laurel Life Services (March 12)

Clifford Rogers, Ed.D., Superintendent, Perkiomen Valley School District (Oct. 16)

Jeremy Resnick, Executive Director and Founder, Propel Schools Foundation (Jan. 29)

Marguerite Roza, Ph.D., Director, Edunomics Lab, and Research Associate Professor, Georgetown University (Sept. 9)

David Rubin, MD, MSCE, Assistant Professor of Pediatrics, Division of General Pediatrics, University of Pennsylvania Perelman SOM/CHOP (Nov. 18)

Jerome Sasala, Acting Superintendent, Austin Area School District (Jan. 29)

Janet Samuels, Ph.D., Superintendent, Norristown Area School District (Oct. 16)

Walter Slauch, Vice President, PACTA, and Administrative Director, Central Montco Technical High School (Feb. 2)

Tim Shrom, Ph.D., Business Manager, Solanco School District (March 12)

Jennifer Smallwood, Board President, Harrisburg City School District (March 12)

Michael Stahlman, Superintendent, Clarion Area School District (Sept. 30)

Matthew E. Stanski, CFO, School District of Philadelphia (Nov. 18)

The Honorable Todd Stephens, Representative, 151^{st} Legislative District (Oct. 16)

John Swoyer, CEO, MaST Community Charter School (Nov. 19)

Neil D. Theobald, Ph.D., President, Temple University (Nov. 18)

Charles Thiemann, Board President, West Perry School Board (March 12)

Ford Thompson, Board President, Central Dauphin School Board (March 12)

James Thompson, Board Vice President, Harrisburg City School District (March 12)

John A. Toleno, Ed.D., Superintendent, Stroudsburg Area School District (Dec. 4)

David Warren, Executive Director, Lancaster County Career & Technical Institute (Feb. 2)

John L. Winn, Commissioner of Education of the State of Florida (Retired) (Nov. 6)

Christine Wagner-Deitch, IU 27, Director of Curriculum Services and Gifted Liaison (April 27)

Ira Weiss, Esq., Solicitor, Pittsburgh School District (April 27)

David Woods, Superintendent, Oxford Area School District (Oct. 16)

Mary Anne Wright, Ph.D., Superintendent, Northwestern Lehigh School District (Sept. 9)

Mr. W. Charles Young, Superintendent, Troy Area School District

David Zerbe, Ed.D., Superintendent, Methacton School District (Oct. 16)

TECHNICAL ASSISTANCE RECEIVED BY THE COMMISSION

Act 51 established requirements for the roles of the Department of Education and other bodies in the General Assembly to provide technical assistance to the Commission:

> **Role of Department of Education:** The department shall provide the commission with data, research and other information upon request by the commission. *Section 123(g)*
>
> **Role of Other Bodies in the General Assembly:** The General Assembly shall provide administrative support, meeting space and any other assistance required by the commission to carry out its duties under this section in cooperation with the department. *Section 123(g)*

Since the establishment of the Basic Education Funding Commission in June 2014, the department has played an integral role in supporting the work of the commission.

The Independent Fiscal Office served as a vital resource for technical expertise in working with large amounts of data provided by the school districts and charter schools that assisted the commission's deliberations on student factors for a funding formula.

The Independent Fiscal Office, the Pennsylvania Association of School Business Officials and the department assisted the commission in performing a survey of student factors to 100 school districts and 25 charter schools in April 2015. The survey included a broad cross-section of districts to ensure that the survey was representative of districts across the state. The survey results provided accurate data that the commission used in establishing weights in the new recommended formula.

FURTHER ACKNOWLEDGEMENTS

The Commission wishes to further acknowledge the contributions to its work of the following individuals and organizations:

Central Montco Technical High School

Clarion University

Community College of Allegheny County

East Stroudsburg High School South

Greenville Junior/Senior High School

House of Representatives: Lee Adkins, Sean Brandon, Bob Brownawell, Nichole Duffy, Miriam Fox, Mike Hillman, Brian Kadunc, Eileen Krick, Jeff Miller, Ryan McIlmoyle, Elizabeth Murphy, Karen Seivard, Judy Smith and Dave Transue

Independent Fiscal Office: Matt Knittle, Karen Maynard and Mark Ryan

Intermediate Unit #13

McCaskey East High School

Parkland School District

Pennsylvania Association of School Business Officials: Jeffrey Ammerman, Hannah Barrick and Jay Himes

Pennsylvania Department of Education: Angela Fitterer, Barbara Nelson and Debbie Reeves

Pennsylvania Office of the Budget: Anne Baloga, Natalie Sabadish, Sharon Ward

Perkiomen Valley High School

Philadelphia City Hall

University of Pittsburgh

Senate: Diane Acri, Kaitlin Brown, Tim Collins, Lorre Cooper, Liz Craig, Lisa Feliz, Anne Griffin, Tabitha Hummer, Tom Lebo, Casey Long, Mark Mekilo, Russ Miller, Matt Moyer, Kelly Phenicie, Jen Smeltz, Michaele Totino and Vicki Wilken

OVERVIEW OF BASIC EDUCATION FUNDING ISSUES [2]

Historical Basic Education Formula Funding in Pennsylvania

The Basic Education Funding subsidy is the single largest education funding stream in the Commonwealth's budget to support local school districts. Each fiscal year, during the annual budget process, the General Assembly enacts a new funding formula to distribute these state dollars among the Commonwealth's school districts. Presently, the state's basic education funding formula is contained in Article XXV (Reimbursements by Commonwealth and Between School Districts) of the Public School Code of 1949.

Pennsylvania Constitution of 1874 and 1968

Article III, Section 14 of the Pennsylvania Constitution has often been identified as the *locus* of the state's, and specifically the General Assembly's, responsibility to fund a system of public education. First adopted in the Constitution of 1874, the General Assembly was to "maintain and support a thorough and efficient system of public schools"[3] and it was later modified in the Constitution of 1968 to read as follows:

> *The General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth.* Article III, Section 14, PA Constitution of 1968.

The first iteration of this phrase, as it was contained in Article X of the PA Constitution of 1874, is thought to have been derived from a lecture delivered by Horace Mann.[4] Education advocates continue to point to this phrase as constitutionally guaranteeing a quality education to all of the Commonwealth's public school children.

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[2] Information for the section was taken from Bissett, J., & Hillman, A. (2013). The History of School Funding in Pennsylvania, 1682-2013.
[3] Atherton, M. (May 2014). How Pennsylvania Funds Public Schools: The Story of the State Share. Center on Regional Politics Issue Memo (2) 3.
[4] Ibid.

Act 580 of 1966 (SB 792)

Prior to Act 580 of 1966, school districts were reimbursed by the Commonwealth using a formula based upon "district teaching units," comprised of a legislatively determined number of pupils. Funding was calculated by multiplying for each district the number of district teaching units by a dollar amount fixed by the legislature multiplied by each district's standard reimbursement fraction. The passage of Act 580 of 1966 represented a considerable change in the method used to distribute these dollars. Act 580 included language to establish the goal for the "State's share of total reimbursable cost" for school districts at 50 percent. The formula for the 1966-1967 year also introduced new components to the formula, such as "Weighted Average Daily Membership (WADM)," "Actual Instructional Expense (AIE) per ADM," and "Aid Ratio. The reimbursement formula was calculated as follows:

District Aid Ratio X AIE per WADM (or $400, whichever is less) X WADM

To this amount, supplemental payments were made to school districts on account of poverty, density or sparsity, homebound instruction, and vocational education.

Act 31 of 1983 and the Implementation of ESBE

Act 31 ended the state's 50 percent reimbursement guarantee, which was last reached by the state in 1974-1975.[5] The act established into law the calculation for the Equalized Subsidy for Basic Education (ESBE). ESBE would go on to serve as the basis for school district instructional payments for ten years.

Under ESBE, school districts' base education subsidies were determined by a new Factor for Educational Expense (FEE) set by the General Assembly at $1,650 in Act 31. The formula was calculated as follows:

District Aid Ratio X FEE X WADM

[5] Ibid, 7.

Funding was also added on to this amount for school districts based on (1) poverty and (2) local tax effort, and population per square mile. Importantly, Act 31 included language to guarantee a minimum of a two percent increase, which held school districts harmless over their previous year's subsidy regardless of changing enrollment or local wealth.

Under Act 93 of 1984, the General Assembly continued ESBE and increased the FEE from \$1,650 to \$1,725, with the remainder of the formula carrying over from the previous year. Additionally, Act 93 guaranteed a minimum of a three percent increase for all school districts.

Act 31 of 1985 again continued the ESBE formula with the addition of a new supplement for small district assistance. Nichole Duffy, Deputy Secretary for Administration, PDE, testified before the commission that to qualify for the supplement, school districts needed an aid ratio of 0.500 or greater and an ADM of less than 1,500, which was multiplied by \$50 to determine the supplement.[6] Furthermore, Act 31 not only included a minimum two percent increase for all school districts, as had been implemented in previous formulas, but also established a maximum 7.45 percent increase over the previous year's ESBE calculation for school districts.

Act 25 of 1991 added two further supplements to the formula for districts with low expenditures and low wealth, as well as a low expenditure poverty supplement. These supplements targeted those school districts that were perceived to be underfunded by the Commonwealth and lacked local revenue to offset the absence of additional state funding.

<u>Act 85 of 1992 and Hold Harmless</u>

The passage of Act 85 of 1992 serves as an important turning point in basic education funding from the Commonwealth, most significantly because there were no changes in the components of the formula and no additional funding added to the basic education funding line item. Act 85 froze the provisions of the ESBE formula, as well as the supplements.

Act 16 of 1993 included a distribution based on the previous year's ESBE formula, which had been frozen at the 1991-1992 level. Added to this distribution was a new supplement that

[6] Testimony at the Commission hearing on August 20, 2014.

consisted of payments based upon poverty, enrollment growth, and district aid ratio. By freezing the ESBE distribution in fiscal year 1992-1993, Bissett and Hillman note that the prior years of funding inequity would subsequently be built into any new formula.[7] According to Penn State University Professor William Hartman, 53 percent of the basic education funding subsidy for fiscal year 2013-2014 is based upon data for fiscal year 1990-1991, although more accurate student counts have been utilized to drive out new funding annually.[8]

With fiscal year 1994-1995, the basic education formula continued to distribute state dollars based on hold harmless funding for school districts with annual increases in the appropriation line item driven out through supplements targeted to different school districts. It is important to note that with each subsequent year, the supplements for the previous year were built into the hold harmless provision. This pattern would continue through fiscal year 2007-2008. Qualifying districts received a share of the funding determined by the General Assembly for each supplement. The following are some of these supplements, which changed annually, based upon qualifying factors for schools districts.

- *Base Supplement*: distributed to schools districts within qualifying tiers according to MV/PI aid ratio.
- *Poverty Supplement*: distributed to school districts based on either 1) a qualifying percentage of ADM in poverty based on TANF, AFDC or free and reduced lunch or 2) a prorated share of funding based on a qualifying aid ratio and personal income per ADM.
- *Small District Assistance*: distributed to school districts with an ADM of 1.500 or less; in some years, an aid ratio qualifier was also used.
- *Growth Supplement*: distributed to school districts with a qualifying percent increase in ADM.
- *Tax Effort Supplement*: distributed to school districts with a qualifying equalized millage.
- *Limited English Proficiency Supplement*: distributed to school districts with students enrolled in qualifying LEP programs and with a qualifying aid ratio.
- *Minimum 2 Percent Increase*

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[7] Bissett and Hillman (2013): 35.
[8] Atherton (2014): 2.

Act 61 of 2008 (HB 1067)

A 2006 Costing Out Study authorized by the General Assembly identified an adequacy funding target for each school district. Act 61 established a weighted student funding formula incorporating factors for poverty, geographic cost differentials, English Language proficiency, special needs and tax effort. The General Assembly approved funding for three years of a proposed six year phase in of the new formula designed to address the adequacy gap.

Act 24 of 2011 (HB 1352)

Act 24 contained the Omnibus School Code amendment and the education-related provisions of the 2011-2012 fiscal year budget. The act included a basic education funding formula that includes a student focused supplement that includes the following components: a base amount, number of English language learners, concentration of free and reduced lunch students and changes to a school district's adjusted average daily membership.

Act 82 of 2012 (HB 1901)

Act 82 contained the Omnibus School Code amendment in the 2012-2013 fiscal year, which also contained the basic education funding formula. The formula provided that the Commonwealth would pay each school district an amount equal to the amount paid in the previous fiscal year. The basic education increase over the prior year was distributed to 16 distressed school districts in supplements for English Language Learners, Extraordinary Charter School Enrollment, Increasing Aid Ratio, and Small District Increasing Aid Ratio, among others.

Act 59 of 2013 (HB 1141)

Act 59 provided for the distribution of basic education dollars during the 2013-2014 budget process. The act provided that, in the 2013-2014 fiscal year, the Commonwealth would pay each school district an amount equal to the amount paid for the previous year (the hold harmless provision). Each school district also received a student focused funding supplement, calculated by multiplying a base amount of $108 by the school district's average daily membership for the

2012-2013 school year and the school district's market value/aid ratio in the 2013-2014 school year. An additional 12 supplements were driven out to a limited number of districts.

Act 126 of 2014 (HB 278)

Act 126 included the basic education funding formula for the 2014-2015 fiscal year. The distribution of basic education dollars provided each school district the same amount of funds paid for the previous fiscal year.

PUBLIC SCHOOL EXPENDITURES

In fiscal year 2013-2014, per pupil expenditures based upon instructional expenses ranged from $5,911 to $15,830.

2013-14 Instructional Expenditures per Pupil			
Wilkinsburg Borough SD	$15,830	Saint Marys Area SD	$5,911
Lower Merion SD	$15,073	Juniata County SD	$6,183
Austin Area SD	$14,222	Mars Area SD	$6,236
Duquesne City SD	$13,634	Claysburg-Kimmel SD	$6,280
Chester-Upland SD	$13,365	Richland SD	$6,349
Jenkintown SD	$13,081	Chestnut Ridge SD	$6,355
Colonial SD	$12,896	Tyrone Area SD	$6,360
Radnor Township SD	$12,863	Bermudian Springs SD	$6,456
Morrisville Borough SD	$12,617	Canon-McMillan SD	$6,465
Pittsburgh SD	$12,530	Spring Cove SD	$6,486

In terms of total educational spending statewide, personnel costs, including salaries and benefits, comprise nearly 78%.[9] Marguerite Roza, Ph.D., Director, Edunomics Lab, & Associate Research Professor, Georgetown University, testified that in Pennsylvania personnel benefits, in particular, continue to consume an increasing share of expenditures, increasing from a 30% load on top of salaries in 2004 to 37% in 2008.[10]

It is clear that different school districts can achieve the same level of student outcome while spending different amounts per pupil, which, according to Dr. Roza, may suggest that some

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[9] Public Education Finances: 2012. U.S. Census Bureau. Retrieved from http://www2.census.gov/govs/school/12f33pub.pdf.
[10] Testimony at the Commission hearing on September 8, 2014.

school districts are more "productive," while others are not leveraging their resources to achieve the greatest outcome for the dollars being spent.[11] However, in order to fully comprehend the relationship between funding and outcomes, the impact of individual student needs, due to living in poverty or being an English language learner, can drive district costs, and the effectiveness of these dollars. How funding can be used to address these inequities latent in the system must also be considered.

Average Daily Membership

Average daily membership (ADM) is a measurement of school district size over the course of an entire school year in relation to students. For the purposes of Commonwealth reimbursement, Section 2501 of the Public School Code provides that ADM is to be calculated according to the rules of procedure established by the Secretary of Education.

A PA Department of Education regulation found in § 329.3 of 22 Pa Code, computes ADM first by adding the number of resident students, for whom the district is financially responsible, in membership each day the school district is in session to produce the aggregate days membership, which is then divided by the actual days of instruction to determine the ADM.

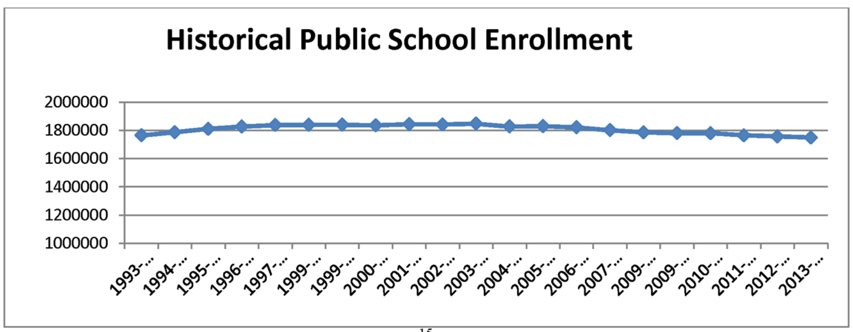
The weighted average daily membership (WADM) assigns to ADM a weight for different grade levels. Half-day kindergarten students receive a weight of 0.5. Full-day kindergarten students and elementary students are assigned a weight of 1.0, while secondary students receive a weight of 1.36.[12]

The Commission also heard from several testifiers that a balance must be struck between using accurate student counts in a future basic education funding formula so that funding dollars can follow the student and support those districts which have experienced increased enrollment while not disproportionally harming those school districts with decreased enrollments. Michael Crossey, President, PSEA, recommended that a new formula utilize ADM to account for those students that a school district is responsible for and further employ rolling averages of student

[11] Testimony at the Commission hearing on September 8, 2014.
[12] Section 2501 (10.1) of the Public School Code.

counts to avoid substantial changes in funding due to drastic swings in enrollment.[13] Joan Benso, President and CEO, PA Partnerships for Children, likewise recommended that a 5-year weighted ADM, with additional weight assigned to more recent years' ADM, to accommodate districts with enrollment growth while providing districts with declining enrollment time to adjust to their new enrollment realities.[14]

In the 2013-2014 school year, as of October 1st, 1,763,000, students were enrolled in Pennsylvania public schools, including school districts, charter schools, state juvenile correction institutions, and comprehensive career and technical centers. The largest school district (Philadelphia City SD) had an ADM of 203,229, while the smallest (Austin Area SD) had 188. The largest charter school (Pennsylvania Cyber CS) had an ADM of 10,763, which is more students than 484 school districts.



[15]

Historically, public school enrollment over the past twenty years has remained stable, with approximately the same number of students enrolled in 2013-2014 as were enrolled in 1993-1994.

While statewide public school enrollment has remained relatively stable over the past two decades, dramatic changes in enrollment have occurred at the school district level. Jim Buckheit,

[13] Testimony at the Commission hearing on December 10, 2014.
[14] Testimony at the Commission hearing on December 10, 2014.
[15] Testimony at the Commission hearing on August 20, 2014.

Executive Director, PASA, testified before the Commission that between 1993-94 and 2013-2014, 336 school districts, or approximately 67.3 percent, experienced a decline in student enrollment, while 162 school districts, or approximately 32.5 percent, experienced an increase in student enrollment.[16] The school district with the largest increase over the past twenty years, Central Bucks School District, is now the third largest school district by enrollment. The greatest district enrollment decrease, in the Philadelphia City School District, is due largely in part to charter and cyber charter school enrollment, which was 66,926 for the 2013-2014 school year. Pittsburgh School District also dramatically declined, making them the district with the second greatest decrease.[17]

[16] Testimony at the Commission hearing on August 20, 2014.
[17] Testimony at the Commission hearing on April 27, 2015.

Largest 20-Year Increases in Student ADM[18]

District	Increase
Central Bucks SD	+7,323
Allentown City SD	5,379
Reading SD	4,914
Spring-Ford Area SD	4,051
Downingtown Area SD	3,215
Perkiomen Valley SD	3,151
Parkland SD	3,032
Garnet Valley SD	2,849
Bethlehem Area SD	2,727
Upper Darby SD	2,568

Largest 20-Year Decreases in Student ADM[19]

District	Decrease
Pittsburgh SD	-12,086
Philadelphia SD	6,943
Harrisburg City SD	2,207
Warren County SD	2,140
Williamsport Area SD	2,017
Altoona Area SD	1,613
Armstrong SD	1,597
Connellsville Area SD	1,422
Punxsutawney SD	1,267
Penn Hills SD	1,223

These changes in enrollment, particularly for those districts experiencing the greatest swings, bring additional funding challenges. School districts that experience an increase in enrollment without a corresponding increase in basic education funding, must subsequently absorb increasing educational expenditures with local revenue. Several school districts that have experienced the largest enrollment increases noted that basic education funding has not followed increases in enrollment. Clifford Rogers, Ed.D., Superintendent, Perkiomen Valley School District, testified that state funding has not kept pace with the increase in enrollment the district has experienced, noting that while the district's enrollment has doubled over the past twenty years, state funding has gone from comprising 10 percent of the district's budget to 6.7 percent of the budget during the same period and state funding per pupil for the district has increased

[18] Does not include charter school enrollments.
[19] Does not include charter school enrollments.

only 6.9 percent, or $64.85.[20] Roberta Marcus, Board President, Parkland School District, testified that while the district has experienced the sixth largest increase in enrollment over the last twenty years, its share of state basic education funding has remained the same.[21] Patrick O'Toole, Superintendent, Upper St. Clair School District, testified that each year that the basic education funding formula is not directly tied to enrollment, the more inequitable state funding becomes.[22]

Conversely, the Commission heard concerns from several testifiers that relying simply on enrollment may unfairly penalize decreasing enrollment school districts. Linda Hippert, Executive Director, Ed.D., Allegheny Intermediate Unit, cautioned that simply looking at overall decreases in enrollment might not clearly communicate the shifts in population within a geographic area, which can be extremely challenging to individual districts.[23] Dr. Hippert further refuted the assumption that a decreasing enrollment would result in decreasing costs, unless such an enrollment decrease is prevalent at a grade level and in the same school building. Similarly, Linda Lane, Ed.D., Superintendent, Pittsburgh Public Schools, testified that the recent enrollment decreases experienced in the Pittsburgh Public Schools can mirror the challenges faced by small, rural schools with decreasing enrollment, noting that as enrollments have declined across the City of Pittsburgh, the decline in the K-12 population has eroded economies of scale within the district, leaving schools more costly to operate.[24]

English Language Learners[25]

Students who have limited English proficiency and are identified English Language Learners (ELLs) present an additional financial responsibility for school districts. Language proficiency is critical to a student's academic success, and students often need specialized language instruction in order to benefit from the education program provided by their school districts.

[20] Testimony at the Commission hearing on October 16, 2014.
[21] Testimony at the Commission hearing on September 9, 2014.
[22] Testimony at the Commission hearing on October 21, 2014.
[23] Testimony at the Commission hearing on October 21, 2014.
[24] Testimony at the Commission hearing on November 24, 2014.
[25] Information from this section was taken from the PDE Basic Education Circular *Educating Students with Limited English Proficiency (LEP) and English Language Learners (ELL)* available from http://www.portal.state.pa.us/portal/server.pt/community/pa_codes/7501/educating_students_with_limited_english_proficiency_(lep)_and_english_language_learners_(ell)/507356

School districts are not only required to provide ELL students with instruction based upon the regular education curriculum, but they must also provide ELL students with language instruction to help them obtain English language proficiency (ELP). The provision of these additional resources often translates into a higher cost for school districts to educate ELL students.

Research has long investigated the amount of time it takes for ELL students to obtain complete proficiency, with estimates for academic proficiency often ranging between four and seven years, while oral proficiency may be obtained in as little as three to five years.[26] However, a number of variables can both positively and negatively affect this rate of acquisition, as research has indicated.[27] Among them, studies have shown that non-native speakers of English without formal academic training in their first language acquire proficiency at a slower rate than their peers, who have had at least some schooling in their native language.[28] Socioeconomic factors can also impact proficiency attainment, with research also suggesting that ELL students from high-poverty schools take longer to reach proficiency standards.[29]

Population

According to the PA Department of Education, approximately 47,567 students speaking 229 languages are identified as English Language Learners. This figure represents nearly 2.7% of the total public school enrollment for the 2013-2014 school year. Since 2000, the number of ELLs students, sometimes referred to as students with Limited English Proficiency (LEP), has increased by 67%.

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[26] Gil, L., & Bardack, S. (May 2010). *Common Assumptions vs. the Evidence: English Language Learners in the United States, a Reference Guide*. English Language Learner Center, American institutes for Research, 4.
[27] Pedro Rivera, Superintendent, The School District of Lancaster, provided testimony at the Commission's December 10, 2014 hearing that children require 5-10 years to acquire a new language, a process which can be impacted by a student's literacy in his or her first language, vocabulary exposure within the home, and other prior experiences.
[28] Collier, V. P. (Fall 1995). *Acquiring a Second Language for School*. Directions in Language & Education, National Clearinghouse for Bilingual Education, 1(4). Collier's studies found that non-native speakers of English with no schooling in their first language take 7-10 years or more to reach age and grade-level norms of their native English-speaking peers, while students who have had 2-3 years of first language schooling in their home country before they come to the U.S. take at least 5-7 years to reach typical native-speaker performance.
[29] Hakuta, K., Butler, Y. G., & Witt, D. (Jan. 2000). *How Long Does It Take English Learners To Attain Proficiency?*. University of California, Linguisitc Minority Research Institute.

Even though ELL populations are growing throughout the state,[30] school districts with a greater concentration of ELL students appear to be larger, urban centers.

School Districts with Highest Concentration of ELLs

York City SD	22.43%
Reading SD	18.18%
Lancaster SD	16.2%
Kennett Consolidated	13.62%
Lebanon SD	12.09%
Hazelton Area	11.79%
Harrisburg City SD	11.49%
Norristown Area SD	11.25%
Allentown City SD	10.74%
Erie City SD	9.39%

While these higher concentrations of ELL students in urban districts, which may already face additional challenges due to poverty and greater student achievement gaps, should be noted, further consideration must also be given to the cost of educating ELL students in school districts with smaller ELL populations. These school districts with a limited number of ELLs students may also experience high costs because there are not enough students to create an ELL classroom. Similarly, in school districts with ELL students speaking multiple languages, additional certified instructors may also be required to accommodate the needs of each student.

English as a Second Language (ESL) Programs and LEA Services

Each LEA must have a written plan for the implementation of an ESL program that contains a description of the instructional models used by the LEA, the process for identifying ELLs, criteria for students to exit the program, and the monitoring system for students who have left the program.

[30] According to data from the School Performance Profile, nearly 350 school districts report less than one percent of their students are enrolled in English as a second language programs.

Jay Himes, Executive Director, PA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS , testified that English language instruction for ELL students can consist of smaller classrooms with low student-teacher ratios.[31] School districts may also need additional qualified staff when a student who speaks a new language moves into the district. Pedro Rivera, Superintendent[32], testified that in the School District of Lancaster, which serves ELL students comprising 16% of the student population, the district spends $8 million annually for ELL services, equating to over 75 full-time teachers. Curtis Dietrich, Ed.D., Superintendent, North Penn School District, testified the growth in ELL students in the districts necessitates an annual budget of more than $2.7 million to provide specially certified teachers for ELL instruction.[33]

Exit Criteria

In order for students to exit an ESL program, they must meet PDE's required exit criteria. These criteria are used to assess a student's English proficiency in academic reading and writing, in addition to oral fluency.

As students obtain English language proficiency and transition out of an ESL program, they will no longer be identified as ELL. Joan Benso, President and CEO, PA Partnerships for Children, testified that it is important to remember, when considering additional funding for students identified as ELL, that a formula weight for ELL would not apply for a student's full academic career, once a student has attained English language proficiency.[34]

[31] Testimony at the Commission hearing on December 10, 2014.
[32] Mr. Rivera became Secretary of Education in 2015 and joined the BEFC as a member.
[33] Testimony at the Commission hearing on October 16, 2014.
[34] Testimony at the Commission hearing on December 10, 2014.

SMALL SCHOOL DISTRICTS AND POPULATION SPARSITY

Schools districts with small enrollments and low population density can face challenges not experienced by their larger, population-dense peers. Many of these school districts are located in rural areas that experience high levels of poverty, low property values and personal income, and declining enrollments, which impact their ability to raise revenue locally and necessitating additional support from the state.

Jay Himes, Executive Director, PA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS , testified to the commission that less than 50 percent of school districts located in rural areas enroll approximately 25 percent of the state's students, while 53 percent of school districts located in urban and suburban areas enrolled approximately 75 percent of the state's students. In the 2013-2014 school year, 12 of the state's 500 school districts enrolled fewer than 500 students, the majority of which are located in rural counties.

Smallest School Districts by Average Daily Membership

District	County	2013-2014 ADM
Austin Area SD	Potter	188
Salisbury-Elk Lick SD	Somerset	287
Harmony Area SD	Clearfield	314
Shanksville-Stonycreek SD	Somerset	372
Galeton Area SD	Potter	374
Turkeyfoot Valley Area SD	Somerset	407
Forbes Road SD	Fulton	407
Midland Borough SD	Beaver	436
Oswayo Valley SD	Potter	465
Shade-Central City SD	Somerset	500
Williamsburg Community SD	Blair	517
Commodore Perry SD	Mercer	517
Fannett-Metal SD	Franklin	538
Jamestown Area SD	Mercer	542
Forest Area SD	Forest	551
Northern Potter SD	Potter	562
Avella Area SD	Washington	565
Southeastern Greene SD	Greene	608
North Clarion County SD	Clarion	613
Johnsonburg Area SD	Elk	629
Union SD	Clarion	634
Jenkintown SD	Montgomery	641
Sullivan County SD	Sullivan	652
Cameron County SD	Cameron	664

Largest School Districts (by Square Miles)

School District	County	Total Square Miles
Keystone Central SD	Clinton, Centre, and Potter	970.8
Warren County SD	Warren	774.4
Forest Area SD	Forest	503.9
Southern Tioga SD	Tioga, Lycoming	485.9
Sullivan County SD	Sullivan	452.4
Armstrong SD	Armstrong, Clarion, and Indiana	443.7
Wayne Highlands SD	Wayne	425.1
Penncrest SD	Crawford, Venango	408.3
Cameron County SD	Cameron	398.6
Jersey Shore Area SD	Lycoming, Clinton	390.8

Noteably, three of the districts with the smallest ADM in the charts above, Cameron County S.D., Forest S.D. and Sullivan County SD serve and entire county.[35] These districts are also among the largest school districts in the commonwealth geographically.

Rural Challenges and Higher Costs

The Commission heard from numerous testifiers that conditions in rural and small schools have an impact on their ability to keep education costs lower than their larger urban and suburban counterparts. Ron Cowell, President, Education Policy and Leadership Center, testified that there are very real, extraordinary costs associated with delivering services to students in densely populated urban centers as well as in relatively small enrollment districts geographically spread over large land areas.[36] Many of these challenges stem from the remoteness of the schools, the distance and time needed to travel, and imposing geographic features. Jerome Sasala, Superintendent, Austin Area School District, testified that, connected to the issue of remoteness, transportation presents a unique problem in a sparsely populated area, noting that consolidation with a neighboring district could potentially add 45 minutes to district transportation routes.[37] Amanda Hetrick, Superintendent, Forest Area School District, also testified that district vehicles travel 2,669 miles each day transporting students, with the average student riding a bus 45 minutes to 1.5 hours each way, services which comprise approximately 12 percent of the

[35] Presently, nine of the state's 67 counties are served by a single school district.
[36] Testimony at the Commission hearing on September 30, 2014.
[37] Testimony at the Commission hearing on January 29, 2015.

district's total budget.[38] Many of these school districts which are spread out over a large land mass elect to operate several smaller schools within the district in order to reduce transportation time. However, as testimony from the PASBO Benchmarking Committee suggested, rural school districts are compelled to organize their schools in this manner based on the extent of their geography, though this structuring may not always be the most cost effective.[39]

Mr. Sasala also expressed concern with adopting a formula that is based on the number of students because costs are the same for the district whether a teacher has a class of 15 students as opposed to 22.[40] Rural and small schools not only face challenges due to lower enrollments, but, as Michael Crossey, President, PA State Education Association, testified, these districts also find difficulty in attracting the right personnel to these areas.[41]

Economies of Scale

One issue raised in the testimony before the Commission was the challenges caused by an absence of a positive economy of scale in rural and small schools, which has likewise been noted in relevant literature. Baker and Levin note that districts operating in rural and remote areas have smaller enrollment and correspondingly lower student density that put upward pressure on per-pupil costs.[42] Specifically, when studying economies of scale in education, they found that per-pupil costs tend to be flat as district enrollment surpasses 2,000 students, while below this enrollment, costs tend to increase, dramatically so as enrollment dips below 500.[43]

Joseph Bard, Executive Director, PA Association of Rural and Small Schools, substantiated these findings with his testimony that the issue of funding rural schools presents a stark picture because of the lack of a positive economy of scale, noting that a physics teacher will need to be on staff, regardless of whether student enrollment is 15 or 60.[44]

Accounting for Small and Rural Schools in the Basic Education Funding Formula

[38] Testimony at the Commission hearing on September 30, 2014.
[39] Testimony at the Commission hearing on December 10, 2014.
[40] Testimony at the Commission hearing on January 29, 2015.
[41] Testimony at the Commission hearing on December 10, 2014.
[42] Baker and Levin (2014): 48.
[43] Ibid: 68.
[44] Testimony at the Commission hearing on September 30, 2014.

The Commission received testimony from many testifiers that recommended that a factor be included in the basic education funding formula to recognize the unique needs of small and rural schools. In past basic education funding formulas, a factor or supplement was often included to target small districts based on their average daily membership (ADM) and aid ratio. Mr. Bard testified that these supplements, for which school districts needed enrollment of less than 1,500 students and an aid ratio greater than 0.500, were problematic due to these hard and fast rules of eligibility.[45] Joan Benso, President and CEO, PA Partnerships for Children, testified that population sparseness would be a better measure to reflect these needs than the small district size measure that was used in previous formulas.[46] Mr. Crossey noted that the Special Education Funding Commission, created by Act 3 of 2013, designed a small district/sparsity ratio to adjust special education calculations to reflect these needs, and he urged the Commission to use the same mechanism in a basic education funding formula.[47] Wayne McCullough, D.B.A., Chief Financial and Operations Officer, Southern York County School District, and Jay Himes, Executive Director, PA Association of School Business Officials, proffered that the factor used in Act 126 of 2014, which measures a school district's size and population per square mile to adjust the ADM of approximately 150 small, rural schools, is preferable because it utilizes data that is known, reliable and verifiable.[48] They also recommended that an adjustment be made to the sparsity/size ratio to weight each ratio equally.

HOLD HARMLESS

Hold harmless, or the practice of guaranteeing that a school district receives no less than the same amount of state basic education dollars that it received in the prior fiscal year, has been a considerable factor in the distribution of basic education dollars in Pennsylvania. Hold harmless provisions were included in various iterations in past state funding formulas, as with Act No. 31, P.L. 104, of 1983, which ensured that no district receive less than a two percent increase in subsidy, regardless of changes in school district enrollment or need.[49] The practice continued by

[45] Testimony at the Commission hearing on September 30, 2014.
[46] Testimony at the Commission hearing on December 10, 2014.
[47] Testimony at the Commission hearing on December 10, 2014.
[48] Testimony at the Commission hearing on December 10, 2014.
[49] Bissett, J. & Hillman, R. (2013). The History of School Funding in Pennsylvania (1682-2013), 29.

freezing Equalized Subsidy for Basic Education in the 1992-1993 fiscal year at 1991-1992 levels with any new funding driven out through supplements that would ultimately be built into school districts' baseline funding amounts in subsequent fiscal years.

The debate surrounding hold harmless, and whether or not the provision should continue to be accommodated in a subsequent funding formula, can be separated into two perspectives highlighting the challenges of 1) districts with growing enrollments and 2) districts with decreasing enrollments.

Challenges of Increasing Enrollment Districts

Criticism of the practice has focused on the notion that hold harmless benefits school districts with shrinking enrollments by funding students no longer being served by a school district and, conversely, harming growing enrollment districts by precluding the distribution of these same dollars to new student populations. Ron Cowell testified that when the state basic education appropriation increases only slightly or remains flat, hold harmless protects the interests of districts becoming wealthier or losing enrollment at a cost to school districts with growing enrollment or declining wealth.[50] Representative Todd Stephens further testified that removing the hold harmless provision would allow the state to allocate funds to school districts to more accurately reflect the needs of their student population.[51] Curtis Dietrich, Superintendent, Ed.D., North Penn School District, testified that as a result of hold harmless, growing school districts have not received the funding they should have received, while districts with declining enrollment did not feel the effects of a formula tied to total number of students.[52]

According to the testimony of Nathan Benefield, Vice President of Policy Analysis, Commonwealth Foundation, hold harmless has created such a gap between increasing-enrollment and decreasing-enrollment districts that school districts with declining enrollment received more than three times the state funding per student compared to growing districts, according to 2012-2013 data.[53] David Woods, Superintendent of the Oxford Area School

[50] Testimony at the Commission hearing on September 30, 2014.
[51] Testimony at the Commission hearing on October 16, 2014.
[52] Testimony at the Commission hearing on October 16, 2014.
[53] Testimony at the Commission hearing on December 4, 2014.

District, submitted testimony to the commission arguing that the continuance of a hold harmless provision in the distribution of special education dollars also needs to be addressed to keep pace with the needs of school districts' special education populations.[54] Clifford Rogers, Ph.D., Superintendent, Perkiomen Valley School District, testified that continuing the hold harmless will result in either additional burdens on the local taxpayers or cuts to educational programs and reduction of students services.[55]

The negative impact of the hold harmless provision may even extend to the school districts that it attempts to protect. Marguerite Roza, Ph.D.,Director of the Edunomics Lab and Associate Research Professor, Georgetown University, testified that the practice of "grandfathering" funding levels into a school finance formula inhibits districts from being nimble and adapting to changing conditions and thus should be discontinued.[56] As a result, by continuing a practice of hold harmless, school districts that would otherwise experience revenue decline may potentially be discouraged from making budgetary adjustments to reflect existing realities.

[54] Testimony at the Commission hearing on October 16, 2014.
[55] Testimony at the Commission hearing on October 16, 2014.
[56] Testimony at the Commission hearing on September 9, 2014.

Challenges of Small and Decreasing Enrollment Districts

Proponents of maintaining the hold harmless provision in a future education funding formula have argued that its elimination would have a devastating impact on small and rural schools that have experienced decreases in enrollment. Linda Hippert, Ed.D., Executive Director of the Allegheny Intermediate Unit, testified that the elimination of the "hold harmless" clause would be extremely detrimental to school districts with the potential of exacerbating the already dire financial status of many districts.[57] The commission heard testimony that the rural school districts present a unique funding situation because they lack positive economies of scale, while declining enrollment does not necessarily correspond to decreasing costs. John Callahan, Senior Director of Government Affairs, PA School Boards Association, testified that arguments to change funding because of enrollment decreases only work in a situation where funding has been adequate and infrastructure has not been developed.[58] Michael Stahlman, Superintendent, Clarion Area School District, testified of the importance of rural school districts not losing funding year to year because of fixed costs.[59]

Jean McCleary testified that for small and rural schools, hold harmless allows these schools to financially stabilize despite declining enrollments.[60] Joseph Bard, Executive Director, PA Association of Rural and Small Schools, testified that hold harmless has provided districts an amount of predictability to an otherwise unpredictable situation, with regard to state funding.[61] William Clark, Superintendent, Warren County School District, presented the Commission with testimony that the district would need to fill the gap of lost funding through staffing and program cuts, should "hold harmless" be removed from the formula.[62]

Carole Geary, Superintendent, Pleasant Valley School District, testified to the importance of foundation supplements added to the district's BEF base in 2006-07 and 2007-08 and asked the commission to commit to a hold harmless pledge.[63] John Bell, Superintendent, Delaware Valley

[57] Testimony at the Commission hearing on October 21, 2014.
[58] Testimony at the Commission hearing on December 4, 2014.
[59] Testimony at the Commission hearing on September 30, 2014.
[60] Testimony at the Commission hearing on September 30, 2014.
[61] Testimony at the Commission hearing on September 30, 2014.
[62] Testimony received by the Commission, January 29, 2015.
[63] Testimony at the Commission hearing on December 4, 2014.

School District, similarly testified that the failure to factor in previous educational formula supplements into a new formula would be devastating, and likewise he urged the commission to commit to a hold harmless pledge.

David Patti, President and CEO, PA Business Council, testified that the practice of hold harmless should be phased-out to allow school districts to more easily transition to a new funding formula.[64] Similarly, Neil Theobald, Ph.D., President, Temple University, testified that his experience suggests that school districts are able to "shrink gracefully" if they are given a five-year schedule of spending level attainment.[65] Practices that aim to ease reductions in funding have sometimes been classified as "declining enrollment provisions," such as allowing districts to use several years of enrollment figures to determine student counts or establishing a maximum amount for a decline in state funding.[66] According to a recent survey of state hold harmless practices, 22 states utilize a "decreasing enrollment provision" to ease the lower level of state funding from one year to the next due to a decrease in enrollment.[67]

LOCAL WEALTH AND TAX EFFORT

Local tax effort and wealth are critical factors impacting the ability of school districts to raise local revenue.

Aid Ratio

Presently, Pennsylvania uses aid ratio to convey the relative wealth demographics of school districts. The term *aid ratio* refers to three numerical values: market value aid ratio (MV AR); personal income aid ratio (PI AR); and market value/personal income aid ratio (MV/PI AR).[68] These ratios are used in the calculations for various state education subsidies. MV AR is used in

[64] Testimony at the Commission hearing on October, 21, 2014.
[65] Testimony at the Commission hearing on November 18, 2014.
[66] Atherton, M. J., & Rubado. (December 2014). Hold Harmless Education Finance Policies in the U.S.: A Survey. Center on Regional Politics, 2.
[67] Ibid, 2-3. These states include Alaska, Alabama, California, Colorado, Florida, Idaho, Kansas, Kentucky, Montana, North Carolina, New Jersey, Nevada, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Vermont, Wisconsin, and Wyoming.
[68] Aid Ratio and MV/PI aid ratio are calculated according to Section 2501(14) and (14.1) of the Public School Code.

the calculation for Pupil Transportation Subsidy and Authority Rentals and Sinking Fund Requirements. MV/PI AR is used in basic education funding, special education, accountability block grants, as well as in the calculation for the Act 1 adjusted index.

MV AR, PI AR, and MV/PI AR are inverse ratios, meaning wealthier school districts have smaller ratios, and in the calculation of each ratio, values are compared to state totals. MV AR measures the sales value of taxable real estate as certified by the State Tax Equalization Board per school district WADM, according to the following calculation:

$$1 - \left(\frac{\text{School District Market Value} \ / \ \text{SD WADM}}{\text{State Total Market Value} \ / \ \text{State Total WADM}} \quad * \ 0.5 \right)$$

PI AR measures personal income, excluding out-of-state income, which is reported on PA-40 income tax forms and certified by the Department of Revenue, per school district WADM:

$$1 - \left(\frac{\text{School District Personal Income} \ / \ \text{SD WADM}}{\text{State Total Personal Income} \ / \ \text{State Total WADM}} \quad * \ 0.5 \right)$$

The calculation for MV/PI AR combines both of these ratios, with MV AR weighted at 60 percent and PI AR weighted at 40 percent:

$$(0.6 * \text{MV AR}) + (0.4 * \text{PI AR})$$

MV/PI AR values ranges from 0.1500, the artificially established minimum, and 1.0000. For 2014-2015, school district aid ratios ranged from 0.1500 to 0.8959 (Reading SD); 20 school districts were assigned an aid ratio of 0.1500. The statewide average MV/PI AR for school districts was 0.5538 and the media was 0.5865. 75 percent of school districts had a MV/PI AR of 0.6682 or below.

<u>Concerns with MV/PI AR Calculation</u>

While MV/PI AR has historically been used as a measure of local wealth in distributing state education funding, concerns have been raised over the validity of this measure and its continued use in state basic education subsidy.

One particularly point of concern addressed during the Commission's hearings was whether the weighting of 60 percent weight for real property values and 40 percent weight for personal income remains an appropriate balance. The emphasis on real property values in the MV/PI AR calculation might have a potential negative effect upon rural school districts, in which high property values are often met with low personal income. Joseph Bard, Executive Director, PA Association of Rural and Small Schools testified that in rural districts, such as the Forest Area SD, where vacation homes boost total market value, the combined aid ratio is not an accurate picture of district wealth.[69] Amanda Hetrick, Superintendent, Forest Area SD, testified that the current formula for MV/PI AR is not an accurate representation of the district's wealth, due to low property values, a problem which is further exacerbated by ascribing market value a higher weight than personal income.[70] Michael Faccinetto, Board President, Bethlehem Area SD, testified that MV/PI AR alone does not accurately convey the wealth of the district, because its student population is more economically disadvantaged than that of school districts with comparable aid ratios.[71]

Furthermore, several testifiers suggested that the current MV/PI AR cannot accurately function as long as a minimum aid ratio is set for school districts. John Callahan, Senior Director of Government Affairs, PA School Boards Association, testified that this aid ratio floor provides some school districts with funding that would not be realized if it were set at the actual number.[72] Mr. Bard also echoed that the artificial aid ratio allows wealthier districts to realize more state money.[73]

ACT 1 AND SCHOOL DISTRICT BUDGET PROCESS CONCERNS

Limitations: Act 1 Index and Referendum Exceptions

The index established by Act 1 of Special Session of 2006 determines the maximum tax rate increases a school district can levy without seeking voter approval through the referendum process or obtaining a referendum exception from PDE. While Act 1 originally contained ten

[69] Testimony at the Commission hearing on September 30, 2014.
[70] Testimony at the Commission hearing on September 30, 2014.
[71] Testimony at the Commission hearing on September 8, 2014.
[72] Testimony at the Commission hearing on December 4, 2014.
[73] Testimony at the Commission hearing on September 30, 2014.

allowable referendum exceptions, the number of these exceptions has since been reduced to three: pension costs, special education costs, and principal and interest on debt. For example, for 2014-2015, 164 school districts obtained approval for referendum exceptions; however, of these, only 81 school districts had an approved amount to cover the proposed real estate tax increase contained in their preliminary budgets, while 83 school districts needed to reduce the real estate tax rate approved by PDE or submit a question for a voter referendum.

Data indicates that while school districts have the ability to balance their local budgets through the total amount of approved referendum exceptions, the actual use of referendum exceptions has been substantially less than approved:

Amount of Referendum Exceptions[74]				Number of School Districts		
Budget Year	**Approved**	**Used**	**Percent**	**Approved**	**Used**	**Percent**
2008-2009	$143,189,572	$41,093,962	28.7%	102	66	64.7%
2009-2010	$84,853,037	$13,072,387	15.4%	61	18	29.5%
2010-2011	$192,420,114	$67,647,774	35.2%	133	84	63.2%
2011-2012	$265,830,906	$95,538,548	35.9%	228	135	59.2%
2012-2013	$159,942,625	$48,174,306	30.1%	197	105	53.3%
2013-2014	$121,708,954	$30,484,314	25.0%	171	93	54.4%

If school districts do not utilize the referendum option or the referendum exceptions permissible under Act 1, their annual property tax increase is limited to the school district's adjusted index. The base index is the average of the Statewide Average Weekly Wage (SAWW), which measures earning across the state and industry sectors, as determined by the Pennsylvania Department of Labor and Industry, and the Employment Cost Index for Elementary and Secondary Education (ECI), a national measure calculated by the Bureau of Labor Statistics within the United States Department of Labor to track employment costs within the education sector. For school districts with a MV/PI AR above 0.4000, the value of their index is adjusted upward by multiplying the base index by the sum of 0.75 and their MV/PI AR.

[74] Data obtained from PDE:
http://www.portal.state.pa.us/portal/server.pt/community/referendum_exceptions/7456/report_on_referendum_exceptions/510336

History of the Act 1 Index

	SAWW	ECI	INDEX
2006-2007	4.2%	3.5%	3.9%
2007-2008	2.8%	4.0%	3.4%
2008-2009	4.3%	4.5%	4.4%
2009-2010	4.6%	3.6%	4.1%
2010-2011	2.7%	3.0%	2.9%
2011-2012	0.9%	1.9%	1.4%
2012-2013	2.1%	1.3%	1.7%
2013-2014	2.0%	1.4%	1.7%
2014-2015	2.6%	1.6%	2.1%
2015-2016	2.4%	1.4%	1.9%

School districts testifying before the Commission consistently emphasized the negative impact of the Act 1 index limitation on their ability to raise revenue locally. Michael Stahlman, Superintendent, Clarion Area School District, testified that the limitations set by the Act 1 index, combined with increasing mandated costs, will require the district to deplete its fund balance within two years.[75] Thomas Ralston, Ed.D., Superintendent, Avonworth School District, noted that despite the school district raising taxes seven of the last nine years to accommodate its growing student population, with taxes being raised to the maximum allowable limit under Act 1 in the last three years, the district continues to struggle to meet its fiscal demands.[76]

<u>SS Act 1 Budget Timeline</u>

Special Session Act 1 of 2006 establishes the timeline for the local school district budget process. By September 1st, PDE annually publishes the index in the *PA Bulletin* and must notify school districts of their adjusted base index by September 30th. One-hundred and ten days prior to the primary election, school districts must either make their preliminary budgets available for public inspection or adopt a resolution indicating that the rate of any tax will not be increased by more than the index. Ninety days prior to the primary election, school districts must adopt their preliminary budget, unless they adopted the aforementioned resolution. Seventy-five days prior to the election is the deadline for school districts seeking approval from PDE for a referendum exception, and school districts must submit any referendum question seeking voter approval of a

[75] Testimony at the Commission hearing on September 30, 2014.
[76] Testimony at the Commission hearing on October 21, 2014.

tax rate increase in excess of index to the county board of elections, no later than 60 days before the election. PDE issues its ruling on referendum exceptions 55 days before the election. School districts must adopt their proposed final budgets by May 31st, and their final budgets must be adopted by June 30th annually, the deadline for the General Assembly and the Governor to enact the state's budget for the subsequent fiscal year.

School districts across the state testified that the current preliminary budget process created under Act 1, which was designed to accommodate the exception and referendum processes, the final budget process which requires school districts to complete their budget before knowing what resources they will receive from the state, increases the complexity and uncertainty of the local budget process. Curtis Griffin, Superintendent, Hatboro-Horsham School District, testified that the timing of this funding information, combined with the uncertainty for the funding level, has significantly impacted the operation of his district.[77]

POVERTY

Various studies have shown that children living in poverty often begin their educational careers behind their non-impoverished peers and thus require additional supports and services in order for them to meet the same academic standards. While some of these children may have access to early childhood education programs targeted toward low-income families, such as Pre-K Counts and Head Start Programs, many still require supplemental services during their elementary and secondary careers.

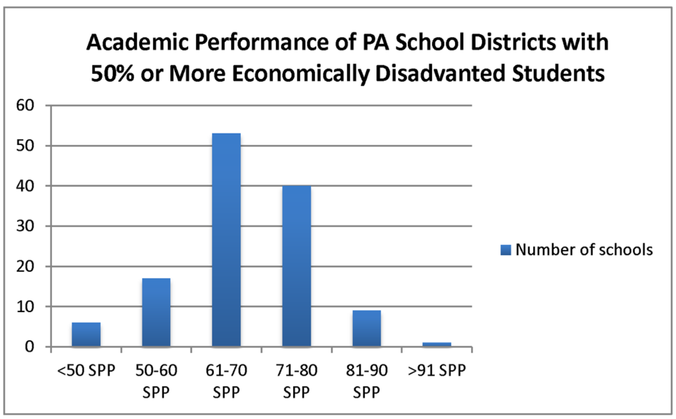
Studies have also demonstrated a correlation between socioeconomic status and vocabulary accumulation, suggesting that children from working-class and impoverished families are exposed to far fewer words than their peers whose parents have obtained a college education and earn a higher income.[78] Children in poverty are also more likely to be exposed to a fragile home life. Pedro Rivera[79], Superintendent, The School District of Lancaster, testified that students

[77] Testimony at the Commission hearing on October 16, 2014.
[78] One analysis revealed that children from professional families heard an average of 2,153 words per hour, while children in working class families heard an average of 1,251 words per hour and children in welfare-recipient families heard an average of 616 words per hour, meaning that by age four, a child from a welfare-recipient family may have heard 32 million fewer words than a classmate from a professional family (Hart and Risley: 2003).
[79] Mr. Rivera became Secretary of Education in 2015 and joined the BEFC as a member.

living in poverty are three times more likely to live in a crowded home, five times more likely to be evicted from their home, twice as likely to move, and are more likely to have a parent incarcerated.[80]

Concentration of Poverty

For decades research has shown that a community's socioeconomic status (SES) has impact on the academic achievement of the students in that community, beginning with the 1966 Coleman Study, which concluded that a school's socioeconomic background is a strong determinant in its students' outcomes. Likewise, research continues to indicate that students from low-SES families and communities learn more slowly than their peers from higher-SES backgrounds.[81] In terms of academic achievement, research has identified 50 percent low-income students as the dividing line, [82] while studies have shown that poverty concentration has consistently related to lower performance on measurable educational outcomes.[83]



[80] Testimony at the Commission hearing on December 10, 2014.
[81] Morgan, P. L., Farkas, G., Hillemeier, M. M., & Maczuga, S. (2009). Risk factors for learning-related behavior problems at 24 months of age: Population-based estimates. *Journal of Abnormal Child Psychology, 37*, 401-413.
[82] Kahlenberg, R. D. (2003) *All Together Now: Creating Middle-Class Schools through Public School Choice,* Washington D.C.: Brooking Institute. Another study found that when half the student population is low-income, all students' achievement will be depressed; student achievement becomes "seriously" depressed when the percentage of students in poverty exceeds 75 percent. Michael Puma et al. (April 1997). *Prospects: Final Report on Student Outcomes*. Cambridge, MA: Abt Associates.
[83] Lippman, L., Burns, S., & McArthur, E. (June 1996). Urban Schools: The Challenge of Location and Poverty. U.S. Department of Education, Office of Educational Research and Improvement (NCES 96-184). Retrieved from http://nces.ed.gov/pubs/96184all.pdf.

Joan Benso, President and CEO, PA Partnerships for Children, testified that within Pennsylvania, data similarly points to substantive differences in student achievement in districts with higher concentrations of poverty, noting that in districts with fewer than 25 percent of children in poverty, 86 percent of students are proficient in 3rd grade reading, while only 52 percent of students are proficient in districts with 50 percent or more students in poverty.[84] Ms. Benso pointed to several examples:

- Lancaster County -- 86 percent of 3rd graders are proficient in reading in Hempfield and Warwick school districts, where less than 1 in 4 children are in poverty, compared to the Lancaster City and Columbia Borough school districts, where fewer than 62 percent of 3rd graders are proficient in reading and almost 2 in 3 children are in poverty.
- Montgomery County -- 93 percent of 3rd graders are proficient in reading in both Perkiomen Valley and Upper Dublin school districts, where fewer than 10 percent of resident children live in poverty. In the Pottstown School District, (where 54 percent of resident children live in poverty), less than 60 percent of 8th graders are proficient in reading.
- Lehigh County -- 89 percent of 8th graders are proficient in reading in Parkland and Salisbury Township school districts, where less than 1 in 6 children live in poverty. In Allentown City School District, where more than 4 in 5 resident children are in poverty, only 52 percent of 8th graders are proficient in reading.

Statewide Free and Reduced Price Eligibility

The data element most frequently employed to demonstrate student poverty is National School Lunch Program (NSLP) eligibility. Children from families with incomes at or below 130% of the federal poverty level ($25,727 for a family of three in 2014-2015), children in families receiving Temporary Assistance for Needy Families (TANF), and children in families receiving Supplemental Nutrition Assistance Program (SNAP) benefits are eligible for free meals.

[84] Testimony at the Commission hearing on December 10, 2014.

Children in families whose income is between 130% and 185% of the federal poverty level ($36,612 for a family of three in 2014-2015) are eligible for reduced price meals.
According to October 2014 data obtained from PDE's Division of Food and Nutrition, in Pennsylvania 777,570 students were eligible for free lunches and 72,721 were eligible for reduced lunches. Over the past decade, the total of number of students eligible for either free or reduced price lunches has increased by over 31%, while the overall percentage of students eligible for the program, as a percentage of total enrollment, has increased from 34.84% to 48.11%.

State Totals – Free and Reduced Price Eligible[85]

Year	Total Enrollment	Free Eligible	Reduced Eligible	% Free Enrollment	% Reduced Enrollment	% Free and Reduced Enrollment
2014-2015	1,767,332	777,570	72,721	43.99%	4.12%	48.11%
2013-2014	1,788,694	676,627	100,559	37.83%	5.62%	43.45%
2012-2013	1,817,431	673,428	107,028	37.05 %	5.89%	42.94%
2011-2012	1,810,187	622,250	114,172	34.37%	6.31%	40.68%
2010-2011	1,809,697	600,489	112,896	33.18%	6.24%	39.42%
2009-2010	1,811,265	572,459	130,678	31.61%	7.21%	38.82%
2008-2009	1,829,708	536,293	131,754	29.31%	7.20%	36.51%
2007-2008	1,834,024	520,198	128,439	28.36%	7.00%	35.37%
2006-2007	1,861,242	522,691	129,378	28.08%	6.95%	35.03%
2005-2006	1,857,099	517,198	129,742	27.85%	6.99%	34.84%

While participation in NSLP is perhaps the most frequently used indicator by states to identify low-income students in education funding formulas,[86] concerns were raised during the course of the Commission's hearings regarding the validity of using this measure in a future basic education funding formula due to recent changes to the federal program in the way that school districts report NSLP participation. Under the Community Eligibility Program, school districts that have 40 percent of their student population eligible for free or reduced price lunches are able to offer free lunches to all their students, and, as a result, these districts are no longer collecting income data to determine whether a student would otherwise be eligible.

Alternative Data

One alternative measure to free and reduced price lunch eligibility as a poverty indicator is federal census data measuring poverty in the general populace broken down by age range (5-17). This data is produced annually based on estimates between census years and would provide an estimate of the total number of students living in poverty in a school district's attendance area, as opposed the number of students enrolled in the school district.

Jay Himes and Wayne McCullough noted in their testimony before the Commission that compared to free and reduced price lunch data, which establish 185 percent of poverty line as the

[85] Data obtained from PDE: http://www.education.state.pa.us/portal/server.pt/community/national_school_lunch/7487

[86] According to testimony presented by Jay Himes and Wayne McCullough, PASBO Benchmarking Committee, Pennsylvania began using the number of students eligible for free and reduced price lunch in its funding formula in 2007-2008.

threshold for identification, the census data measures only those individuals at the poverty line, which would reduce the number of eligible students and mean that only those students living in acute poverty, i.e. those with the greatest educational struggles as a result of their economic background, would be targeted for additional resources.[87]

Another alternative data element used to identify low-income students is the "economically disadvantaged" measure developed by the PA Department of Education, reported annually by LEAs through the PA Information Management System (PIMS). To determine if a student is economically disadvantaged, LEAs may use poverty data sources, such as TANF cases, census poor, Medicaid, children living in institutions for the neglected or delinquent, or those supported in foster homes.

TRAUMA

When students are exposed to traumatic events and come from traumatic backgrounds, additional interventions within the school setting may be necessary in order to address these students' particular needs. These interventions, such as counseling, behavioral therapy, or placement in alternative classrooms, can also bring with them additional costs for school districts as they attempt to address the impact of trauma on students' ability to learn.

Child and Adolescent Exposure to Trauma

According to testimony before the Commission, childhood exposure to trauma can compromise behavioral and emotional development that may, in turn, result in behavior and academic issues, which in turn can impede the learning ability of students with this type of exposure. Joan Duvall-Flynn, Ed.D., NAACP - PA, testified that trauma's impact on behavior may be displayed as aggression, withdrawal, inability to sleep, over-reactiveness, and impulsiveness, among others.[88] William Farmer, Trauma Informed Education Coalition, testified that many of symptoms of trauma may be misdiagnosed simply as behavioral problems and teachers and administrators may resort to punitive measures to address these behaviors without addressing the core traumatic issue.[89] Carol Metzker, Coalition Against Human Trafficking, testified that early

[87] Testimony at the Commission hearing on November 24, 2014.
[88] Testimony at the Commission hearing on March 12, 2015.
[89] Testimony at the Commission hearing on March 12, 2015.

identification of trauma victims while they are still participating in the K-12 education system is critical to reducing the number of hours these individuals may ultimately spend in rehabilitation, recovery, and completion of education and vocational training.[90]

Trauma's Impact on Educational Outcomes

According to the National Child Traumatic Stress Network, child traumatic stress occurs when children or adolescents are exposed to traumatic events or situations, and when this exposure overwhelms their ability to cope with what they have experienced.[91] Findings from a 2009 study conducted by the U.S. Department of Justice, entitled *Children's Exposure to Violence: A Comprehensive National Survey*, revealed that more than 60 percent of children surveyed were exposed to violence within the prior year, either directly or indirectly, whether as witness to a violent act, by learning of a violent act against a family member, neighbor, or close friend, or from a threat against their home or school, while almost 40 percent of American children were direct victims of two or more violent acts, and one in ten were victims of violence five or more times.[92] Traumatic exposure can, perhaps, be even more broadly expanded to include as many as 14 subcategories denoting exposure, including life-threatening illness, serious accident, disaster, school violence, terrorism, kidnapping, neglect or maltreatment, sexual abuse, physical abuse, emotional abuse, domestic violence, community violence, war or political violence, bereavement, sexual assault, or separation.

School Initiatives to Address Trauma and Problematic Student Behaviors

There are many approaches and interventions used to by school districts and other school entities to address the learning needs of students who have been exposed to trauma and exhibit problematic behaviors that limit their ability to succeed in a regular education classroom. These methods can include school-wide positive behavioral supports (SWPBS), bullying prevention, the Student Assistance Program (SAP), emotional support classrooms, access to school social

[90] Testimony at the Commission hearing on March 12, 2015.
[91] National Child Traumatic Stress Network, "Defining Trauma and Child Traumatic Stress." Retrieved March 13, 2015 from http://www.nctsn.org/content/defining-trauma-and-child-traumatic-stress.
[92]Finkelhor, D., Turner, H., Ormrod, R., Hamby, S., and Kracke, K. 2009. *Children's Exposure to Violence: A Comprehensive National Survey*. Bulletin. Washington, DC: U.S. Department of Justice, Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention. Retrieved March 13, 2015 from https://www.ncjrs.gov/pdffiles1/ojjdp/227744.pdf.

workers and behavior specialists, and placement in alternative education classrooms or schools. Dr. Duvall-Flynn, also testified that schools should also endeavor to provide access to art and music classes, as these disciplines can be therapeutic and effective in relieving trauma.[93] However, Lori Gallagher, LPC, Gallagher Consulting, testified that some of these interventions can often have limited efficacy in addressing the needs of students who have been exposed to trauma due to behavioral coaches and counselors lacking a sufficient therapeutic background.[94]

One model that has demonstrated promising results for students exhibiting extreme behaviors related to trauma is the trauma-therapeutic model, which utilizes a holistic approach to provide both classroom interventions and family support. This approach has been implemented, for example, in therapeutic classrooms in the Eastern York School District, which serve students with the goal of transitioning back to the regular education classroom. Kristy Robinson, MSW, Program Training and Development, Laurel Life Services, testified that this program employed in the Eastern York School District not only help to guide families to community services and resources and allows students to continue with the school district's curricula and lesson plans without a special education identification, but the program also has resulted in substantive school district savings, when compared with the cost of placing a student in an alternative setting outside of the school district.[95] Bill Hodge, Associate Superintendent, Chambersburg Area School District, also testified that the use of a therapeutic learning model has successfully addressed the needs of students with extreme behaviors related to trauma through the use of therapists within the classroom and the home, while helping the school district avoid increased costs for special education services.[96]

CAREER AND TECHNICAL EDUCATION

CTE in the Commonwealth has been structured with dual purpose of providing students with academic skills to foster "college-readiness" and developing their technical and workplace skills to help identify a career path for postsecondary work. CTE's mission of exposing students to relevant training and skills so that they become a part of Pennsylvania's sustainable workforce,

[93] Testimony at the Commission hearing on March 12, 2015.
[94] Testimony at the Commission hearing on March 12, 2015.
[95] Testimony at the Commission hearing on March 12, 2015.
[96] Testimony at the Commission hearing on March 12, 2015.

while it simultaneously assumes that a majority of students may need to pursue additional education and training beyond the secondary classroom. CTE programs offer students a broad range of programming opportunities that are often based upon the demands of local business and industry and are designed to deliver training in industry-grade technology and techniques.

In the Commonwealth, students can access CTE either within a school district or within a school operating jointly among several school districts. Since CTE often costs more than regular, basic education, the consortium approach to CTE is a primary method of delivery, according to the testimony of Jackie Cullen, Executive Director, PACTA. This consortium approach allows CTEs to offer a greater number and variety of courses than might otherwise be available through a school district operating its own independent CTE program.

Presently, 135 high schools and 86 AVTSs are operating in the Commonwealth. Thirry-four postsecondary and seventy-five adult schools are also providing career and technical education. According to the testimony of Lee Burket, Ed.D., Director of the Bureau of Career and Technical Education within PDE, 64,780 students are enrolled in secondary CTE programs provided within high schools and CTCs, 85,455 postsecondary students are enrolled in CTE, while 14,835 students are enrolled in adult CTE programs.[97]

[97] Testimony at the Commission hearing on February 5, 2015.

CTC Funding and Challenges

Funding for CTCs is derived from three primary sources: federal Carl D. Perkins funding; state Career and Technical Education Subsidy; and member school districts. Ms. Cullen testified that the Commonwealth's CTCs, on average, received approximately 5 percent of their revenue from federal sources, 10 percent from state funding, and 85 percent from member school district tuition payments.[98]

The Commission heard testimony from several CTC administrative directors that the current process of local funding of CTCs has dis-incentivized enrollments in CTCs on the part of school districts and thus has resulted in increasing costs for school districts continuing to enroll students in these programs, while leaving the programs themselves under-enrolled.

State CTE Budget

The 2014-2015 Fiscal Year budget included a $62 million appropriation for CTE. According to the testimony of Dr. Burket, the state's CTE appropriation is a major component of Pennsylvania's maintenance of effort in order for the state to continue receiving federal vocational education funding.[99] This state funding is important for subsidizing school districts, CTCs, AVTSs, and charter schools operating approved secondary career and technical education programs.

GIFTED EDUCATION

The Commission heard testimony relating to gifted education. Christine Wagner-Deitch, representing the Gifted Liaisons of PA Intermediate Units, testified "there are common misconceptions that gifted education is funded through IDEA dollars and that it is a funded mandate. As district funds are stretched tighter than ever, fulfilling Chapter 16 requirements of screening, identification and service delivery options, become more challenging."[100] Ms. Wagner-Deitch stated that a continuum of services must be developed to effectively meet the

[98] Testimony at the Commission hearing on February 5, 2015.
[99] Testimony at the Commission hearing on February 5, 2015.
[100] Testimony at Commission hearing on April 27, 2015.

needs of gifted learners and align to chapter 16 regulations. Because districts must make difficult decisions regarding which programs to fund, the gifted programs are the ones being cut and these learners are being left behind. The commission was urged to delineate funding for gifted education in the new formula.

<u>INTERMEDIATE UNITS</u>

Intermediate units were created by the General Assembly under Article XIX-A of the Public School Code as an important part of the structure and governance of the Commonwealth's public school system. The IU's began operating in July 1, 1971, and the state's school districts are arranged into 29 intermediate units. Intermediate units were conceived as regional educational agencies with the purpose of providing specialized cost-efficient services and programs to school entities.

<u>Educational and Instructional Services</u>

IUs provide a broad range of educational and instructional services to school districts and students. These services include instruction for students with disabilities, professional development, and teacher and principal training in data and technology. Thomas Gluck, Executive Director, PA Association of Intermediate Units, testified that IUs have created new online instructional opportunities for students, developed programs for students needing alternative educational settings, and provide high-quality early childhood education programs.[101]

Brian Barnhart, Ed.D., Executive Director of the Lancaster-Lebanon Intermediate Unit, testified that, as school districts now compete with cyber charter schools, the Lancaster-Lebanon Intermediate Unit has partnered with the Capital Area Intermediate Unit to create a cyber education program that now enrolls over 670 students at half the cost per student of a cyber charter school option.[102] Linda Hippert, Ed.D., Executive Director, Allegheny Intermediate Unit, testified that Allegheny Intermediate Unit, the largest intermediate unit, also services the county's five career and technical centers and operates three schools for exceptional children requiring special education services.[103]

<u>Operational Services</u>

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[101] Testimony at the Commission hearing on November 24, 2014.
[102] Testimony at the Commission hearing on December 10, 2014.
[103] Testimony at the Commission hearing on October 21, 2014.

IUs also offer a variety of operational services to help school districts and other educational entities realize cost savings and efficiencies. Mr. Gluck testified that IUs help taxpayer dollars reach the classroom through the operation of health insurance, energy, transportation, and other purchasing consortia to deliver rate below those that can be secured by individual school districts and schools.[104] IUs also offer administrative services and technical assistance to streamline business office and payroll operations.

IUs receive funding from local, state, and federal sources. Locally, IUs generate revenue from school districts, charter schools, and non-publics from fees for the services they provide. This type of funding varies across IUs depending on the services each offers.

Designed with the ability to draw together resources from entire region, intermediate units can help school districts achieve economies of scale to control costs. Dr. Barnhart testified that by participating in collaborative programs, such as joint purchasing, energy procurement, and insurance pools, the IUs school districts achieve an economy of scale and maximize their spending.[105]

While participation in IU services may provide school districts with long-term, cost-saving benefits, school districts neither are required to take advantage of these services nor are they always able to do so, especially when the move to new cost-structuring or educational models requires upfront investments in training, staff, materials, or other resources Mr. Barnhart testified that some school districts are unable to participate in IU services, particularly when an initial financial investment is required, as in the case of virtual and cyber education, as well as hybrid learning.[106] As a result, when school districts lack the resources or opportunity to take advantage of these cost saving measures, they must continue to pay higher costs toward the same or similar resources.

<u>SCHOOL FINANCE SYSTEMS IN OTHER STATES</u>

[104] Testimony at the Commission hearing on November 24, 2014.
[105] Testimony at the Commission hearing on December 10, 2014.
[106] Testimony at the Commission hearing on December 10, 2014.

While no two states employ the same finance systems, a comparative analysis of the variety of formulas utilized across the fifty states reveals common factors that can be useful to the Commission's development of a new basic education funding formula as charged by Act 51.

Types of Funding Formulas

According to Baker and Levin, there has been little change in the types of funding formulas used by states to distribute funding to districts over the past several years. For several decades, states have been adjusting their funding formulas to promote equity among districts, and since the 1980s, states have been moving toward implementing funding formulas with adjustments for various student needs, geographic price differences, and district size.[107] Despite the differences in the individual elements in their formulas, there have been many efforts to inventory and categorize all 50 state education funding formulas, which have, in turn, revealed important similarities.[108] The following represents an overview of these categories, as presented to the Commission by the Education Commission of the States.

Foundation Programs (33 states)

The foundation model is based upon the calculation of foundation amount needed for a regular education student to meet state academic standards. This amount is multiplied by a weighted student count, with regular education students generally assigned a weight of 1.0, while students with extra needs, such as low-income students or ELL students, are assigned additional weight. This category of formula allows for easy adjustment to meet state and school district educational needs and economic circumstances, while leaving school districts with more autonomy than other types of formulas.

The foundation model is comprised of the following elements:

- Determination of a foundation amount
- Calculation of the number of students with weights for different student needs

[107] Understanding State School Funding. The Progress of Education Reform, 1(3).
[108] Baker and Levin (2014). Verstegen (2011).

- Determination of state and local share based upon available state funds and state policy decisions
- Additions for categorical funding outside of the main formula (capital, food service, transportation, retirement)

Resource Allocation Systems (6 states)

A resource allocation funding model provide funding to school districts based upon a determination of the number of employees (teachers, librarians, principles) per student. The model can offer a clear picture of the amount of resources that a school district receives from the state, while states can utilize this system to mandate a number of teachers, for example, employed by a school district or the salary in each employee category. This model, as a result, can be viewed as a top-down approach to funding.

The resource allocation system, generally, utilizes the following elements:

- Identification of education components (teachers, staff, supplies, technology)
- Determination of cost for each component
- Calculation of resources received by each school
- Determination of state and local share based upon available state funds and state policy decisions
- Additions for categorical funding outside of the main formula (capital, food service, transportation, retirement)

Combination (5 states)

Some states utilize a combination model approach to school funding. These states have begun to move away from the resource allocation model to provide school districts flexibility in salaries provided to each position and the type of each position.

Other (5 states)

Funding for school districts in these states falls outside of these broad categories, varying even among them.

Student Counts

While its methodology may vary from state to state, a critical element that is included in almost every state education funding formula is a determination used to count actual students. According to 50 state inventory of student enrollment count mechanisms by the Colorado Children's Campaign, the various methods of calculating student counts for the purposes of funding have important consequences for student retention throughout the academic year and accurate compensation of school districts for those students.[109] The following represents an overview of the most commonly utilized methods:

Single Day Count – 13 states use a system which counts students enrolled or in attendance on a single day during the academic year. An advantage to this system is that it is relatively easy to implement and administer. However, this system does not incentivize school districts to retain students or enroll new or transient students after the count date. This system may also leave districts over- or underfunded, as enrollments change.

Multiple Day Count – Seven states employ a system that counts student enrollment or attendance on a single day multiple times throughout the year. The state then provides funding according to the average of these dates or according to a percentage on each count. This method can encourage retention by school districts and is more accurate than the single day count method, while still being easy to administer. Conversely, this method puts pressure on school districts to ensure that students are enrolled or in attendance for only those specific days each year.

Average Daily Attendance – Seven states base their student count on an average of the number of students in attendance during the academic year. This method would exclude absent students from a school district's daily count, which would in turn lower the school district's average

[109] Colorado Children's Campaign (August 2010). Student Enrollment Count Mechanisms for School Funding: A Survey of State Policies. Information pertaining to student counts was also obtained from ECS. Education Commission of the States (June 2012). Understanding State School Funding. The Progress of Education Reform, 1(3).

accordingly. The average daily attendance method most accurately funds students attending school and incentivizes school districts to retain students and improve attendance. However, this count method may result in additional administrative costs in order to obtain ongoing counts and update data systems.

Average Daily Membership – Sixteen states use a method based on an average of the count conducted every day during the academic year of the number of students enrolled. Unlike the average daily attendance count, this method would include absent students. This method can potentially provide an accurate student count. However, this method takes into account enrolled students, not those students actually attending school daily.

Counting Periods – Six states[110] base student counts on information collected during longer or multiple periods during the academic year. This method is more accurate than a single day count, but does not reflect shifting populations as accurately as the average daily membership or average daily attendance methods.

Formula Factors

Student Factors

Within the funding formula, many states have attempted to drive out additional support to students needing additional resources in order to foster an equitable distribution of resources. These identifiable student needs are recognized within the formula through the use of student factors. Each student factor is assigned weight or multiplier so that school districts with these populations of students receive corresponding support. Thirty-seven states use at least one student factor in their state education funding formulas, with many states utilizing multiple factors.[111]

Poverty

[110] Colorado Children's Campaign identifies five states.
[111] Education Law Center (February 2013). Funding, Formulas, and Fairness: What Pennsylvania Can Learn from Other States' Education Funding Formulas.

More than half of states presently recognize that students coming from low-income families require additional supports and services. Michael Griffith, School Finance Consultant, Education Commission of the States (ECS), testified that 35 states provide some form of "at-risk" funding, with 25 states providing this funding within the state funding formula.[112] Twenty-four of these states assigned at-risk students an additional weight, which varied from 1.8 in Georgia to 0.0915 in New Mexico. Michael Griffith further stated that of the 35 states providing this type of funding, 23 states used Free and Reduced Price Lunch data to identify students for at-risk funding, with five states using this data as one of multiple measures. Patrick Dowd, Ph.D., Executive Director, Allies for Children, testified that some states use census data to determine counts, while others, such as Texas, have included students participating in pregnancy and parenting courses or students from single-parent households.[113]

English Language Learners

In addition to a poverty-based student factor, most states direct additional funding to students with Limited English Proficiency (LEP). An inventory of state funding formulas reveals that 42 states provide funding for ELL students.[114] Michael Griffith testified that an analysis of a 2012 American Institutes Research report demonstrated that this additional funding ranged from 10 percent in Texas to 99 percent in Maryland, with average additional funding equal to 38.7 percent. Mr. Griffith noted an important difference between additional funding for students in poverty and funding for ELL students, namely that students can and should be transitioning out of ELL designation. He also noted that some states have considered limiting the number of years that a school district could receive ELL funding for a student, while others, such as California and Texas, provided additional funding to school districts that transitioned students from the ELL designation.

[112] Testimony at the Commission hearing on October 16, 2014. According to the Education Law Center's *Funding, Formulas, and Fairness* Report, 30 states use a factor for low-income students. In 2011, 37 states reported including an adjustment for being low-income or at-risk (Baker and Levin, 46).
[113] Testimony at the Commission hearing on October 21, 2014.
[114] Testimony at the Commission hearing on October 16, 2014. Baker and Levin (2014): 46.

District Factors

Many state funding formulas include adjustments for certain factors that take into consideration the diversity of school districts across their states and challenges that impact their ability to provide educational services. These school district-based factors can account for a variety of concerns, such as the size or geography of school districts or economic concerns, such a local tax effort. 46 states, including Delaware, Maryland, New Jersey, New York, and West Virginia, include at least one district factor in their funding formulas.[115]

Sparsity/Small Schools

District size is factor often included in state funding formulas that recognizes the challenges of providing educational services in districts that lack economies of scale. According to Baker and Levin, this factor recognizes that "smaller districts in remote rural areas do not benefit from the economies of scale enjoyed by their larger counterparts in cities, suburbs and towns as lower per-pupil costs due to economies of scale [...] tend to emerge when fixed costs [...] are spread out over larger numbers of students."[116] Baker and Levin calculate that 32 states make formula adjustments for challenges related to the absence of economies of scale: 25 states for the operation of small schools and 15 states for school districts in area with low density student populations.

Tax Effort

Another element accounted for in states' funding formulas is local wealth and the ability of local school districts to raise enough revenue locally to support educational programs. 29 states, including Delaware, Maryland, New York, and West Virginia, include a tax effort factor in their formulas.[117]

Models in Practice

[115] Education Law Center (2013): 6.
[116] Baker and Levin (2014): 48.
[117] Education Law Center (2013): 6.

Florida

Florida adopted the Florida Education Finance Program (FEFP) in 1973 to allocate funding for K-12 public school operations. The funding is based on actual student enrollment that is determined through surveys meticulously conducted four times throughout the calendar year to calculate the number of students enrolled in one of seven programs, including basic education programs, programs for exceptional student education, programs for students with limited English proficiency, and career education programs.[118] Each program is assigned a cost factor reflecting the relative cost of serving students in each of the programs that adds weight to individual student enrollments. The weighted enrollment is then multiplied by a base student allocation and by a geographic index that incorporates a wage index and a local price level index to produce a base-funding amount for both state and local sources.

Florida's formula further adds numerous supplements to this base amount, including a declining enrollment supplement, a sparsity supplement, a safe schools allocation, a reading instruction allocation, funding for student transportation, and a minimum guarantee among others. From this totaled amount, the state then subtracts the required local effort amount that each district must provide in order to participate in FEFP. School districts in 2012-13 received 40.10 percent of their financial support from state sources, 47.20 percent from local sources and 12.70 percent from federal sources. John Winn, Retired Florida Commissioner of Education, further testified that, outside of this central formula, the state has adopted policies related to funding that provide districts and teachers with performance incentives that recognize high and improved student outcomes.[119]

Rhode Island

In 2010 Rhode Island began implementing a new weighted student funding formula, after a period utilizing a "hold harmless" provision.[120] The formula uses three basic components: 1) a

[118] See Florida House of Representatives, *Florida Education Finance Program Education Fact Sheet* (2010-2011).
[119] Testimony at the Commission hearing on October 16, 2014.
[120] See Rhode Island Department of Education, *Funding Formula Frequently Asked Questions (FAQs)* (April 2011) at http://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/Funding-Sources/State-Education-Aid-Funding-Formula/FAQ-Updated-42011.pdf.

core instruction amount based upon New England average educational expenditure data derived from the National Center for Education Statistics (NCES); 2) a "student success factor" that accounts for economically disadvantaged students that provides an additional 40 percent of the core instruction amount to students eligible for Free and Reduced Price Lunch; and 3) a state share ratio that factors in community property values adjusted for median family income. The state is currently in the process of navigating away from a system that is dependent on "hold harmless" funding by transitioning to the new system over ten years.[121]

Hawaii

Hawaii utilizes a system that relies on a statewide student weighted formula determined by a "Committee on Weights" that was established by the state legislature in 2004 and continues to meet annually to investigate potential changes to the formula. In its initial recommendations to the State Board of Education, the committee, comprised of principals, teachers, and parents, recommended that additional weight be added for student characteristics such as English for Second Language Learners, economically disadvantaged, and special education.[122] The Hawaiian model is most distinguishable from other states in that all school funding emanates from the General Fund and is distributed from the state to Hawaii's single, statewide school district.[123] Nathan Benefield, Vice President of Policy Analysis, Commonwealth Foundation, testified that Hawaii's centralized school system, in contrast to Pennsylvania's 500 school districts, likely contributed to a smooth transition to a weighted student-funding model that did not initially result in more or less funds being available to schools.[124]

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[121] Testimony at the Commission hearing on October 16, 2014 by Michael Griffith, School Finance Consultant, Education Commission of the States.
[122] See Committee on Weights for the Weighted Student Formula, *Recommendations to the Hawaii State Board of Education* (January 2005) at http://reach.k12.hi.us/empowerment/wsf/committeeonweights/cow1/CmteRecToBoe0501.pdf.
[123] Hawaii is the only state that reports the use of full state funding (Baker and Levin, 2014: 46).
[124] Testimony at the Commission hearing on December 4, 2014.

FACTORS OF A FAIR FUNDING FORMULA

Student-Based Factors

Student Count – average of most recent 3-years of Average Daily Membership (ADM) = 1.0

Poverty – based on 5-year U.S. Census Bureau American Community Survey

- Percent of ADM in acute poverty (0-99%) = 0.6
- Percent of ADM in poverty (100-184%) = 0.3
- Percent of ADM in concentrated poverty (30% or more living in acute poverty) = 0.3

English Language Learners – number of limited English proficient students = 0.6

Charter School Enrollment – the charter school average daily membership = 0.2

School District-Based Factors

Sparsity-Size Adjustment

- Measures a school district's sparsity and size relative to the other 500 school districts and makes an adjustment to the weighted student count for small rural school districts.

Median Household Income Index

- Measures a school district's median household income compared to the statewide median household income.

Local Effort Capacity Index

- Local Effort – Measures a school district's local effort based on local tax-related revenue and its median household income compared to the statewide median and makes an adjustment for excess spending based on a school district's current expenditures per total student-weighted ADM.

- Local Capacity – Measures a school district's ability to generate local tax-related revenue based on personal income and market value compared to the statewide median local tax-related revenue per total student-weighted ADM.

Formula Application

- Multiply the sum of the student-based factors and the sparsity-size adjustment by the median household income index and the local effort capacity index. Each school district receives a pro rata share of the funding allocation.

Weighted Basic Education Student Headcount Equation

(Student Weight (1.0) × Average Daily Membership (3-Year Average)) + (Acute Poverty Weight (0.6) × Number of Students in Acute Poverty) + (Poverty Weight (0.3) × Number of Students in Poverty) + (Concentrated Acute Poverty Weight (0.3) × Number of Students in Concentrated Poverty) + (English Language Learner Weight (0.6) × Number of Limited English Proficient Students) + (Charter School Weight (0.2) × School District's Charter School Average Daily Membership) = Weighted Student Headcount

Funding Distribution Number Equation

(Weighted Student Headcount + Sparsity Size Adjustment) * Median Household Income Index * Local Effort Capacity Index = School District's Adjusted Weighted Student Headcount

Final School District Distribution Equation

School District's Adjusted Student Weighted Headcount * $$ Available for BEF Allocation ÷ State Total Adjusted Student Weighted Headcount = School District's Share $$ Available for BEF Allocation

OTHER RECOMMENDATIONS

- **School Consolidation** – The General Assembly should consider capitalizing a fund within the Department of Education to incentivize and support voluntary consolidations. The Commission recognizes that consolidation in some cases will provide a platform to achieve administrative savings and or afford students greater learning opportunities. The Commission also recognizes that the cost of studying the impact of consolidation and differences in school districts' tax and debt situations can serve as an impediment to consolidation that may be reconcilable with some level of additional financial support.

- **Hold Harmless** – The hold harmless provision in basic education funding ensures no school district will receive less basic education funding than it received in the previous year. The Commission in its deliberations recognizes the hold harmless clause prevents the entire annual appropriation for basic education funding to be distributed based on current school district or student factors. The Commission also recognizes eliminating the hold harmless clause would have a significant negative impact on many school districts across the Commonwealth that would be unable to make operational adjustments or generate revenue from other sources to make up for the loss of basic education funding. As an example, eliminating the hold harmless clause after more than 20 years of practice would result in 320 school districts receiving approximately $1 billion less in basic education funding.

  The Commission recommends that any new funding driven out through the formula approved in this report should not be subject to hold harmless. Other possible solutions presented to the Commission included:

  1. Provide for all basic education funding appropriated in excess of the base year amount to be distributed annually through the Commission's recommended formula.

  2. Provide for the deduction of a set percentage of a school district's basic education funding increase, if its allocation of funding is greater than the amount it would receive when the entire basic education funding appropriation is distributed using the Commission's recommended formula. The deducted funding would then be redistributed on a pro rata basis.

  3. Provide for a set proportion of the basic education funding appropriation to be distributed under the Commission's recommended formula over a set period of time. For example, 10 percent per year over 10 years

- **School Crossing Guards** – The General Assembly should consider including reimbursement for costs related to school crossing guards in the pupil transportation subsidy formula. Providing crossing guards at busy intersections to assist students walking to school accomplishes the same objective as school busing, which is to ensure students are able to safely travel to and from school.

- **Homeless and Foster Care Student Information** – The Department of Education should consider modifying the existing data collection regiment related to Homeless Students and Students in Foster Care. The Commission recognizes that students living in homelessness and foster care may be more costly to educate and the application of weights to these factors based on reliable data may be merited.

- **Trauma** – The Department of Education should consider devising protocols and measures to identify students in trauma. The Commission recognizes that students in trauma may be more costly to educate and the application of weights to this factor based on reliable data may be merited.

- **Transiency** – The Department of Education should consider devising protocols and measures to identify transient students. The Commission recognizes that transient students may be more costly to educate and the application of weights to this factor based on reliable data may be merited.

- **Gifted Students** – The Department of Education should consider how to quantify the additional cost to school districts for gifted students. The Commission recognizes that gifted students may be more costly to educate and the application of weights to this factor based on reliable data may be merited.

- **Career and Technical Education** – The General Assembly should consider including additional costs relating to career and technical education in order to incentivize and support these programs. The Commission recognizes that students participating in career and technical education programs may be more costly to educate and the application of weights to this factor based on reliable data may be merited.

APPENDIX – PUBLIC HEARINGS AND TESTIMONY

AUGUST 20, 2014 – Harrisburg	Senate Hearing Room #1, North Office Building, State Capitol Complex
PRESENTERS:	**AFFILIATION**:
Carolyn Dumaresq, Ed.D., Acting Secretary	PA Department of Education
Nichole Duffy, Deputy Secretary	PA Department of Education
Jay Himes, Executive Director	PA Assoc. School Business Officials (PASBO)
Jim Buckheit, Executive Director	PA Association of School Administrators (PASA)

SEPTEMBER 9, 2014 – Allentown BEFC member host: Co-chair Pat Browne	Parkland School District
PRESENTERS:	**AFFILIATION**:
Marguerite Roza, Ph.D., Director & Research Associate Professor, Edunomics Lab	Georgetown University
Mary Anne Wright, Ph.D., Superintendent	Northwestern Lehigh School District
Russ Mayo, Ed.D., Superintendent	Allentown School District
Michel Faccinetto, President	Bethlehem Area School Board
Roberta Marcus, President	Parkland School Board

SEPTEMBER 30, 2014 – Clarion BEFC member host: Rep. Oberlander	Clarion University of Pennsylvania
PRESENTERS:	**AFFILIATION**:
Joseph Bard, Executive Director	PA Association of Rural and Small Schools
Michael Stahlman, Superintendent	Clarion Area School District
Jean McCleary, Superintendent	Union School District
Amanda Hetrick, Superintendent	Forest Area School District
Ron Cowell, J.D., President	Education Policy and Leadership Center (EPLC)

OCTOBER 16, 2014 – Collegeville BEFC member host: Co-chair Mike Vereb	Perkiomen Valley High School
PRESENTERS:	**AFFILIATION:**
Janet Samuels, Ph.D., Superintendent	Norristown Area School District
Clifford Rogers, Ed.D,. Superintendent	Perkiomen Valley School District
David Goodin, Ed.D., Superintendent	Spring-Ford Area School District
David Zerbe, Ed.D., Superintendent	Methacton School District
David Woods, Superintendent	Oxford Area School District
Alan D. Fegley, Ed.D., Superintendent	Phoenixville Area School District
Curtis Griffin, Ed.D, Superintendent	Hatboro-Horsham School District
Curtis Dietrich, Ed.D., Superintendent	North Penn School District
Mike Griffith, School Finance Consultant	Education Commission of the States (ECS)

OCTOBER 21, 2014 – Oakdale BEFC member host: Senator Matt Smith	Community College of Allegheny County
PRESENTERS:	**AFFILIATION:**
Thomas Ralston, Ed.D., Superintendent	Avonworth School District
Patrick O'Toole, Ed.D., Superintendent	Upper St. Clair School District
Linda Hippert, Ed.D., Executive Director	Allegheny Intermediate Unit
Maureen McClure, Ph.D., Assoc. Professor Administrative & Policy Studies	University of Pittsburgh School of Education
Patrick Dowd, Ph.D., Executive Director	Allies for Children
David W. Patti, Pres./CEO	Pennsylvania Business Council
Cheryl Kleiman, Esquire	Education Law Center, Pittsburgh Office

NOVEMBER 6, 2014 – Harrisburg	Senate Hearing Room #1, North Office Bldg., State Capitol Complex
PRESENTERS:	**AFFILIATION**:
John L. Winn, Commissioner (retired)	Education of the State of Florida
Jesse Levin, Ph.D., Principal Research Scientist	American Institutes for Research (AIR)
Bruce Baker, Ed.D, Prof. of Education Theory Policy & Administration, Graduate School Of Education	Rutgers – the State University of New Jersey

NOVEMBER 18, 2014 – Philadelphia BEFC member host: Rep. Roebuck, Jr.	Philadelphia City Hall
PRESENTERS:	**AFFILIATION:**
The Honorable Michael A. Nutter, Mayor	City of Philadelphia
William J. Green, J.D., Chairman	School Reform Commission (SRC)
William R. Hite, Jr., Ed.D., Superintendent	School District of Philadelphia
Marilyn Carrion-Mejia, Principal	William McKinley Elementary School
Otis Hackney, Principal	South Philadelphia High School
Matthew E. Stanski, CFO	School District of Philadelphia
Rob Dubow, CFO, Office of the Director of Finance	City of Philadelphia
Mark Gleason, CEO	Philadelphia School Partnership
Neil D. Theobald, Ph.D., President	Temple University
David Rubin, MD, MSCE Assistant Professor of Pediatrics, Division of General Pediatrics	University of Pennsylvania Perelman SOM/CHOP

NOVEMBER 19, 2014 – Philadelphia BEFC member host: Rep. Roebuck, Jr.	Philadelphia City Hall
PRESENTERS:	**AFFILIATION:**
Larry Jones, CEO	Richard Allen Preparatory Charter School
Joanne A. Jones, Ph.D., CEO	PA Virtual Charter School
John Swoyer, CEO	MaST Community Charter School
Aaron Bass, COS	KIPP Philadelphia Charter School and KIPP West Philadelphia Preparatory Charter School
Christine M. Borelli Ed.D., CEO	Memphis Street Academy Charter School
Dr. Jason Corosanite, D.C., COO	String Theory Schools
David Mosenkis	

NOVEMBER 24, 2014 – Lancaster BEFC member host: Senator Lloyd Smucker	Intermediate Unit #13
PRESENTERS:	**AFFILIATION:**
Linda Lane, Ed.D., Superintendent	Pittsburgh Public Schools
Wayne McCullough, D.B.A., CFOO	Southern York County School District
Jay Himes, Executive Director	PA Association of School Business (PASBO)
Tom Gluck, Executive Director	PA Association of Intermediate Units (PAIU)
Brian Barnhart, Ed.D., Executive Director	Lancaster-Lebanon Intermediate Unit 13
Gina Brillhart, CFO & Assistant to Executive Director	Lancaster-Lebanon Intermediate 3
PA Assoc of School Business Officials (PASBO)	

DECEMBER 4, 2014 – East Stroudsburg	East Stroudsburg High School SOUTH
PRESENTERS:	**AFFILIATION:**
Nate Benefield, Vice President of Policy Analysis	Commonwealth Foundation
Rich Frerichs, Ed.D., President	Pennsylvania School Boards Association
John Callahan, Senior Director Of Government Affairs	Pennsylvania School Boards Association
John Bell, Superintendent	Delaware Valley School District
Carole Geary, Superintendent	Pleasant Valley School District
Sharon Laverdure, Superintendent	East Stroudsburg Area School District

Meg Dilger, President	Pocono Mountain School Board
John A. Toleno, Ed.D., Superintendent	Stroudsburg Area School District

DECEMBER 10, 2014 – Lancaster BEFC member host: Rep. Mike Sturla	McCaskey East High School
PRESENTERS:	**AFFILIATION:**
Pedro A. Rivera, Superintendent	Lancaster School District
John Nodecker, Superintendent	Manheim Township School District
Matt Przywara, CFO	Lancaster School District
Joan Benso, President & CEO	PA Partnerships for Children
Eric Elliott, Ph.D., Director of Research For School Funding & Finance	PA State Education Association
W. Michael Nailor, President	PA School Librarians Association
Michael Churchill, Esq., Of Counsel	Public Interest Law Center of Philadelphia
Michael J. Crossey, President	PA State Education Association

JANUARY 29, 2015 – Greenville BEFC member host: Rep. Mark Longietti	Greenville Junior/Senior High School
PRESENTERS:	**AFFILIATION:**
Mark Ferrara, Superintendent	Greenville Area School District
Michael Calla, Superintendent	Sharon City School District
Daniel J. Bell, Ed.D., Superintendent	Hermitage Area School District
Brad Ferko, Ed.D., Superintendent	Sharpsville Area School District
Jerome Sasala, Acting Superintendent	Austin Area School District
Jeremy Resnick, Executive Director & Founder	Propel Schools Foundation
Mike Gentile, CEO	Keystone Charter School
Jay Badams, Ed.D., Superintendent	Erie School District
Bill Nichols, Superintendent	Corry School District

FEBRUARY 5, 2015 – Plymouth Meeting BEFC member host: Co-chair Mike Vereb	Central Montco Technical High School
PRESENTERS:	**AFFILIATION:**
Lee Burket, Ed.D., Director Bureau of Career & Technical Education	PA Department of Education
Jackie Cullen, Executive Director	PA Assoc. of Career/Technical Administrators

	(PACTA)
Thomas Allen, President & Administrative Director	Eastern Center for Arts &Technology
Walter Slauch, Vice President & Administrative Director	Central Montco Technical High School
Sandra Himes, Executive Director	Lehigh Career & Technical Institute
David Warren, Executive Director	Lancaster County Career & Technical Center
Joanne Barnett, Ph.D., CEO	PA Virtual Cyber Charter School
Dave Hardy	Boys' Latin of Philadelphia Charter School

MARCH 12, 2015 – Harrisburg BEFC member host: Senator Rob Teplitz	Senate Hearing Room #1, North Office Building, State Capitol Complex
PRESENTERS:	**AFFILIATION:**
Jennifer Smallwood, President	Harrisburg School Board
James Thompson, Vice President	Harrisburg School Board
Ford Thompson, President	Central Dauphin School Board
Charles Thiemann, President	West Perry School Board
Tim Shrom, Ph.D., Business Manager	Solanco School District
Dr. Thomas Newcome, Superintendent	Octorara Area School District
John Kurelja, Ph.D., Superintendent	Warrior Run School District
Mark DiRocco, Ph.D., Superintendent	Lewisburg Area School District
W. Charles Young, Superintendent	Troy Area School District
Joan Duvall-Flynn, Ed.D.	NAACP – PA
Carol Metzler	Coalition Against Human Trafficking
William Farmer, Child Trauma Therapist & Member	Trauma Informed Education Coalition
Tracey DePasquale, Associate Director	Lutheran Advocacy Ministry in PA
Kristy Robinson, MSW, Program Training and Development	Laurel Life Services
Bill Hodge, Associate Superintendent	Chambersburg Area School District
Lori Gallagher, LPC	Gallagher Counseling

April 27, 2015 – Pittsburgh BEFC member host: Senator Matt Smith	**University of Pittsburgh**
PRESENTERS:	**AFFILIATION**:
The Honorable William Peduto	Mayor of Pittsburgh
Ira Weiss, Solicitor	Pittsburgh School District
Ron Joseph, COO	Pittsburgh School District
Harold Grant, Parliamentarian/Staff Rep	Pittsburgh Federation of Teachers
Carey Harris, Executive Director	A+ Schools
Christine Wagner-Deitch, Director of Curriculum Services and Gifted Liaison	IU 27

APPENDIX – INDEPDENT FISCAL OFFICE SURVEY

Basic Education Funding Commission Survey Results

May 26, 2015

This document provides summary tabulations from the Basic Education Funding Commission (BEFC) survey sent to 100 school districts and 25 charter schools in April 2015. The statistics reflect all responses submitted by recipients of the survey. An appendix contains additional comments submitted by certain school districts as well as a map of surveyed districts.

For the purpose of the survey and summary tabulations, school districts and charter schools were separated into four groups based on their School Performance Profile (SPP) score: (1) high performance (SPP $\geq$ 90), (2) good (80-89.9), (3) proficient (70-79.9) and (4) low performance (< 70) schools. The BEFC used the survey to solicit information regarding the relationship between a school district's additional costs to educate certain students and performance, as measured by the SPP score.

The table on the next page provides cross tabulations for all school districts across the four SPP groups based on the share of economically disadvantaged (ED) students, share of English language learners (ELLs), regular instructional expense per Average Daily Membership (ADM or number of students enrolled) and taxable income per ADM. The tabulations are weighted by the number of ADM, and the individual cells sum to 100 percent. The data show that the 83 high-performing districts comprised 23.5 percent of total ADM for school year 2012-13, while the 91 low-performing districts comprised 29.2 percent of total ADM.

These summary tabulations for all school districts provide context for the school districts included in the survey as well as the survey results. When weighted by the number of ADM, the data reveal the following trends across the four SPP groups:

<u>ED Student Concentration</u> The high-performance group (SPP $\geq$ 90) has a much lower concentration of ED students. For that group, 95 percent (22.3 / 23.5) of students attended a school district where less than 30 percent of students were ED. By contrast, no students in the low-performance group (SPP < 70) attended a school district where less than 30 percent of the students were ED. Rather, the vast majority (92 percent or 26.9 / 29.2) attended a district where more than 50 percent of students were ED.

<u>ELL Student Concentration</u> Similar results hold for the concentration of ELL students. The top three groups have much lower concentrations of ELL students than the low-performance group.

<u>Taxable Income per ADM</u> This characteristic may capture intangibles that are positively correlated with SPP scores. The data show that the high-performance group has a much higher taxable income per ADM compared to the low-performance group.

<u>Regular Instructional Cost per ADM</u> This measure excludes expenses related to debt, special education and administrative costs. In general, it only reflects classroom costs. The data suggest a weaker correlation between instructional spending per ADM and SPP scores as compared to the other characteristics. For example, roughly 28 percent (6.5 / 23.5) of students in the high-performance group

attended a school district where this metric fell below $5,500. For the low-performance group, the comparable figure is 20 percent (5.8 / 29.2).

Selected School District Characteristics by SPP Score[1]

	School Performance Profile (SPP) Score				
	≥ 90.0%	80-89.9%	70-79.9%	< 70.0%	Total
Number of School Districts	**83**	**151**	**174**	**91**	**499**
Share of All Students (ADM)	**23.5%**	**25.7%**	**21.6%**	**29.2%**	**100.0%**
ED Student Concentration					
< 30.0%	22.3	12.1	2.4	0.0	36.8
30.0 - 49.9%	1.2	12.4	14.2	2.3	30.2
≥ 50.0%	0.0	1.2	5.0	26.9	33.0
Total	**23.5**	**25.7**	**21.6**	**29.2**	**100.0**
ELL Student Concentration					
< 1.0%	11.1	15.2	14.9	6.9	48.1
1.0% - 4.99%	12.0	9.1	4.4	3.9	29.4
≥ 5.0%	0.4	1.4	2.3	18.4	22.4
Total	**23.5**	**25.7**	**21.6**	**29.2**	**100.0**
Taxable Income per ADM					
< $125,000	0.1	2.5	5.4	22.9	30.9
$125,000 - $199,999	5.2	16.0	14.7	4.2	40.1
≥ $200,000	18.2	7.2	1.5	2.0	29.0
Total	**23.5**	**25.7**	**21.6**	**29.2**	**100.0**
Reg. Educ. Inst. Costs per ADM[2]					
< $5,500	6.5	14.3	9.5	5.8	36.1
$5,500 - $7,499	14.6	10.1	11.7	21.6	58.1
≥ $7,500	2.3	1.3	0.4	1.8	5.8
Total	**23.5**	**25.7**	**21.6**	**29.2**	**100.0**

[1] All tabulations are weighted by the school district's share of total Average Daily Membership (ADM).
[2] Denotes for Regular Educational Instructional Costs per ADM.

Survey Sample and Response Rate

In April 2015, the BEFC survey was sent to 100 school districts and 25 charter schools. Through May 14, 2015, the BEFC received 80 completed school district surveys (80.0 percent response rate) and 14 charter school surveys (56.0 percent). Because larger districts and charters had higher response rates, responding school districts comprise 89.0 percent of students from those surveyed, and responding charters comprise 77.1 percent of students from those surveyed.

Per instructions from the BEFC, the survey sample is representative of school districts across the four SPP groups, and is geographically diverse. The sample was constructed to oversample "good school districts" with an SPP score between 80 and 90 that also had ED, ELL, taxable income per ADM and instructional cost per ADM characteristics that were representative of statewide median values. (For additional detail regarding the survey selection methodology, see the survey selection memo to the BEFC dated February 2, 2015.) As shown in the table, the survey sample also includes a disproportionate number of school districts with high ED concentrations.

Surveyed and Responding School Districts and Charter Schools

	School Performance Profile (SPP) Score				
	≥ 90.0%	**80-89.9%**	**70-79.9%**	**<70.0%**	**Total**
All School Districts	83	151	174	91	499
Surveyed Districts	13	57	20	10	100
Sample Rate	**15.7%**	**37.7%**	**11.5%**	**11.0%**	**20.0%**
Responding Districts	12	44	16	8	80
Response Rate	**92.3%**	**77.2%**	**80.0%**	**80.0%**	**80.0%**

	School District ED Concentration[1]			
	< 30.0%	**30.0-49.9%**	**≥ 50.0%**	**Total**
All School Districts	157	232	110	499
Surveyed Districts	14	48	38	100
Sample Rate	**8.9%**	**20.7%**	**34.5%**	**20.0%**
Responding Districts	13	36	31	80
Response Rate	**92.9%**	**75.0%**	**81.6%**	**80.0%**

Charter Schools	**Total**
All Charter Schools	176
Surveyed Charter Schools	25
Sample Rate	**14.2%**
Responding Charter Schools	14
Response Rate	**56.0%**

[1] Denotes an economically disadvantaged student.

Survey Reponses: Parts II and III

The BEFC survey contains ten general questions. The tables that follow tabulate the responses across the four SPP groups. The first four questions that seek information regarding cost multipliers also provide separate tabulations based on school district ED student concentration.

Question 1(a): If your average base cost equals 1.0, provide your best estimate of the cost multiplier for a typical ED student who is not also an ELL. (Respondents were given a drop-down menu of choices including: 1.00 – 1.19, 1.20 – 1.39, 1.40 – 1.59, 1.60 – 1.79 and 1.80 – 2.00.)

Economically Disadvantaged (ED) Multiplier

	1.00-1.19	1.20-1.39	1.40-1.59	1.60-1.79	1.80-2.00	No Response
School Districts						
≥ 90.0%	7	3	2	0	0	0
80.0% - 89.9%	18	9	9	3	5	0
70.0% - 79.9%	6	4	4	1	1	0
< 70.0%	4	2	1	0	1	0
All School Districts	**35**	**18**	**16**	**4**	**7**	**0**
Charter Schools	**5**	**3**	**1**	**1**	**1**	**3**

	Median Value[1]	Average Value[1]	Weighted Average Value[2]
School District SPP Scores			
≥ 90.0%	1.10	1.22	1.19
80.0% - 89.9%	1.30	1.35	1.36
70.0% - 79.9%	1.30	1.34	1.40
< 70.0%	1.20	1.30	1.29
All School Districts	**1.30**	**1.33**	**1.30**
School District ED Concentration			
< 30.0%	1.10	1.21	1.18
30.0 - 49.9%	1.30	1.33	1.33
≥ 50.0%	1.30	1.37	1.31
All School Districts	**1.30**	**1.33**	**1.30**
Charter Schools	**1.30**	**1.32**	**1.30**

[1] Calculated using the midpoint of the ED multiplier range.
[2] Calculated using number of ED students as the weight and the midpoint of the ED multiplier range.

Question 1(b): If the funding level indicated in 1(a) was impacted by the reallocation of state and federal funds, what weight was represented prior to the reallocation? (Respondents were given a drop-down menu of choices including: 1.00 – 1.19, 1.20 – 1.39, 1.40 – 1.59, 1.60 – 1.79 and 1.80 – 2.00.)

Economically Disadvantaged (ED) Alternate Mulitplier[1]

	1.00-1.19	1.20-1.39	1.40-1.59	1.60-1.79	1.80-2.00	No Response
School Districts						
≥ 90.0%	9	0	3	0	0	0
80.0% - 89.9%	17	11	10	3	3	0
70.0% - 79.9%	8	3	4	0	1	0
< 70.0%	4	0	3	0	1	0
All School Districts	**38**	**14**	**20**	**3**	**5**	**0**
Charter Schools	**6**	**3**	**1**	**1**	**1**	**3**

	Median Value[2]	Average Value[2]	Weighted Average Value[2,3]
School Districts			
≥ 90.0%	1.10	1.20	1.18
80.0% - 89.9%	1.30	1.34	1.33
70.0% - 79.9%	1.20	1.29	1.32
< 70.0%	1.30	1.35	1.45
All School Districts	**1.30**	**1.31**	**1.41**
School District ED Concentration			
< 30%	1.10	1.19	1.17
30.0 - 49.9%	1.30	1.33	1.30
≥ 50.0%	1.30	1.33	1.44
All School Districts	**1.30**	**1.31**	**1.41**
Charter Schools	**1.10**	**1.30**	**1.27**

[1] For respondents that did not answer this question, it was assumed that the multiplier was the same as question 1(a).
[2] Calculated using the midpoint of the alternate ED multiplier range.
[3] Calculated using number of ED students as the weight.

Question 2: If your average base cost equals 1.0, provide your best estimate of the cost multiplier for a typical ELL student who is not also ED. (Respondents were not given a drop-down menu of choices.)

English Language Learner (ELL) Multiplier

	1.00-1.19	1.20-1.39	1.40-1.59	1.60-1.79	1.80-2.00	> 2.00	No ELL Students or No Response[1]
School Districts							
≥ 90.0%	2	2	2	4	1	0	1
80.0% - 89.9%	6	5	5	5	7	4	12
70.0% - 79.9%	3	1	3	2	1	0	6
<70.0%	0	1	2	1	2	0	2
All School Districts	**11**	**9**	**12**	**12**	**11**	**4**	**21**
Charter Schools	**3**	**0**	**0**	**2**	**1**	**0**	**8**

	Median Value[1]	Average Value[1]	Weighted Average Value[1,2]
School Districts			
≥ 90.0%	1.47	1.48	1.51
80.0% - 89.9%	1.55	1.72	1.53
70.0% - 79.9%	1.50	1.45	1.51
< 70.0%	1.58	1.62	1.56
All School Districts	**1.50**	**1.62**	**1.56**
School District ELL Concentration			
< 1.00%	1.56	1.72	1.62
1.00 - 4.99%	1.51	1.51	1.52
≥ 5.00%	1.50	1.58	1.56
All School Districts	**1.50**	**1.62**	**1.56**
Charter Schools	**1.38**	**1.44**	**1.68**

[1] Some respondents reported 1.00 as the ELL multiplier. The tabulations assume that a reported value of 1.00 simply reflects the default value contained in the survey when it was sent out, and all responses of 1.00 were considered to be a "No Response."
[1] Excludes respondents with no ELL students.
[2] Calculated using number of ELL students as the weight.

Question 3: If your average base cost equals 1.0, provide your best estimate of the cost multiplier for a typical ED student who is also homeless. Your answer may be the same as question 1, or somewhat higher. (Respondents were not given a drop-down menu of choices, but a few districts used the ranges provided in questions 1a and 1b. In those cases, the midpoint of the range was used.)

Homeless Student Multiplier

	1.00-1.19	1.20-1.39	1.40-1.59	1.60-1.79	1.80-2.00	> 2.00	No Response
School Districts							
≥ 90.0%	4	3	4	0	0	0	1
80.0% - 89.9%	16	6	7	5	4	4	2
70.0% - 79.9%	5	1	3	5	1	0	1
< 70.0%	4	0	2	0	2	0	0
All School Districts	**29**	**10**	**16**	**10**	**7**	**4**	**4**
Charter Schools	**5**	**3**	**1**	**0**	**2**	**0**	**3**

	Median Value[1]	Average Value[1]	Weighted Average Value[1,2]
School Districts			
≥ 90.0%	1.30	1.32	1.29
80.0% - 89.9%	1.55	1.56	1.48
70.0% - 79.9%	1.50	1.45	1.50
< 70.0%	1.28	1.42	1.51
All School Districts	**1.33**	**1.44**	**1.49**
School District ED Concentration			
< 30%	1.30	1.41	1.40
30.0 - 49.9%	1.25	1.41	1.40
≥ 50.0%	1.50	1.48	1.51
All School Districts	**1.33**	**1.44**	**1.49**
Charter Schools	**1.30**	**1.36**	**1.36**

[1] Excludes respondents who did not answer question.
[2] Calculated using number of ED students as the weight. Using ADM as the weight does not impact the results.

Question 4: If your average base cost equals 1.0, provide your best estimate of the cost multiplier for a typical ED student who is also in foster care. Your answer may be the same as question 1, or somewhat higher. (Respondents were not given a drop-down menu of choices, but a few districts used the ranges provided in questions 1a and 1b. In those cases, the midpoint of the range was used.)

Student in Foster Care Multiplier

	1.00-1.19	1.20-1.39	1.40-1.59	1.60-1.79	1.80-2.00	> 2.00	No Response
School Districts							
≥ 90.0%	5	3	2	0	1	0	1
80.0% - 89.9%	17	7	8	4	3	3	2
70.0% - 79.9%	6	2	4	3	1	0	0
< 70.0%	3	1	3	0	1	0	0
All School Districts	**31**	**13**	**17**	**7**	**6**	**3**	**3**
Charter Schools	**5**	**3**	**1**	**0**	**2**	**0**	**3**

	Median Value[1]	Average Value[1]	Weighted Average Value[1,2]
School Districts			
≥ 90.0%	1.30	1.30	1.25
80.0% - 89.9%	1.30	1.44	1.42
70.0% - 79.9%	1.43	1.40	1.46
< 70.0%	1.38	1.39	1.49
All School Districts	**1.30**	**1.41**	**1.47**
School District ED Concentration			
< 30%	1.25	1.29	1.25
30.0 - 49.9%	1.30	1.43	1.40
≥ 50.0%	1.48	1.43	1.49
All School Districts	**1.30**	**1.41**	**1.47**
Charter Schools	**1.30**	**1.36**	**1.36**

[1] Excludes respondents who did not answer question.
[2] Calculated using number of ED students as the weight. Using ADM as the weight does not impact the results.

Question 5: If your average base cost equals 1.0, provide your best estimate of the cost multiplier for a typical student who is gifted. Expenses for gifted students include those listed under Accounting Code 1243, but could include other expenses as well. (Respondents were not given a drop-down menu of choices, but a few districts used the ranges provided in questions 1a and 1b. In those cases, the midpoint of the range was used.)

Gifted Student Multiplier

	1.00-1.19	1.20-1.39	1.40-1.59	1.60-1.79	1.80-2.00	> 2.00	No Response
School Districts							
≥ 90.0%	3	7	1	0	0	0	1
80.0% - 89.9%	14	21	5	3	0	0	1
70.0% - 79.9%	6	5	2	2	0	1	0
< 70.0%	6	1	0	1	0	0	0
All School Districts	**29**	**34**	**8**	**6**	**0**	**1**	**2**
Charter Schools	**10**	**0**	**1**	**1**	**0**	**0**	**2**

	Median Value[1]	Average Value[1]	Weighted Average Value[1,2]
School Districts			
≥ 90.0%	1.20	1.20	1.17
80.0% - 89.9%	1.23	1.26	1.27
70.0% - 79.9%	1.21	1.31	1.28
< 70.0%	1.10	1.19	1.15
All School Districts	**1.21**	**1.26**	**1.19**
School District ED Concentration			
< 30%	1.22	1.24	1.21
30.0 - 49.9%	1.23	1.25	1.26
≥ 50.0%	1.14	1.26	1.17
All School Districts	**1.21**	**1.26**	**1.19**
Charter Schools	**1.05**	**1.13**	**1.23**

[1] Excludes respondents who did not answer question.
[2] Calculated using ADM as the weight.

Question 6 (school districts only): Student departures to charter schools may imply additional costs or savings for certain school districts. For example, if 10 percent of your student base departs to a charter school, then the average cost to educate students that remain might increase by a small percentage due to smaller class size or other technical factors. If your average base cost equals 1.0, provide a rough approximation of the cost multiplier to apply to the average student cost if such a hypothetical scenario occurred proportionally across all grades. Be sure to factor in the additional charter school tuition cost. For example, a response of 1.02 would imply that the average cost to educate remaining students would increase by 2 percent. It is also possible that the cost multiplier could be 1.0, or possibly less than 1.0. (Respondents were not given a drop-down menu of choices, but a few districts used the choices provided in questions 1a and 1b. In those cases, the midpoint of the range was used.)

Note: This question attempts to quantify the increase in the base cost to educate remaining students due to students who depart for charter schools. The base cost may increase due to (1) stranded costs (e.g., the same number of teachers are needed, since class sizes cannot be reduced, hence the cost is spread over fewer students) and (2) charter school tuition costs for students who leave the district (increases the instructional costs to be spread over the same number of students). A response of 1.15 implies that the base cost to educate remaining students increases by 15 percent under the hypothetical scenario where 10 percent of students depart.

Student Departure Multiplier

	<1.00	1.00-1.04	1.05-1.09	1.10-1.19	1.20-1.29	1.30-1.39	1.40+	No Response
School Districts								
≥ 90.0%	0	4	1	1	4	0	1	1
80.0% - 89.9%	2	18	10	8	2	0	4	0
70.0% - 79.9%	0	3	5	3	1	2	2	0
< 70.0%	0	0	2	4	0	1	1	0
All School Districts	**2**	**25**	**18**	**16**	**7**	**3**	**8**	**1**

	Median Value[1]	Average Value[1]	Weighted Average Value[1,2]
School Districts			
≥ 90.0%	1.10	1.19	1.19
80.0% - 89.9%	1.05	1.15	1.14
70.0% - 79.9%	1.09	1.25	1.18
< 70.0%	1.10	1.17	1.12
All School Districts	**1.07**	**1.18**	**1.14**

[1] Excludes respondents who did not answer question.
[2] Calculated using ADM as the weight.

Question 7 (Question 6 for charter schools): Student transition and unexpected enrollments may imply additional costs related to assessment testing, remediation and other factors. Provide your best dollar estimate of the additional costs for a new student who enrolls mid-year (e.g., $300 per new student). If possible, provide your best estimate for the share of new students that enroll during the school year, relative to those present to start the school year. (Respondents were not given a drop-down menu of choices.)

Transition Costs per New Student

	$0	$1-$249	$250-$499	$500-$999	$1,000 - $1,999	$2,000+	No Response
School Districts							
≥ 90.0%	2	3	5	1	0	0	1
80.0% - 89.9%	3	14	11	8	1	2	5
70.0% - 79.9%	2	4	3	4	2	0	1
< 70.0%	0	2	2	0	1	1	2
All School Districts	**7**	**23**	**21**	**13**	**4**	**3**	**9**
Charter Schools	**6**	**0**	**1**	**1**	**0**	**0**	**6**

	Median Value[1]	Average Value[1]	Weighted Average Value (New Students)[1,2]	Weighted Average Value (ADM)[1,3]
School Districts				
≥ 90.0%	$250	$286	$276	$255
80.0% - 89.9%	300	644	359	465
70.0% - 79.9%	250	417[4]	507[4]	595[4]
< 70.0%	300[5]	427[5]	294[5]	441[5]
All School Districts	**250**	**577**	**480**	**515**
Charter Schools	**N.A.[6]**	**N.A.[6]**	**N.A.[6]**	**N.A.[6]**

[1] Excludes respondents who did not answer question.
[2] Calculated using number of new students during the year as the weight.
[3] Calculated using ADM as the weight.
[4] Excludes a single district reporting transition costs of $1,800 per student and a very large new student base. If this district is included, the average value increases from $417 to $523, the weighted average value by the count of new students increases from $507 to $934 and the weighted average value by ADM increases from $595 to $659.
[5] Excludes a single district reporting transition costs of $3,500 per student. If this district is included, the median value increases from $300 to $380, the average value increases from $427 to $939, the weighted average value by the count of new students increases from $294 to $510 and the weighted average value by ADM increases from $441 to $571.
[6] Charter school data are excluded because there were too few schools responding to this question to yield a valid result.

Share of New Students Arriving During School Year

	<5.0%	5.0% - 7.4%	7.5% - 9.9%	10.0%- 19.9%	20.0%- 29.9%	30.0%+	No Response
School Districts							
≥ 90.0%	6	2	2	1	0	0	1
80.0% - 89.9%	19	12	2	6	0	1	4
70.0% - 79.9%	5	3	2	3	0	3	0
< 70.0%	2	1	0	2	2	0	1
All School Districts	**32**	**18**	**6**	**12**	**2**	**4**	**6**
Charter Schools	**5**	**1**	**2**	**1**	**0**	**1**	**4**

	Median Value[1]	Average Value[1]	Weighted Average Value[1,2]
School Districts			
≥ 90.0%	3.0%	4.3%	4.6%
80.0% - 89.9%	5.0	6.0	6.2
70.0% - 79.9%	7.5	10.4[3]	10.1[3]
< 70.0%	10.0	10.8	4.6
All School Districts	**5.0**	**8.4**	**5.9**
Charter Schools	**4.0**	**6.3[4]**	**3.6[4]**

[1] Excludes respondents who did not answer question.
[2] Calculated using ADM as the weight.
[3] Excludes one school district that reported a very high percentage of transitioning students. If this district is included, the average value increases from 10.4 percent to 16.0 percent and the weighted average value increases from 10.1 percent to 14.3 percent.
[4] Excludes one charter school that is a very large cyber charter school with a relatively large student transition percentage. If this charter school is included, the average value increases from 6.3 percent to 11.6 percent and the weighted average value increases from 3.6 percent to 29.3 percent.

Part III (contains seven sub-questions): Please attempt to quantify how intensively the following practices, programs or activities were used by your school district/charter school for the 2012-13 school year and the approximate share of students who participated in the programs or activities (if applicable). Use a scale that ranges from 0-3 (0 denotes N/A; 1 denotes minimal use; 2 denotes moderate use; and 3 denotes extensive use).

Note: While many districts were able to provide the percentage of students participating, some districts indicated that they were rough approximations. The percentage of students participating is not included in these results, but can be provided upon request.

Q1: Pre-School and/or K4 Programs for Students Without a Known Disability

	N/A (0)	Minimal Use (1)	Moderate Use (2)	Extensive Use (3)
School Districts				
≥ 90.0%	11	1	0	0
80.0% - 89.9%	30	4	1	9
70.0% - 79.9%	9	2	1	4
< 70.0%	0	2	3	3
All School Districts	**50**	**9**	**5**	**16**
Charter Schools	**11**	**0**	**0**	**3**

	Median Value	Average Value	Weighted Average Value[1]
School Districts			
≥ 90.0%	0.00	0.08	0.17
80.0% - 89.9%	0.00	0.75	0.64
70.0% - 79.9%	0.00	1.00	0.52
< 70.0%	2.00	2.13	1.44
All School Districts	**0.00**	**0.84**	**1.00**
Charter Schools	**0.00**	**0.64**	**0.29**

[1] Calculated using ADM as the weight.

Q2: Monitoring of Individual Student Achievement				
	N/A (0)	Minimal Use (1)	Moderate Use (2)	Extensive Use (3)
School Districts				
≥ 90.0%	0	0	2	10
80.0% - 89.9%	0	3	7	34
70.0% - 79.9%	0	1	1	14
< 70.0%	0	1	0	7
All School Districts	**0**	**5**	**10**	**65**
Charter Schools	**0**	**0**	**2**	**12**

	Median Value	Average Value	Weighted Average Value[1]
School Districts			
≥ 90.0%	3.00	2.83	2.81
80.0% - 89.9%	3.00	2.70	2.79
70.0% - 79.9%	3.00	2.81	2.85
< 70.0%	3.00	2.75	1.67
All School Districts	**3.00**	**2.75**	**2.19**
Charter Schools	**3.00**	**2.86**	**2.98**

[1] Calculated using ADM as the weight.

Q3: Parent and Community Involvement				
	N/A (0)	Minimal Use (1)	Moderate Use (2)	Extensive Use (3)
School Districts				
≥ 90.0%	0	1	6	5
80.0% - 89.9%	1	7	26	10
70.0% - 79.9%	0	4	6	6
< 70.0%	0	3	4	1
All School Districts	**1**	**15**	**42**	**22**
Charter Schools	**0**	**0**	**3**	**11**

	Median Value	Average Value	Weighted Average Value[1]
School Districts			
≥ 90.0%	2.00	2.33	2.30
80.0% - 89.9%	2.00	2.02	2.12
70.0% - 79.9%	2.00	2.13	2.29
< 70.0%	2.00	1.75	1.25
All School Districts	**2.00**	**2.06**	**1.69**
Charter Schools	**3.00**	**2.79**	**2.95**

[1] Calculated using ADM as the weight.

Q4: Student Participation in After-School Activities

	N/A (0)	Minimal Use (1)	Moderate Use (2)	Extensive Use (3)
School Districts				
≥ 90.0%	0	1	6	5
80.0% - 89.9%	1	3	18	22
70.0% - 79.9%	0	1	6	9
< 70.0%	0	3	3	2
All School Districts	**1**	**8**	**33**	**38**
Charter Schools	**2**	**2**	**4**	**6**

	Median Value	Average Value	Weighted Average Value[1]
School Districts			
≥ 90.0%	2.00	2.33	2.45
80.0% - 89.9%	2.50	2.39	2.39
70.0% - 79.9%	3.00	2.50	2.30
< 70.0%	2.00	1.88	1.38
All School Districts	**2.00**	**2.35**	**1.84**
Charter Schools	**2.00**	**2.00**	**1.30**

[1] Calculated using ADM as the weight.

Q5: Student Participation in School-Sponsored Tutoring

	N/A (0)	Minimal Use (1)	Moderate Use (2)	Extensive Use (3)
School Districts				
≥ 90.0%	1	4	6	1
80.0% - 89.9%	3	12	23	6
70.0% - 79.9%	3	5	4	4
< 70.0%	1	4	2	1
All School Districts	**8**	**25**	**35**	**12**
Charter Schools	**5**	**4**	**4**	**1**

	Median Value	Average Value	Weighted Average Value[1]
School Districts			
≥ 90.0%	2.00	1.58	1.77
80.0% - 89.9%	2.00	1.73	1.78
70.0% - 79.9%	1.50	1.56	1.31
< 70.0%	1.00	1.38	1.13
All School Districts	**2.00**	**1.64**	**1.39**
Charter Schools	**1.00**	**1.07**	**1.83**

[1] Calculated using ADM as the weight.

Q6: Aide/Para-Professional Work in the Classroom to Assist Teachers

	N/A (0)	Minimal Use (1)	Moderate Use (2)	Extensive Use (3)
School Districts				
≥ 90.0%	0	2	5	5
80.0% - 89.9%	2	7	17	18
70.0% - 79.9%	1	1	5	9
< 70.0%	0	3	2	3
All School Districts	**3**	**13**	**29**	**35**
Charter Schools	**2**	**2**	**2**	**8**

	Median Value	Average Value	Weighted Average Value[1]
School Districts			
≥ 90.0%	2.00	2.25	2.32
80.0% - 89.9%	2.00	2.16	2.22
70.0% - 79.9%	3.00	2.38	1.93
< 70.0%	2.00	1.88	1.28
All School Districts	**2.00**	**2.19**	**1.70**
Charter Schools	**3.00**	**2.14**	**1.67**

[1] Calculated using ADM as the weight.

Q7: Other best practices your district uses to assist ED or ELL students.

Many districts and charter schools listed different items for this question. The table below contains a list of practices noted by districts and charter schools on best practices they use to assist ED or ELL students. The numbers after certain responses indicate that multiple surveys noted the same practice.

Other Best Practices Used to Assist ED or ELL Students Noted by Survey Respondents

School Districts - SPP 90.0%+	School Districts - SPP <70.0%
Full Day Kindergarten (2)	School-Wide Positive Behavior Support
Extended Day Kindergarten (3)	School-Wide Title I
Individualized English Language Learner Plans	Backpack Program-Weekend Food for ED Students
Classroom Support, Interpreter Services, Interventions	ELL Summer School Program
	Co-Teaching
School Districts - SPP 80.0 - 89.9%	Student Assistance Program
RTII Ed Title Funds District (2)	Licensed Social Worker - Elementary Level
Speech and Language Therapist/One-to-One Aide Assist.	Extended School Year
Differentiated Learning, Learning Centers	ELL - Interpretation Services for Student and Families
Differentiated Instruction	Differentiated Instruction
High School "Newcomer" Program	Alternative Education
Response to Instruction & Intervention - Regular Education	Newcomer Academy for Newly Arrived Students
NSLP Breakfast Program	School Based Mental Health Services
Student Conferencing	Newcomer Center
Alternative Ed	Fast Forward (Auditory Processing Deficit Program)
Computer-Aided Instruction	Success for All, Saturday School, Summer School
Backpack Program-Weekend Food for ED Students	ESOL Certified Teachers and Facilitators
Full Day Kindergarten	Bi-Lingual Parent Liaisons
Homebound Instruction If Needed	Outreach Workers
Remediation Program at Junior/Senior High School Level	Homeless Liaison
ESL Tutor	Evening Parent Literacy Classes
Summer Lunch Program, Extended School Year	Programs for Immigrant Families
SAP	Summer School
School Districts - SPP 70.0 - 79.9%	**Charter Schools**
Integration of Technology (2)	Two Highly Qualified Teachers in Every Classroom
Full -Time ELL Teacher	Student Have Same Teachers & Administrator for 4 Years
Small Group Instruction Elementary	One-to-One Laptop
Instructional Coaches	Translations
Writing Workshops, Questioning Techniques	Family and Community Outreach
Tier 3 Intervention	ELL Professional Development for Teachers
High School 21st Century Learning Program for ELLs	Pull-Out Small Groups and Push-In Services for ELL
Professional Learning Communities (Data Meetings)	
Student Assistance Programs	
Tiered Interventions	
RRR Initiative	

Question 8: If your district/school operates a school-based community center(s) for after school group activities, social support, public information or other purposes, provide your best estimate of the annual cost to operate the center(s) on a per student basis. (Respondents were not given a drop-down menu of choices.)

Note: Since so few surveyed districts and charter schools had community centers, only a tabulation of the cost per student for the community centers was completed. Additional detail can be provided upon request.

Community Center Costs per Student							
	\$1- \$99	**\$100- \$199**	**\$200- \$299**	**\$300- \$999**	**\$1,000- \$1,999**	**\$2,000+**	**No Response**
School Districts							
≥ 90.0%	0	1	0	0	0	0	11
80.0% - 89.9%	0	1	0	0	0	0	43
70.0% - 79.9%	0	1	0	1	0	0	14
< 70.0%	1	0	0	1	1	0	5
All School Districts	**1**	**3**	**0**	**2**	**1**	**0**	**73**
Charter Schools	**1**	**0**	**0**	**1**	**3**	**0**	**9**

Question 9: If your school district employs crossing guards to ensure the safe passage of students to and from school, please provide the annual cost to provide those services. If crossing guard services are provided by a municipal government, please provide the municipal government cost, if possible. Do not include any costs related to special events or after school activities. (Respondents were not given a drop-down menu of choices.)

Note: In some cases, the school district covers all costs, while in other cases the municipality shares the costs of the crossing guards with the districts. In a few cases, the municipality paid for the crossing guards in full. Overall, roughly one-third of the cost of crossing guards is paid for by the municipality and two-thirds by the district. The table reflects total crossing guard expenses.

Total Crossing Guard Expenses Paid by District/Charter School and Municipality

	$1-$24,999	$25,000 - $49,999	$50,000 - $99,999	$100,000 - $149,999	$150,000+	No Response
School Districts						
≥ 90.0%	7	3	0	1	0	1
80.0% - 89.9%	12	8	4	4	0	16
70.0% - 79.9%	5	0	2	1	1	7
< 70.0%	0	0	0	0	5	3
All School Districts	**24**	**11**	**6**	**6**	**6**	**27**
Charter Schools	**2**	**0**	**0**	**0**	**0**	**12**

Crossing Guard Expenses per ADM (for Districts with Crossing Guards)

	$0.01-$4.99	$5.00-$9.99	$10.00-$19.99	$20.00-$49.99	$50+	No Response
School Districts						
≥ 90.0%	6	3	2	0	0	1
80.0% - 89.9%	6	10	5	6	1	16
70.0% - 79.9%	2	3	1	2	1	7
< 70.0%	0	0	2	3	0	3
All School Districts	**14**	**16**	**10**	**11**	**2**	**27**
Charter Schools	**2**	**0**	**0**	**0**	**0**	**14**

	Median Value[1]	Average Value[1]	Weighted Average Value[1,2]
School Districts			
≥ 90.0%	$4.4	$5.1	$5.1
80.0% - 89.9%	7.3	15.8	11.8
70.0% - 79.9%	9.2	19.5	27.2
< 70.0%	21.9	24.3	22.3
All School Districts	**7.4**	**15.0**	**14.6**
Charter Schools	**16.9**	**16.9**	**15.6**

[1] Includes only districts and charter schools that reported non-zero crossing guard expenses (paid for by the district, charter school or municipality).
[2] Calculated using ADM as the weight.

Appendix: Comments Received From Survey Respondents

Allentown City SD
Many new students enroll each year directly into the charter schools without ever enrolling in district schools and this additional expense distorts the numbers presented above. Unlike other urban areas in Pennsylvania, Allentown's total school age population has been increasing for years. For 2012-13 the increased cost to cover new charter school students was over $400,000 with $3 million the following year and $7 million this year to pay tuition for students that were already included in the district budget. The districts mobility rate beyond the district is 20.6% but we do not have an exact estimate of transfers in.

Avon Grove SD
For 2012-13, the District had a large portion of its population at charter schools, approximately 760. Based on the $5,295 base cost above, it is costing the district more to have the students in the charter schools. We believe total expenses would be reduced if charter school students returned to the district. For Homeless, we are considering the additional cost of transportation if a student is in a facility outside of our district.

Bentworth SD
Please know the numbers provided represent broad "estimates" only. This specific data would take many, many hours to compile. In addition, the broad question topics present a wide range of possibilities to determine an "average" cost calculation.

Conewago Valley SD
The questions are very subjective. I made best estimates.

East Stroudsburg Area SD
It is extremely difficult to go back to 2012-13 to provide data for Part III. *[Part III was the questions concerning best practices.]*

Ephrata Area SD
Answered N/A to question 7 since we do not track expenses for mid-year enrollments. *[Question 7 was the question concerning student turnover.]*

Hanover Area SD
Basic Ed Funding Formula and Special Ed Funding Formula updates are long-overdue. Thank you for the efforts of the Committee members on our behalf!

Hempfield SD
KtO grant provides minimal pre-school program; Budget cuts mean we have far less aides working in classrooms unless special ed, regular ed gets by with less!

Lampeter-Strasburg SD
Our Title I expenses are included in the 1100 total expenditures. This money is used to provide reading and math tutoring.

Lancaster SD

Thank you for the opportunity to participate. Let me know if you have any questions.

Mahanoy Area SD
Many of our programs had to be cut due to decreased funding. Afterschool programs can only be run if grants are available.

Milton Area SD
The school district looks forward to additional state education subsidy to support the academic needs of the students of our community. Rural school districts with a declining tax base and loss of industry and high risk students and families (with limited access in the community) Our goal is to function as a community school but due to diminishing resources we are unable to provide adequate high quality services to our students and families.

North Penn SD
The district shares the costs of crossing guards with the municipality. The crossing guards are employees of the municipality.

North Star SD
Thank you for the opportunity to participate in this vital survey. If I can provide additional information, please contact me.

Northeastern York SD
If school district had additional funds, the SD would hire additional reading specialists, ELL and gifted teachers in order to meet the needs of these student populations.

Northern Bedford County SD
We do not have a separate community center. However, our school facility itself is heavily used by the community for various events and activities.

Philadelphia City SD
The following assumptions were made in completing this survey.

Part II – SDP [School District of Philadelphia] utilized actual expenditures and student counts to estimate the cost multiplier to complete this survey. However, this is by no means an indication that the funds, inclusive of the multiplier, was sufficient to provide the support necessary for these students as the average base cost is lower than needed. Furthermore, the School District of Philadelphia has a majority ED population; as a result, SDP created a proxy for non-ED cost derived from removing the ED population.

Part II, Question 6. SDP modeled a 10% decline in student population which results in a factor of 1.08. This model does assume some savings to the District owing to student departure, but there are certain costs that the District will not be able to immediately shed despite student departure to charter schools. Of course as the number and percentage of students who depart the District increases, the factor rises. For example, when 30% of District students transfer to charter schools the multiplier increases to approximately 1.3. At this point, similar to what has happened in the recent past, the District would be required to close schools to find efficiencies. However, it is unclear when this tipping point might be. Furthermore, as a reminder, this factor is related to the cost to the District and not the system.

Part III, Question 1. The percentage of students served is a reflection of what the District can afford, not the demand for Pre-K services in the City.
Part III, Question 2. The District assesses students across all grades through a series of formative assessments; however, the use of the information provided through these formative and summative assessment is variable. The percentage provided, therefore, is a rough estimate of the percentage of students who are assessed and teachers who use the information to modify programming and instruction.
Part III, Question 7. The District has a new comer center for ELL students, however owing to limited funding there were only 5 centers across the District serving a small amount of students which resulted in less than 1% of the entire District population being served. If we are looking at ELL students alone, the percentage would be close to 2% of ELL students are served through this model.
Part III, Question 9. The City provides all of the District's crossing guards. We are still working to get this amount.

Other Notes
SY12-13 Funding. As these are FY12-13 expenditures, it should not be assumed that these are the resources currently available in SDP schools. Since SY12-13, among other services to schools, SDP has decreased its counseling services, increased class sizes, decreased support services, e.g., assistant principals, school based teacher leaders, coaches, etc., and distributes the services of 179 nurses across over 213 schools and 6 alternative education programs.

Base Amount: Currently, owing to the low base amount, the District must create combined classes in grades 1-3, i.e., in some schools our 1st grade and 2nd grade students must share the same teachers, our 2nd and 3rd grade students must share the same teachers, we would not consider this as providing adequate resources to support our students. Similarly, the District currently utilize grant resources to provide for Kindergarten programming as state and local policy does not require the provision of kindergarten education; SDP would like to provide universal kindergarten with general operating funds and, as a result, we need the base funding to increase. Furthermore, the District has yet to be able to fully staff our high schools in a manner that would truly facilitate the least restrictive learning environment for students with individualized learning plans.

Other Factors
-- School Size. The District support schools that range in size from approximately 250 students to nearly 3,000 students. Owing to the small size, it may be difficult for schools to adequately roster students to ensure that they have sufficient programming to meet state standards. As a result, the District supplements many of these schools' resources. We would recommend that the Commission consider a school size factor in addition to student demographic factors.
-- Density of Poverty. In addition to considering the count of students in each school, it is also important to consider the density of ED students within a school as there are likely other services that a school would need to provide, e.g., social emotional services.
-- Level of ELL support. Similar to the consideration that is given to special education students, the level of need of ELL students should also be considered. Students who are just learning English will need additional support compared to a student who is ready to exit the program.

Portage Area SD
Charter School Expense in the last 10 years has gone from a very minimal cost to now consuming 2% of

our annual budget. Almost all students who return from Charter Schools to our district are woefully behind on their academics, causing a huge cost in time and, therefore, additional expenditures.

Sharon City SD

Some questions appear to be open to interpretation. We answered the questions as best we could based on our interpretation. Other issues to consider: Unfunded mandates, costs associated with implementation of new requirements like Educator Effectiveness and child abuse training having to deal with students coming to school not prepared (Kindergarteners not being potty trained or having never held a pencil or a crayon). Please provide schools an ample opportunity to implement any changes. It is very hard to operate when the rules keep changing.

Souderton Area SD

We would respectfully request that the BEFC's funding formula recommendation be based on data that are currently being collected by the Department of Education. Much of the data requested in this survey are not currently being reported. Thank you for the opportunity to participate.

Upper Darby SD

The Upper Darby School District faced mounting budget cuts prior to and during the 2012-2013 school year. The Upper Darby School District was forced to cut over $8.4 million in personnel, other supports, programming, and after school activities for students.

Wayne Highlands SD

Wayne Highlands is a high performing, extremely rural, large geographic (435 square miles) district serving a large % of ED students. Our success is possible with support through PTO's and general widespread community support. Our schools are community hubs, where our students and parents are safe. Adherence to things like dress codes, discipline, Rachel's Challenge are all part of our culture of education performance and general safety. The funding of Cyber Charter schools is a tremendous burden on our district. Of approximately 90 students enrolled in charter schools 88 are enrolled in cyber charters. 90 students spread over 13 grades and six schools does not provide opportunity to cut costs, therefore the burden of funding the tuition costs for the cyber charters is a local budget necessity. Equitable Cyber Charter school funding and realistic tuition cost calculations for cyber charters must be addressed.

West York Area SD

Section II # 7 since transportation and Special Ed are excluded this would be for a consumable only. Note Section III #3 this reflects elementary and middle school and the percentage is based on participation of that area for students, parents become less involved as the child enters High School. Note in section III #4 Used sports and clubs this is only middle and high school % based on that population. Section III #6 This is Elementary and Middle School and does not include Special Ed Aides since special education is a separate subsidy.

Windber Area SD

This survey was hard to follow and poorly put together. I gave my best estimates based on my Act 16 data and other budgetary knowledge.

Wyalusing Area SD

Cost estimates do not include fixed costs of facilities, technology, buildings/grounds, utilities, etc.

York City SD
Survey answered based upon what actually happens. With 87% ED there are not the financial resources to provide the additional services needed.

York Suburban SD
We appreciate that districts have been asked to participate with supporting data to help with this important process. The numbers adjusted under your first chart are because we could not verify with any reports that we have on file here in the District. We do have reports that support the numbers supplied. The scenario presented with the charter school change in enrollment for us is not a realistic one in our opinion and we have been asked to make some arbitrary decisions that are not practical and would require further examination as well as input from the community and the Board. As far as the chart under Part III, number #2 and #3 answers are for all six of our buildings, number #4 and #5 answers pertain to our High School and Middle School only and number #7 is our four elementary buildings.

PRELIMINARY

Selection of School Districts for the Basic Education Funding Commission Survey

February 23, 2015

To inform their deliberations, the Basic Education Funding Commission requested that the Department of Education and Independent Fiscal Office (IFO) survey 100 school districts to help identify the best practices used by districts to achieve academic success. The Commission requested that the survey include a broad cross-section of districts to ensure that the survey is representative of districts across the state. To that end, the IFO proposes to include four groups of districts based on the state school performance profile (SPP) score. The SPP score is a function of academic achievement on standardized assessments (PSSA/Keystone Exams and SAT/ACT scores), year-over-year academic growth, graduation rates, promotion and attendance rates, and other miscellaneous factors. The four district groups are as follows (proposed number of districts included in the survey in parentheses):

(1) High-Performance Districts - scored 90.0% or higher (10 districts, plus 3 high ELL districts).
(2) Good Districts - scored between 80.0% and 89.9% (50 districts, plus 7 high ELL districts).
(3) Proficient Districts - scored between 70.0% and 79.9% (20 districts).
(4) Low-Performance Districts - scored below 70.0% (10 districts).

Various factors may affect a school district's SPP score. For this survey, three criteria were used to select districts in groups 1, 2 and 3:

- Actual Instructional Expenditures (AIE) less Special Education Expenditures per Average Daily Membership (ADM) - This metric is referred to as the Adjusted AIE per ADM. Districts that have a higher Adjusted AIE per ADM might have higher SPP scores. The metric excludes expenditures related to debt.
- Share of Economically Disadvantaged (ED) Students - A higher share of ED students might imply additional student needs and costs.
- Personal Taxable Income (PTI) per ADM - A measure of school district wealth. Wealthier districts might have higher SPP scores due to greater parental involvement and a home environment that is more conducive to academic success.

For group 4, districts were ranked by size, and the 10 largest districts were selected. It is noted that the share of English Language Learner (ELL) students in a district could also affect SPP scores. However, that metric was not included in the above criteria because it was not possible to select representative districts using four different criteria. Instead, a special selection was made for high ELL districts in groups 1 and 2. Those criteria are discussed on the subsequent pages.

The Commission did not want the survey to include districts that are not representative of the majority of districts across the state. For example, a number of districts are much wealthier than the statewide average. Therefore, only districts that are reasonably close to statewide median values for Adjusted AIE per ADM (median value of $7,511 for FY 2012-13), PTI per ADM ($149,675) and share of ED students (38.5%) are included in the survey. These three criteria may range above or below statewide median values by 10 to 15 percent in order to generate the target number of districts for inclusion in the survey. In this manner, most outlier districts are excluded from the survey. An exception is certain high-performance districts in group 1 where significant variation is allowed (see next page). The map included at the end of this document displays the location of selected districts.

High-Performance School Districts

For high-performance school districts, it was necessary to allow significant variation from statewide median values. If significant variation is not allowed, then only a few districts meet the specified criteria.

- 10 school districts selected based on the following criteria (shaded green):
  - SPP score greater than or equal to 90.0%;
  - Adjusted AIE per ADM less than double the statewide median;
  - PTI per ADM less than double the statewide median; and
  - Share of ED students greater than 10%.
  - Rank districts that meet those criteria by SPP score and select top 10 districts.

	10 High-Performance School Districts	
Perkiomen Valley SD	York Suburban SD	Souderton Area SD
Spring-Ford Area SD	Moon Area SD	State College Area SD
Derry Township SD	North Penn SD	Boyertown Area SD
Lampeter-Strasburg SD		

- 3 additional high ELL school districts selected based on the following criteria (shaded light green):
- Meet all "high-performance school district" criteria listed above, but were not included in top 10 districts.
- Rank districts that meet those criteria by share of ELL students and select top 3 districts.

	3 Additional High-Performance School Districts	
Kennett Consolidated SD	Hempfield SD	Manheim Township SD

Good School Districts

- 50 school districts selected based on the following criteria (shaded red):
  - SPP score between 80.0% and 89.9%;
  - Adjusted AIE per ADM less than the statewide median plus 15%;
  - PTI per ADM less than the statewide median plus 15%; and
  - Share of ED students greater than the statewide median less 10%.

50 Good School Districts

Mifflinburg Area SD	Millville Area SD	Newport SD	Northeastern York SD
Tamaqua Area SD	Oxford Area SD	Wyalusing Area SD	Crawford Central SD
Ridgway Area SD	Conewago Valley SD	Saint Clair Area SD	Donegal SD
Penncrest SD	West York Area SD	Muhlenberg SD	Line Mountain SD
Hamburg Area SD	Yough SD	Northwestern SD	Dubois Area SD
Belle Vernon Area SD	Fort LeBoeuf SD	Northern Bedford County SD	Jersey Shore Area SD
Wilson Area SD	Windber Area SD	Portage Area SD	Schuylkill Haven Area SD
North East SD	Whitehall-Coplay SD	Altoona Area SD	Corry Area SD
Central Cambria SD	Lakeview SD	Port Allegany SD	Shippensburg Area SD
Chambersburg Area SD	Blue Ridge SD	Bentworth SD	Lehighton Area SD
Wayne Highlands SD	Jim Thorpe Area SD	Apollo-Ridge SD	Milton Area SD
Kiski Area SD	Ellwood City Area SD	North Clarion County SD	Mid Valley SD
Bradford Area SD	Southmoreland SD		

- 7 additional high ELL school districts selected based on the following criteria (shaded pink):
  - SPP score between 80.0% and 89.9%;
  - Meet two out of the three remaining "good school district" criteria:
  - Adjusted AIE per ADM less than the statewide median plus 15%;
  - PTI per ADM less than the statewide median plus 15%; or
  - Share of ED students greater than the statewide median less 10%.
  - Rank districts that meet those criteria by share of ELL students and select top 7 districts.

7 Additional Good School Districts

Avon Grove SD	Cornwall-Lebanon SD	Stroudsburg Area SD
Central Dauphin SD	Ephrata Area SD	Carlisle Area SD
Bermudian Springs SD		

Proficient School Districts

- 20 school districts selected based on the following criteria (shaded blue):
  - SPP score between 70.0% and 79.9%;
  - Adjusted AIE per ADM less than the statewide median plus 15%; and
  - PTI per ADM less than the statewide median plus 15%.
  - Rank districts that meet those criteria by share of ED students and select top 20 districts.

20 Proficient School Districts			
Sharon City SD	Mount Union Area SD	Susquehanna Community SD	Clearfield Area SD
East Allegheny SD	Titusville Area SD	Wyoming Valley West SD	North Star SD
Midland Borough SD	Uniontown Area SD	Forest City Regional SD	New Brighton Area SD
Panther Valley SD	Mahanoy Area SD	Upper Darby SD	Shikellamy SD
Pottstown SD	Hanover Area SD	Girard SD	East Stroudsburg Area SD

Rather than selection based on the highest share of ED students, other possible options include (1) same as above, but select the bottom 20 districts based on share of ED students (to draw a distinct contrast with "Good School Districts"), (2) rank districts by size without regard to share of ED students or (3) perform a random selection.

Low-Performance School Districts

- 10 school districts selected based on the following criteria (shaded yellow):
  - SPP score below 70.0%.
  - Rank districts by ADM and select the 10 largest districts
  -

10 Low-Performance School Districts		
Philadelphia City SD	Erie City SD	Scranton SD
Pittsburgh SD	Lancaster SD	Wilkes-Barre Area SD
Allentown City SD	Hazleton Area SD	York City SD
Reading SD		

Proposed Selection of Charter Schools

The charter schools available for selection must have had a 2012-13 SPP score posted to the Pennsylvania Department of Education's website. A school may not have posted SPP scores because (1) they are a relatively new charter school and did not have enough data to have an SPP score for 2012-13 or (2) there was a technical reason they did not have a published SPP score.

The proposed charter school sample is as follows:

AUN	School District	County	Cyber?	Total Enrollment 2012-13	2012-13 SPP Score
102020001	City CHS	Allegheny		622	81.2
102023030	Manchester Academic CS	Allegheny		249	73.4
103020003	Propel CS-McKeesport	Allegheny		394	82.8
103020004	Propel CS-Montour	Allegheny		416	80.4
110143060	Centre Learning Community CS	Centre		103	78.9
103023090	Urban League of Greater Pittsburgh CS	Allegheny		214	85.5
103028246	Urban Pathways K-5 College CS	Allegheny		215	52.8
105250004	Montessori Regional CS	Erie		337	89.8
114514135	Sankofa Freedom Academy CS	Philadelphia		591	60.6
115220002	Commonwealth Connections Academy CS	Dauphin	Yes	6,667	54.6
115223050	Sylvan Heights Science CS	Dauphin		218	77.5
124153320	Collegium CS	Chester		2,043	86.2
122093140	School Lane CS	Bucks		645	82.3
123460001	Pennsylvania Virtual CS	Montgomery	Yes	3,198	67.9
123463370	Souderton CS Collaborative	Montgomery		197	93.2
126510001	Russell Byers CS	Philadelphia		481	76.3
126510011	Discovery Charter School	Philadelphia		721	66.3
126510021	Folk Arts-Cultural Treasures CS	Philadelphia		477	88.0

126513150	MAST Community Charter School	Philadelphia	1,306	90.0
126513250	Young Scholars CS	Philadelphia	250	88.6
126519433	Mastery CS-Mann Campus	Philadelphia	530	74.7
127040002	Lincoln Park Performing Arts CS	Beaver	609	76.0
139481451	Lehigh Valley Dual Language CS	Northampton	358	78.6
160028259	Propel CS-Braddock Hills	Allegheny	552	62.5
172510793	KIPP West Philadelphia Preparatory CS	Philadelphia	335	72.8

A comparison of the proposed sample to all charter schools:

	All Charters	Sample Charters	Sample Share
Schools by 12-13 SPP %			
90%+	3	2	66.7%
80.0% - 89.9%	26	9	34.6%
70.0% - 79.9%	36	8	22.2%
<70.0%	96	6	6.3%
Total	**161**	**25**	**15.5%**
Total Enrollment	117,458	21,728	18.5%
Cyber Schools	14	2	14.3%
Enrollment in Cyber	34,579	9,865	28.5%
Percent ED	62.5%	54.1%	
Percent ELL	2.7%	1.6%	
School County			
Philadelphia	84	8	9.5%
Allegheny	18	7	38.9%
Chester	8	1	12.5%

Lehigh	5	0	0.0%
Beaver	4	1	25.0%
Erie	4	1	25.0%
York	4	0	0.0%
Bucks	3	1	33.3%
Centre	3	1	33.3%
Dauphin	3	2	66.7%
Delaware	3	0	0.0%
Northampton	3	1	33.3%
Adams	2	0	0.0%
Huntingdon	2	0	0.0%
Lackawanna	2	0	0.0%
Monroe	2	0	0.0%
Montgomery	2	2	100.0%
Bedford	1	0	0.0%
Berks	1	0	0.0%
Clinton	1	0	0.0%
Lancaster	1	0	0.0%
Luzerne	1	0	0.0%
Mercer	1	0	0.0%
Schuylkill	1	0	0.0%
Warren	1	0	0.0%
Westmoreland	1	0	0.0%

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THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1738 Session of 2013

INTRODUCED BY O'NEILL, CLYMER, ROEBUCK, SANTARSIERO, READSHAW, BARBIN, V. BROWN, COHEN, CUTLER, DAVIS, DeLUCA, DUNBAR, FARRY, FLECK, GINGRICH, GODSHALL, GRELL, GROVE, HARHART, HELM, HENNESSEY, KORTZ, KOTIK, LONGIETTI, MACKENZIE, MENTZER, MILLARD, R. MILLER, MILNE, MIRABITO, MURT, QUINN, REESE, ROSS, SAYLOR, SCHLOSSBERG, SONNEY, STEPHENS, SWANGER, TOEPEL, TRUITT, WATSON, M. K. KELLER, COX, NEILSON, MOUL, FEE, R. BROWN AND EVERETT, OCTOBER 2, 2013

AS AMENDED ON SECOND CONSIDERATION, HOUSE OF REPRESENTATIVES, JANUARY 14, 2014

AN ACT

Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An act relating to the public school system, including certain provisions applicable as well to private and parochial schools; amending, revising, consolidating and changing the laws relating thereto," providing for basic education funding commission.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, is amended by adding a section to read:

Section 123. Basic Education Funding Commission.--(a) There is hereby established a Basic Education Funding Commission.

(b) The commission shall review and make recommendations related to basic education funding as provided in this section.

(c) (1) The commission shall consist of the following members:

(i) The chair and minority chair of the Education Committee of the Senate and the chair and minority chair of the Education Committee of the House of Representatives or their designees.

(ii) Two (2) legislators from each of the four (4) legislative caucuses, to be appointed by the President pro tempore of the Senate and the Speaker of the House of Representatives, in consultation with the Majority Leader and Minority Leader of the Senate and the Majority Leader and Minority Leader of the House of Representatives.

(iii) The Secretary of Education or a designee.

(iv) The Deputy Secretary for Elementary and Secondary Education or a designee.

(v) An individual appointed by the Governor from within the Governor's Administration.

(2) The commission shall appoint a member to serve as chair of the commission.

(d) The commission shall hold its first meeting within forty-five (45) days of the effective date of this section, regardless of whether the Governor or all legislative caucuses have actually approved members to the commission.

(e) The commission shall hold meetings at the call of the chair.

(f) The members may not receive compensation for their services, but shall be reimbursed for all necessary travel and other reasonable expenses incurred in connection with the performance of their duties as members of the commission.

(g) The General Assembly shall provide administrative support, meeting space and any other assistance required by the commission to carry out its duties under this section in cooperation with the department. The department shall provide the commission with data, research and other information upon request by the commission.

(h) The commission shall develop a basic education funding formula and identify factors that may be used to determine the distribution of basic education funding among the school districts in this Commonwealth. The factors identified under this subsection may include all of the following:

(1) The market value/personal income aid ratio averaged for each of the three (3) most recent years for each school district.

(2) The equalized millage rate averaged for each of the three (3) most recent years for each school district.

(3) Geographic price differences identified for each school district.

(4) Whether a school district has experienced exceptionally high enrollment growth.

(5) Whether a school district has an exceptionally high level of local support.

(6) Whether a school district has a high level of its students in poverty as identified as eligible for free or reduced price meals under the National School Lunch Program.

(7) Whether a school district has students identified as limited English proficient.

(8) Whether the district has a scarce or dense population in relation to the district size.

(9) Other factors related to the distribution of basic education funding.

(i) The commission shall have all of the following powers and duties:

(1) Review and make findings and recommendations related to basic education funding in this Commonwealth.

(2) Consult with and utilize experts to assist the commission in carrying out the duties under this subsection.

(3) Receive input from interested parties, including, but not limited to, school districts and charter and cyber charter school operators.

(4) Hold public hearings in different regions of this Commonwealth.

(5) Review and consider basic education funding formulas and factors utilized throughout the United States.

(6) In identifying the basic education funding factors under subsection (h) and in completing the report required under this subsection, consider the impact these factors may have on the distribution of basic education funding among the school districts.

(7) Review the administration of State and regional basic education programs and services to determine if cost savings may be achieved and make recommendations to implement the savings.

(8) Prior to recommending a basic education funding formula under this section, consider the potential consequences of a basic education funding formula that does not allocate to each school district at least the same level or proportion of State basic education funding as the school district received in the prior school year.

(9) Prior to recommending a basic education funding formula under this section, consider nationally accepted accounting and budgeting standards.

(10) Develop a proposed basic education funding formula and factors pursuant to subsection (h).

(11) Draft proposed regulations and proposed legislation based on the commission's findings.

(12) Issue a report of the commission's findings and recommendations to the Governor, the President pro tempore of the Senate, the Majority Leader and Minority Leader of the Senate, the Education Committee of the Senate, the Speaker of the House of Representatives, the Majority Leader and Minority Leader of the House of Representatives, the Education Committee of the House of Representatives, the Secretary of Education and the State Board of Education not later than one year after the effective date of this section.

(j) The basic education formula developed by the commission shall not go into effect unless the formula is approved by an act of the General Assembly enacted after the effective date of this section.

(k) Every five (5) years the commission shall be reconstituted in accordance with subsection (c) and shall meet and hold public hearings to review the operation of the basic education funding provisions of this section, shall make a further report and shall issue the report to the recipients listed in subsection (i)(11). ~~When in receipt of a further report recommending changes to the basic education funding formula, the General Assembly shall consider and take action to enact the formula into law in accordance with subsection (j).~~ <--

(l) The General Assembly shall, through the annual appropriations process, determine the level of State funding for basic education.

(m) As used in this section, the following words and phrases shall have the meanings given to them in this subsection unless the context clearly indicates otherwise:

<u>"Commission." The Basic Education Funding Commission established under this section.</u>

<u>"Department." The Department of Education of the Commonwealth.</u>

Section 2. This act shall take effect immediately.

Chairman ARRINGTON. I thank my friend, Representative Smucker. Now, we are going to move to the Q&A portion before we have the Senate panelists join us. I will yield three minutes to myself to begin the Q&A portion.

Look, I wish that I saw more political courage demonstrated on a lot of issues. Our country faces a number of challenges. I just happen to think this is one that will undo the Republic and will jeopardize every aspect of what we may disagree about in terms of the constitutional core mission of the Federal Government, but we can be sure that a sovereign debt crisis will undermine all of it.

I think about the defense side. You are a defense appropriator, Mr. Case. We talk about crowding out investment in the private sector, which affects the economy, exacerbates the current situation with inflation and interest rates, but we are also crowding out important investment of taxpayer dollars in the number one job and responsibility of a government, which is to provide for the common defense or the safety and security of the American people. Tell me if you see that happening right now in terms of the impotence and—the impetus, not impotence, the impetus and urgency to act and act quickly.

Mr. CASE. Well, I think there is no doubt if you take a look at the trends, that interest is crowding out all of our discretionary programs. Interest is certainly crowding out defense. My colleague on that subcommittee and I both see that every single day, and it is certainly happening on the nondefense side. So, when we have these budget fights over how much to put into defense and nondefense, we are clearly dealing with a reduced total pie that is going to noninterest payments on our national debt. That is unavoidable by any stretch of the imagination.

But I would go back to my colleague Mr. Womack's comment, and that is that is just part of the problem. We have to deal with Social Security and Medicare in this context, not only because we have to save those programs from insolvency and from forced automatic reductions, but because Mr. Boyle's comments are correct because we are funding Social Security and Medicare shortfalls out of that portion that would otherwise be allocated to discretionary funding. So, we are having a double whammy. So, we have to take this across the entire spectrum.

Chairman ARRINGTON. That is well said. I don't know of a time where Social Security's solvency and sustainability has been addressed ever unilaterally by one party. I don't know if it has ever happened. I don't believe it has, ever. So, we can talk about all these grand proposals we have on both sides, but it is just still talk and it is cheap, and cheap talk is not going to give peace of mind to the seniors, to my parents, who are both on Social Security.

So, Scott Peters, Bill Huizenga, the whole panel, just one thing across the board. If we could do one thing differently than we did with Simpson-Bowles and other commissions, Greenspan, and others, that would help position us for the best probability of success, just name one thing. We will go through the board and then I will delegate the next set of questions to my——

Mr. HUIZENGA. To me——

Chairman ARRINGTON [continuing]. Ranking Member.

Mr. HUIZENGA. To me, Mr. Chair——

Chairman ARRINGTON. Yes.

Mr. HUIZENGA [continuing]. One of the most significant elements of this is having a proposal that is not amendable and is forced to have a vote in both the House and in the Senate.

Chairman ARRINGTON. Thank you. Scott.

Mr. PETERS. I agree with a recognition that, you know, that was 20 years before the programs go insolvent, now we are ten years before. Pretty soon we are going to get pretty close to insolvency and we are not going to be able to do anything about it. So, with a sense of urgency.

Chairman ARRINGTON. Chairman.

Mr. WOMACK. Up or down vote.

Chairman ARRINGTON. Mr. Case.

Mr. CASE. I agree with Mr. Womack.

Chairman ARRINGTON. Mr. McGovern.

Mr. MCGOVERN. I think we should bring legislation like Mr. Boyle's bill or Mr. Larson's bill, or my friends have bills to cut Social Security, bring them to the floor. Let's have the debate and figure this out. We ought to do our job.

Chairman ARRINGTON. In addition to the up or down vote, what would you add to a commission so that it can work?

Mr. SMUCKER. Yeah, I have already mentioned, I think it is very important to have members on the commission with skin in the game, and that would mean perhaps leaders of the committees through which the legislation will ultimately go, and then secondly, I think we have to look at the commission as—a big part of the commission is a public relations effort, building support for the efforts of the commission with the American people. I think it is really important.

Chairman ARRINGTON. Thank you. Thank you all for the indulgence. I yield three minutes to the Ranking Member for his questions.

Mr. BOYLE. I have really appreciated this discussion. I mean, it is not exactly a coincidence or an accident that some of the most outstanding Members who serve in this body are on this panel. So, I am not going to grill anyone. Really, more than anything, I just want to give you an opportunity to address what I thought was one of the really key points in our hearing a couple of weeks ago about a commission. Chairman Arrington's predecessor, Chairman Yarmuth, served on one of these commissions, and he read something in his opening statement that I want to quote, and then I simply want to open it up to any one of you to comment on why you think it is either wrong or something is missing and what you would say in response to it.

So, quoting him now: "While some of the other Members of that committee might take issue with my evaluation, I believe the process illuminated one fairly obvious but unavoidable truth. The problem is not the process, it is the people. In other words, if Members of Congress are not willing to muster the determination and courage to take on our fiscal challenges, even the best ideas will never be implemented." So, I would just open it up, if anyone wanted to, Mr. Huizenga, and then Mr. Peters.

Mr. HUIZENGA. I will go real quickly because I know this has been asserted that somehow we are "new to this issue." This has been going on, and I quickly tried to get this sorted in my head and I ended up going down a little bit of a rabbit trail. I mean, it goes back to the 1930s where there were proposals along with constraining spending. For me personally, I got here in 2011, right after the 2010 election. I was one of the founding Members of the Balanced Budget Amendment Caucus that we put together, and part of that was to push through what had been in 1995 a very consequential vote on a Balanced Budget Amendment to the U.S. Constitution.

It failed in 2011, when we even had David Dreier on the Republican side, Steny Hoyer on the Democrat side, people who were here in 1995, who voted for it then and voted against it in 2011, but it also goes back to 1982. It goes back to 1985, Gramm-Rudman-Hollings Act.

So, there has been a pattern of this. I think that the unfortunate element is we have proven that we can get it close oftentimes, but we just can't get it across the finish line in a timely enough manner, and that is why I do think the up or down vote unamendable is helpful on that.

Mr. PETERS. I think the problem is that the incentives right now are exactly in the opposite direction. Congress has gotten used to eating cake for breakfast and getting away with it. So, what we do is we borrow money to pay our expenses. Now, I want you to appreciate all the criticism we have had of these tax policies and COVID relief pales in comparison to the $2 trillion we are adding every year because we borrow money to pay our expenses and we get away with it because we go home, say I would have done, but I blame the other side. We all get re-elected. It is just not solving the problem, and I think that is why putting a fact-based commission together with, you know, experts on the ground, cops on the beat to force us to deal with the issue, I think is the most constructive way to get us away from those incentives.

Mr. BOYLE. You wanted to say?

Mr. WOMACK. A couple of people in this room served on the Joint Select Committee on Budget Process Reform in 2018. The Chairman, myself, there may be somebody else in here. I don't see them, but I am going to use it as an example to reinforce what I said earlier in support of an up or down vote on whatever a fiscal commission would bring to the U.S. Congress, and that is in that Joint Select Committee for Budget Process—and by the way, I think we would all agree, even my friends in the red coats back here would agree that the budget process of the United States Congress is broken. I mean, Exhibit A is the fact that on January 19, we will have the first of a series, probably, of discussions about whether or not we are going to shut the government down again, and this is based on 2024 appropriations.

By the way, I think the fiscal year started October 1. So just let that marinate for just a minute, but in the Joint Select Committee on Budget Process Reform, this group came up, 16 Members, bipartisan, bicameral, came up with a set of recommendations that would have gone a long way toward establishing a process that actually could save us from ourselves, but at the end of the day, when the final vote was taken because we had to have five Republicans and five Democrats to vote for it, we had five Republicans, but we only had two Democrats, and, oh, by the way, one of those was Mr. Yarmuth, who has been quoted here at this table today. The other one, Mr. Kilmer, but four Members on these acceptable proposals from my friends on the left voted present. Present, which I think only illustrates and magnifies the importance of whatever a fiscal commission is able to do, a panel of experts to come back to Congress and say, these are the issues that you have to tackle. These are the options that you have to consider if you are going to fix the problem. Then I think an up or down vote is going to be required, or else it will go the way of a lot of commissions and be put on a shelf somewhere.

Mr. BOYLE. Thank you, and I know we are a good bit over time for the questions, but I didn't want to cut off any of the answers. I will just say this before handing it back to the Chair. One thing I think we can all agree on, on a bipartisan basis, is with the Social Security Trust Fund expiring or becoming insolvent in about a decade, Medicare Trust Fund is even sooner, we cannot solve these problems and wait until the very last minute, a year beforehand. That would just exacerbate the problem and make all of our options less desirable. So, I fully agree with the impetus that we address these challenges now, and with that, I will yield back.

Chairman ARRINGTON. It was a Freudian slip for me to say impotence and Congress in the budget process, I will say.

Mr. BOYLE. I am not touching that one.

Chairman ARRINGTON. Look, I know it may seem a little undisciplined to let the clock go beyond our three minutes, but I find that this is a serious issue and that we can have a very candid—with our audience of fellow American citizens here—and constructive dialogue to get to a real outcome. So, I am trying to keep that flow going and manage moving it along, but I am going to ask a couple more comments and then I am going to ask my colleague from Wisconsin to kick off his questions, line of questions for three minutes. Mr. Case, quickly.

Mr. CASE. First of all, I want to commend to the Committee this excellent report from the Manhattan Institute from 2019, Why do Budget Negotiations Succeed and Fail? And what this report concludes is that the marks of success are threefold. Number one, some kind of forcing mechanism for the decision makers to have to make a decision. I think that is really key. Number two, public support, which Mr. Smucker spoke to, I think it is really critical. I think the public does support this on a bipartisan basis, and number three, healthy negotiations, which does very much get to the people.

I think that in Congress and to your question, Mr. Boyle, it is the people, not the process. If we all had confidence in a polarized Congress to actually have people come together to negotiate and decide this on a bipartisan basis that had everything on the table as opposed to shouting down alternatives up front to kill them off before we even start with them, then we probably would feel better about not going with the commission, but the fact is that we are dealing with the world we have, and I don't think that the Congress is going to get better at this in the next couple of years, and the budget is declining rapidly. So, yes, it is the people.

Chairman ARRINGTON. Well said. Mr. Smucker? Mr. McGovern, did you have a comment? Go ahead.

Mr. MCGOVERN. Well, but he——

Chairman ARRINGTON. Go ahead, Mr. McGovern, then we will have——

Mr. MCGOVERN. Look, I think, you know, what concerns me about some of the conversation we are having is that it is about kind of getting the numbers aligned and, you know, on a balance sheet, and we are talking about how much we spend and not what we spend the money on, and there are some things we can spend money on that actually will save us money in the long term, and this is very much a values question.

So, it is not just about getting numbers aligned on a balance sheet. It is about what our values are, and again, we talk about everybody saying everything is on the table. Yeah, we have Members who have signed pledges that no new taxes. Well, then obviously revenue is not on the table. If you have signed a pledge that you swear that you will never vote to increase revenues at all.

So, again, I hope we don't lose sight of the fact that the reason why people like me are so concerned about potential cuts to Social Security is because I think it is a vital program and people rely on it and cutting it would be devastating to millions of people in this country.

Chairman ARRINGTON. Good points. Mr. Smucker?

Mr. SMUCKER. So, I would just like to make two points, and the first would be in response to Mr. Yarmuth's points. When people are doing or behaving, they don't need rules, and when we are doing our job in Congress, we don't need to look at reform, we don't need to look at rules, but when we don't do our job, and I think it is hard for anybody to argue that we are, then we are going to need to look at additional reform in the process, I think, to make this place work more effectively. So, my argument would be different than Yarmuth's. We do need reform.

Then secondly, you know, I sort of, again, based on my experience, and it is only one experience, but I view the commission as a body within Congress that is helping Congress do its job, not as some separate organization that is taking it away from Congress, and so, sure, we can have an up or down vote. First of all, if people really believe that the debt is a problem and we all engage in putting forward a commission, then the role of the commission is, while it is doing its work, to bring Members of Congress along with it and to understand the problem, understand the potential solution, and by the way, bring the public in as well.

So, it is almost like a special select committee. It is a vehicle that we put in place as Members of Congress to help get us to the point where we are able to negotiate. We are looking at everything, putting everything on the table and then we are presenting that as a package. So again, the argument of it replacing what Congress should be doing, that is not the way this commission should work, in my view.

Chairman ARRINGTON. I thank the gentleman from Pennsylvania. All very good and important counsel from the panelists. Now, to my friend from Wisconsin, I yield three minutes for his line of questions.

Mr. GROTHMAN. Well, thank you. A couple of comments first as far as that tax cut. I was here when the tax cut was done. I think a huge amount of time the Republicans sat in close conference is making sure that nobody could say these were tax cuts for the rich, and I can tell you on a personal level, the complaints I almost always got on the tax cuts were from the rich who got a tax increase because they lost their state and local tax deduction. So, to me we did disproportionately deal with that.

I also want to point out as far as the necessity of tax increases, we just got done with a biennium in which the Democrats had both houses and could have used reconciliation to do what they have been promising to do for many years, and that is raise the cap on what you tax, for tax revenue on Social Security, and they didn't do it, and that would have been, I guess you could say solely a tax cut on the rich.

Now, I am a little bit concerned, even though I am a co-sponsor of the amendment—of the commission—people talking about putting Social Security on the table. I agree that Social Security is kind of a contract we have written with a good segment of America and there are all sorts of parts of this budget that should be unconstitutional under the 10th Amendment, and really should be left to the states, and if the programs are that good, the states would pick them up. I am thinking particularly things like education, corporate welfare under the Department of Commerce, the entire welfare safety net, which is so utterly broken, should be left to the states.

Can you comment, one of you, and I share with Mr. McGovern that sometimes we haven't really looked at the defense budget like we should have. Could you comment on, when we look at balancing the budget, the degree to which the 10th Amendment should play a role and we should begin just shoving wholesale items back to the states who can do things more efficiently and are probably in a better position to judge whether these programs are effective?

Mr. HUIZENGA. I will take the bait. I would say——

Mr. GROTHMAN. Let me just say——

Mr. HUIZENGA. Yeah.

Mr. GROTHMAN [continuing]. It really bugs me that we have all these unconstitutional programs——

Mr. HUIZENGA. Sure.

Mr. GROTHMAN [continuing]. And I hear congressmen say we got to bite the bullet and cut Social Security.

Mr. HUIZENGA. Yeah, and I know, Mr. Grothman, you are a stalwart in bringing that particular issue up in closed conferences and in other places, and I commend you on that. In an ideal world, for me, as a constitutionalist, I would love to have those things back at the state level, having served in the state legislature, and I know you did too. I think we are more effective at many of those. However, at this point, much like my desire for a balanced budget amendment to the U.S. Constitution, I think that might be a bridge too far or a future bridge that needs to be crossed, that what we need to deal with right now is the immediate and looming problems that we are going to have with all of our—and by the way, it is not just Medicare and Social Security, it is all of our trust funds need to be examined, and there is a significant number of them.

Mr. GROTHMAN. Anybody else? I think we got over 140 Republicans to vote to get rid of the Department of Education. I was shocked, but any other comments on using the 10th Amendment as a guide in getting us back to the straight and narrow here where our forefathers would have wanted us ahead of any, remotely touching Social Security?

Chairman ARRINGTON. I thank the gentleman from Wisconsin. I think it is a great point and one that we can debate in a commission or on this Committee, and now I would like to yield three minutes to my friend who has been a leader on this issue as well, Mr. Jimmy Panetta, from California.

Mr. PANETTA. Thank you, Mr. Chairman, and thanks to you and the Ranking Member for not just holding this hearing, but for the way you conduct this Committee and your focus on issues that are very important not just to us and this Congress but to the future of this Nation. So, thank you very much, and I am pleased that once again we are focusing on addressing our debt and deficits. While last hearing we had looked at the successes and challenges of past fiscal commissions, it is good that we are moving forward by actually talking and looking at specific pieces of legislation thanks to our witnesses.

I admit as a steering Member of the Bipartisan Fiscal Forum, I am proud to be an original co-sponsor of one of the bills we are discussing, the Fiscal Commission Act that was introduced by two of our witnesses, Reps. Peters and Huizenga. This is a bipartisan bill that will create a fiscal commission involving bipartisan Members of Congress and outside experts who will propose a set of policies to put us on a fiscally responsible path. These recommendations will then get an up or down vote in both chambers. Now, this hearing also gives us an opportunity to compare and contrast fiscal commission bills, including those by Reps. Case and Womack and Senators Manchin and Romney.

Now, while a commission will still require hard choices, I think we have heard that and we understand that it will facilitate the conversations that are necessary to discuss our fiscal issues and solutions in a fair and honest manner, and Mr. Chairman, you may say impotence, I say Viagra. That is what this will be in regards to looking at Congress, in regards to looking at our budget process. So, if we can empower a successful commission through one of the legislative proposals today, we may be able to set ourselves up for a more fiscally disciplined and economically stable future.

Now, Mr. Peters, my colleague from California and good friend, of course, there has been a lot of focus on general revenues and annual spending, but we are facing a real cliff. I think we know that we have heard that when it comes to Social Security and Medicare in the near future, and I appreciate Mr. McGovern's comments. I think all of us do.

And looking at the demographics, basically the issues have to depend on demographics, which we are not going to control. I think everyone here wants to ensure that retirees are held harmless when it comes to Social Security and Medicare benefits, but there are risks to doing nothing. There are risks to doing nothing. So, Scott, will we protect our seniors from benefit cuts if we do nothing to address Social Security and Medicare shortfalls?

Mr. PETERS. No, we will not, and that is the frustrating thing for me about being a Democrat trying to save Social Security and Medicare is that many people on our side of the aisle say don't touch it. Social Security is in the hospital bed with a weak heartbeat. We know it is dead in ten years. We are talking about 23 percent across the board cuts if we do nothing. So, those of us who want to save Social Security, we need to act now. Because as people have made the point, the longer we wait, the more expensive, the more difficult those choices will be and the more likely cuts will be.

So, that is why I think it is really imperative for us to get on this right now. People want to make it a political issue. That has been successful, but now we are coming up on the precipice of the actual cuts to seniors that are going to take effect across the board. We have to act if we want to save these programs, and if we don't, we will lose them.

Mr. PANETTA. Thank you, and thanks to all the witnesses. Mr. Chairman, I yield back.

Chairman ARRINGTON. Thank you, Mr. Panetta. I now yield three minutes to my friend from Virginia, Mr. Bob Good, for three minutes.

Mr. GOOD. Thank you, Mr. Chairman. Thanks for holding this hearing. Thanks to our witnesses. I think it is laughable to use a term that was used by one of our panelists already, the notion that Congress will have the wherewithal to reform mandatory spending when we have zero demonstrated willingness to cut our discretionary spending at a time, think about where we are today, at a time when we have historic deficits, we have historic debt, historic debt-to-GDP, historic inflation, historic interest rates, historic interest payment on the debt, the amount we are paying just to pay the interest on the debt, and historic downgrading of our debt, and yet, we have no demonstrated willingness by this Congress to cut our spending on the discretionary side, and I wish I had a nickel to help the deficit, but every time I have heard this year with our Republican majority, oh, it is not discretionary it is mandatory as an excuse for our unwillingness to deal with discretionary. Gosh, if we just didn't fund the stuff that is not authorized, or if we didn't fund the stuff that is not a Constitutional role of the Federal Government, that is a foreign concept here, obviously, but the snowball effect now, the snowball effect, it is going so fast now, the unprecedented debt, the monthly deficit of over $200 billion now, the interest rates, it is causing the debt to swell and surge like we have never seen before.

We are on track as a Republican majority to have a year from now, a $36 trillion debt by next year's election. We took what, 200 years to reach $1 trillion in debt, and we have got $36 trillion in debt now, 40 years later. Thank goodness, I guess, we had the unlimited increase of the debt ceiling. So, as much as we can spend and grow the deficit, we don't have any limit to it until January 2025.

It would seem that since all the discretionary spending, that is, you know, all of it, all $1.7 trillion or so, it is all deficit spending. It is all borrowed, again with a $2.5 trillion deficit, that we would be willing to cut or reduce some of it, but we don't even have a consensus now. We don't even have a consensus now on to comply at least with the $1.59 trillion that was the FRA levels passed by two thirds of both Houses, signed by the President. We don't even have a consensus that that would be the top line level for the remainder of this year. We are going to vote on no appropriation bills this week in our majority. The President signed again that level, and both Houses voted for it. We don't even have an agreement to do that level.

So, no demonstrated interest in cutting our spending with the Republican majority, let alone of course, it wasn't even talked about the previous two years that I was here in the Democrat majority. I guess maybe it is progress, Mr. Chairman, that we are at least fighting over it to some degree, if unsuccessfully, on cutting our spending. We can't even get agreement in both Houses to pay for supplementals that we wouldn't further exacerbate the issue we are talking about today, but we can't even get consensus in here to pay for supplementals, let alone on the House floor or in our friends across in the Senate.

If not now, when? If not us, who? Do some of us just lack an understanding? Do some of us just lack a care about what this will do? As Mr. Chairman said in addition to the border, this is the issue that will crush and destroy the country, and none of the commissions matter. Whichever one's better, none of them matter unless we are willing to implement them. So, I yield back, Mr. Chairman.

Chairman ARRINGTON. I thank the gentleman from Virginia. I agree with his sentiments. The Speaker, I will say, our new Speaker, I am encouraged by his willingness to set a precedent that we will in fact pay for emergency supplementals, and I thought that was a really good sign and I hope we can build on that.

Mr. GOOD. That was historic.

Chairman ARRINGTON. It was historic, and I would like to now yield to my friend, also from the mother of all states, Mr. Scott from Virginia for three minutes.

Mr. SCOTT. Thank you, Mr. Chairman. Mr. Chairman, I get a little tired of this both sides thing. I just want to remind everybody that for the last 60 years, every Democratic Presidential Administration, every Democratic Administration has left their Republican successors a better deficit than they inherited, without exception, and every Republican during that time, every Republican Administration has left for their Democratic successors a worse deficit situation, without exception.

So, it is not both sides. We have heard the mention of a continuation of some of the Bush tax cuts under Obama. I voted against that because I thought it was a bad idea, but even so, the deficit as a percentage of GDP went down under Obama, and when President Trump came in, he increased the deficit before the pandemic, and so, it is not both sides.

And we have a problem and everybody knows what the problem is. The problem is we need to cut spending or increase revenue or both. A commission can say you need to cut a percentage of this, a percentage of that. I assume they are not going to get down too much into specifics, but Congress will still need to make those decisions. The commission doesn't make that situation any easier. It just gives temporary cover to those who don't want to decide.

Now, some are suggesting that we have a spending problem, not a revenue problem. Fact is, we have a pay for what you spend problem, and if you compare Obamacare to Medicare Part D, when we passed Obamacare, we paid for it. We raised enough taxes to pay for that spending, and so, the decision was if you want Obamacare, here are the taxes that are going to pay for it. If you don't want to pay for it, you don't get Obamacare, and we decided, yeah, we want Obamacare, and we took the taxes along with it. Medicare Part D. How would you like a prescriptive drug benefit? Sounds good to me. Well, how are you going to pay for it? We didn't worry about it, and $500 billion in spending not paid for.

Now, we have already heard that one major reason for our deficit is the unpaid for tax cuts. Under Republicans, you don't have to pay for tax cuts. Just how would you like a tax cut? Well, let's do it. So, if we just paid for our spending and paid for our tax cuts, we have heard that $10 trillion of the debt wouldn't be where it is today. Mr. McGovern, let me ask you a question. Can the conclusions of a commission be manipulated by the appointment of Members who have preexisting ideas like Social Security needs to be cut?

Mr. MCGOVERN. Absolutely, and, you know, I have been listening to some of the comments. Mr. Grothman, you know, talked about the importance of a commission, but he also signed a pledge saying that he will never raise taxes.

Mr. SCOTT. So, just——

Mr. MCGOVERN. Yeah.

Mr. SCOTT [continuing]. Who is on a commission can kind of——

Mr. MCGOVERN. Yeah, absolutely.

Mr. SCOTT [continuing]. Predetermine what the conclusions are? And does this up or down vote thing, Mr. McGovern, make it more or less likely that Social Security and Medicare will be cut?

Mr. MCGOVERN. I fear that it will make it more likely it will be cut.

Mr. SCOTT. I yield back.

Chairman ARRINGTON. I thank the gentleman from Virginia. I now yield three minutes to my friend from Utah, Mr. Blake Moore.

Mr. MOORE. Thank you, Chairman. Thanks for holding this. We had a great conversation about this a month or so ago, and it is even better to have actual official legislation on the books with the House in a bicameral way and the Senate talking about it today. Look, the Chairman highlighted my main point, and so I will just quickly ask Representative Huizenga and ask Representative Peters to weigh in as well. I work closely with you both on the Bipartisan Fiscal Forum. I got four boys and given a general timeline of how my wife and I want to see their lives progress when they are raising their young kids, maybe have their first major job, they are going to send, every tax dollar they send to Washington, half of it is going to be paying interest, and that is a different paradigm than what I am doing now and what my parents did. It is a totally new paradigm, and I look at it as we have ten years to address this and have any chance to avoid that catastrophic effect. Do you see this commission idea as the best way forward for us right now to take action, Representative Huizenga?

Mr. HUIZENGA. Yes. I don't think it is going to be that magic potion that has been acknowledged by the Chair and others, but it has to be a piece of the puzzle.

Mr. MOORE. Anything to add?

Mr. PETERS. I think, too, as I said, I think the incentives here are wrong for solving the problem. The incentives are to avoid the problem. I also would just say, in light of some of the previous comments, that having a cop on the beat, experts in the room to inform us of what the truth is, is really important here. I think that there are investments that do pay that you should borrow from. We should understand that and not use that as an excuse for borrowing to pay for the groceries, is what we are doing.

The other thing is, I would say, just in response to the Chairman, Democrats want a cop on the beat when you talk about tax policy. The Speaker said that he was paying for the supplemental, but what he offered was an IRS cut that would have actually doubled the cost of it, and that is the kind of thing I don't want to hear. I want a cop on the beat. Somebody to tell me the truth about Republican tax policy. You want someone, a cop on the beat, someone to tell you the truth about the value of whether the value of Democratic investments pay off. We don't have that today, and that is why we need a commission.

Mr. MOORE. I think you bring up a great point because we are ships in the night, Republicans and Democrats, on how to adhere to CBO, right? We have differences on how we believe CBO actually addresses their projections, right? I personally wish we were taking a longer-term perspective into consideration, and I think we would have a more realistic approach to how this stuff plays out.

We are, and I can speak for every single one of my Republican colleagues, a strong supporter of economic growth and making sure that we have pro-growth tax policy, and sometimes that doesn't play out well with a line-item CBO score. It doesn't, and we recognize that, and it is tough to reconcile because we have this CBO score that we all have to address, but we have to have strong economic growth. I don't see the fiscal commission as anything that would deter from that if we can continue to make sure that we have pro-growth tax policies.

Representative Huizenga, anything else to add before I yield my time back?

Mr. HUIZENGA. I would just say historically, deficit spending happened when there was either economic or literal war happening. We have been deficit spending in the good times when we haven't had those. That has compounded the problem.

Mr. MOORE. Thank you. I yield back.

Chairman ARRINGTON. I thank the gentleman. Just because I was mentioned in a comment I made about the pay for, I would just say to my friend from California that it is just a pay for. It is, leaders make decisions. They don't pass the buck, and the decision by the Speaker was to pay for it by offsetting the $80 billion expansion of the IRS, and I think we all agree that we should enforce tax policy. How we do it in the most cost-effective way is another discussion and debate.

I think the Speaker would welcome a response from the Senate. I bet we don't get one in terms of what alternative options for pay fors are. So, I got to give the Speaker credit for at least putting on paper what he believes would be a responsible pay for, and I bet he is open to real dialogue about other alternatives if alternatives were presented by Mr. Schumer. With that, I would like to yield three minutes to my friend Mr. Blumenauer from the great State of Oregon.

Mr. BLUMENAUER. Thank you. I must confess I am having flashbacks. I have been doing a lot of reminiscing recently, closing out 50 years of public service, and I have memories of what I did chairing a tax committee in Oregon, working in local government with thorny, very controversial issues and different approaches that worked and then some that didn't. I think we could with these six panel members, we could actually hammer out an approach. It is helping Congress do its job as several of you have mentioned.

I am deeply concerned that we as a Congress are not taking advantage of opportunities that shouldn't be controversial. I have raised savings in terms of a farm subsidy that I did earlier with Speaker Ryan that could make a huge difference. There are areas in the Defense Department. We have talked about the battleship that the Navy doesn't want that is kept alive just simply for the jobs in Florida. This is not rocket science.

Now, I came in, I must say, skeptical about another commission. Maybe it is the triumph of hope over experience, as Benjamin Franklin said about second marriages, but I do think that there is a role for what is being talked about here. There is an opportunity for us to be able to fashion a consensus with a different approach. One thing we haven't talked about, and that is engaging the public in this mechanism, and some of you have been involved with efforts that engage broad public involvement in terms of where they would put Federal budget priorities, quite different than what Congress does in the controversies.

There are mechanisms about how people would solve the Social Security problem, and it really would provide cover. It is pretty balanced and effective, and it would work. They don't tie themselves in knots, and I don't think we delegate it entirely, but I think in actually having some mechanisms to engage the public can cut through some of the falderal.

I reluctantly, I am not going to be here, but I do think there is a role for a carefully crafted commission to provide some guardrails to force some of these things going forward. Because what we are doing now is adding to the deficit, not just in terms of avoiding the problem, but there are costs for the failure that we have. Every run up to a shutdown adds to the deficit because of the unnecessary costs and confusion, and Mr. McGovern wants us to think about how we are actually spending the money. We don't do that in Congress.

So, I am hopeful that a commission can help. I do think there needs to be a role to engage the public. I have had a notion, a national Save Social Security Day, where we would have high school students and college students come together on one of those simulations and do something that would engage the public in a broader sense. I do think there is a role for the mechanism that we have with the Base Closing Commission because it forces us to act. It used to be the third rail. It has been extraordinarily successful, and I think a combination of a commission, a mechanism that forces action, and engaging the public would help us move it forward.

Chairman ARRINGTON. Well said.

Mr. BLUMENAUER. Because I think this is an important thing for us to do.

Chairman ARRINGTON. Very thoughtful. Thank you, Mr. Blumenauer. Look, our Senate colleagues are here, and I am going to do something that is a little unorthodox. We haven't done it, but we are going to attempt at a rapid round of just thoughts, and I apologize for not giving my colleagues the opportunity to ask questions of this group of panelists, but you are our colleagues. We know where you live, as we say.

So, if Mr. Estes from Kansas, take a minute, share your thoughts, your takeaways, anything you want to emphasize, and then we are going to go to Mr. Espaillat and then Ms. Bice and work our way through the list. Just a rapid round of thoughts, please.

Mr. ESTES. Thank you, Mr. Chairman. It is important for us to talk about this. Over the last year, we have borrowed $90,000 a second, and it is important for us to come out and address this. We know that over the last 40 years, there have been several commissions implemented. Some of them worked, some of them didn't. The Social Security Trust Fund that has been talked about today would have been empty in 1983 without a commission that successfully worked for that. So, we have got to be able to focus on that. We have got to be able to make sure that we take those lessons learned, whether it is from Pennsylvania, whether it is from the discussions in 2018, and how do we create a successful commission with the right checks and balances and implementation schedule, up or down vote and other issues, and make sure that works. So, with that, I will yield back. Mr. Chairman, I appreciate the opportunity to talk about this very important topic and appreciate all of you as panelists being here.

Mr. BERGMAN [presiding]. Thank you. The batting order is Mr. Espaillat, you have a minute.

Mr. ESPAILLAT. I am glad I am the cleanup hitter, but thank you, Mr. Chairman, and fiscal commissions have generally failed. We saw how Speaker McCarthy's H.R. 5525 failed. Very bipartisan stuff going on makes it almost impossible to reconcile, but is it really service cuts, benefits are the very needed, or is it a lack of revenue as a result of decades of tax cuts to the very rich? Corporate welfare, if you may? That is the question. Do we have enough revenue to help out AARP and the seniors that are here today that are very needy?

I represent the district in the Heights. You may have seen, Washington Heights, you may have seen the movie where we have a significant number of people dependent on benefits and their rent overburdens them. Over 55 percent of their salaries are spent on rent, and so, is it really tax cuts to the people that are starving, or is it a lack of revenue? Thank you, Mr. Chairman.

Mr. BERGMAN. Ms. Schakowsky, you have a minute.

Ms. SCHAKOWSKY. Let me just say, I have had an experience with such a study, such a commission. I was on the Simpson-Bowles Commission many years ago in 2010, and this was about coming up with a budget agreement and we couldn't do it, and I have felt since then, and I was happy that we couldn't because the proposal that was on the table was to include cutting Social Security, which I said no, and I had my own plan.

But it seems to me that doing this kind of commission is a way for Members of Congress to get out from under having to take the blame for the kinds of cuts that may be presented, and I think that this is the kind of discussion and John Yarmuth certainly agreed that we have enough capacity to do with the Committees that we have to do something, and I just wanted to ask my dear colleague well, if I could just ask Jim McGovern to comment on that. Do you think we——

Mr. BERGMAN. Ms. Schakowsky, we are at——

Ms. SCHAKOWSKY [continuing]. Need this?

Mr. BERGMAN [continuing]. I am going to ask you to, we are trying to roll this with a minute. Jim, you got a three-word answer?

Mr. MCGOVERN. I didn't hear the question because you interrupted.

Ms. SCHAKOWSKY. The question is——

Mr. BERGMAN. I want her to repeat the question.

Ms. SCHAKOWSKY [continuing]. Do we really need such a commission?

Mr. MCGOVERN. No, I don't believe that we should have a commission. I think we do have the capacity to be able to resolve these issues and we have proposals that we should bring to the floor and debate them and vote up or down on them.

Mr. BERGMAN. Thank you, and Mr. Brecheen, you are recognized for a minute.

Mr. BRECHEEN. Waive.

Mr. BERGMAN. Ms. McClain, you are recognized for a minute.

Ms. MCCLAIN. Thank you. One thing, I want to get a plug in for all these horrible, awful businesses out there. As a business owner myself, the business owners, last I checked, we have a progressive tax system. It is the businesses who actually pay taxes themselves. Not all of them are horrible, and number two, it is the businesses who actually employ people who, yes, they pay taxes, and I might want to remind everybody that it is the economic system that gives us our social program. So, I think we should incentivize businesses to be profitable and to hire more people who, in essence, pay more taxes, but that is a separate topic.

I also want to think and talk about, and I haven't heard much of. I think the commission is a good idea, bad idea, it doesn't matter. I actually seem to think it is a good idea, but with that business idea, I would like to hear about two things. How do we follow the rules? Because if we have a commission and the commission says X, we in Congress have a tendency to raise the rules.

Mr. BERGMAN. Will the gentlewoman yield? We are in a minute.

Mrs. MCCLAIN. Yep.

Mr. BERGMAN. Quick round here, okay?

Mrs. MCCLAIN. So, rules and accountability. I would like to hear a little bit more talk about that. Thank you.

Mr. BERGMAN. Okay, thank you. Without objection, I would like to submit for the record a letter in support of a bipartisan fiscal commission from my friend and colleague, representative David Schweikert of Arizona, who is a partner in fiscal accountability and as Vice Chairman of the Joint Economic Committee. So ordered.

[The information follows:]

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COMMITTEE ON
WAYS AND MEANS

JOINT ECONOMIC
COMMITTEE

November 29, 2023

Chairman Jodey Arrington
House Budget Committee
204 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Arrington:

I commend you for holding this important full committee hearing, "SOUNDING THE ALARM: Examining the Need for a Fiscal Commission," at such a pivotal moment of our nation's economic trajectory. The need for unified fiscal consolidation theory to address our nation's most critical threat has never been more urgent. Republicans and Democrats must come together to acknowledge, confront, and solve the fiscal challenges before us. I look forward to helping lead such efforts.

The math makes it abundantly clear — we've reached the point where we can no longer play politics with our nation's fiscal health. Over the past year, the total national debt has increased by $2.46 trillion, which amounts to an astounding $78,204 per second.[1] Debt held by the public has increased by $2.25 trillion over the same period, while intragovernmental debt has grown by $212.61 billion. The total national debt this fiscal year to date increased by $660 billion, or $136,399 per second. In even starker terms, federal borrowing for Fiscal Year 2023 neared 9% of the entire economy.

As vice chairman of the Joint Economic Committee, I am compelled to educate my peers on this alarming growth. A debt commission must have the authority to confront the fiscal headwinds directly with substantial policy changes. Any delay will hamper the significant tools at our disposal. There are difficult decisions ahead, ones that must be made to avoid saddling future generations with the crushing prospect of a combined top marginal tax rate of 100% just to pay for existing government services.[2]

Bloomberg's most recent analysis suggests the federal government will pay over $1 trillion on interest alone this fiscal year — doubling the amount projected just 19 months ago and making interest the second largest expense in all of government, ahead of spending on Medicare and defense.[3]

We have an opportunity to save the Republic by forming a bipartisan debt commission focused on finding robust, unified fiscal solutions to take on this perilous threat. This commission should be responsible for

[1] U.S. Congress Joint Economic Committee, *Daily Debt Monitor*, (2023, November 28), https://schweikert.house.gov/wp content/uploads/2023/11/20231127DailyDebtMonitor.pdf.
[2] Riedl, B., (2023, February 21), *Biden's promises on Social Security and Medicare have no basis in reality, The New York Times,* https://www.nytimes.com/2023/02/21/opinion/biden-social-security-medicare.html.
[3] Carson, R., & Cudmore, M., (2023, November 7), *US government's debt interest bill soars past $1 trillion a year*, Bloomberg.com, https://www.bloomberg.com/news/articles/2023-11-07/us-debt-bill-rockets-past-a-cool-1-trillion-a year.

cultivating a plan around a fiscal consolidation theory. Ultimately, it must produce a meaningful combination of policies to address the fundamental drivers of debt — demographics, obesity, and interest costs. Anything short of such proposals would be a disservice to the House and our nation.

It's no secret that our primary fiscal challenges stem from demographics. The number of workers-to-retirees ratio has fallen from over 5-to-1 to under 3-to-1.[4] At the same time, 1-in-9 prime age men are not showing up in the workforce.[5] In 2020, there were 54.1 million Americans aged 65 and older, but by 2040, that number will rise to an estimated 81.5 million.[6] This rate of growth is nearly ten times as fast as the growth of the population under age 65, which will likely increase by only 5% over the same period.

These trends put an immense strain on Social Security and Medicare, programs that our seniors rightfully rely upon. It is morally indefensible to ask Americans to incur a massive tax increase to keep these programs afloat. It is also intellectually dishonest – even the most progressive proposals from my brothers and sisters on the Left wouldn't even come close to implementing fiscal responsibility.

For example, taxing every dollar of income for families making over $500,000 would only raise 5.1% of GDP assuming the economy doesn't slow down.[7] Considering macroeconomic impacts, taxing all the income for families making over $400,000 at the revenue-maximizing rate would raise, at most, 2% of GDP. The math simply does not work. A debt commission comprised of Members fluent in such policies could explore, evaluate, and develop more efficacious proposals to achieve targeted ends.

Federal health expenditures present a mounting challenge to our nation's fiscal condition. For too long, we have focused on the question of who should pay. I believe we should focus on why health care costs have grown so rapidly. Consider obesity, a key driver of health care spending that fuels a multitude of conditions from diabetes to heart disease. The 2023 Joint Economic Report put a price tag of $4.1 trillion on the cost of untreated obesity to taxpayers over the next decade.[8] There is hope in the emerging role of medications targeting severe obesity and its complications. Improving access to effective treatments, when scored as your committee has suggested, could tackle the underlying causes of these health issues and ease the financial pressures on federal health care spending.

Yet, even with a forward-looking approach to health care, we cannot disregard the imminent fiscal challenges facing Social Security and Medicare. Without legislative intervention, these programs face automatic, draconian cuts that no American wants. In just a decade, the Social Security Trust Fund will run out of money.[9] When that happens, federal law mandates an automatic 25% cut in Social Security benefits along with a reduction in Medicare spending.[10]

The formation of a bipartisan debt commission is one of the most consequential steps we can take to address the fiscal threats we face as a nation. We should all want a healthier population, secure social safety net programs, and a flourishing economy. The dramatic rise in America's national debt is a crisis

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[4] Covered Workers and Beneficiaries - 2023 OASDI Trustees Report, (n.d.), https://www.ssa.gov/oact/tr/2023/lr4b3.html.

[5] *Activity rate: Aged 25-54: Males for United States*, FRED, (2023, November 17), https://fred.stlouisfed.org/series/LRAC25MAUSM156S.

[6] Testimony before the Joint Economic Committee of the U.S. Congress, (2023, November 15), https://www.jec.senate.gov/public/_cache/files/037246b6-617d-49ef-8004-6db0142bc43b/dr.-john-scott-testimony-11.15.23.pdf.

[7] Riedl, B, (2023, September 21), *The Limits of Taxing the Rich*, Manhattan Institute, https://manhattan.institute/article/the-limits-of-taxing-the-rich.

[8] (2023), (rep.), *U.S. Congress Joint Economic Committee 2023 Report*, Retrieved from https://www.jec.senate.gov/public/_cache/files/c7df7ee3 2562-44f9-bcc0-fb038ff9967c/the-2023-joint-economic-report.pdf.

[9] (2023), (rep.), *2023 ANNUAL SOCIAL SECURITY AND MEDICARE TRUST FUND REPORTS*, Retrieved from 2023 ANNUAL SOCIAL SECURITY AND MEDICARE TRUST FUND REPORTS.

[10] Revell, E, (2023, March 7), *Social Security on a path to major benefit cuts unless Congress acts, CBO director says*, Fox Business, https://www.foxbusiness.com/politics/social-security-path-benefit-cuts-unless-congress-acts-cbo-director-says.

that can no longer be ignored. It is a challenge that threatens our future prosperity, and one that Congress must rise to before it's too late.

Thank you again, Mr. Chairman, for your acknowledgement of this imminent threat and commitment to innovative solutions to restore fiscal order and encourage economic growth in our nation. I look forward to helping lead this endeavor and advancing the vital policy solutions required to tackle this challenge.

Sincerely,

Rep. David Schweikert
Member of Congress

Mr. BERGMAN. With that, thank you again, Representative Huizenga, Representative Peters, Representative Womack, Representative Case, Representative McGovern, and Representative Smucker for appearing before us today. This concludes our first witness panel.

Mr. BOYLE. Thank you, gentlemen.

[Recess.]

Chairman ARRINGTON. Okay, ladies and gentlemen, let's continue with our second panel of witnesses, our friends and truly stalwart leaders on the issue of not just the debt commission, but other strategies to address this looming crisis and this unsustainable path that we are on. Both of these gentlemen recognize that and we are all grateful for your leadership. So, welcome Senator Manchin and Senator Romney. They together have introduced Senate Bill 3262, which I mentioned earlier, the Fiscal Stability Act of 2023.

We want to thank you again for your time today. I know due to scheduling conflicts that we will only have you for a short while, but it is going to be——

Mr. ROMNEY. We will stay longer if you want.

Chairman ARRINGTON. Well, we want to respect your time, but we want it to be a meaningful experience. So, we are going to start with your testimony, and then we are going to ask a couple of questions before you have to go back to the upper chamber. So, with that, let me yield five minutes to Senator Joe Manchin, and again, we appreciate you being here.

STATEMENT OF HON. JOE MANCHIN, A SENATOR IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. MANCHIN. Thank you, Chairman Arrington and Ranking Member Boyle, for providing me with the opportunity to appear before the House Budget Committee today, and all the Members here. I appreciate being here. I would also like to thank my friend and colleague, Senator Romney, for his dedication to seeking solutions for our Nation's fiscal challenges, and thank you to the Committee for steadfast commitment to improving our fiscal health.

The Congressional Budget Act of 1974 sets a timeline for Congress to follow when it comes to the budget process. So, we have it in law that by April 15 of each year, Congress must, I will repeat, must pass a budget resolution, and by September 30 of each year, Congress must pass all 12 appropriations bills. Unfortunately, it is a timeline without any teeth.

On September 30, 1996, Congress passed all 12 appropriation bills for Fiscal Year 1997. As the Committee is likely aware, the national debt at that time was $5.4 trillion. Today, we spend that much and more in one year, and the national debt exceeds $33.7 trillion. On August 5, 1997, Congress and President Clinton enacted the Balanced Budget Act of 1997, which was negotiated in a bipartisan way by then White House Chief of Staff Erskine Bowles and then House Budget Committee Chair John Kasich. Among other things, it set enforceable budget caps for Fiscal Years 1998 through 2002. What followed those bipartisan compromises were balanced budgets and surpluses of more than $550 billion.

Unfortunately, the United States of America has not posted a surplus since. Over 22 years in the red, every year, we spend more than we take in. There have been attempts to get us back on track. In 2010, the Simpson-Bowles Commission published recommendations that would have capped spending at 21 percent of GDP and reduced debt to 65 percent of GDP by 2020. Unfortunately, Congress refused to act for political reasons.

In August 2011, Congress tried again with the Budget Control Act of 2011, which coupled a debt ceiling increase with a mandate of more than $2 trillion in cuts. Unfortunately, Congress again refused to act for political reasons, blowing through those caps and spending another $1.3 trillion more than we took in.

Now it is too late for another warning. In 2011, Standard and Poor's downgraded the U.S. credit rating from a AAA to AA+. In the past few months alone, Fitch has followed suit, and Moody's Corporation is on the brink of its own downgrade. We are the only AAA rated country in the world that does not have a multiyear fiscal planning process. The only one.

We must reverse the catastrophic financial demise of our own making before it is too late. As evident by the chart behind me, in Fiscal Year 1997, revenues totaled $1.58 trillion and spending totaled $1.6 trillion. Fast forward to 2023, revenues totaled $4.4 trillion, while spending clocked in at an astounding $6.13 trillion. Outside the fiscal years during the COVID–19 pandemic, 2023 total deficit of $1.7 trillion was the highest in United States history. Let me repeat that. Last year's imbalance between spending and revenue was a record high.

Years of fiscal irresponsibility have brought us to the crisis we face today, which is more than $33.75 trillion of national debt. In 2023, we spent more than $650 billion just on interest alone. By 2051, if we maintain this trajectory, the money that the Federal Government spends on interest to service the debt will be greater than what we spend on anything else, including defense, Social Security, Medicare. This is why Senator Romney and I, along with Senator Sinema, Young, Hickenlooper, Lummis, Warner, Cornyn, Tillis, and Shaheen, equally Democrats equally Republicans, introduced the Fiscal Stability Act.

More than 227 years ago, President George Washington warned. He warned of two things really. The first thing he warned about is beware of the political parties for they will usurp the power from the people. The political parties will usurp the power from the people. In his farewell address, he advised also against accumulation of debt. Very much concerned. Fast forward to 2011. In one of my first hearings in the Senate when I came to Washington, then Chairman of the Joint Chiefs of Staff was Admiral Mike Mullen. I just came from governor and I didn't know a whole lot about on the national concerns that we had on a national level with our defense. The question was asked: what is the greatest threat the United States of America faces? He didn't skip a beat, didn't waste a minute. He says, the national debt, the debt of this Nation will take us down before any foreign adversary will take us down with their military might. He said, don't worry about the military might. It will be we will take ourselves down, and he was so right.

So, every family in America understands this, and this is what we don't seem to get right. Every person in America understands that they have to live within their means. They can't figure out why we don't even try. So, it makes the sacrifices today to give the children and their grandchildren a chance of life better than their own, we are basically, we have just let our future generations, especially our children and grandchildren, we have let them down so drastically. We are the only generation that will turn it over worse than what we received it, much worse.

So, it is the American Dream. We are in Congress. We have an obligation to get our finances in order so our children and all of them to come after will be in a stable situation, and the time to act is now. So, I want to thank you all so much for having me, and I turn it over to my dear friend from Utah and he has the same passion I have for this.

[The information follows:]

Prepared Remarks from Senator Joe Manchin III
House Budget Committee Hearing Examining the Need for a Fiscal Commission

Thank you, Chairman Arrington and Ranking Member Boyle, for providing me with the opportunity to appear before the House Budget Committee today. I would also like to thank my friend and colleague, Senator Romney, for his dedication to seeking solutions to our nation's fiscal challenges. And thank you to this Committee for its steadfast commitment to improving our fiscal health.

The Congressional Budget Act of 1974 sets a timeline for Congress to follow when it comes to the budget process. By April 15th of each year, Congress must pass a budget resolution. And by September 30th of each year, Congress must pass all twelve appropriations bills. Unfortunately, it's a timeline without any teeth. On September 30, 1996, Congress passed all twelve appropriations bills for fiscal year 1997. As the Committee is likely aware, the national debt at that time was $5.4 trillion. Today, we *spend* that much and more in one year, and the national debt exceeds $33.7 trillion. On August 5, 1997, Congress and President Clinton enacted the Balanced Budget Act of 1997 which was negotiated in a bipartisan way by then-White House Chief of Staff, Erskine Bowles and then-House Budget Committee Chair, John Kasich. Among other things it set enforceable budget caps for FY1998 through FY2002. What followed those bipartisan compromises were balanced budgets and surpluses of more than $550 billion. Unfortunately, the United States of America has not posted a surplus since – over 22 years in the red.

There have been attempts to get us back on track. In 2010, the Simpson-Bowles Commission published recommendations that would have capped spending at 21 percent of GDP and reduced debt to 65 percent of GDP by 2020. Unfortunately, Congress refused to act for political reasons. In August 2011, Congress tried again with the Budget Control Act of 2011, which coupled a debt ceiling increase with a mandate for more than $2 trillion in cuts. Unfortunately, Congress again refused to act for political reasons, blowing through those caps and spending another $1.3 trillion more than we took in. Now, it's too late for another warning. In 2011, Standard and Poor's downgraded the US credit rating from AAA to AA+. In the past few months alone, Fitch has followed suit, and Moody's Corporation is on the brink of its own downgrade. We are the only triple-A rated country in the world that does not currently have a multi-year fiscal planning process. We must reverse this catastrophic financial demise of our own making before it is too late.

As evident by the chart behind me, in FY1997, revenues totaled $1.58 trillion and spending totaled $1.60 trillion. Fast-forward to FY2023, revenues totaled $4.44

trillion while spending clocked in at an astounding $6.13 trillion. Outside of the fiscal years during the COVID-19 pandemic, FY2023's total deficit of $1.7 trillion was **the highest in United States' history**. **Let me repeat that, last year's imbalance between spending and revenues was a record high.** Years of fiscal irresponsibility have brought us to the crisis we face today, which is **more than $33.75 trillion dollars of national debt**. In FY2023, we spent more than **$650 billion dollars just on interest alone. By 2051, if we maintain this trajectory, the money that the federal government spends on interest to service the debt will be greater than what we spend on anything else.** This is why Senator Romney and I – along with Senators Sinema, Young, Hickenlooper, Lummis, Warner, Cornyn, Tillis, and Shaheen – introduced the Fiscal Stability Act.

More than two hundred and twenty-seven years ago, President Washington – in his farewell address –advised against the accumulation of debt. Fast forward to 2011, in one of my first hearings in the Senate when I came to Washington, then-Chairman of the Joint Chiefs of Staff, Admiral Mike Mullen, was asked about the greatest threat facing our nation. Without skipping a beat, he said it was our national debt. Every family in America understands this, and they make difficult decisions every day to live within their means. They make sacrifices today to give their children and their grandchildren a chance at a life better than their own. It's the American Dream, and we here in Congress have an obligation to get our finances in order so our children – our future at least have the same shot at it that we did.

Chairman ARRINGTON. Thank you. Thank you, Senator Manchin. By the way, you just took my Ranking Member's place as my favorite Democrat in this place.

Mr. MANCHIN. I don't know, Brendan's hard to replace.

Chairman ARRINGTON. Thank you for your thoughtful and insightful words. Senator Romney, thank you for joining us.

STATEMENT OF HON. MITT ROMNEY, A SENATOR IN CONGRESS FROM THE STATE OF UTAH

Mr. ROMNEY. Thank you so much. It is impressive to listen to Senator Manchin. He said a lot. I hope we listen carefully to what he had to say, with which I fully agree.

Chairman ARRINGTON. Well, let's just say goodbye to our friend who wants to do nothing and leave Social Security beneficiaries with a 20 percent cut——

Mr. BOYLE. May I——

Chairman ARRINGTON [continuing]. As a result of our inaction.

Mr. BOYLE. May I just interject, Mr. Chairman?

Chairman ARRINGTON. Please.

Mr. BOYLE. Senator Romney, it must be refreshing to know that you still animate some folks on the left as well.

Mr. ROMNEY. Exactly right.

Mr. BOYLE. So, it must be reassuring for you.

Mr. ROMNEY. Exactly right. Well, I am actually here to announce our candidacy for——

Chairman ARRINGTON. Senator Romney, thank you for your patience.

Mr. ROMNEY. Thank you, Mr. Chairman, Ranking Member, appreciate the chance——

Chairman ARRINGTON. Continue.

Mr. ROMNEY [continuing]. To be with you and the Members of this Committee. Let me underscore what Senator Manchin has said about the urgency of us addressing our shortfall, our fiscal crisis. I am going to start with three reasons that this is something we need to do and do now. One relates to interest and I am going to get there by showing you as a percentage of the economy what has happened to defense spending, which is the solid line, and domestic discretionary spending, which is the yellow line, and where the CBO projects them to go over time.

As you will note, our spending on discretionary items has come down both for the military as a percentage of the GDP, both for the military, and for the discretionary domestic spending, but because of baby boomers, what is going to happen on Medicare and Social Security is a very different pattern. Social Security is the orange line there and Medicare is the blue line. You will see that Medicare over the next—by the way, this first dotted line is current 2023. The dotted line over here is 2030, which would be six years from now, the end of the next group of Senators' term.

So, as you will see the pretty dramatic increase and you will also note that we haven't yet layered on interest. If we now turn to adding the interest line, here is the interest line. The red line is interest, and you will note that as of 2030, as of 2030, only six years from now, interest expense for the Federal Government will exceed either defense spending or domestic discretionary spending. That is where we are headed.

So, we are going to have to do massively awful things either in defense or domestic spending. This is a huge increase. That is one reason we need to move soon. So, unless we fix the fiscal calamity, we are no longer going to be able to have a military leadership in the world and we would have major consequences for our safety and our national security.

There is a second reason. Our mounting debt is placing us in the same hazardous category as Greece and Italy. This shows government debt, gross debt, and by the way, debt held by the public, as a percentage of GDP out through 2028. Ours is the red line. Here is Greece, Italy, Portugal, Ireland, Spain. Notice they are all getting better. We are the one getting worse, and we are now in a category as of 2028 where we are going to have more debt as a percentage of our GDP than Italy, and remember what Greece and Italy and the others went through. This is the trajectory we are on unless we take action soon.

Simpson-Bowles told us about this crisis, but it is already here, and our legislation has a built-in path to avoid some of the challenges that were associated with the Simpson-Bowles failure to actually reach a conclusion. Let me just mention what they are. First of all, four corners appoint the Members of this commission. Three will be Members, elected Members, and then one will be an expert, but the expert will not be voting. Only Members will be voting on the commission's recommendations. The objective of the commission is to stabilize debt as a share of the GDP. It doesn't talk about any particular program. It just says, let's get our debt as a percentage of the GDP at a stable level.

And finally, all spending is being considered and everything is on the table. We don't say, this program has to be added, that program. No, everything is on the table, and finally, if there is a bipartisan consensus, if we have Republicans and Democrats on this commission that vote together on a bipartisan basis to proceed, then there is a privileged process to take the legislation to the floor and to vote on it in the House and the Senate. In the Senate, by the way, the 20-vote rule would apply. So, it is the same numbers required in order for it to become law, and, of course, the President would then be given the opportunity to sign it.

If we don't fix this mess that our country is in, it is hard for me to imagine a circumstance where America is able to continue to lead the world. If we are spending more on interest than we are spending on defense, then how in the world are we going to keep up with China, which is already spending a lot more on procurement than we are today?

So, this is a decision we have. We are either going to be known as a generation that took on tough challenges and solved them, or one that didn't. We all lived in the shadow of the greatest generation. If we don't fix this problem, we are going to be known as the worst generation. Our children, our grandchildren depend on taking action and everything's on the table.

I will just mention one thing, and that is, when Bill Clinton was President, he looked to see what Republicans and Democrats could do together. Each came together and found an equal amount of tax increases, revenue increases, and spending cuts and got a deal done and got us on track and actually got a balanced budget. This is something we can do, but only if we do it on a bipartisan basis. Thank you, Mr. Chairman and Ranking Member.

[The information follows:]

Thank you, Senator Manchin, and thank you Chairman Arrington and Ranking Member Boyle for this opportunity.

Let me first underscore what Senator Manchin has said about the urgency of the spending, fiscal and debt crisis, with three simple observations:

First (show chart 1), we have a serious interest problem. Defense spending and domestic discretionary spending have held pretty stable as a share of the economy, or GDP. They are actually headed downward.

(Chart 2) But because of us baby boomers aging, Social Security and Medicare are growing…fast. The result has been ever widening deficits and debt, as Senator Manchin has shown.

(Chart 3) And this is what it means to our spending on interest on the debt. In 2030, just 6 years from now, the interest expense on debt held by the public will be greater than either defense spending or domestic spending.

Unless we fix the fiscal calamity, we will no longer be the military leader of the world—which could have major consequences for our safety and national security.

Second, our mounting debt is placing us in the same hazardous category as Greece and Italy. (Chart 4) In just four years, we are projected to have greater debt as a share of the economy than Italy. That's why the rating agencies are already starting to write down our credit rating! And what that means leads to my third point.

If we don't fix the fiscal mess, our country will have a hard time getting people to loan us money—to buy our debt. That means higher interest rates, regardless of what the Fed wanted to do. Even higher interest rates would lead to spiraling deficits, soaring debt and Latin America-style inflation.

The only chance we have of repairing the fiscal mess is a bipartisan, bicameral commission, comprised of people who are sincere and determined to save the country. Nothing else stands a chance. And it will succeed where Simpson-Bowles did not for two reasons:

First, the crisis Simpson-Bowles warned about is already here.

And second, our legislation has a built-in path to a floor vote.

(Chart 5) Here is what the bill does:

Our legislation would establish a 16-member bipartisan, bicameral commission consisting of 12 elected officials and four outside experts. The Speaker of the House, House Minority Leader, Senate Majority Leader, and Senate Minority Leader each appoint four individuals to the

Commission, of which three must be members of their respective chambers and one must be an outside expert.

The objective of this commission would be to stabilize debt as a percentage of GDP within 15 years.

The commission can consider all federal spending—everything is on the table.

If a bipartisan consensus is reached within the commission—among elected members of Congress—the package of legislative solutions will receive expedited consideration in both chambers.

You and I have grown up in the prosperous years won for America by the Greatest Generation. If we fail to fix our fiscal mess, we will become known as the worst generation, the one that failed to preserve our country and its experiment in liberty as the leader of the free world.

Chairman ARRINGTON. I thank both Senators. We are honored by your participation today. I am inspired by your words and your courageous leadership, and I hope we can get this done. I really do, and I know you have a short time, so we will respect that, and we will continue this dialogue as we move these proposals through our respective chambers.

I am going to ask, because I have done a lot of talking here at this hearing, that my friend, my best friend actually, from Georgia, believe it or not, former Chief Deputy Whip Drew Ferguson, we will yield three minutes to you for a line of questioning, and then I will yield to the Ranking Member. So, Drew?

Mr. FERGUSON. Thank you, Mr. Chairman, and normally when I sit down with Senators, I always say, as a Georgian, I used to want two Bulldogs, two Atlanta Braves, and two Falcons to be my pallbearers so they could let me down one last time. When I got to DC, I figured I really needed six Senators, but I am just going to let y'all, I am going to let y'all off the hook on that because I appreciate you all being here today.

Bottom line, we have had a lot of discussion today on a lot of topics, mandatory spending, revenues, all of the different things, and we have had discussions about where should we be making investments? Is it in our people? Is it in our systems? Is it in defense? You cannot invest in anything if you are broke, right?

And I go back, I am a process guy. I think if you develop a good process, you learn to love that process. The process will love you back. You stay on, you develop a good process, and I go back and I look at the one thing that is a common thread through every single person that has pledged to run for Congress and has been elected, and we have all said we want to be fiscally responsible. What is standing in the way of us? It is a horrible budget process. It is a process where there are 50 acceptable pathways to failure and about one or two acceptable pathways to success.

So, I think one of the things that I would, and I would love to get y'all's opinion on this, as we look ahead, how important is it that not only do we deal with a fiscal commission as you have advocated, but let's talk about, as part of that, do you see a budget reform process as being part of that? Because quite candidly, we have a budget process that yields an aspirational document that is really not ultimately tied to appropriations or tied to the authorization, and none of it is tied to the revenue stream.

So, Senator Romney, I would start with you on this. Talk to us a little bit about process reform and how important it is to put a process in place that rewards early success and punishes late failure so that Congress is incentivized to do the right thing.

Mr. ROMNEY. I am not going to disagree with you. I am not going to disagree. I agree with you that we need to have a budget process which follows the law, and finding teeth to make sure that that budget process is followed is going to be a challenge which this commission can take on, among other things. I would note that I don't think process is sufficient. It is necessary, but not sufficient, and I say that because increasingly people have found we can make things mandatory. Both chambers have said, hey, we can put this outside the budget. We can put it as a mandatory spending item, and now almost 70 percent of our Federal spending is mandatory.

So, if we had a perfect budget process, we may do a better job taking out some waste and abuse and excess in our spending. Although you saw that as a percentage of the GDP, domestic spending and defense spending is actually going down. Our challenge is we have baby boomers, a lot of us, and just recognizing that presents a real fiscal challenge for us, and we are going to have to deal, not just with the process of dealing with our budget, but also dealing with the non-budget, if you will, the nondiscretionary items of our spending as well.

Mr. MANCHIN. Mr. Chairman, can I say one thing very quickly to that?

Chairman ARRINGTON. Please, sure.

Mr. MANCHIN. We have the budget on the laws right now, Congressional Budget Act of 1974. It sets the timeline. It sets it basically April 15 of each year. We are supposed to basically pass a budget resolution and then again by September 30, pass our appropriation bills. No teeth. You have heard about no budget, no pay, and all the different things. We have got to find a way to put teeth to the law we have, and if it is not going to be something as draconian as saying no budget, no pay, makes sense to me and back in West Virginia, if you don't do your work, you don't get paid, and if you do get paid, you have done your work. Pretty simple.

But with that, why not have mandatory cuts if we don't do it on time? That is what could be done, and the bottom line is, if we don't, I am trying to preserve Social Security. I got 400,000 people. Out of 1.7 million people in my state, 400,000 depend on Social Security and Medicare. Social Security is their lifeline. Within ten years, they are going to have a 20 percent cut. So, if Aunt Mary is getting $1,000 a month now, she is going to open the mail and get $800 and say, what in the hell happened? How come you all cut me?

I am trying to preserve that from happening. That is what we should be talking about. How do you preserve the system? Not this. Is he on your staff?

Mr. ROMNEY. Not that I recall.

Mr. MANCHIN. Okay. The guy that was screaming back here, okay, those people there, they don't want it because his generation may have to have some adjustments made, but anybody 50 and over we have been talking about, we are preserving the system that we have, and they are trying to weaponize it is what they are trying to do. We can't let it happen.

Mr. FERGUSON. I yield back. Thank you, Mr. Chairman. Thank you. I thank you all.

Chairman ARRINGTON. I thank the gentleman, and I now yield as much time as you may take for your line of questions.

Mr. BOYLE. Thank you, Mr. Chairman, and thank you, Senators, for being here. First, Mr. Chairman, I ask unanimous consent to include the following in the record, letters to the both of us from the American Federation of Government Employees, the Bipartisan Policy Center, and the National Postal Mail Handlers Union. A letter to all Representatives and Senators from the AARP, and finally, a letter to all Members of Congress from the President and CEO of the National Committee to Preserve Social Security and Medicare.

Chairman ARRINGTON. These are all based in West Texas?

Mr. BOYLE. I——

Chairman ARRINGTON. Without objection, so ordered.

[The information follows:]

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO

Eric Bunn Sr.
National Secretary-Treasurer

Dr. Everett B. Kelley
National President

Jeremy A. Lannan
NVP for Women & Fair Practices

November 29, 2023

Honorable Jodey Arrington, Chair
House Budget Committee
Washington, DC 20515

Honorable Brendan Boyle, Ranking Member
House Budget Committee
Washington, DC 20515

Dear Chair Arrington, Ranking Member Boyle and Members of the Committee:

On behalf of the American Federation of Government Employees, AFL-CIO (AFGE), which represents over 750,000 federal and District of Columbia employees in 70 agencies, I write to express AFGE's strong opposition to various fiscal commission proposals, including H.R. 710, H.R. 5779, and S. 3262, which are the subject of this week's hearing in the House Budget Committee.

Although the proposals differ in their specifics, all the bills would generally establish a commission consisting of members of Congress and outside "experts" who would enjoy extraordinary power to shape future fiscal policy and recommend measures regarding fiscal policy, traditionally the domain of the spending and tax committees of Congress, which would receive expedited consideration and be immune from amendment. To establish such a commission would be a confession of failure by Congress to perform its basic Constitutional responsibilities of setting tax policy and providing for the common defense and general welfare of the American people.

It is understandable to be concerned about the escalating growth of the deficit and how interest payments may claw into the budget now and in the future; nor is it irrational to worry over the future of Social Security and Medicare as demographic factors threaten these programs. However, Congress has done too little to address these problems through regular order. Congressman Larson's "Social Security 2100 Act," for example, would modernize Social Security, increase benefits, and safeguard the trust fund – all without raising taxes on middle income Americans or raising the retirement age. This worthy bill, however, has yet to advance or receive a vote.

Over the past two decades, Congress has supported various costly wars that were never paid for through revenue increases, trillion-dollar bailouts for banks and employers affected by the pandemic and subprime mortgage crises, and tax cuts that largely benefited corporations and the wealthy. As a result, the national debt has ballooned from $2.8 trillion in 1989 to over $33 trillion today.

The beneficiaries of this extraordinary fiscal largesse have been the ultra-wealthy. The top 0.1% of Americans – people with net worth typically well in excess of $30 million – have seen their total wealth grow from an already lavish $4.6 trillion in 1989 to a whopping $48 trillion today, according to Federal Reserve statistics. Meanwhile the wealth of the bottom 50% - a group representing 500 times as many people as the top 0.1% - have only gained less than $3 trillion in total wealth.

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The wealth of the bottom half of the U.S. population has thus barely kept pace with inflation, while the ultra-wealthy have reaped human history's greatest windfall.

It is obvious from the structure of the various proposals that a fiscal commission will seek to remediate this situation by exacting further cuts from those least able to bear them - working people, those approaching retirement, the elderly, the sick, and the destitute–rather than proposing a balanced package of spending and revenue measures that spread the costs and sacrifices fairly across society. It will further afflict the afflicted.

Indeed, a fiscal commission would effectively replicate the enormous challenge that House Republicans have faced this year passing FY24 appropriations bills. Resistant to any discussion of revenue increases, House Republicans, over the course of 2023, have proposed extreme cuts to the federal domestic budget, ranging from 20-40%, even though the domestic budget, excluding veteran programs, is a small fraction of federal spending. Indeed, eliminating *all* federal government agencies, while sparing the Departments of Defense and Veterans Affairs, would barely reduce the deficit. It would still exceed a trillion dollars a year. Gone would be our national parks, farm programs, food and drug safety, scientific research, and environmental protection. Our borders would be open and our skies unregulated. Our prisons would be unguarded. Yet we would still have a considerable deficit, the result of reckless federal tax policies. A fiscal commission, because of its novelty and unaccountability to the American people, may well propose and induce Members to vote for measures that are as extreme, one-sided, and misguided as those House Republicans have tried to pass.

America's civil servants, whom we represent, have already done more than their fair share of deficit reduction. The pay gap between the public and private sectors has only widened; federal pay now lags the private sector by more than 25% according to the Office of Personnel Management. The last fiscal "crisis" following the subprime mortgage debacle led to the unsuccessful Simpson-Bowles commission and the Congressional supercommittee, all of which failed to reach meaningful agreements. However federal workers were repeatedly and successfully targeted, suffering three years of pay freezes and a seemingly permanent 3.6% surtax on federal salaries, ostensibly to pay for retirement benefits. Federal workers have thus already contributed hundreds of billions to "deficit reduction," a sacrifice asked of no one else. Federal civilian employment today is less than it was in the 1960s, even as the U.S. population has nearly doubled. Workers at federal agencies like the Social Security Administration are already at the breaking point, the result of years of chronic underfunding.

The history of fiscal commissions is a history of failure. The commissions represent the interests of the comfortable and propose punitive measures toward others less comfortable, all in the name of austerity and responsibility. We urge the Committee and Congress as a whole to reject the measures under discussion today.

Thank you for considering AFGE's views on the creation of any so-called fiscal commission. For additional information, please contact Keith Abouchar (202-717-5749), Daniel Horowitz (202- 304-5342), or Julie Tippens (202-412-6728) of the AFGE Legislative Department.

Sincerely,

Everett B. Kelley

Everett B. Kelley
National President

Bipartisan Policy Center

November 29, 2023

The Honorable Jodey Arrington
Chairman
Committee on the Budget
United States House of Representatives
Washington, D.C. 20515

The Honorable Brendan Boyle
Ranking Member
Committee on the Budget
United States House of Representatives
Washington, D.C. 20515

Letter for the Record: House Committee on the Budget Hearing on "Examining the Need for a Fiscal Commission Reviewing H.R. 710, H.R. 5779, and S. 3262"

Dear Chairman Arrington, Ranking Member Boyle, and Members of the Committee:

Thank you for holding today's hearing, "Examining the Need for a Fiscal Commission Reviewing H.R. 710, H.R. 5779, and S. 3262." As President and CEO of the Bipartisan Policy Center, I commend the committee for its leadership in examining some of the most important budgetary questions facing our nation today and for the commitment of the Chairman and Ranking Member towards seeking bipartisan solutions.

The country's fiscal trajectory is unsustainable.[1] Structural budget deficits, rapidly rising debt, and sizable interest payments on that debt threaten to slow economic growth, hinder policymakers' response to domestic and international challenges, and undermine America's position as a global leader. The United States desperately needs action from Congress and the president to correct course.

A bipartisan, bicameral fiscal commission could help. Fiscal commissions can shine a light for lawmakers and the public on why escalating debt and deficits pose a problem for economic competitiveness and national security. They can organize Democrats and Republicans in Washington around the shared principles needed to meaningfully address our budgetary challenges in the years ahead. Commissions can also put realistic, politically viable, and bipartisan policy options on the table to reduce the deficit.

BPC applauds lawmakers in both parties who have advanced thoughtful ideas to establish a fiscal commission this year through the Fiscal Commission Act (H.R. 5779), the Fiscal Stability Act (S. 3262), and the Sustainable Budget Act (H.R. 710 and S. 743). While these bills propose commissions of different size, scope, and structure, all contain meritorious provisions and represent serious, meaningful efforts to get both parties working together to improve the fiscal outlook.

We aim to work with these champions, the House Budget Committee, and House and Senate leadership, on setting a bipartisan fiscal commission up for success. Our views on how to do so are informed by deep experience and expertise. The stakes are high, and bipartisan leadership is needed now more than ever.

BPC's Leadership

BPC's 2010 Debt Reduction Task Force, co-chaired by the late Senator Pete Domenici and former Office of Management and Budget Director Alice Rivlin, was comprised of 19 former elected officials and experts

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[1] Congressional Budget Office, "The 2023 Long-Term Budget Outlook," June 28, 2023. Available at: https://www.cbo.gov/publication/59014.

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with diverse backgrounds from across the political spectrum.[2] The group met and debated policy options over the course of a year, and eventually produced a package of recommendations that would stabilize the ratio of debt to gross domestic product at 60% by 2020.[3] Its consensus report increased awareness of the nation's fiscal problems and helped lead Congress to pass multiple recommendations from the task force into law—most notably, the caps on discretionary spending contained in the 2011 Budget Control Act.[4]

BPC has also spent years studying the drivers of our nation's unsustainable fiscal trajectory—specifically, Social Security,[5] Medicare,[6] and revenues[7]—and issuing policy recommendations that would strengthen entitlement programs and reduce complexity of the federal tax code.

Finally, we are a leader in educating policymakers and the public on the nation's debt limit, including the risks of reaching the "X Date" and the potentially catastrophic consequences if the government were to default on its debt obligations.[8]

Each of these issues factor into the objectives, deadlines, and outcomes for any new fiscal commission established in the 118th Congress, and BPC seeks to work with both parties on ensuring a commission can advance bold and meaningful fiscal policy solutions for the American people.

Setting a Commission Up for Success

Based on BPC's Debt Reduction Task Force, our multiple non-governmental commissions that delivered policy recommendations on major budgetary challenges, and our work to improve the nation's budget process, we encourage the House Budget Committee and all stakeholders to prioritize three lessons learned in setting a new bipartisan fiscal commission up for success in 2024 and beyond:

1) **Create mechanisms to build goodwill throughout the process**: It is important that a fiscal commission build the momentum necessary for legislative success. A commission should apply best practices from successful efforts like the Select Committee on the Modernization of Congress, including the establishment of a common agenda, alternative meeting formats like roundtables, and sharing of staff. A commission should also be tasked with meeting interim deadlines, such as a report outlining why the debt is a problem, a document outlining key principles policymakers on both sides can agree to for reducing the debt, and then a submission of policy options for congressional consideration.

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[2] Pete Domenici and Alice Rivlin, "Restoring America's Future: Reviving the Economy, Cutting Spending and Debt, and Creating a Simple, Pro-Growth Tax System," BPC Debt Reduction Task Force, November 17, 2010. Available at: https://bipartisanpolicy.org/report/restoring-americas-future/.
[3] *Ibid.*
[4] P.L. 112-25, Budget Control Act, August 2, 2011. Available at: https://www.congress.gov/112/plaws/publ25/PLAW-112publ25.pdf.
[5] Bipartisan Policy Center, "Securing Our Financial Future: Report of the Commission on Retirement Security and Personal Savings," June 9, 2016. Available at: https://bipartisanpolicy.org/report/retirement-security/.
[6] Kevin Wu, Shai Akabas, G. William Hoagland, and Marilyn Werber Serafini, "The Cost of Waiting to Act on Medicare's Hospital Insurance Trust Fund," Bipartisan Policy Center, June 17, 2021. Available at: https://bipartisanpolicy.org/report/hospital-insurance-trust-fund/.
[7] Bipartisan Policy Center, "Putting America Back on Track: A Bipartisan Approach to Fiscal Policy Solutions," June 11, 2019. Available at: https://www.pgpf.org/sites/default/files/PGPF-Bipartisan-Policy-Center-Solutions-Initiative-2019.pdf.
[8] Bipartisan Policy Center, "Debt Limit Analysis," 2023. Available at: https://bipartisanpolicy.org/debt-limit/.

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2) **Keep the 2025 fiscal cliff front of mind**: Congress will face at least two major fiscal deadlines in 2025: the need to address the nation's debt limit (reinstated on January 2) and the December expiration of tax cuts from the 2017 Tax Cuts and Jobs Act (TCJA). Although America's budget challenges extend well beyond these immediate and unavoidable deadlines, a commission could consider reforming how lawmakers confront the debt limit not only in 2025 but permanently, while simultaneously assisting lawmakers with thoughtful, fiscally responsible ways to address TCJA expirations.[9]
3) **End the time-worn practice of budgeting by chaos**: It will be much more difficult for policymakers to reduce debt and deficits in the years ahead if the congressional budget process remains fundamentally broken, requiring members of Congress to lurch from crisis to crisis instead of passing budgets on time and addressing long-term drivers of debt. We are encouraged by the committee's bipartisan engagement on fixing the broken federal budget process and have outlined numerous steps lawmakers can take to improve the odds of passing a budget in full and on time. Some of these steps can be accomplished by this committee in short order, with existing bipartisan legislation, and help build momentum toward resolving the broader budgetary challenges the country faces in the years ahead.[10] We look forward to continuing our work with the committee on this bipartisan initiative.

Conclusion

America's fiscal challenge should be a top priority for lawmakers in the years ahead. No solution to these issues will withstand the test of time without strong bipartisan support. BPC stands ready to assist any policymaker willing to reach across the aisle to improve our nation's fiscal future for the next generation, and we commend the committee and the champions of recent fiscal commission proposals for their commitment to this cause.

Sincerely,

Margaret Spellings
President and CEO
Bipartisan Policy Center

[9] H.R.6393, Responsible Budgeting Act, January 13, 2022. Available at: https://www.congress.gov/bill/117th-congress/house-bill/6393.
[10] Bipartisan Policy Center Action, "Options to Reform the Congressional Budget Process as It Turns 50," 2023. Available at: https://bpcaction.org/wp-content/uploads/BPCA-Budget-Process-Reform-One-Pager.pdf.

National Postal Mail Handlers Union

Paul V. Hogrogian *National President* | **Kevin P. Tabarus** *National Secretary-Treasurer*

June Harris *Vice President Central Region* | **John A. Gibson** *Vice President Eastern Region* | **David E. Wilkin** *Vice President Northeastern Region* | **Lawrence B. Sapp** *Vice President Southern Region* | **Don J. Sneesby** *Vice President Western Region*

November 28, 2023

Chairman Jodey Arrington
Budget Committee
U.S. House of Representative
Washington, DC 20515

Ranking Member Brendan Boyle
Budget Committee
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Arrington and Ranking Member Boyle,

The National Postal Mail Handlers Union (NPMHU) represents over 50,000 mail handlers within the United States Postal Service in facilities across America. I write to express concern over the topic of the upcoming Budget Committee hearing, "Examining the Need for a Fiscal Commission Reviewing H.R. 710, H.R. 5779, and S. 3262."

The last time Congress took up a fiscal commission was with the Simpson-Bowles Commission in 2010. While the Simpson-Bowles Commission began with grand ideas of reducing federal spending for the benefit of the national economy as it recovered from the Great Recession, the output of that Commission was to target the pay of postal and federal employees. Federal employees under the General Schedule system saw a three-year pay freeze. Additionally, employee contributions to retirement benefits increased dramatically - 3.1 percent for postal and federal employees hired after 2013 and 4.4 percent for those hired after 2014.

As you examine current fiscal commission legislation, I ask you to reject the notion that the path to addressing the nation's deficit is through cuts to middle-class workers' hard-earned pay and benefits. Reductions like these only result in undermining the hiring process and push applicants away from the Postal Service as a potential employer, which then adds to the depletion of the workforce. The NPMHU reminds the Budget Committee that the pay and benefits of postal and federal employees are not the source of the nation's deficit, and they should not be the solution.

Regards,

Paul V. Hogrogian
National President
National Postal Mail Handlers Union

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Jo Ann C. Jenkins
CHIEF EXECUTIVE OFFICER

November 13, 2023

Dear Representative / Senator:

On behalf of AARP, which advocates for the more than 100 million Americans age 50 and older, we are writing to express our strong opposition to the inclusion of Social Security and Medicare in any fiscal or debt commission.

The national debt is a serious issue, and older Americans care deeply about the future of this country and leaving a legacy for their children and grandchildren. Older Americans also care deeply about Social Security and Medicare, which is why these two programs should be protected in any discussion about the debt or deficit.

Social Security is NOT a driver of the annual deficits or national debt. The program is self-financed. It is not financed by general revenue. In fact, more than 90% of Social Security is financed by payroll tax contributions from American workers and employers; around 4% are from federal income taxes on some Social Security benefits; and 5.4% comes from interest earned on U.S. Treasury bonds held by the Social Security Trust Funds. Any argument that claims that Social Security is a driver of the national debt – simply because it receives interest from the U.S. Treasury bonds—is disingenuous. U.S. Treasury bonds are one of the world's safest investments, backed by the full faith and credit of the United States.

According to AARP research, 85 percent of older Americans, regardless of party, strongly oppose targeting Social Security and Medicare to reduce federal budget deficits. Specifically, the survey found that 88 percent of Republicans, 79 percent of Independents, and 87 percent of Democrats *strongly* oppose cutting Social Security. Similarly, 86 percent of Republicans, 80 percent of Independents, and 88 percent of Democrats said they strongly oppose cutting Medicare.

Older Americans of all political stripes understand that Social Security and Medicare are essential to their retirement and health security. They have paid into these programs their entire working lives. They have *earned* those benefits.

AARP calls on Congress to commit that any and all discussions about the future of Social Security and Medicare be done through a fully transparent process. Congress must work through committees of jurisdiction and regular order. If regular order is the gold standard for routine legislative matters, it certainly should be the standard for Social Security and Medicare.

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Congress owes it to the American people to be directly accountable and engage in open and public discussions about the programs.

AARP looks forward to working with Congress to find reasonable and responsible solutions to addressing the national debt – that do NOT involve taking any money from the independent Social Security and Medicare Trust Funds.

Sincerely

Jo Ann C. Jenkins

Jo Ann C. Jenkins

National Committee to Preserve Social Security & Medicare®
Trusted • Independent • Effective

November 13, 2023

U.S. House of Representatives
Washington, D.C. 20515

Dear Representative:

On behalf of the millions of members and supporters of the National Committee to Preserve Social Security and Medicare, I am writing to urge you to oppose the creation of any commission that would circumvent Congress' regular order for considering Social Security and Medicare changes. The National Committee is a grassroots advocacy and educational organization dedicated to preserving and strengthening the programs which are vitally important to the well-being of our nation's seniors.

As Congress grapples with the implications of a federal debt currently topping $33 trillion, pressure by fiscal conservatives inevitably turns to finding "savings" in Social Security, even though this critical social insurance program for America's workers does not contribute a single penny to the national debt.

Finding "savings" in Social Security is code for cutting Social Security, which poses significant political risks to elected officials who vote to cut the already modest, earned benefits of workers contributing to this extremely popular program. This is why the notion of creating a commission to advance unpopular benefit cuts repeatedly resurfaces, in the hopes a bipartisan commission could help shield proponents of cutting the program from political accountability. Such a commission would provide a patina of "bipartisanship" to benefit-cutting proposals which have historically been the province of those who oppose social insurance.

Every working American has a tremendous stake in the future of this earned benefit program, not only as the foundation of their own retirement security but also as critical support for their families in the case of severe disability or the death of the family breadwinner. The benefits paid by Social Security are the cornerstone of many local economies, especially in rural areas with little economic growth.

Social Security must undergo changes both to ensure its long-term solvency as well as to enhance benefits whose value has eroded in the half-century since Social Security was last improved. However, the future of this critical program must not and should not be determined as part of a budget cutting exercise. Instead, the committees with jurisdiction over Social Security and Medicare should hold hearings, develop legislation that will strengthen the economic and health security for the American people rather than budget cutting as its primary mission, and Congress should vote on any consensus package produced under the regular rules of the House and Senate.

Commissions designed to squeeze *every possible dollar* of savings out of Social Security *without consideration for the adequacy of benefits* during their deliberations serve as a vehicle for enacting deep cuts to Social Security and Medicare that could never pass Congress on their own because of their unpopularity with the voting public.

Appointing commissions as a way to "kick the can down the road" on challenging issues is nothing new for Congress. Make no mistake about it, the commissions being proposed today bear little or no resemblance to these ineffective commissions of the past. Today's commissions are supercharged – designed to rush their recommendations through Congress so they can be enacted before the American people have a chance to study them and understand how they would be affected.

Fast-track commissions should be especially problematic for those institutionalists in the Senate who support the right of individual Senators to slow down legislation in order to provide time for a consensus to develop. The House of Representatives already has rules in place which allow its majority to fast-track legislation, prohibit amendments and limit debate. The current commission legislation would impose similar procedures upon the Senate when considering bills implementing any recommendations by the commission. The Senate's rules of debate are among the few legislative processes protecting Social Security from potentially devastating cuts – fast-tracking commission-backed benefit cuts would destroy that protection and set a precedent for the future that would be difficult to reverse.

The National Committee believes Social Security and Medicare must be reformed, their benefits updated to meet the needs of today's and tomorrow's beneficiaries and their financial solvency assured for future generations. But the process to achieve that goal must be deliberative and fully accessible to the public. Commissions on steroids forcing changes to hard-earned benefits will not fool American voters – President Biden has called them "death panels" for Social Security and Medicare for good reason.

For that reason, I urge you to oppose any commission that would be created to cut Social Security and Medicare benefits.

Sincerely,

Max Richtman

Max Richtman
President and CEO

For additional reading, please see: https://www.ncpssm.org/documents/letters-118th/testimony-for-house-budget-committee-fiscal-commission-hearing/ and https://www.ncpssm.org/entitledtoknow/ny-times-op-ed-attempts-to-divide-the-generations-to-undermine-social-security-medicare/

Mr. BOYLE. Good organizations, but well, thank you again and I very much admire both of your careers in public service. Just a couple points and then I wanted to give you both the opportunity to address something that my predecessor who served on one of these commissions that didn't succeed said when we had a hearing here a couple of weeks ago on exactly the same topic.

First, I always point out to people because, you know, sometimes through nostalgia sort of fairy tales get told about a perfect past that was never so, sadly. Everyone points to the great example in 1983 where President Reagan and Tip O'Neill shook hands and they saved Social Security. That part is true. The part that is often left out is that we were literally just weeks away from Social Security payments being missed. That is how close to the deadline they were.

So, I point out to people I have good news and I have bad news. The good news is we have time. The Social Security Trust Fund will become insolvent either 2033 or 2034 depending on if you use the CBO figures or the Social Security Trustee figures. So, we have about a decade. Medicare Trust Funds become insolvent a little bit before that. So, the good news is we have time. The bad news is we have time.

And given the way human nature is, given the way Congress tends to act just basically based on deadlines, time in this regard is not our friend. I would also point out that, and you gentlemen weren't here for this, but in previous hearings and in the previous panel, where we had three different bipartisan sets of Representatives with their own commission ideas, which actually are very similar to what you have come up with. Ultimately, regardless of the shape and form of a commission or if Congress just finally did its job in terms of the legislative process, it ultimately will come down to a decision of either more revenues or cuts or a blend of the two.

I have been quite clear I come down on the side of more revenues. I have a piece of legislation. I put it right there in writing what my plan would be to ensure Social Security is there through the year 2100. Sheldon Whitehouse has the companion piece of legislation in the Senate, and I think it is important to keep in mind where the American people are on this issue. According to Navigator polling from this June, when asked about approaches to reducing the deficit, 82 percent of Americans opted for raising taxes on the top one percent and corporations, including closing tax loopholes, and only seven percent opted for cuts to Social Security and Medicare. See, the American people are pretty clearly overwhelmingly on the more revenue side of this equation as opposed to cuts.

Now, finally, I just want to give you the opportunity to respond to something. My predecessor, the Chairman of this Committee, John Yarmuth, who served on one of these commissions that unfortunately did not succeed, which has been the history of the commissions, the various ones that have existed over the last decade or two, and he said something in his opening statement that I am just going to read, and I wanted to invite the both of you to comment or point out where you think he may be wrong. He said, "While some of the other Members of this Committee might take issue with my evaluation, I believe the process illuminated one fairly obvious but unavoidable truth. The problem is not the process, it is the people. In other words, if Members of Congress are not willing to muster the determination and courage to take on our fiscal challenges, even the best ideas will never be implemented." So, I would open up to the both of you to either agree or disagree or in any way react to what Chairman Yarmuth said. So, I will yield. Senator Romney, Senator Manchin?

Mr. MANCHIN. Let me just say on, you know, I look back in history and try to figure out, Ross Perot ran as an independent, okay? He ran on one item, the finances of our country and made that his focal point of running. We were maybe $2–3 trillion of debt at that period of time, if that, but that was, he knew we were going in the wrong direction, and no one was stopping it. So, that caused some concern. We should have been alarmed, and we weren't. How many of us know people that we talk to that says, I don't mind paying taxes, I just don't like how you spend it? We hear that from everybody, people of high net values and all. How did we do it in 1997? How did they do it with Clinton and basically Newt Gingrich, putting Erskine-Bowles, the most responsible, reasonable person, I think one of the top ones I have ever met, and then having John Kasich, one of the most sincere people I have ever met on that side too, come together and form basically a rate, a tax rate that basically did not cripple or hamper our economy whatsoever. We grew under that. We were on a trajection that we would have been basically debt free by 2006. Debt free.

We had 9/11 happen. We declared two wars, never paid for them. We had two tax cuts we never took in consideration, and then when those tax cuts, I was there when basically they went off, the ten years, all President Obama had to do was be silent, say nothing, and we would have been right back where we were, same thing with 1997, but they had to interject, anybody that makes less than $250,000 will not be affected in any way, shape, or form.

Then, further down the road, just recently, as President Biden says, anybody that makes less than $400,000 will not be affected. We are all in this. We are all Americans. We are all in this. So, if it worked in 1997 up to 2001, we had balanced budgets, we had surpluses. Look at the last success we have had and see how that would cripple us today or not, and if it wouldn't, we have to start looking at how do we save the Trust Funds?

I have got to answer to Medicaid and Medicare people depend on in my state. The Trust Funds are going to be basically insolvent, and we have talked about this. Take the cap off, the FICA cap. Okay. Well, if you said you spend it strictly to save the Trust Fund and not being going into the Treasury could be spent for discretionary or non-discretionary, whatever, people may be more acceptable. You have to look at everything and we don't have to cut and basically scare the bejesus out of people that we have in our home states right now.

So somehow, we have got to calm it down but we have got to come to the realization someone is going to pay the piper here, and one of the graphs that Mitt had here showed that where our interest is going. When interest basically surpasses every spending item that we have, that is as critical as it gets.

Mr. BOYLE. Senator Romney, did you want to make a comment?

Mr. ROMNEY. Yeah, just a couple of comments. One, that poll is amazing. I can't believe there are eight percent of the people who think we ought to cut Social Security.

Mr. BOYLE. It was seven. It was seven.

Mr. ROMNEY. Was it seven?

Mr. BOYLE. Yes, sir.

Mr. ROMNEY. It is astonishing. I would like to see who they are because I don't know a single Republican or a single Democrat who thinks we ought to cut Social Security, reduce the funding for Social Security. They may exist out there, I just haven't met them. So, there is zero interest on the part of either side of the aisle to cut Social Security or cut Social Security benefits. Both the leading contenders for 2024, former President Trump, current President Biden, have both said we are not going to touch Social Security, and Joe and I fully agree and my guess is every Member of this commission would fully agree.

The question is, well, how about for people in their 20s and 30s, what should it look like at that point? How long will they live? What should the tax be? I mean, what part of income should it be? Should we lift the cap as Senator Manchin has indicated? So, all those things are on the table for discussion.

One thing that is not on the table is the idea that we are going to cut benefits. That would simply be unacceptable. It is not realistic. I do agree that we have to look to the people, the people that have been elected to solve these problems. Your quote about that is absolutely right, and what we found is that over time, we have come closest to dealing with this challenge, our taxing, spending, fiscal challenge, when there has been a bipartisan effort.

Joe and I just worked together on a bipartisan effort on an infrastructure bill where equal number of Republicans and Democrats worked together, crossed the divide, if you will, and got something done. So, a bipartisan effort is what I think the Huizenga bill proposes, what we are proposing, they are very similar pieces of legislation, is saying, hey, let's create a bipartisan effort of elected officials to work together to see if they can come up with something that passes muster on both sides of the aisle, and if it does, let's vote on it, up or down.

I do think that the urgency today, I mean, I didn't underscore this urgency, but I spent my life in the private sector, in the financial sector. It is going to get hard to sell U.S. debt and we might want to lower interest rates, say okay, we are over the tough times, inflation has been dealt with, let's bring interest rates down. The Fed is not going to be able to control interest rates if people don't want to buy our treasuries. Interest rates are going to start going up all by themselves, and you can have a spiral where interest rates go higher, our deficit gets larger. We need to issue more treasuries. We have to raise interest rates higher. We can find ourselves in a Latin America type circumstance.

So, sometime during the next few years we can have failed treasury auctions, interest rates going up. This is the reality. I recognize Social Security Trust Fund runs out, Medicare Trust Fund runs out down the road. We have time on those, but the urgency of a potentially failed treasury auction, rapidly rising interest rates, and not being able to keep up militarily, that is with us right now.

Mr. BOYLE. No one should misunderstand me and the Chairman knows this because we have had a ton of hearings, I have never suggested that the deficit or debt is nothing to worry about. Clearly, and actually my colleague who was on one of the previous panels, Mr. Peters from California, points this out that interest taking an increased percentage of our budget should concern both Democrats and Republicans alike, probably for different reasons, but that is something on which we should all agree.

I will say though, to your point, Senator Romney, I just looked this morning, the yield on the 10-year is down to 4.3. It was above five about a month ago, which was a peak. It hadn't been at that level in over a decade. The demand right now in the world for U.S. treasuries is still as high as it can possibly be. So, I don't think that we are anywhere close to the sort of nightmare Latin American-like scenario that you described but I am by no——

Mr. MANCHIN. Congressman, if I——

Mr. BOYLE [continuing]. Means suggesting that we have nothing to worry about and that it will always be that way.

Mr. MANCHIN. If I can say just one thing.

Mr. BOYLE. Yeah.

Mr. MANCHIN. On that there are basically if you look at how much we have increased as far as the Treasury, how much of a quantity of easing we bought ourself——

Mr. BOYLE. Yeah.

Mr. MANCHIN [continuing]. We have never been in this category. They went quite close to $10 trillion. They are about 8.3, 8.4 now, and we were about $3 or $4 trillion back in 2018, 2019. There is no reason in the world that we should be buying this much paper of ourself. We raise cane about other countries manipulating their dollar, their currency. We have been the worst in the world of manipulating our currency. Buying our own paper, and have false pretenses of what we have, and how strong our demand is. Demand is pretty damn strong if you are competing with us. We are competing with ourselves. That didn't make any sense to me at all.

And I have said this, that if we don't stop and I think they have been bringing it down to a certain extent, but not fast enough, but go ahead, I am sorry.

Mr. BOYLE. I am sorry, I didn't want to cut you off. Were you——

Mr. MANCHIN. I am fine. I am fine.

Mr. BOYLE. I can dispense with my further questions and yield my time to my colleague Mr. Scott, if he had questions, or if not. So, I will yield a minute or two to Mr. Scott.

Chairman ARRINGTON. Let's make it quick, Mr. Scott, just because they have got to get out of here.

Mr. BOYLE. Okay.

Mr. SCOTT. Well, thank you. Well, I just want to make a point about, we have heard about giving credit to Mr. Kasich and President Clinton for that. I was there in 1993. I think I am the only one on the Committee. In 1993, we passed a budget, zero Republicans, House or Senate, and when we passed it, when the 218th vote was cast in the House by Marjorie Margolies-Mezvinsky, it wasn't, way to go, Marjorie. No, it was, bye-bye, Marjorie. She lost her seat, along with a total of 34 Democrats lost their seats along with the majority. First time in a long time.

By 1997, the deficit had already about gone, and so we didn't need a balanced budget amendment. The budget was just about balanced by then. All the political price had been paid. Now, I guess we give credit for George H. W. Bush because he paid a price a couple of years before I got there, but all of that heavy lifting was done in the 1993 budget without a single Republican vote, and then everybody wants to jump on the bandwagon after all the work has been done, after all the political price has been paid, and try to get credit.

I did have one question, Senator Romney. I think everybody knows we got a problem, and the solution is, as we have said, revenues and cut spending, or combination of both. You have got all spending, everything on the table. Is that suggesting that there is no revenue as part of the solution?

Mr. ROMNEY. No, no. Meaning all the spending categories, mandatory, non-mandatory—discretionary, all of them are all available to look at, and everything is on the table, meaning revenues as well as spending. There are other ideas. There is an arbitrage idea that has been put forward by a couple of Senators. So, basically all ideas are open.

Mr. SCOTT. Including revenue?

Mr. ROMNEY. Including revenue, yes.

Chairman ARRINGTON. The gentleman's time has expired. I think it is a good question.

Mr. SCOTT. Could I just make one last quick question?

Chairman ARRINGTON. Sure.

Mr. SCOTT. The Ranking Member said we have got time. The more time we take, the more expensive it gets. Thank you.

Chairman ARRINGTON. I couldn't agree more. Boy, I have got all kinds of good counsel over here. Listen, we can all talk about this all day because we care about it and we just want to find a path to success for the sake of the generations of Americans. I love what you said. I couldn't say it more poignantly and eloquently. People are counting on us to lead and make sacrifices and make tough decisions and we may be the only generation that fails to do that. The American spirit, the American way of putting the interest of the country before our political interest. That is really what this boils down to.

Can this commission help facilitate that courage and getting to those decisions? I think we got to give everything a shot.

Mr. MANCHIN. Mr. Chairman.

Chairman ARRINGTON. What is happening now doesn't seem to be working. Mr. Manchin.

Mr. MANCHIN. If I may say this. We have two bipartisan bills. You have one on your side——

Chairman ARRINGTON. Yes, sir.

Mr. MANCHIN [continuing]. With Congressman Peters and Congressman Huizenga.

Chairman ARRINGTON. Yes, sir.

Mr. MANCHIN. We have ours with bipartisan support. We have enough Members who aren't returning. They have decided to take a hiatus, okay? There are enough people here that will bite the bullet.

Chairman ARRINGTON. Yes.

Mr. MANCHIN. There are enough people that will bite the bullet, do the right thing. It is a small price to pay for our country.

Chairman ARRINGTON. Amen.

Mr. MANCHIN. We are in absolutely, we have never been in this condition before. We have never come close to this. So, we got to figure out how we can do this. Put the right people on that——

Chairman ARRINGTON. Yes.

Mr. MANCHIN [continuing]. That aren't afraid, that aren't afraid to do something right, and I think it will be the most rewarding thing we do for our country.

Chairman ARRINGTON. Well said, and one last point. We have got to sound the alarm because we have been sleepwalking——

Mr. MANCHIN. Yeah.

Chairman ARRINGTON [continuing]. Off the fiscal cliff and we are numb to the trillions of dollars, and our young people, they are especially numb to it because to date, we have had the reserve currency. We still have it to date, but when the dominoes start falling it is hard to put all the pieces together again, right? So, at a minimum, at a minimum, this commission can sound the alarm and have a national campaign to tell the American people and generations of Americans what is going to happen if they don't put pressure on us to have the political will to do the right thing for them.

So, with that, any last word and then we will call this—Mr. Manchin?

Mr. MANCHIN. The only thing I would say—go ahead.

Mr. ROMNEY. I am good.

Mr. MANCHIN. The only thing I would say on that is if the people in America know what would happen to the United States of America if we do not maintain the reserve currency of the world if they know what a factor that is and what it plays into our national defense, God help us.

Chairman ARRINGTON. God help us.

Mr. MANCHIN. You want to raise the alarm, that is the way.

Mr. ROMNEY. We are going to sell our treasuries as long as we are the reserve currency of the world, but a famous person in a wonderful book once said in terms of going bankrupt, first you go slowly and then you go suddenly.

Chairman ARRINGTON. Yes.

Mr. ROMNEY. This is something we are going to have to deal with at some point. I hope it is not real soon, but we have to deal with and we need to be responsible enough, and we were elected to deal with the challenges we face. This is clearly one of them. Thank you, Mr. Chairman.

Chairman ARRINGTON. Thank you for being generous with your time.

Mr. ROMNEY. I appreciate it, Ranking Member.

Chairman ARRINGTON. I appreciate all the comments. This concludes today's hearing, and with that, this Committee stands adjourned.

[Whereupon, at 12:20 p.m., the Committee was adjourned.]

Examining the Need for a Fiscal Commission Reviewing H.R. 710, H.R. 5779, and S. 3262

Budget Committee, Wednesday, Nov. 29, 2023

Thank you, Mr. Chairman, I really want to thank you for holding this timely hearing today. More and more Kansans I talk to say that our national debt is one of their top priorities. So thank you for calling this hearing, and thank you to our witnesses.

Today we're borrowing one out of every five dollars we spend at the federal level. Imagine if that were a family budget or a small business. You simply couldn't survive if 20% of spending had to be borrowed.

That's over $60,000 (dollars) borrowed each second – or over $35 billion (dollars) each week. I think most Americans would be appalled if they realized that their government is borrowing at that rate.

And here's the sad truth – when we squabble over spending in this committee or on the House floor, it's over just a drop in the bucket of the total spending by the federal government.

Discretionary spending – the spending that we actually get to vote on – only accounts for less than 30% of all government spending. The rest is automatic spending set in place through various programs. In fact, discretionary spending is less than our deficit, so even if we set all of our appropriations to $0 – which we could not nor would we do since that includes our military and veterans – we might still be borrowing *just* to cover automatic spending – spending we don't even get to vote on.

This crisis didn't happen overnight – it's taken years to get to this point. But it seems like it's accelerating. We crossed the $33 trillion (dollar) debt line sooner than expected, and we'll be at $34 trillion (dollars) very soon as well. This spending and debt increase has occurred over years, but the rapid acceleration is because President Biden's outrageous spending is the largest deficit spending by any president in history outside of the COVID-19 pandemic.

It's clear that the status quo in Washington is ... not ... working. We haven't passed all 12 appropriations bills on time since 1996 and *both* sides are to blame.

We can't keep passing omnibus spending packages and continuing resolutions that do nothing to provide our country with fiscal stability. A fiscal commission is one approach to correct course – and there's bipartisan support to establish one.

My colleagues and I, including two of our distinguished panelists, recently formed the Bipartisan Fiscal Forum as a way to start these conversations, and I even introduced an amendment last Congress to reduce non-defense spending by a mere 1% – just a small start to correct Washington's broken spending. These, like a fiscal commission, are various ways to address our debt crisis.

With that said, I'm so pleased that we have such a knowledgeable panel of witnesses today who have fought for fiscal responsibility in Congress, and I want to ask a few questions.

Sample Questions:
Congressman Womack, something that we don't talk about a lot is the impact of the interest. Our interest has doubled since Biden took office to $711 billion (dollars). All of this interest will cut into what we could be spending elsewhere, and it's already about the amount we spend on national defense. How dangerous is it that we'll spend more on interest than we do just defending our own country?

Congressman Womack, you led the Select Committee on Budget and Appropriations Process Reform in 2018. Today, five years later, we're still facing looming government shutdowns, exploding deficits, and only now are we seriously trying to pass all 12 appropriations bills instead of shoving all of our spending into a Christmastime must-pass omnibus bill. So, what's

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your assessment of the budget and appropriations process today, and what should the Select Committee have done differently in 2018?

Congressman Smucker, we both know that it's far easier to just keep the status quo rather than make the tough decisions that are needed to reduce our spending. In fact, any discussion about policy reforms – or even just saying that we'll only increase spending by 2% instead of the projected 3% – leads to political finger-pointing. How do you see us moving past 30-second soundbites and political mailers that accuse elected officials of taking away Social Security or veterans benefits when there's a real need to reform our spending?

Congressman Smucker, as someone who was part of a fiscal commission at the state level, what are some things you learned in that process that would help make sure a commission at the federal level would be successful in changing the direction of our out-of-control spending?

Congressman Smucker, I imagine that your Pennsylvania fiscal commission included members from different political parties. What were some of the core themes that you agreed on that would be a starting place here at the federal level in a divided government?

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Congressman Earl L. "Buddy" Carter Questions for the Record:

- Mr. Womack: How will seniors and Medicare recipients be harmed if we continue this irresponsible pace of government spending?
- Mr. Huizenga: If we fail to act, what cuts can we expect to be made by law to keep the program afloat?
- Mr. Womack and Mr. Case: How does your legislation help facilitate "buy-in" from all our colleagues and keep them engaged in the process? How will your commission provide the legitimacy needed to get solutions passed into law? How can a commission like this avoid devolving into partisan dysfunction that fails to produce bipartisan recommendations?
- Mr. Huizenga and Peters: How does your legislation help facilitate "buy-in" from all our colleagues and keep them engaged in the process? How will your commission provide the legitimacy needed to get solutions passed into law? How can a commission like this avoid devolving into partisan dysfunction that fails to produce bipartisan recommendations?
- Mr. Womack: Looking back at the recommendations made in the 2018 Joint Committee, do you continue to support those recommendations? If not, why?
- Mr. Peters: Does any piece of your legislation focus on Budget Process reform?

END OF QFR

Examining the Need for a Fiscal Commission Reviewing H.R. 710, H.R. 5779, and S. 3262

Budget Committee, Wednesday, Nov. 29, 2023

Question: Congressman Smucker, we both know that it's far easier to just keep the status quo rather than make the tough decisions that are needed to reduce our spending. In fact, any discussion about policy reforms – or even just saying that we'll only increase spending by 2% instead of the projected 3% – leads to political finger-pointing. How do you see us moving past 30-second soundbites and political mailers that accuse elected officials of taking away Social Security or veterans benefits when there's a real need to reform our spending?

Answer: We must first establish a shared understanding of our debt problem if we ultimately wish to solve it. A fiscal commission must be bipartisan, bicameral, and should ideally include representatives from the Executive Branch. If either party or the administration opposes the commission, then it will not work.

Absent an act of Congress, our rising national debt will jeopardize funding for critical priorities like national defense, health care, and anti-poverty programs. Social Security will go insolvent within a decade and Medicare will run out of money as soon as 2035 – directly impacting the very seniors we have all vowed to support.

Excessive debt also poses severe economic and political challenges, and even threatens our national security. History illustrates the decline and fall of once-mighty empires and nations due to uncontrolled debt and economic mismanagement.

It is imperative to change this trajectory, and I believe a bipartisan, bicameral fiscal commission is our best avenue for achieving this.

Question: Congressman Smucker, as someone who was part of a fiscal commission at the state level, what are some things you learned in that process that would help make sure a commission at the federal level would be successful in changing the direction of our out-of-control spending?

Answer: The following factors were critical to the success of Pennsylvania's Basic Education Funding Commission (BEFC), and are relevant to a federal fiscal commission:

1. *There was broad bipartisan agreement in the legislature on the nature and scope of the problem.* In Pennsylvania, legislators knew the funding system was broken and unfair, affecting local tax levels and student outcomes. In Congress, for a fiscal commission to work, both parties must believe a fiscal commission is necessary to confront the threats of our long-term fiscal trajectory. If either party or the administration opposes the commission, then it will not work.
2. *There was complete buy-in from leaders of both parties and the governor.* In Pennsylvania, the commission was created through legislation with strong support of all leadership and signed by the governor. In fact, the commission began with support of a Republican governor and continued under a Democrat governor. In Congress, if the leadership of either party or the President opposes the commission, it will fail.
3. *The right people were placed on the commission, including the leaders of relevant committees.* In Pennsylvania, the BEFC was comprised of the chair and minority chair of the House and Senate Education Committees, two legislators from each of the four legislative caucuses, the Secretary of Education, the Deputy Secretary of Elementary and Secondary Education, and an individual appointed by the Governor from within the Governor's administration. In Congress, a fiscal commission should be constituted along similar lines – including the chairs and ranking members of relevant committees (e.g., House and Senate Budget, House Ways and Means, and Senate Finance), as well as Speaker appointees and members of the Administration. The final composition should be evenly divided between Democrats and Republicans.

4. *Everything was on the table and all opinions were welcomed*. In Pennsylvania, the BEFC engaged with people with very different opinions of the problem, including teachers' unions, student advocacy groups, taxpayer advocates, school board groups, non-profits, and many others. Members of the public were even invited to speak at public hearings. In Congress, a fiscal commission must be willing to consider all options. Deficits and the debt have increased under the watch of both Democrats and Republicans. We all share responsibility for our fiscal trajectory and must consider options that we may not like.
5. *Public engagement and education were critical to the commission's success*. In Pennsylvania, the BEFC held 15 hearings across the state and gave any interested group or individual the opportunity to be heard. A media campaign accompanied the commission to educate the public and solicit their engagement. In Congress, we must convince the American people that our fiscal trajectory is a threat to our future by amplifying the work of a fiscal commission with a corresponding public relations campaign. Many organizations have already been doing this. The commission would work with them to build public support for its work.

Question: Congressman Smucker, I imagine that your Pennsylvania fiscal commission included members from different political parties. What were some of the core themes that you agreed on that would be a starting place here at the federal level in a divided government?

Answer: As Congress considers the creation of a fiscal commission, establishing a shared understanding of our debt problem is the first step toward solving it. As elected officials, we must put aside politics and the fear of losing an election aside and tackle this problem. Because everyone bought in to the BEFC, politics and mudslinging was avoided.

For decades, lawmakers in Pennsylvania had failed to reform the basic education funding formula that allocated funds to over 500 school districts across the Commonwealth. This created huge disparities in funding levels and academic outcomes between school districts. To address this problem, we established the BEFC.

The BEFC brought together legislative leaders of both political parties in both houses of the Pennsylvania General Assembly and representatives of the governor's administration to create a new funding formula.

The BEFC held hearings around the state, receiving testimony and input from all stakeholder groups, experts, and the public. It worked across two sessions of the General Assembly and across two governors' administrations (first Republican and later Democrat). Our recommendations were released unanimously by the committee members in June of 2015 and were enacted into law in 2016 by the Pennsylvania General Assembly and the Governor. In a relatively short period of time, this commission solved a difficult and previously unsolvable problem that had existed for decades.

This success was largely attributable to the fact that we gathered relevant stakeholders from both political parties to establish a shared understanding on the scope of the problem.

Budget Questions for the Record

Rep. Ron Estes

Congressman Womack, something that we don't talk about a lot is the impact of the interest. Our interest has doubled since Biden took office to $711 billion (dollars). All of this interest will cut into what we could be spending elsewhere, and it's already about the amount we spend on national defense. How dangerous is it that we'll spend more on interest than we do just defending our own country?

It's incredibly dangerous. Our national security is of the utmost importance, and the fact that we are unable to allocate more funds for national security because we have to pay interest on past spending should concern every American. The world is a dangerous place. We need to be resourcing our military according to our threats – not based on limitations set by our other spending.

Congressman Womack, you led the Select Committee on Budget and Appropriations Process Reform in 2018. Today, five years later, we're still facing looming government shutdowns, exploding deficits, and only now are we seriously trying to pass all 12 appropriations bills instead of shoving all of our spending into a Christmastime must-pass omnibus bill. So, what's your assessment of the budget and appropriations process today, and what should the Select Committee have done differently in 2018?

To be frank, Mr. Estes, there is no question that the current budget and appropriations process is broken. We are currently $33 trillion dollars in debt, we failed to pass any appropriations bills into law before the end of the fiscal year, and we've punted the next government shutdown deadline into the new year. We cannot continue this way. Congress must work to institute long overdue and much needed reform. As far as what the Select Committee should've done differently, we should've voted to move our recommendations. We also should have included requiring that a budget resolution include debt to GDP as a target and a Joint Budget Committee Hearing on the Fiscal State of the Nation. Unfortunately, due to petty political squabbles at the time, four Democrats voted present, tanking any opportunity for our recommendations to receive an up or down vote on the floor of the House.

Rep. Buddy Carter
Mr. Womack: How will seniors and Medicare recipients be harmed if we continue this irresponsible pace of government spending?
In conversations surrounding fiscal reform, we often talk about the impact of irresponsible government spending on future generations, but we don't often mention the detrimental effects that our profligate spending on mandatory spending programs will have on the millions of Americans that depend on them most, even in the next decade.

Mandatory spending accounts for nearly 73% percent of federal spending. Without reform, the trust funds for Medicare and Social Security will face insolvency by 2031 and 2033, respectively. Plainly put, that means these programs are going to run out of money, leaving our nation's seniors and Medicare recipients out in the cold.

It is past time for Congress to take a hard look and act on ways to prioritize the reform of our mandatory spending programs in a way that addresses the spending these programs incur while ensuring the solvency of these programs for recipients now and in the future.

Mr. Womack and Mr. Case: How does your legislation help facilitate "buy-in" from all our colleagues and keep them engaged in the process? How will your commission provide the legitimacy needed to get solutions passed into law? How can a commission like this avoid devolving into partisan dysfunction that fails to produce bipartisan recommendations?

Our proposed commission specifically includes appointees from both the majority and minority of the House and Senate, as well as the President, so that both Congress and the executive branch have buy-in to the process.

The commission will have the ability to conduct public hearings to help build momentum and support.

The bipartisan structure of the commission and the fact that it integrates outside experts with lawmakers lends it legitimacy and mitigates the risk of partisan dysfunction undermining its ability to pass recommendations.

Mr. Womack: Looking back at the recommendations made in the 2018 Joint Committee, do you continue to support those recommendations? If not, why?

Yes, I continue to support the recommendations that we put forth in the 2018 Joint Select Committee. While our proposals were not ultimately adopted, I believe they should be explored by future reformers.

Congressman Earl L. "Buddy" Carter Questions for the Record:

- Mr. Huizenga: If we fail to act, what cuts can we expect to be made by law to keep the program afloat?

If Congress does nothing and the status quo is upheld, key trust funds will become insolvent and face mandatory cuts under law. Social Security will become insolvent by 2033, forcing a 23% mandatory cut to benefits. Medicare Part A will become insolvent by 2031, resulting in an 11% mandatory cut to the program. The Highway Trust Fund will become insolvent by 2028, initiating a 47% cut to its spending. These impending cuts underscore the need to act now by creating a fiscal commission.

- Mr. Huizenga and Peters: How does your legislation help facilitate "buy-in" from all our colleagues and keep them engaged in the process? How will your commission provide the legitimacy needed to get solutions passed into law? How can a commission like this avoid devolving into partisan dysfunction that fails to produce bipartisan recommendations?

The process to ensure buy-in began even before we introduced the Fiscal Commission Act. As co-chairs of the Bipartisan Fiscal Forum, Representative Peters and I have said from the very beginning that a fiscal commission must be bipartisan and bicameral. We orchestrated bipartisan letters to this extent, built public support, and have ensured H.R. 5779 maintains an equal amount of Republican and Democrat cosponsors. Step one is enacting the commission in a way where all sides feel they have skin in the game.

Once enacted, the fiscal commission established by our bill includes several measures to facilitate bipartisanship and buy-in. The commission itself would be equally bipartisan. Per H.R. 5779, the commission will be able to hold hearings to engage the public, receive recommendations from Congressional committees, and gather technical assistance from federal agencies. I would encourage the commission to hold listening sessions with the public and elected officials. For the commission to move its report and recommendations to Congress, a simple majority vote is required, provided that at least three members from each party approve. These recommendations, the report, and the commission's vote tally must all be made public after 24 hours of moving it to Congress. Furthermore, our bill requires Congress to vote on the commission's proposals while insulated by the lame duck period, without amendment, and without delay.

Congressman Earl L. "Buddy" Carter Questions for the Record:

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    - Thank you for your question, Congressman Carter. I welcome the opportunity to respond. We are trying to help Congress do what it has repeatedly shown us it can no longer accomplish on its own—pass meaningful fiscal reforms through regular order. Our legislation, the bipartisan Fiscal Commission Act of 2023, would create an open process that represents both parties and both chambers of Congress evenly, includes some outside experts to help separate the policy from the politics, recommends solutions to stabilize the debt-to-GDP ratio, and ultimately requires a floor vote on those solutions.

      Too many good ideas never receive a floor vote in Congress. Instead, interest groups rely on the complexity of congressional procedure to their advantage and kill policies they oppose. A commission, if implemented in accordance with the letter and spirit of our bill, will provide buy-in from both parties and give Congress the political cover it needs to make the tough decisions necessary for reducing our debt, strengthening our tax code, and ensuring programs like Medicare and Social Security can fulfill their promise for today's retirees and future beneficiaries.

      Trust here in Congress is broken. We can keep pointing fingers at each other about whether the root cause is Republicans' not getting serious about raising revenues or whether it is a product of spending on Democrats' priorities. The real story is in the data. Over the last 20 years, President Bush's tax cuts, President Obama's extension of the Bush tax cuts, the Trump tax cuts have added more than $10 trillion to the national debt. We are now experiencing a robust economic recovery from a disruptive pandemic. Historically, we have used times like these to recover from deficit spending. However, our debt and deficits are growing, not shrinking, and our economy is at risk of a negative spiral.

      A commission will provide the American public with a serious forum that can make evidence-based decisions, driven by the facts, instead of a backdoor deal negotiated privately by party leaders.

- *Mr. Peters: Does any piece of your legislation focus on Budget Process reform?*

    - Our legislation is silent on budget process reform. As you know, the Chair and Ranking Member of the House Budget Committee have made clear their interest in seeing bipartisan budget process reform move through the committee under regular order. While we should certainly act on budget process reform to ensure that we are consistently funding the government on time and making wise decisions with taxpayer dollars on a yearly basis, a fiscal commission is the tool best suited to address the immediate and acute challenges associated with our $33 trillion national debt.

Congressman Earl L. "Buddy" Carter Questions for the Record:

- Mr. Womack and Mr. Case: How does your legislation help facilitate "buy-in" from all our colleagues and keep them engaged in the process? How will your commission provide the legitimacy needed to get solutions passed into law? How can a commission like this avoid devolving into partisan dysfunction that fails to produce bipartisan recommendations?

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