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18

Divider Title: _____

State of the Union Address
January 19, 1999 ·

Section of Speech: The Aging of 21st Century America

Fact: elderly women are nearly twice as likely to be poor as other seniors

Source: “Women and Retirement Security,” National Economic Council
Interagency Working Group on Social Security, October 27, 1998

Explanation: In 1997, the poverty rate for all elderly women was 13.1 percent,
compared to 7.0 percent for all elderly men.

WOMEN AND RETIREMENT SECURITY

**PREPARED BY THE NATIONAL ECONOMIC COUNCIL
INTERAGENCY WORKING GROUP ON SOCIAL SECURITY**

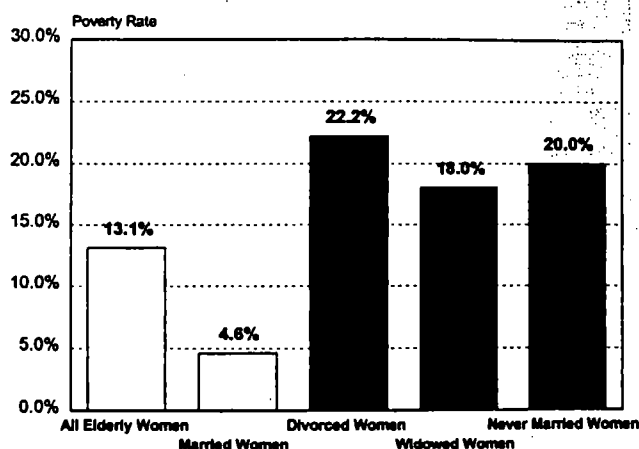
OCTOBER 27, 1998

III. CHALLENGES FOR THE CURRENT SYSTEM

Poverty Rates Remain High Among Elderly Women

- **Poverty Rates Among the Elderly Have Fallen Dramatically, Due Largely to Social Security.** The poverty rate among Americans age 65 and over has fallen from 35.2 percent in 1959 to 15.2 percent in 1979 and 10.5 percent today. This compares with an overall poverty rate of 13.3 percent.
- **Poverty Rates among Widowed, Divorced, and Never Married Women Remain High.** The poverty rate for all elderly women was 13.1 percent in 1997, compared to a 7.0 percent rate for all elderly men. For both divorced and widowed women, poverty rates are significantly higher than men: the poverty rate is 22.2 percent for divorced women and 15.0 percent for divorced men and the poverty rate is 18.0 percent for widowed women and 11.4 percent for widowed men. Married couples had a poverty rate of only 4.6 percent.

**Poverty Rates Are High
Among Unmarried Elderly Women**
1997



Source: Social Security Administration, Based on Data from the Census Bureau.

- **Widows Make Up A Large Fraction of Elderly Women.** Of women 65 and over, 45 percent of women are widowed, 43 percent are married, 7 percent are divorced, and 5 percent are never married. This means that the high poverty rate among widows and other unmarried women affects a large share of elderly women.
- **There Are Also a Substantial Number of Relatively Young Widows, Though the Number Is Falling.** Of 60-year old women, 13 percent are widows. This percentage rises to more than one-quarter of women aged 65 to 67. Because husbands in low-income families tend to die at younger ages than husbands in higher-income families, these early widows are often poor.

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20

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: **The Aging of 21st Century America**

Fact: already we have extended the life of Medicare by 10 years

Source: Summary of the 1998 Annual Social Security and Medicare Trust Fund Reports, The 1998 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, April 28, 1998; "Medicare Trustees Issue Annual Report," Health Care Financing Administration Press Release, June 5, 1996; April 24, 1997; "Statement of Secretary Robert E. Rubin on the Results of Medicare and Social Security Trustees Meeting," Treasury Press Release, April 28, 1998

Explanation: The 1993 Omnibus Budget Reconciliation Act extended the life of the Medicare Trust Fund by at least two years. And the 1997 Balanced Budget extends the life of the Medicare Trust Fund for ten years to 2008.

Date: Wednesday, June 5, 1996
FOR IMMEDIATE RELEASE
Contact: HCFA Press Office (202) 690-6145

Medicare Trustees Issue Annual Reports

The Medicare trustees today reported that, because expenditures were slightly higher and revenues slightly lower than expected, the estimated depletion of the Hospital Insurance trust fund will occur in the year 2001, based on most probable economic and demographic assumptions.

The projected depletion date is one year earlier than had been forecast by the trustees last year. However, two years ago, the trustees had also projected that the fund would be depleted in 2001.

To address the short-term financial problems facing the Hospital Insurance (HI) trust fund, the trustees recommended the earliest possible enactment of legislation to reduce growth in HI program costs and extend the date of exhaustion of the HI trust fund.

Second, the trustees recommended the establishment of a national advisory group on Medicare reform. This group would develop recommendations for effective solutions to the HI program's long-range financial problems.

HHS Secretary Donna E. Shalala, a trustee, said, "This report confirms what we have long been saying: that Congress and the Administration must join together to enact legislation that prolongs the life of the trust fund and keeps faith with Medicare beneficiaries. As we say in our report, 'prompt, effective, and decisive action is necessary.'"

Treasury Secretary Robert E. Rubin, managing trustee, said: "For the third year running, today's report is a reminder that the Medicare trust fund can and should be strengthened now. The President has offered an effective plan and we want to work with Congress to get this job done."

Shalala and Rubin noted that in 1993, the Administration put forward and the Congress enacted a plan that extended the life of the trust fund by two to three years.

They added that President Clinton has proposed a plan that guarantees the life of the HI trust fund for about a decade -- without imposing new costs on beneficiaries or reducing beneficiary protection under current law.

As part of his comprehensive plan to balance the federal budget, President Clinton has proposed Medicare savings provisions totaling \$124 billion over the next seven years.

The trustees issue annual reports to Congress on the HI and Supplementary Medical Insurance (SMI) trust funds.

Today's HI Trust Fund report said the fund currently does not meet the short-range test of financial adequacy. Income and assets, the trustees said, are not sufficient to support projected expenditures beyond five years, under a set of intermediate cost assumptions.

Last year, it was estimated that the fund would be depleted in 2002. Two years ago, the trustees said depletion would occur in 2001, and three years ago, fund depletion was estimated to happen in 1999.

Because trust fund depletion is not an acceptable option, the trustees call for prompt, effective and decisive action to ensure short-term solvency.

Under the worst-case scenario for trust fund depletion, the HI program could continue to pay claims with revenues received each month from the HI payroll tax. Income from the payroll tax and other revenues

would be sufficient to pay a significant portion of Medicare expenditures.

Medicare hospital insurance helps pay for care given by hospitals, skilled nursing facilities, hospices and home health agencies. The HI trust fund (Medicare Part A) is financed mainly by the Medicare portion of the Social Security payroll tax. The Medicare payroll tax rate of 2.9 percent consists of equal contributions of 1.45 percent from employers and employees.

The SMI trust fund (Medicare Part B) helps pay for the services of physicians and other health care professionals, outpatient services, independent laboratory services and durable medical equipment. The SMI program is financed mostly by general revenues of the government and by premiums paid by beneficiaries. The 1996 premium is \$42.50 a month, a drop from the 1995 premium of \$46.10 a month.

The trustees said the SMI fund was expected to remain adequately financed for the future. This is because current law provides for automatic increases in beneficiary premiums and government general revenue contributions to meet expected costs.

The trustees expressed concern that, in the past five years, SMI program expenditures have grown about 22 percent faster than the overall economy, despite efforts to control SMI costs, and this trend is expected to continue under current law. Another concern, they said, is that premium income after 1998 is projected to cover a smaller fraction of SMI spending. That will shift a greater share of program financing from beneficiaries to the general public.

The trustees urged Congress to take additional actions designed to control SMI costs in the near future and to develop legislative proposals to deal with SMI's long-term problems.

The six-member boards include, in addition to Secretaries Rubin and Shalala, two other trustees who serve automatically because of their positions: Labor Secretary Robert B. Reich and Social Security Commissioner Shirley S. Chater.

Two other members, the public trustees, are appointed by the President with Senate confirmation. The public trustees are Stephen G. Kellison and Marilyn Moon. They serve four-year terms and represent the general public. Bruce C. Vladeck, administrator of the Health Care Financing Administration, serves as secretary to the board of trustees.

Date: Thursday, April 24, 1997
FOR IMMEDIATE RELEASE
Contact: HCFA Press Office (202) 690-6145

Medicare Trustees Issue Annual Reports

The Medicare Trustees today reported that, in the absence of corrective legislation, the assets of the Hospital Insurance trust fund would be depleted in the year 2001, based on most probable economic and demographic assumptions. The projected depletion date is the same forecast by the trustees last year.

To address the short-term financial problems facing the Hospital Insurance (HI) trust fund, the trustees urged the enactment of legislation this year to reduce growth in HI program cost and extend the solvency of the HI trust fund.

The trustees also recommended the establishment of a national advisory group on Medicare reform to examine the Medicare program and develop recommendations for effective solutions to the long-term financing problem.

"Today's report makes clear that the time to act to preserve Medicare is now. With insolvency only four years away, the administration and the Congress have no time to waste. This problem demands prompt, effective and decisive action and we are committed to finding both short-term and long-term solutions," said HHS Secretary Donna E. Shalala.

Treasury Secretary Robert E. Rubin, managing trustee, said: "Preserving and modernizing Medicare is not a partisan issue. The administration and Congress can and should work together to enact

this year the reforms that will strengthen this program."

Shalala and Rubin noted that in 1993, the administration put forward, and the Congress enacted, a plan that extended the life of the trust fund by about three years.

They added that President Clinton has proposed a plan that is estimated to extend the life of the HI trust fund until 2008, more than a decade from now, while modernizing, reforming and strengthening the program. The new solvency projection for the president's proposal was made by HCFA actuaries today and is based on the assumptions contained in today's report.

As part of his comprehensive plan to balance the federal budget, President Clinton has proposed Medicare savings provisions totaling about \$100 billion over the next five years.

The trustees issue annual reports to Congress on the HI and Supplementary Medical Insurance (SMI) trust funds.

Today's HI Trust Fund report said the fund currently does not meet the short-range test of financial adequacy. Income and assets, the trustees said, are not sufficient to support projected expenditures beyond four years, under a set of intermediate cost assumptions.

The trustees call for prompt action to ensure short-term solvency. They further called for using the time gained to determine effective solutions to the program's serious long-term financial imbalance.

Medicare hospital insurance helps pay for care given by hospitals, skilled nursing facilities, hospices, and home health agencies. The HI trust fund (Medicare Part A) is financed mainly by the Medicare portion of the Social Security payroll tax. The Medicare payroll tax rate of 2.9 percent consists of equal contributions of 1.45 percent from employers and employees.

The SMI trust fund (Medicare Part B) helps pay for the services of physicians and other health care professionals, outpatient services, independent laboratory services, and durable medical equipment. The

SMI program is financed mostly by general revenues of the government and by monthly premiums paid by beneficiaries. The 1997 premium is \$43.80 a month, a modest increase from the 1996 premium of \$42.50 a month.

The trustees said the SMI fund was expected to remain adequately financed for the future. This is because current law provides for automatic increases in beneficiary premiums and government general revenue contributions to meet expected costs.

The trustees did express concern that, in the past five years, SMI program expenditures have grown about 14 percent faster than the overall economy, despite efforts to control SMI costs. This trend is expected to continue under current law. The trustees urged Congress to take additional actions designed to control SMI costs in the near future and to develop legislative proposals to deal with SMI' long-term cost increases associated with the retirement of the "baby-boom" generation.

The six trustees include, in addition to Secretaries Rubin and Shalala, two other trustees who serve automatically because of their government positions: Acting Labor Secretary Cynthia A. Metzler and Acting Social Security Commissioner John J. Callahan.

Two other members, the public trustees, are appointed by the President with Senate confirmation. The public trustees are Stephen G. Kellison and Marilyn Moon. They serve four-year terms and represent the general public. Bruce C. Vladeck, administrator of the Health Care Financing Administration, serves as secretary to the board of trustees.

Note: HHS press releases are available on the World Wide Web at: <http://www.hhs.gov>.



TREASURY NEWS

FROM THE OFFICE OF PUBLIC AFFAIRS

FOR IMMEDIATE RELEASE

April 28, 1998

RR-2402

STATEMENT OF SECRETARY ROBERT E. RUBIN ON THE RESULTS OF MEDICARE AND SOCIAL SECURITY TRUSTEES MEETING

Today, the Boards of Trustees of the Medicare and Social Security trust funds met to complete our annual review of the financial status of the trust funds and to issue a report on their financial health.

With respect to Medicare, a number of legislative improvements, contained in the Balanced Budget Act of 1997, have been implemented since last year's report. Today, our report shows that the exhaustion date for the Hospital Insurance program has been pushed back to 2008, and it also indicates that the 75-year actuarial deficit has been substantially reduced. These outcomes are a direct result of the enactment of the Balanced Budget Act and the recent strong performance of the economy.

However, the long-term problem for Medicare, though not as severe as we projected last year, is still substantial. As a result of the aging of the population, we are still projecting that significant cost pressures will develop relatively soon in the next century. Last year, we recommended the creation of an advisory group to review the complex issues underlying these expected cost increases, and to help fashion solutions. In this regard, we are pleased to note that the BBA also established the National Bipartisan Commission on the Future of Medicare, and that this Commission has begun its work. The improvement in the 75-year outlook for Medicare makes a strong contribution toward the work of the Commission.

The BBA bought us time, but it is vital that we take the necessary steps to restore long-term solvency to the Medicare program as quickly as possible.

For the combined Social Security trust fund the short-run situation is different -- it is solvent in the near term, but we project that it will be exhausted in 2032, 3 years later than projected last year. Thus, there is no immediate crisis in this program, but, as the report shows, and as the President and others have indicated, the long-range financing deficit in the Social Security program needs to be addressed in a timely way, so that retirement planning can be adjusted in response to program changes. Extensive public discussion and analysis of the practical implications of alternatives is essential for developing the broad support that will be needed to enact any Social Security legislative reform. The President's plan to facilitate this dialogue will be very helpful in accomplishing that objective.

The health of both the Social Security and Medicare trust funds is important for the millions of Americans who depend on these programs today, and for the millions who will depend on them in the future. Preserving and modernizing Social Security and Medicare is not a partisan issue. We will be able to construct acceptable solutions to the longer-term challenges of both programs only if we join together and act on a bipartisan basis.

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A Summary of the 1998 Annual Reports

2032
10 yr.

A MESSAGE TO THE PUBLIC:

Social Security and Medicare are among our most important public programs. As a current or future beneficiary, you should know that Social Security and Medicare have always paid full benefits on time.

Each year we, the Trustees of the Social Security and Medicare trust funds, report in detail on their financial condition. The reports describe their current and projected financial condition, within the next ten years (the "short term") and over the next 75 years (the "long term"). This document is a summary of the 1998 reports.

The most important new information in this year's reports is that, as we recommended last year, legislation was enacted to help control Medicare cost growth. The Balanced Budget Act of 1997 not only pushed back the exhaustion date of the Hospital Insurance Trust Fund, but also reduced by one-half the projected long-range financial imbalance facing that program.

To facilitate longer term reform of Medicare, including the rapid growth of costs of the Medicare Supplementary Medical Insurance program, we recommended establishing a national advisory group that could develop recommendations for effective solutions to Medicare financing problems. We are therefore gratified that the Balanced Budget Act also established the National Bipartisan Commission on the Future of Medicare, and that the Commission has begun its work. We also are pleased that program integrity efforts aimed at reducing waste, fraud and abuse appear to be having an impact on cost growth in some areas.

Finding good solutions to providing medical care for the elderly and disabled will be a continuing and difficult challenge as our population ages and medical care evolves. The action taken last year was a significant first step in meeting that challenge. It reaffirms our strong belief that even though periodic adjustments will likely be necessary, we can find good solutions to Medicare's financing problems.

The Social Security trust funds are projected to be adequately financed until 2032. At that time, annual tax income to the combined trust funds is projected to equal about 3/4 of the cost of benefits payable. Individually, the Old-Age and Survivors Insurance ("OASI") Trust Fund, which pays retirement and survivors benefits, is projected to be able to pay full benefits on time for about 36 years--until 2034. The Disability Insurance ("DI") Trust Fund, which pays disability benefits, is projected to be able to pay full benefits until 2019. It is important to address both the OASI and DI problems soon to allow time for phasing in any necessary changes and for workers to adjust their plans to take account of those changes.

Extensive public discussion and analysis of the practical implications of alternatives is essential to developing the broad support needed to enact any Social Security reform legislation. Thus, we cannot overstate the importance we attach to President's Clinton's plan for bipartisan forums on Social Security reform across the country this year followed by a White House Conference in December and development of bipartisan legislation early next year.

It is critical that every citizen, young, old and in-between, participate in or follow closely the information and arguments brought out in the forums and make their own views known. There is time to discuss and evaluate alternative solutions with deliberation and care, and we must use the coming months to find changes that effectively guarantee a basic level of income for the aged, disabled and survivors of deceased workers. Social Security is too important both to individuals who receive benefits and to our society as a whole to fail to find an acceptable means for protecting this program's future.

With proper public discussion and timely legislative action, Social Security and Medicare will continue to play their critical role in the lives of virtually all Americans.

By the Trustees:

*Robert E. Rubin,
Secretary of the Treasury,
and Managing Trustee*

*Alexis M. Herman,
Secretary of Labor,
and Trustee*

*Donna E. Shalala,
Secretary of Health
and Human Services,
and Trustee*

*Kenneth S. Apfel,
Commissioner of
Social Security,
and Trustee*

*Stephen G. Kellison,
Trustee*

*Marilyn Moon,
Trustee*

A SUMMARY OF THE 1998 ANNUAL SOCIAL SECURITY AND MEDICARE TRUST FUND REPORTS

Who Are the Trustees?

There are six Trustees: the Secretary of the Treasury, the Secretary of Labor, the Secretary of Health and Human Services, the Commissioner of Social Security and two members appointed by the President and confirmed by the Senate to represent the public. Currently, the Public Trustees are Marilyn Moon, an economist who has written extensively on Medicare, and Stephen G. Kellison, an actuary who has taught and consulted widely on social insurance. All trustees serve on the Boards of all of the trust funds described below.

What Are the Trust Funds?

The trust funds are financial accounts in the U.S. Treasury. Social Security and Medicare taxes, premiums and other income are deposited in these accounts, and Social Security and Medicare benefits are paid from them. The only purposes for which these trust funds can be used are to pay benefits and program administrative costs. The trust funds hold money not needed in the current year to pay benefits and administrative costs and, by law, invest it in special Treasury bonds that are guaranteed by the U. S. Government. A market rate of interest is paid to the trust funds on the bonds they hold, and when those bonds reach maturity or are needed to pay benefits, the Treasury redeems them.

There are four separate trust funds. For Social Security, the Old-Age and Survivors Insurance (OASI) Trust Fund pays retirement and survivors benefits, and the Disability Insurance (DI) Trust Fund pays disability benefits. (The two trust funds are described together as OASDI.)

For Medicare, the Hospital Insurance (HI) Trust Fund pays for inpatient hospital and related care, and the Supplementary Medical Insurance (SMI) Trust Fund pays for physician and outpatient services. Medicare benefits are provided to most people age 65 and over and to workers who are receiving Social Security disability benefits.

What Were the Trust Fund Results in 1997?

In December 1997, almost 38 million people were receiving OASI benefits, just over 6 million were receiving DI benefits, and about 38 million people were covered under Medicare. Trust fund operations, in billions of dollars, are shown below.

	OASI	DI	HI	SMI
Assets (end of 1996)	\$514.0	\$52.9	\$124.9	\$28.3
Income during 1997	397.2	60.5	130.2	81.9
Outgo during 1997	322.1	47.0	139.5	74.1
Net increase in assets	75.1	13.5	-9.3	7.8
Assets (end of 1997)	589.1	66.4	115.6	36.1

How Are Social Security and Medicare Paid for?

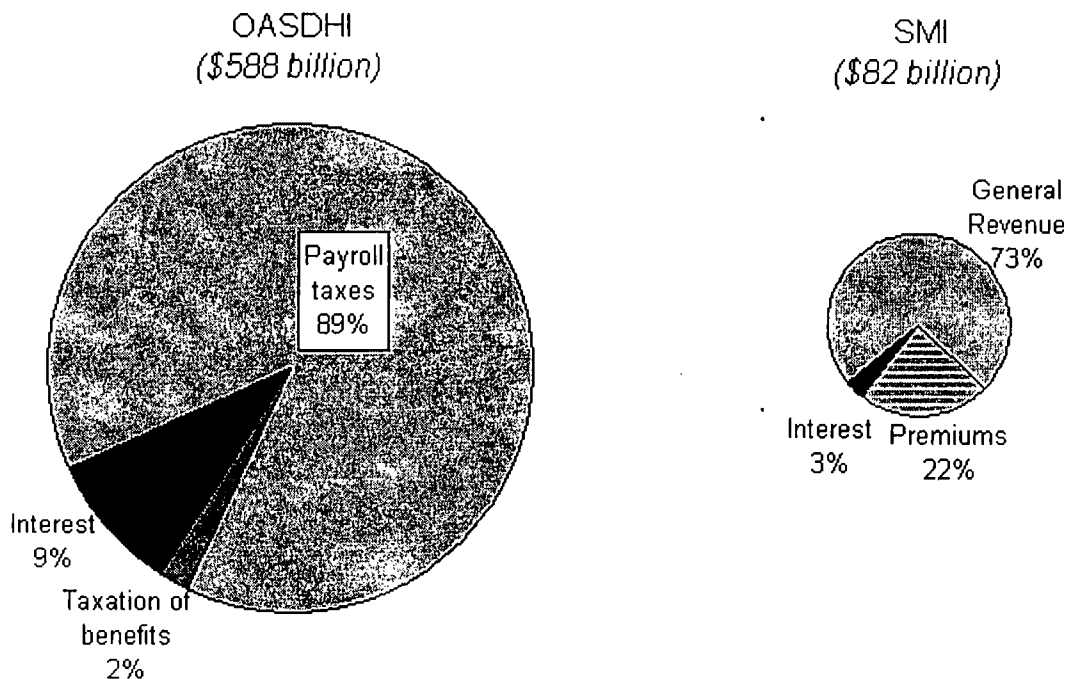
For Social Security and the Hospital Insurance part of Medicare, the major source of financing is payroll taxes on earnings that are paid by employees and their employers, and by the self-employed. People who are self-employed are charged the equivalent of the combined employer and employee tax rates. In 1997, \$521 billion (89 percent) of total OASI, DI and HI income came from payroll taxes and HI miscellaneous sources (\$3 billion). The remainder was provided by interest earnings (\$53 billion or 9 percent) and revenue from taxation of OASDI benefits (\$11 billion or 2 percent).

The payroll tax rates are set by law and for OASI and DI apply to earnings up to a certain annual amount. This amount, called the earnings base, rises as average wages increase. In 1998, the earnings base for OASDI is \$68,400. HI taxes are paid on total earnings. The tax rates for employees and employers each under current law are:

Year	OASI	DI	OASDI	HI	Total
1997-99	5.35	0.85	6.20	1.45	7.65
2000 and later	5.30	0.90	6.20	1.45	7.65

The Supplementary Medical Insurance part of Medicare is financed by monthly premiums charged beneficiaries (\$43.80 in 1998) and by payments from Federal general revenues. In 1997, premiums accounted for \$19.3 billion (24 percent) of SMI income and interest income was about \$2.5 billion (3 percent). The remainder, \$60.2 billion (73 percent), consisted of general revenue payments. Chart A shows sources of income in 1997 for OASDI and HI combined and for SMI.

Chart A-Sources of Income to Trust Funds in 1997



What Were the Administrative Expenses in 1997?

Administrative expenses, as a percentage of benefit payments, were:

	<u>OASI</u>	<u>DI</u>	<u>HI</u>	<u>SMI</u>
Administrative Expenses 1997	0.7	2.8	1.0	1.9

How Are Estimates of the Trust Funds' Future Status Made?

Short-range (10-year) and long-range (75-year) estimates are reported for all funds. These estimates are based on assumptions about all of the factors that affect the income and outgo of each trust fund. They include economic growth, wage growth, inflation, unemployment, fertility, immigration, and mortality, as well as specific factors relating to disability incidence and the cost of hospital and medical services.

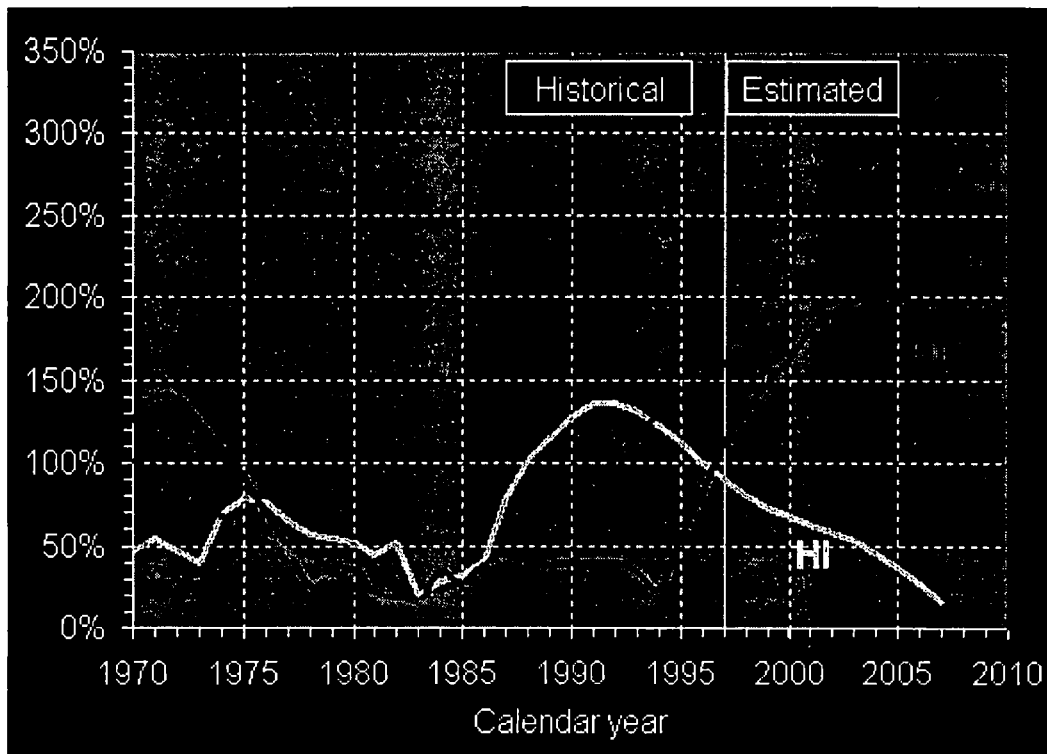
Because the future cannot be predicted with certainty, three alternative sets of economic and demographic assumptions are used to show a range of possibilities. The intermediate assumptions (alternative II) reflect the Trustees' best estimate of future experience. The low-cost alternative I is more optimistic for trust fund financing, and the high-cost alternative III is more pessimistic; they show trust fund projections if economic and demographic conditions are more or less favorable than the best estimate.

The assumptions are reexamined each year in light of recent experience and new information about future trends, and are revised if warranted. In general, greater confidence can be placed in the assumptions and estimates for earlier projection years than for later years. While estimates of income and expenditures usually have been close to actual experience, any estimates for as long as 75 years into the future are inherently uncertain. Nonetheless, careful review and updating on an annual basis provides an indication of the range of future possibilities.

What is the Short-Range Outlook (1998-2007) for the Trust Funds?

For the short range, we measure the adequacy of the trust funds by comparing their assets at the beginning of a year to projected benefit payments for that year (the "trust fund ratio"). A trust fund ratio of 100 percent--that is, assets at the beginning of a year at least equal to projected benefit payments for that year--is considered a good test of a trust fund's short-term adequacy. This level of assets means that even if no income were received for a year, the trust fund could pay full benefits, thereby allowing time for legislative action to restore financial adequacy.

By this measure, the OASI and DI funds are considered financially adequate throughout the short range because assets of both funds are over the 100 percent level through the year 2007. However, the trust fund ratio for HI is below 100 percent at the beginning of the 10-year period and declines steadily. Under the intermediate assumptions, the HI Trust Fund is exhausted in 2008. Chart B shows the OASI, DI and HI "trust fund ratios" under the intermediate assumptions.

Chart B-OASI, DI, and HI Trust Fund Ratios*[Assets as a percentage of annual expenditures]*

A less stringent "contingency reserve" asset test applies to SMI, but only because its financing--beneficiary premiums and Federal general revenue payments--is automatically adjusted each year to meet expected costs. The table below shows, in dollars, the projected income and outgo, and the change in the balance of each trust fund over the next 10 years.

ESTIMATED OPERATIONS OF TRUST FUNDS*(In billions of dollars--totals may not add due to rounding)*

Year	Income				Expenditures				Change in fund			
	OASI	DI	HI	SMI	OASI	DI	HI	SMI	OASI	DI	HI	SMI
1998	421	64	136	81	332	51	144	83	88	13	-8	-2
1999	437	66	140	88	343	54	147	88	95	13	-7	0
2000	454	73	145	98	357	57	150	97	97	16	-4	0
2001	476	77	151	108	372	61	154	107	104	16	-3	0
2002	500	81	157	119	389	66	161	118	111	15	-4	1
2003	526	85	163	131	407	71	170	130	119	14	-7	1
2004	554	90	170	143	427	77	181	142	127	13	-11	1
2005	586	94	178	156	449	84	193	155	137	11	-15	1
2006	620	99	186	173	473	91	207	169	147	8	-21	4
2007	658	105	195	191	500	99	221	186	159	5	-26	5

What is the Long-Range (1998-2072) Outlook for the Trust Funds?

Over the long term neither the OASI, the DI nor the HI Trust Fund is projected to be in balance. Chart C compares, under the intermediate assumptions, the trends over the next 75 years in income and costs of these funds.

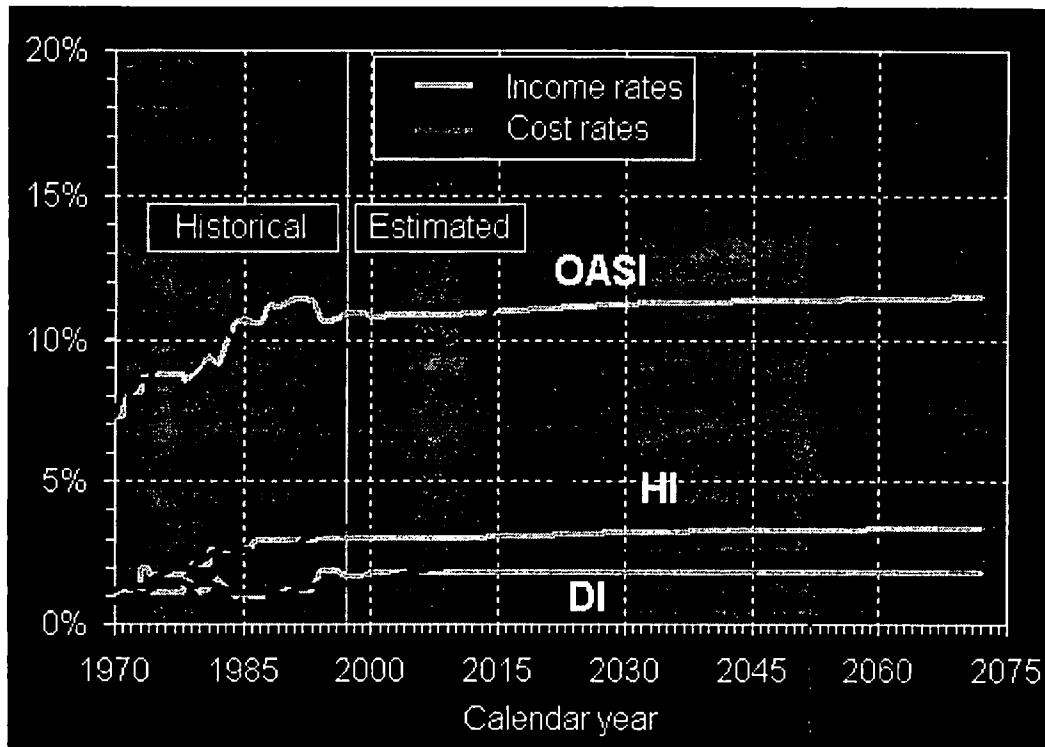
In Chart C the long-range income and cost of OASI, DI and HI are measured in percentage of taxable payroll

rather than in dollars because the value of a dollar changes over time. (Taxable payroll is the portion of total wages and self-employment earnings that is taxed under the OASDI and HI programs.) Over the 75-year period, the income rates for OASI, DI and HI remain relatively constant, while the cost rates rise substantially. For OASI, the income rate is projected to remain above the cost rate for 17 years. Starting in about 2010, however, the OASI cost rate will begin increasing rapidly as the leading edge of the "baby-boom" generation reaches retirement age. In 2015 and later, the cost rate for OASI will exceed the income rate by generally growing amounts--by the end of the 75-year projection period the cost rate for OASI will be almost 1 1/2 times as large as the income rate.

The income rate for DI is higher than or equal to the cost rate only through 2005, after which the annual shortfall of tax income is projected to increase slowly over the 75-year period.

Chart C-Income and Cost Rates

[Percentage of taxable payroll]



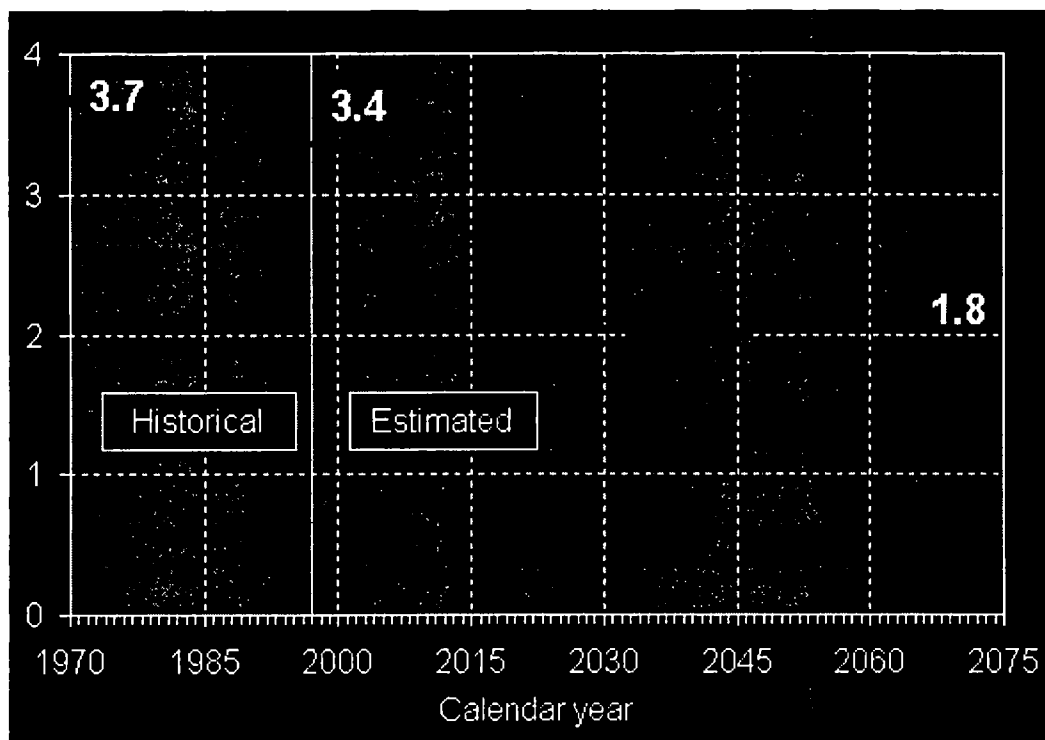
The cost rate for HI is higher than the income rate by growing amounts throughout the projection period--by 2072, the HI cost rate is projected to be over 2 1/4 times as large as the HI income rate.

The income rates for OASI, DI and HI remain relatively constant in Chart C because the payroll tax rates for the programs are not scheduled to change (except for a small shift from OASI to DI in 2000). Income from taxation of benefits will rise gradually, primarily because a greater proportion of beneficiaries will become subject to taxation in future years, and this accounts for the slight upward trend in the income lines.

The cost rates increase much more rapidly, especially for OASI and HI. The cost rate for OASI rises slowly until 2010, increases rapidly for about the next 20 years, and then grows more moderately. The cost rate for HI increases throughout the 75-year period.

Why Do Costs Rise Faster Than Income?

The primary reason that the OASI cost rate increases more steeply after 2010 is that the number of people receiving benefits will increase rapidly as the "baby-boom" generation retires, while the number of workers paying payroll taxes grows more slowly. The HI cost rate increases not only because of growth in the number of beneficiaries per worker, but also because of increases in both the use and cost of health care per person. Chart D shows the number of workers per OASDI beneficiary over the 75-year period. (The ratio of workers to HI beneficiaries is similar.)

Chart D-Number of Workers per OASDI Beneficiary

In addition to demographic changes, the other major factor in the long-range financing of OASDI and HI is the rate of increase in the wages on which workers pay Social Security and Medicare taxes. The rate of increase in workers' wages in turn depends on how workers are able to combine their skills and work tools to increase the amount they can produce. Thus, increases in workers' productivity can help offset some of the decline in the number of workers per beneficiary.

What is the Long-Range Actuarial Balance of Each Trust Fund?

Another useful way to view the outlook of the trust funds is in terms of their long-range actuarial balances over the whole 75-year valuation period. The actuarial balance of a fund is the difference between annual income and costs, expressed as a percentage of taxable payroll, summarized over the 75-year projection period. The OASI, DI and HI Trust Funds each have an actuarial deficit under the intermediate assumptions, as shown below. These actuarial deficit amounts can be interpreted as the percentage that would have to be added to the current law income rate in each of the next 75 years, or subtracted from the cost rate in each year, to bring the funds into actuarial balance.

ACTUARIAL DEFICIT OF THE OASI, DI AND HI TRUST FUNDS

(Deficit as a percent of taxable payroll)

	OASI	DI	OASDI	HI
Actuarial Deficit	1.81	0.38	2.19	2.10

What Are Key Dates in Long-Range OASI and DI Financing?

For the next 15 years (through 2012) annual income to the OASI and DI Trust Funds is projected, under the intermediate assumptions, to exceed outgo. As the "baby-boom" generation reaches retirement age over the period from 2010 to 2030, several important points will occur, as shown below.

- ° 2013 - First year OASDI outgo exceeds tax income
- ° 2019 - Year DI trust fund assets are exhausted
- ° 2021 - First year OASDI outgo exceeds tax plus interest income

° 2032 - Year combined OASDI trust funds' assets are exhausted

° 2034 - Year OASI trust fund assets are exhausted

These key dates are 1 to 4 years later than those shown in the 1997 report, due in large part to better actual and expected economic performance.

Exhaustion of a trust fund means that its accumulated assets are depleted. Payroll tax and other income will continue to flow into the fund, however. For example, in 2034, tax income to the OASI fund is estimated to be sufficient to pay about 3/4 of program costs; that ratio is projected to decline to about 2/3 by the end of the projection period.

Before a trust fund is exhausted, the cash flow of the fund changes in stages. When combined OASDI expenditures exceed current tax income beginning in 2013, a portion of annual interest income will be needed to meet expenditures in 2013 through 2020. Beginning in 2021 and continuing through exhaustion of the combined OASDI Trust Funds in 2032, a portion of the principal balance in the trust funds will also be needed to pay benefits.

As noted earlier, the future cannot be predicted with certainty, and three sets of assumptions are used to project the range of possibilities. The year in which the trust funds are projected to be exhausted varies significantly under the three sets of assumptions. The table below shows this range.

YEAR OF TRUST FUND EXHAUSTION

Set of Assumptions	OASI	DI	OASDI	HI
Alternative I (Low Cost)	Never	Never	Never	2030
Alternative II (Best Estimate)	2034	2019	2032	2008
Alternative III (High Cost)	2025	2009	2022	2004

How Large Are Social Security and Medicare Compared to the Whole Economy?

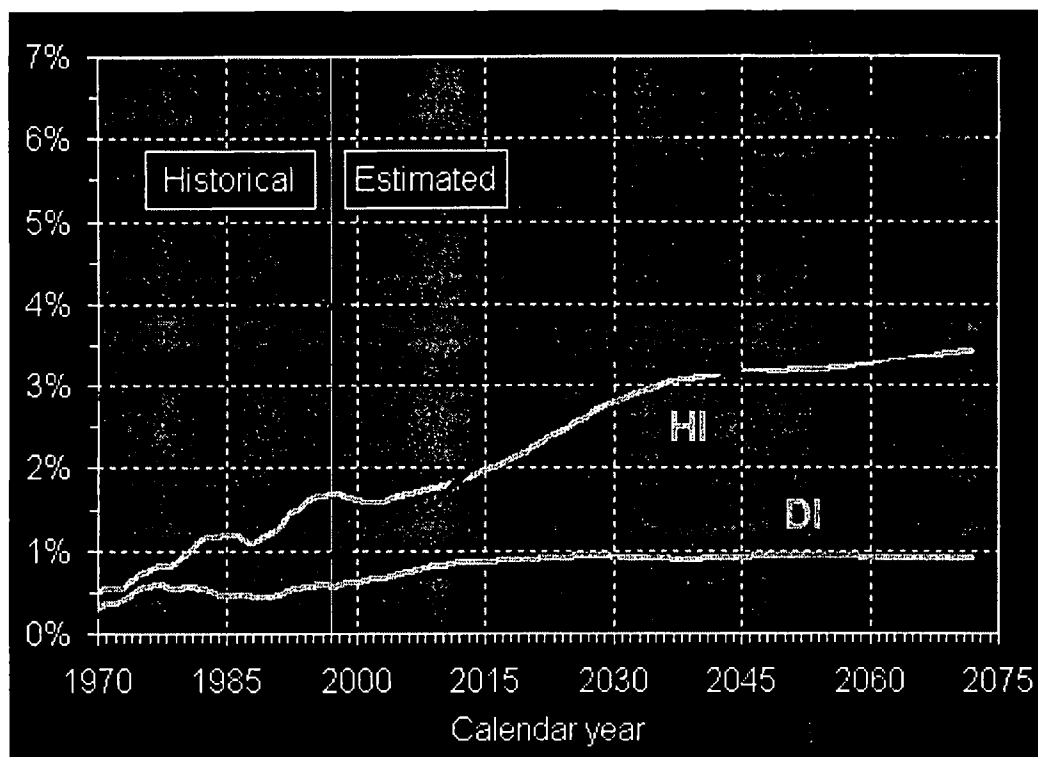
An additional way to view the outlook for the trust funds is in relation to the economy as a whole. The table below shows the estimated outgo from each trust fund as a percentage of estimated gross domestic product (GDP) from 1998 to 2072.

OASI, DI, HI AND SMI OUTGO AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT

Trust Fund	1998	2020	2045	2072	% Increase
OASI	3.96	5.01	5.81	6.01	52
DI	0.60	0.90	0.93	0.91	52
HI	1.69	2.22	3.16	3.44	104
SMI	0.97	2.48	3.14	3.31	241

Chart E shows in graphic form the growth in the outgo as a percentage of GDP. OASI and DI outgo increase by the same percentage over the full long-range period, while the percentage increases in HI and especially SMI outgo are much larger.

Chart E-OASI, DI, HI, and SMI Cost as a Percentage of GDP



Conclusions

Based on the Trustees best estimates (alternative II):

The Hospital Insurance (HI) Trust Fund, which pays inpatient hospital expenses, will be depleted in about 10 years and remains seriously out of financial balance in the long range even though the HI deficit is only one-half as large as it was prior to the Balanced Budget Act of 1997. The Supplementary Medical Insurance (SMI) Trust Fund, which pays doctor bills and other outpatient expenses, is financed on a year-by-year basis and trust fund income is projected to equal expenditures for all future years, but only because beneficiary premiums and Government general revenue contributions are automatically set to meet expected costs each year.

To facilitate longer term reform of Medicare, including the rapid growth of costs of the Medicare Supplementary Medical Insurance program, the Board of Trustees recommended last year establishing a national advisory group that could develop recommendations for effective solutions to Medicare financing problems. The Trustees are therefore gratified that the Balanced Budget Act established the National Bipartisan Commission on the Future of Medicare, and that the Commission has begun its work.

Finding good solutions to providing medical care for the elderly and disabled will be a continuing and difficult challenge as our population ages and medical care evolves. The legislative action taken last year was a significant first step in meeting that challenge. It reaffirms the Trustees' strong belief that even though periodic adjustments will likely be necessary, good solutions to Medicare's financing problems can be found.

The combined OASDI trust funds are projected to be adequately financed until 2032, when annual expenditures will begin to exceed annual income. At that time, annual tax income to the combined funds is projected to equal about 3/4 of the cost of benefits payable. The Board of Trustees believes that the long-range financing problem facing Social Security should be addressed in a timely way. Extensive public discussion and analysis of the practical implications of alternatives is essential to developing the broad support needed to enact any Social Security reform legislation. Thus, the Trustees cannot overstate the importance they attach to President's Clinton's plan for bipartisan forums on Social Security reform across the country this year followed by a White House Conference in December and development of bipartisan legislation early next year.

A MESSAGE FROM THE PUBLIC TRUSTEES:

This is the third set of Trustees Reports in which we have participated since we began four-year terms as Public Trustees on July 20, 1995. Our goal as Public Trustees is to ensure the integrity of the process by which these Reports are prepared and the credibility of the information they contain. Further, although we are of different political parties, we approach our work as Public Trustees on a bipartisan basis because we strongly believe that this is the only way through which financial problems facing Medicare and Social Security can be solved. It is in this vein that we offer the following observations regarding the 1998 Annual Reports.

1997: A Very Good Year

The financing of both Medicare and Social Security is stronger today than it was a year ago. Bipartisan legislative action in the Balanced Budget Act of 1997 improved the projected life of the Medicare Hospital

Insurance Trust Fund, and the strong performance of the economy, particularly low inflation and high employment, improved the overall financial condition of both programs. This reminds us that the demography of an increasingly older population with its resulting declining number of workers per retiree does not completely define our destiny

--that strong economic growth can make promised benefits more affordable in the future.

Beyond their actual effects on the trust funds, the positive legislative and economic experience in 1997 offers greater hope for the future than thought possible a few years ago. Legislative action on Medicare came after it seemed that political partisanship would be impossible to overcome, and the changes offer long-term as well as short-term improvement in Medicare financing. Once again we have proof that our political system works. Belief that the system can work is critical because legislative action on Medicare and Social Security will be periodically necessary in the future, as it has been in the past, to enable these programs to serve the needs of a constantly changing society.

We also hope that the National Bipartisan Commission on the Future of Medicare and the public discussion of Social Security now underway will result in sound proposals to address the future financing of both programs. In view of the broad-ranging discussion of Medicare and Social Security changes, the remainder of our message states what we believe to be critical facts these discussions must recognize.

Medicare

The first thing we must recognize is that Medicare's cost is going to increase in future years both because new, more expensive (and effective) medical technology is being developed every year and because an aging U.S. population will have a greater need per capita for medical care. Improved prevention techniques and healthier lifestyles may reduce the rate of growth in medical care costs, but it is almost certain that medical care costs per person will continue to rise.

The second fact is that health care delivery will also change. Shifting care out of hospitals to less formal settings has occurred at remarkable speed, for example, and new forms of health insurance are being developed each year, adding acronyms like HMO to our vocabulary. Therefore, flexible coverage and financing arrangements are needed so that Medicare does not have to be reshaped constantly as medical treatments and delivery evolve. These facts also convince us that there is a compelling question whether the already blurred financing and coverage distinction between Part A-Hospital Insurance (HI) and Part B-Supplementary Medical Insurance (SMI) should be continued. The rapid growth in SMI costs--by 48 percent over the last 5 years--and the shift of a substantial share of home health care from HI to SMI last year makes this question even more critical.

Third, there is no magic solution to ensure the long-term financing of Medicare. Instead, we should expect that legislative adjustments will be needed periodically as medical care evolves. The changes enacted in 1997 offer a number of promising approaches, but their implementation will need to be carefully monitored.

Fourth, ideally the next Medicare financing legislation should be enacted by 2003, the year Medicare annual expenditures are projected to begin again substantially exceeding annual income by a growing margin each year. Although the HI Trust Fund is projected to have assets to cover annual shortfalls until 2008, the annual shortfalls increase rapidly once they begin. It is equally important to find additional ways to reduce the growth of SMI costs, which are projected to exceed HI costs by 2015.

These facts cause some to ask whether Medicare should, or indeed, can be continued. We believe the answer is a definitive "Yes," but a process needs to be found for formulating and gaining public support for necessary changes. The National Bipartisan Commission on the Future of Medicare should contribute to that process, and we trust that it will agree on a next set of changes that can be enacted in a timely manner.

Social Security

The major reason that in 30 years Social Security's income is projected to cover only about three-quarters of the cost of promised benefits is that the large "baby-boom" generation born after World War II will have reached retirement age and caused the cost of benefits to increase sharply. For example, the number of workers for each retiree will fall from 3.4 now to 2.0 in 2030. Except for possibly increasing the retirement age, the role that demographics will play in the problem is largely set--we, our parents and our children are here, hopefully for a long time to come. The other major factor is economic growth. An improved economic picture can play a key role in how Social Security will need to change. But, to find a solution to the program's financing problem, we need as a nation to carefully consider what changes will help produce the kind of society we would like to have in the future.

The most important issue in considering structural changes in Social Security is to determine how much of the risk and responsibility for retirement income to place on each individual worker. Only about one-half of workers have a job-related pension and those pensions are increasingly in 401(k)-type individual investment plans where the worker bears the full risk of gain or loss. And the minority of workers who have private savings for retirement apart from their job also bear full risk in investing those savings. Thus, for most workers Social Security is the only source of assured lifetime retirement income. Social Security is a compromise that assures all workers a modest retirement base on which they can, if possible, add a private pension and personal savings. The tradeoff for this safety is a lower retirement benefit than at least some knowledgeable individual investors might build over their lifetimes. But, we should remember that Social Security also provides substantial survivor and disability benefits, as well as higher relative benefits to those with lower lifetime earnings.

Social Security benefits are not entirely risk free either--the money must be there to pay the benefits promised.

Strong economic growth will improve the prospects both for funding Social Security over time and for higher returns from private investments. But while we devoutly hope that the recent strong performance of the economy continues for the next 75 years, we must in our fiduciary role as Public Trustees warn policymakers and the public that there are serious reasons at this point to project that it may not, and that action needs to be taken to ensure that Social Security can pay the retirement benefits people expect. This also means that it is difficult to compare our projections for Social Security with the often optimistic forecasts of those who wish to promote a private investment approach.

The financing problem facing Social Security is significant but could be solved by small gradual changes IF those changes are enacted soon. Solely for purposes of illustration, payroll tax rates can be used to show the effect of delaying change: if payroll taxes were raised in 1998 to eliminate the projected Old-Age and Survivors Insurance (OASI) deficit, employers and employees each would have to pay about 18 percent more in all future years (i.e. an OASI tax rate of 6.3 percent rather than the current 5.35 percent). If such a change were not enacted until 2010, that tax rate would have to be increased almost one-fourth (to about 6.5 percent), and if delayed until 2025, the tax rate would have to be increased by about one-third (to approximately 7.2 percent).

Acting soon and using the opportunity offered by budget surpluses may provide an opportunity to experiment with different ways of supplementing Social Security without making deep immediate reductions in Social Security benefits. The practical implementation challenges of private accounts and other investment proposals need careful assessment. Social Security is too important to American workers and their families both now and into the future to change the program without extensive scrutiny. The national discussions underway regarding Social Security and the plan for working on a bipartisan basis toward legislation deserve our full support and offer hope that plans for Social Security reform can be developed that will meet the needs and goals of all Americans.

Conclusion

We are privileged to take part in the thorough and careful process by which the Annual Reports are prepared to provide this vital public accounting. We strongly believe that these Reports serve as an early warning of the need for changes to ensure continuation of these programs and not as evidence of their failure to protect future generations. Working cooperatively, with informed public debate, solutions can be found to the financing problems facing America as our population ages.

*Stephen G. Kellison,
Trustee*

*Marilyn Moon,
Trustee*

Requests for a printed copy of the summary of the annual reports may be submitted by filling out our *request form*.

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21

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: **The Aging of 21st Century America**

Fact: upcoming report of the bipartisan Medicare commission

Source: “Medicare Commission Continues Analyses; Details Criteria for Medicare in the Next Millennium,” National Bipartisan Commission on the Future of Medicare, January 5, 1999

Explanation: According to the Commission, “The Commission is scheduled to report its recommendations to the Congress and the Administration by March 1.”

National Bipartisan Commission on the Future of Medicare

GO TO: [Medicare HOME](#) | [Press Releases and Public Statements](#)

For Immediate Release: January 5, 1999

Contact: Rusty Jabour

Medicare Commission Continues Analyses; Details Criteria for Medicare in the Next Millennium

WASHINGTON (January 5) – Members of the national Medicare commission today continued their analyses of possible reforms as they seek ways to strengthen and improve the \$200 billion health care program that serves nearly 40 million seniors.

Commission Chairmen Senator John Breaux (D-LA) and Representative Bill Thomas (R-CA), said Medicare in the next millennium must:

- be there for beneficiaries
- adapt to a rapidly changing health care world
- provide modernized benefits
- be financially secure
- give beneficiaries choice of doctors and health plans
- be efficient

The chairmen said Medicare should be 1) responsive to the needs of beneficiaries, 2) cost-effective both for beneficiaries and taxpayers, 3) available for younger workers who expect a financially viable program when they retire, and 4) fair to providers.

The chairmen made the comments this afternoon at the first session of a two-day meeting of the 17-member National Bipartisan Commission on the Future of Medicare. Today, the Commissioners discussed Medicare's eligibility age, reforms to the current Medicare fee-for-service program, and supplemental insurance, also known as "Medigap."

Tomorrow morning, the Commissioners will study side-by-side comparisons of four health care systems and discuss how those plans work. Two of the options, traditional Medicare fee-for-service and Medicare+Choice, are used by Medicare today. Two others, the Federal Employees Health Benefits Program (FEHBP) and the California Public Employees' Retirement System (CalPERS), are examples of premium support, discussed as a possible model for Medicare in the future.

Proponents of the FEHBP and CalPERS plans note their ability to provide good benefits, manage costs and promote competition among participating health plans.

In recent weeks, the Commission has moved into a new phase of its year-long work, studying analyses, cost estimates and benefits packages for the Medicare program. The Commission is scheduled to report its recommendations to the Congress and the Administration by March 1.

The Balanced Budget Act of 1997, which also created the Medicare Commission, ensures solvency of the Medicare Part A trust fund for the next 10 years. But, without reform, the trust fund goes bankrupt in the year 2008. In addition, 77 million Baby Boomers (people born between 1946 and 1964) will begin entering Medicare in year 2011 and will significantly increase the demand for its services.

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22

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: The Aging of 21st Century America

Fact: today, millions of people retire with little to live on other than Social Security

Source: “The Future of Social Security,” Social Security Administration, October 1998

Explanation: According to the Social Security Administration, “For two-thirds of the elderly, Social Security is their major source of income, representing over half of their total income. For a third of the elderly, Social Security is virtually their only income.” In 1998, there were an estimated 35 million seniors 65 or older.

Social Security Administration

The Future of Social Security

SSA Publication No. 05-10055
ICN No. 462560
October 1998



Discussions about the future of Social Security need to take place not only in congressional hearing rooms, but also in family living rooms all across America. And people need to understand Social Security today so that they will be able to help shape the Social Security program of tomorrow."
—Kenneth S. Apfel
Commissioner of Social Security

Will Social Security Be There For You?

Absolutely. The only real question is what kind of Social Security system we will have. Our Social Security system has been a basic part of American life for more than 60 years. The Social Security law has been changed over time to meet the needs of the American people. It will need to change again to meet future challenges.

Since its inception, Social Security has provided a minimum "foundation of protection" for retired workers, and for workers and their families who face a loss of income due to disability or the death of a family wage earner. Social Security allows people to live independently and with dignity. More than 148 million workers are protected by Social Security, and more than 44 million people receive retirement, survivors and disability benefits from Social Security. You and your family are probably protected by Social Security, and you paid the taxes that help make the system work.

Social Security payments are based on two underlying philosophies. First, the system is designed so that there is a clear link between how much a worker pays into the system and how much he or she will get in benefits. Basically, high wage earners get more, low wage earners get less. At the same time, the benefit formula is weighted in favor of low wage earners, who have fewer resources to save or invest during their working years. Second, the Social Security program is a way of providing a base of economic security in today's society. It relieves families of the financial burden of supporting other family members by providing a valuable package of retirement, disability and survivors insurance.

Americans are talking about what kind of Social Security system they want for the future at town hall meetings and forums all across the country. You should take part in these discussions, too. It's important to you ... to your parents and grandparents ... to your children and grandchildren.

But you should know a few important facts about today's Social Security system so that you will be better able to help shape the Social Security system of tomorrow.

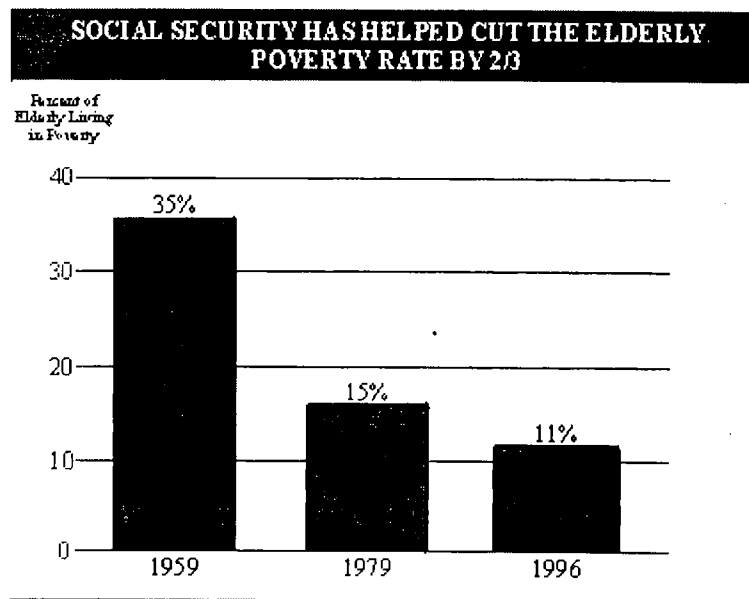
Social Security Has Made An Enormous Difference In The Lives Of Older Americans

Social Security is essential for most of today's older Americans.

More than 9-in-10 older Americans get Social Security retirement benefit payments each month. Only 11 percent of American senior citizens live in poverty; without Social Security, it would be nearly half.

For two-thirds of the elderly, Social Security is their major source of income, representing over half of their total income. For a third of the elderly, Social Security is virtually their only income.

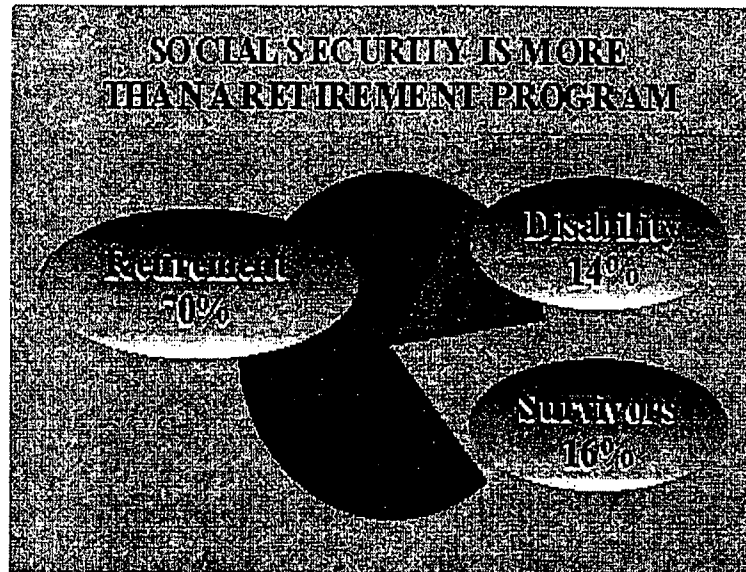
Social Security also provides older Americans with more than a dependable monthly income with automatic increases tied to increases in the cost of living ... it gives them a measure of deserved financial independence.



Social Security Is More Than A Retirement Program

Social Security is America's Family Protection Plan. Younger workers and their families receive valuable disability and survivors insurance protection. In fact, about 1-in-3 Social Security beneficiaries is not a retiree. They are disabled workers and their dependents, and survivors of deceased workers including widow(er)s and orphans.

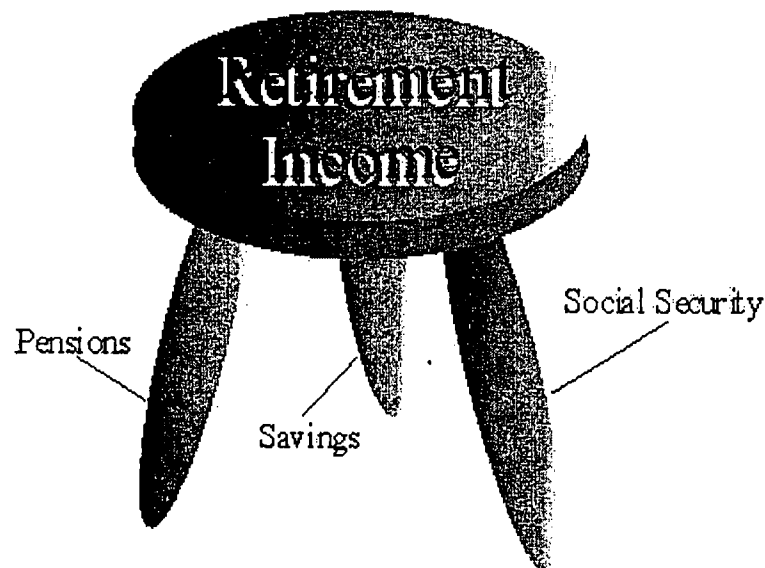
Approximately 7.5 million people get monthly survivors benefits, and more than six million workers and family members get disability benefits. Unfortunately, about 3-in-10 younger Americans will become disabled, and 1-in-6 will die before reaching retirement age. For the average wage earner with a family, Social Security survivors benefits are equivalent to a \$300,000 life insurance policy ... or a \$200,000 disability insurance policy.



Social Security Provides A Foundation On Which To Build Retirement Security

But even with Social Security, pensions and private savings need to be a part of retirement planning for workers. A comfortable retirement has always rested on a three-legged financial stool—Social Security, pensions and savings.

Today, only a little more than half of all workers have employer-sponsored pensions, and people are not saving as much as they know they should. While Social Security replaces about 40 percent of the average worker's pre-retirement earnings, most financial advisors say that you'll need 70 percent of pre-retirement earnings to live comfortably. Even if you can count on a pension, you'll still need to save. If you won't have a private pension, you'll need to save more—and start sooner.

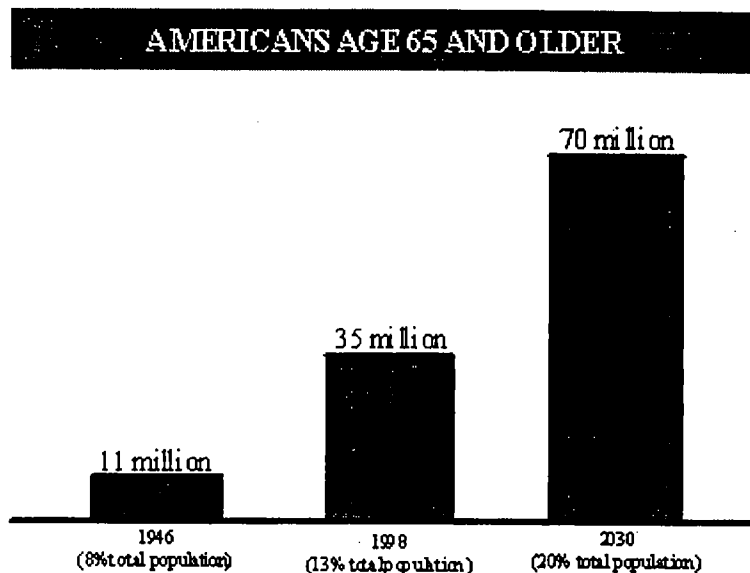


Changing Demographics Are Driving The

Need For Changes In Social Security

The main reason for Social Security's long-range financing problem is demographics. We're living longer and healthier lives ... and this is good news. When the Social Security program was created in 1935, a 65-year-old had an average life expectancy of 12½ more years; today, it's 17½ years¾ and rising.

In addition, 76 million baby boomers will begin retiring in about 2010, and in about 30 years, there will be nearly twice as many older Americans as there are today. At the same time, the number of workers paying into Social Security per beneficiary will drop from 3.3 to 2. These changes will strain our retirement system.



Social Security Is An Economic Compact Among Generations

Many people think that their Social Security tax contributions are held in interest-bearing accounts earmarked for their own future retirement needs. Social Security is actually an intergenerational compact, in which the Social Security taxes of today's workers mostly fund benefit payments for today's retirees.

Currently, Social Security is taking in more in taxes than it is paying out in benefits, and these excess funds are credited to Social Security's trust funds. There is now about \$700 billion in the trust funds, and they are projected to grow to nearly \$4 trillion in the next 20 years. But benefit payments will begin to exceed taxes paid in 2013, and the trust funds will be exhausted in 2032. At that time, Social Security will be able to pay only about three-fourths of benefits owed ... if no changes are made.

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Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: **The Aging of 21st Century America**

Fact: Americans are living longer

Source: National Center for Health Statistics (NCHS), Monthly Vital
Statistics Report, Vol. 45, No. 11 (S)2, June 12, 1997

Explanation: According to the NCHS, in 1940, the average life expectancy for
both sexes was 62.9 years. In 1995, the average life expectancy
was 75.8 years.

Table 5. Life expectancy at birth by race and sex: United States, 1940, 1950, 1960, and 1970–95

Year	All races			White			All other					
							Total			Black		
	Both sexes	Male	Female	Both sexes	Male	Female	Both sexes	Male	Female	Both sexes	Male	Female
1995	75.8	72.5	78.9	76.5	73.4	79.6	71.9	67.9	75.7	69.6	65.2	73.9
1994	75.7	72.4	79.0	76.5	73.3	79.6	71.7	67.6	75.7	69.5	64.9	73.9
1993	75.5	72.2	78.8	76.3	73.1	79.5	71.5	67.3	75.5	69.2	64.6	73.7
1992	75.8	72.3	79.1	76.5	73.2	79.8	71.8	67.7	75.7	69.6	65.0	73.9
1991	75.5	72.0	78.9	76.3	72.9	79.6	71.5	67.3	75.5	69.3	64.6	73.8
1990	75.4	71.8	78.8	76.1	72.7	79.4	71.2	67.0	75.2	69.1	64.5	73.6
1989	75.1	71.7	78.5	75.9	72.5	79.2	70.9	66.7	74.9	68.8	64.3	73.3
1988	74.9	71.4	78.3	75.6	72.2	78.9	70.8	66.7	74.8	68.9	64.4	73.2
1987	74.9	71.4	78.3	75.6	72.1	78.9	71.0	66.9	75.0	69.1	64.7	73.4
1986	74.7	71.2	78.2	75.4	71.9	78.8	70.9	66.8	74.9	69.1	64.8	73.4
1985	74.7	71.1	78.2	75.3	71.8	78.7	71.0	67.0	74.8	69.3	65.0	73.4
1984	74.7	71.1	78.2	75.3	71.8	78.7	71.1	67.2	74.9	69.5	65.3	73.6
1983	74.6	71.0	78.1	75.2	71.6	78.7	70.9	67.0	74.7	69.4	65.2	73.5
1982	74.5	70.8	78.1	75.1	71.5	78.7	70.9	66.8	74.9	69.4	65.1	73.6
1981	74.1	70.4	77.8	74.8	71.1	78.4	70.3	66.2	74.4	68.9	64.5	73.2
1980	73.7	70.0	77.4	74.4	70.7	78.1	69.5	65.3	73.6	68.1	63.8	72.5
1979	73.9	70.0	77.8	74.6	70.8	78.4	69.8	65.4	74.1	68.5	64.0	72.9
1978	73.5	69.6	77.3	74.1	70.4	78.0	69.3	65.0	73.5	68.1	63.7	72.4
1977	73.3	69.5	77.2	74.0	70.2	77.9	68.9	64.7	73.2	67.7	63.4	72.0
1976	72.9	69.1	76.8	73.6	69.9	77.5	68.4	64.2	72.7	67.2	62.9	71.6
1975	72.6	68.8	76.6	73.4	69.5	77.3	68.0	63.7	72.4	66.8	62.4	71.3
1974	72.0	68.2	75.9	72.8	69.0	76.7	67.1	62.9	71.3	66.0	61.7	70.3
1973	71.4	67.6	75.3	72.2	68.5	76.1	66.1	62.0	70.3	65.0	60.9	69.3
1972 ¹	71.2	67.4	75.1	72.0	68.3	75.9	65.7	61.5	70.1	64.7	60.4	69.1
1971	71.1	67.4	75.0	72.0	68.3	75.8	65.6	61.6	69.8	64.6	60.5	68.9
1970	70.8	67.1	74.7	71.7	68.0	75.6	65.3	61.3	69.4	64.1	60.0	68.3
1960	69.7	66.6	73.1	70.6	67.4	74.1	63.6	61.1	66.3	---	---	---
1950	68.2	65.6	71.1	69.1	66.5	72.2	60.8	59.1	62.9	---	---	---
1940	62.9	60.8	65.2	64.2	62.1	66.6	53.1	51.5	54.9	---	---	---

--- Data not available.

¹Deaths based on a 50-percent sample.

Click here to view source document at
<http://www.cdc.gov/nchswww/data/mv4511s2.pdf>

Chapter 3.

Longevity and Health Characteristics

3-1

Longevity and Causes of Death

Trends in Life Expectancy and Survival

Most People Live to See Their 65th Birthday

Reductions in mortality have resulted in impressive increases in life expectancy that have contributed to the growth of the older population, especially at the oldest ages. This is in contrast to the early days of our nation when high fertility and high mortality kept the nation "young." Life expectancy at birth was about 35

years when this nation was founded¹ and had increased to perhaps 42 years by the mid-1800's.² By 1900, average life expectancy at birth had increased to 47 years (table 3-1). Life expectancy continued to increase dramatically in the first half of the 20th century, primarily because of

decreased mortality among the young, particularly infants. Under the mortality conditions of 1950, life expectancy at birth had jumped to 68 years. Since then, improvements have slowed. Nevertheless, in 1991, life expectancy at birth had reached a record high of 75.5 years.

¹ Life expectancy at birth is defined as the average number of years a person would live given the age-specific mortality rates of a specified year or period. In this chapter, life expectancy is shown also by sex, race, and at selected ages, 65 to 85.

² Irene B. Taeuber and Conrad Taeuber, U.S. Bureau of the Census, *People of the United States in the 20th Century*, U.S. Government Printing Office, Washington, DC, 1971, pp. 497-499.

Gender and Racial Gaps in Life Expectancy at Birth Persist

From 1900 to 1991, life expectancy at birth increased from 46 years for men to 72 years; for women, the increase was from 48 years to nearly 79 years. Life expectancy at birth has more

Table 3-1.

Life Expectancy at Birth, at 65 Years, and at 75 Years, by Race and Sex: Selected Years, 1900-02 to 1991

(Data are based on the National Vital Statistics System)

Age and year	All races			White		Black	
	Both sexes	Male	Female	Male	Female	Male	Female
Remaining life expectancy in years							
At birth							
1900-1902 ^{1 2}	47.3	46.3	48.3	46.6	48.7	32.5	33.5
1950 ²	68.2	65.6	71.1	66.5	72.2	58.9	62.7
1960 ²	69.7	66.6	73.1	67.4	74.1	60.7	65.9
1970	70.8	67.1	74.7	68.0	75.6	60.0	68.3
1980	73.7	70.0	77.4	70.7	78.1	63.8	72.5
1991	75.5	72.0	78.9	72.9	79.6	64.6	73.8
At 65 years							
1900-1902 ^{1 2}	11.9	11.5	12.2	11.5	12.2	10.4	11.4
1950 ²	13.9	12.8	15.0	12.8	15.1	12.9	14.9
1960 ²	14.3	12.8	15.8	12.9	15.9	12.7	15.1
1970	15.2	13.1	17.0	13.1	17.1	12.5	15.7
1980	16.4	14.1	18.3	14.2	18.4	13.0	16.8
1991	17.4	15.3	19.1	15.4	19.2	13.4	17.2
At 75 years							
1980	10.4	8.8	11.5	8.8	11.5	8.3	10.7
1991	11.1	9.5	12.1	9.5	12.1	8.7	11.2

¹ Death registration area only. The death registration area increased from 10 States and the District of Columbia in 1900 to the coterminous United States in 1933.

² Includes deaths of nonresidents of the United States.

³ Figure is for the Black and other races population.

Source: National Center for Health Statistics, *Health, United States, 1993*, Hyattsville, MD, Public Health Service, 1994, table 27.

errors in the data for Blacks at the oldest ages. Other research leans toward the conclusion that the crossover is real.⁵

In general, surviving to age 65 is much more common nowadays, although considerable variation still exists among various population subgroups. Under the mortality conditions of 1979-81, 80 percent of Whites and Hispanics would survive to age 65. By comparison, 66 percent of Blacks and 71 percent of American Indians would survive to that age.⁶ Of those who live to age 65, one-fourth would survive to age 90 under the mortality conditions of 1979-81 (decennial life tables for 1989-91 are not yet available) compared with only one-eighth in 1949-51 (figure 3-2). The Census Bureau population projections' middle series mortality assumption implies that by the middle of the next century, over 40 percent of persons age 65 years can expect to live to at least age 90.

⁵ Mary N. Haan, "Are Older Blacks Really Hardier? Differences in Mortality and Risk Factors in Older Blacks and Whites," *Ethnicity and Disease*, forthcoming.

⁶ National Center for Health Statistics, U.S. Decennial Life Tables for 1979-81, Vol. I, No. 1. Public Health Service. U.S. Government Printing Office, Washington, DC, August 1985. Unpublished life table values for Hispanics from Greg Spencer, Population Division, Bureau of the Census. Life table values for American Indians and Alaskan Natives from Aaron Handler, Indian Health Service, American Indian and Alaskan Native Life Expectancy, 1979-81, for 28 reservation States (which include 67 percent of American Indians) for 1979-81.

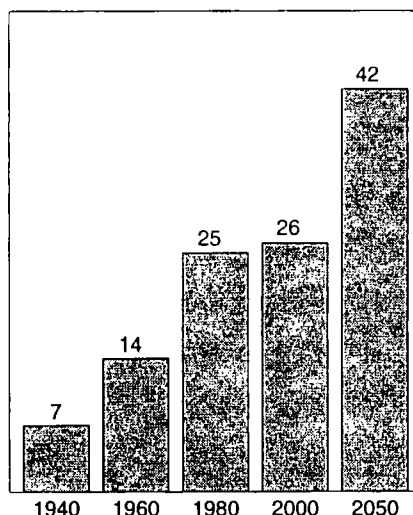
World's Highest Life Expectancy

Hong Kong and Japan Have World's Highest Life Expectancy

Among countries with at least one million population, life expectancy at birth in 1994 is projected to be highest in Hong Kong and Japan. Under the mortality conditions of 1990, life

expectancy at birth for Japanese women is 82.5 years. The United States ranks 23rd among the countries of the world in estimated levels of life expectancy at birth in 1994. Under 1990 mortality conditions, Japanese women at age 65 could expect to live an additional 20.6 years, implying that Japanese women who survive to age 65 would live to age 85.6, on average (table 3-4). By comparison, men age 65 years in the U.S. in 1990 could expect to live an additional 15.1 years (or to age 80.1), and women age 65 an additional 18.9 years (or to age 83.9).

Figure 3-2.
Percent of Persons Age 65 Expected to Survive to Age 90: 1940 to 2050



Source: 1940 to 1980 from National Center for Health Statistics, decennial life tables; 2000 and 2050 from unpublished life tables consistent with *Population Projections of the United States, by Age, Sex, Race, and Hispanic Origin: 1993 to 2050*, Current Population Reports, P25-1104, U.S. Government Printing Office, Washington, DC, 1993.

Number of Deaths and Death Rates

About 7 in 10 Deaths Occur to People Aged 65 or Older

During 1991, nearly 2.2 million people died in the United States; of these, nearly 1.6 million were elderly: with 0.5 million aged 65 to 74, 0.6 million were aged 75 to 84, and 0.5 million aged 85 and older (table 3-5).⁷ In the future, analysts expect the proportion of deaths at older ages to increase, especially after age 85. While 22 percent of all deaths occurred in 1991 at ages 85 and over, this percentage is expected to continue to increase for the next several decades. Under the Census Bureau's middle series

⁷ National Center for Health Statistics, *Monthly Vital Statistics Report*, Vol. 42, No. 2(S), August 31, 1993, Hyattsville, MD: Public Health Service, table 2.

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24

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: **The Aging of 21st Century America**

Fact: President Clinton was born in 1946, the first year of the baby boom

Source: Associated Press, August 18, 1996

Explanation: “[President] Clinton, whose birthday is Monday, is among three million born in Year One of the baby boom - in the vanguard of a generation that will profoundly affect the way America deals with an aging population... Clinton is the most prominent American of the baby boom generation - some 76 million people born between 1946, the first full year after the end of World War II, and 1964,” the Associated Press writes.

The Associated Press

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August 18, 1996, Sunday, AM cycle

SECTION: Political News

LENGTH: 700 words

HEADLINE: The First Boomer Marks His Birthday With a Bash

BYLINE: By HARRY F. ROSENTHAL, Associated Press Writer

DATELINE: NEW YORK

BODY:

Re-energized by his vacation, President Clinton burst full-blown into his campaign mode Sunday with a show-biz 50th birthday party and other events to raise \$ 10 million for Democrats and subtly accentuate his age difference with Bob Dole.

He told a \$ 1,500-a-person reception that as bad as it is to be a half-century old, he is comforted that ex-Beatles Paul McCartney, George Harrison and Ringo Starr are older.

"This is your birthday present," he said. "You get a presidential election where you don't have to guess." He said the American people know what the Republicans will do because "they've already done it once. I just vetoed it the first time."

Joined by first lady Hillary Rodham Clinton and daughter Chelsea, Clinton stood next to a huge birthday cake in the shape of an American flag. Clinton tried to blow out all 50 candles but finally finished with Chelsea's help.

When he stepped to the microphone to speak, a protester held up a poster condemning the welfare bill that Clinton has pledged to sign. Some people in the crowd began to boo the protester, but Clinton said, "Wait. They got their message. We heard them. Give them an applause and let them go."

Clinton, whose birthday is Monday, is among three million born in Year One

of the baby boom - in the vanguard of a generation that will profoundly affect the way America deals with an aging population.

"I never thought when I was growing up that I would get an AARP card," he said the other day as he was winding up his vacation at Jackson, Wyo. "When the card arrives in the mail, I will know it happened." The president's father was in his 20s when he died, before Clinton was born.

Clinton is the most prominent American of the baby boom generation - some 76 million people born between 1946, the first full year after the end of World War II, and 1964.

The changes in retirement, health and long-term care presaged by the aging of this large segment of the population have been likened to the effect on America wrought by the massive waves of immigrants arriving at the turn of the century.

Dole, the Republican nominee, turned 73 recently. If elected, he would be the oldest man ever to become president and he is running against a man who was the third youngest when he took office. Dole's acceptance speech at last week's Republican convention indicates how he plans to turn that seeming disadvantage into a plus.

"Age has its advantages," he said. "Let me be the bridge to an America that only the unknowing call myth. Let me be the bridge to a time of tranquility, faith, and confidence in action."

In an interview with CBS' "60 Minutes," Clinton rejected suggestions that Dole can make headway by raising questions about the president's character.

"I don't think the Republicans can damage my character. ... They can attack my reputation ... but not my character," said Clinton, adding that "God is the ultimate judge on character."

Clinton also strongly defended First Lady Hillary Rodham Clinton against what were perceived widely as personal attacks at last week's Republican convention in San Diego.

Clinton's birthday party, in Radio City Music Hall, was being carried by satellite to 80 cities, each with its own entertainments. There were two other fund-raisers to mark the birthday, a reception and a late dinner.

On Monday, Clinton and the first lady were flying to Tennessee to join Vice President Al Gore and his wife, Tipper, in symbolically helping rebuild Salem Baptist Church in Fruitland, one of 70 black churches burned in a rash of

fires. Mrs. Gore has the same birthday as Clinton; she will be 48.

Tickets for the Radio City show went for \$ 250 each, with the money going to the Democratic National Committee to help in election contests across the country. Tickets to the dinner were going for up to \$ 15,000 a plate.

As mistress of ceremonies, Whoopi Goldberg was presiding over a show featuring each of the decades in which Clinton lived. The 1940s were represented by Tony Bennett; the 1950s by rocker Jon Bon Jovi; the 1960s by Aretha Franklin and Smokey Robinson; the 1970s by Carly Simon; the 1980s by Kenny Rogers and Jennifer Holliday; the 1990s by Shania Twain.

LANGUAGE: ENGLISH

LOAD-DATE: August 18, 1996

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25

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: The Aging of 21st Century America

Fact: by saving the money we need to save Social Security and Medicare, over the next 15 years we will achieve the lowest level of publicly held debt since 1917

Source: Government Debt, Mankin & Elmendorf, NBER Working Paper #6470

Explanation: Current projections suggest that publicly held debt as a share of GDP will fall from 45 percent today to less than 10 percent in 2014 -- its lowest level since 1917.

GOVERNMENT DEBT
MANKIW & ELMENDORF,
NBER Working Paper #6470.

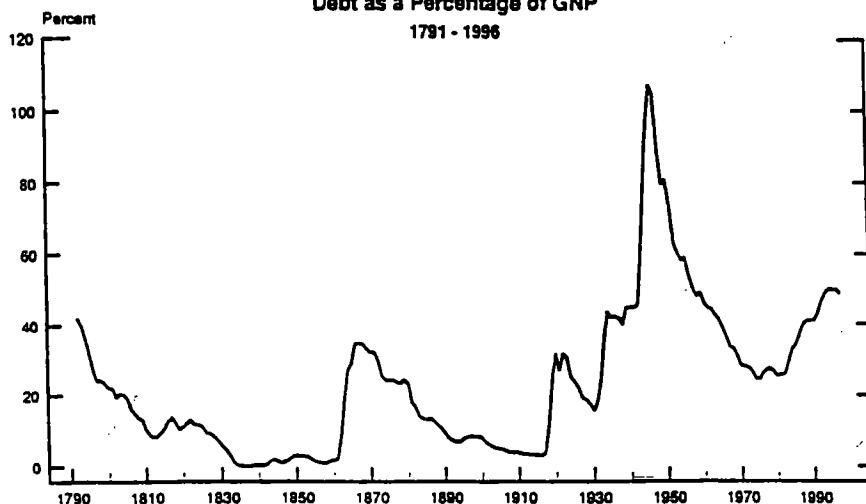
Figure 1

Table 5
Line Projections for the U.S. Budget
(percent of GDP)

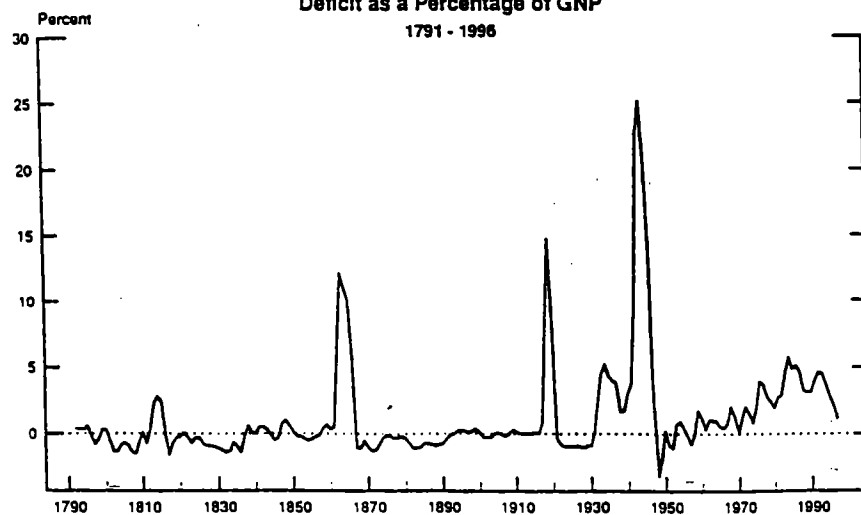
	1995	2030	2050
Interest	-1	5	6
Transfer Payments	3	6	12
Other	2	11	18
Total	50	125	267
Discretionary Spending	-1	5	n.a.
Transfer Payments	3	12	n.a.
Other	2	17	n.a.
Total	50	159	n.a.

0 (1995) and assume that discretionary spending after 2007. "n.a." signifies that the values were not available.

Panel A
Debt as a Percentage of GNP
1791 - 1996



Panel B
Deficit as a Percentage of GNP
1791 - 1996



SAVING SOCIAL SECURITY NOW AND MEETING AMERICA'S CHALLENGES FOR THE 21st CENTURY

In His State of the Union Address, President Clinton Put Forward His Framework To Save Social Security Now, While Meeting America's Challenges for the 21st Century. The President and Vice President's framework strengthens Social Security by:

- Transferring 62 percent of the projected budget surpluses over the next 15 years -- more than \$2.7 trillion -- to the Social Security system.
- Investing a portion of the transferred surpluses in the private sector to achieve higher returns for Social Security -- just as any state or local government, or private pension does -- after working with Congress to devise a mechanism to ensure that the investments are made independently and without political interference. We will support using a broad-based neutral approach managed by the private sector with minimum administrative costs.
- Keeping Social Security solvent until 2055.
- Calling for a bipartisan effort to make the hard-headed but sensible and achievable choices needed to save Social Security until at least 2075. As part of this effort, President Clinton and Vice President Gore believe that we must:
 - Reduce poverty among elderly women -- particularly widows, who have a poverty rate nearly twice the overall poverty rate for older Americans.
 - Eliminate the confusing and out-dated earnings test so that we stop discouraging work and earnings among older Americans.

After Social Security Reform Is Secured -- Consistent With the President's "Save Social Security First" Commitment -- the President Proposes To:

- **Strengthen Medicare for the 21st Century.** The President's framework will reserve 15 percent of the projected surpluses for Medicare, ensuring the Medicare Trust Fund is secure for 20 years. The President believes that these new resources should be used to help achieve broader, bipartisan reforms -- which should include a prescription drug benefit.
- **Create New Universal Savings Accounts -- USA Accounts.** The President's framework will reserve 11 percent of the projected surpluses to create new Universal Savings Accounts (USAs) so all working Americans can build wealth to meet their retirement needs. To help Americans save and to strengthen our current pension system, the government will provide an equal dollar contribution for most Americans. In addition, the government will match a portion of each additional dollar an individual puts voluntarily into his/her USA account -- with larger matches going to lower-income workers.
- **Prepare America for the Challenges of the Future.** The President's framework will reserve 11 percent of the projected surpluses for military readiness and pressing national domestic priorities, such as education and research.

- **Must Work Together -- Across Party Lines -- To Make Hard-Headed, But Sensible and Achievable Choices To Save Social Security for 75 Years.** President Clinton's goal is to save Social Security for 75 years. To do so, he believes we must work together in a bipartisan way to make the hard-headed, but sensible and achievable choices to save Social Security through at least 2075.

Publicly Held Debt Will Fall To Lowest As Share of GDP Since 1917

- **Turning Around America's Fiscal Position.** Under Presidents Reagan and Bush, the debt held by the public quadrupled, rising from \$785 billion in 1981 to \$3.2 trillion in 1993. As a share of the economy, the publicly held debt increased from 26 percent in 1981 to 50 percent in 1993. Since President Clinton took office, the publicly held debt as a share of GDP has dropped to about 45 percent.
- **Debt-to-GDP Ratio Will Fall to Lowest Level Since 1917.** Under the President's framework, current projections suggest that the publicly held debt, as a share of GDP, will fall from about 45 percent today to less than 10 percent in 2014 -- its lowest level since 1917.

Reduce Poverty Among Elderly Women -- Particularly Widows

- **Poverty Rates Among Elderly Women -- Particularly Widows -- Remain High.** The poverty rate for all elderly women was 13.1 percent in 1997. For widowed women, poverty rates are especially high: the poverty rate is 18.0 percent for widowed women -- nearly four times the poverty rate of married women (4.6 percent) and much higher than the poverty rate of widowed men (11.4 percent).
- **President's Framework Would Lower Poverty Rates Among Elderly Women -- Especially Widows.** Currently, widow benefits vary from 50 to 67 percent of benefits for a married couple when both members were alive. The official poverty thresholds imply that a widow needs over 75 percent of a couple's income to maintain her pre-widowhood consumption. This is a key reason why widow poverty is so much higher than overall elderly poverty. The President is committed to reducing the loss of Social Security income at widowhood.

Eliminate the Out-Dated and Confusing Earnings Test

- **President Clinton Believes We Should Eliminate The Earnings Test.** President Clinton believes that the earnings test has outlived its use. Today, it primarily serves to confuse people, and to discourage them from working. We want to work with Members of Congress to eliminate the earnings test as part of a comprehensive package to strengthen Social Security for the 21st century.

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26

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

Fact: there are more children, from more diverse backgrounds, in our public schools than at any time in our history

Source: National Center for Education Statistics, The Condition of Education 1998, Supplemental Table 43-1, Percentage Distribution of Enrollment in Public Elementary and Secondary Schools, by race/ethnicity: 1976-95

Explanation: In 1976, 76 percent of the children enrolled in K-12 were White, non-Hispanic; 24 percent of the children were members of minority populations. (15.5 percent of the children were Black, non-Hispanic; 6.4 percent were Hispanic; 1.2 percent were Asian Pacific Islander; and 0.8 percent were American Indian/Alaskan Native).

In 1995, 64.8 percent of the children enrolled in K-12 were White, non-Hispanic; 35.1 percent of the children were members of minority populations. (16.8 percent of the children were Black, non-Hispanic; 13.5 percent were Hispanic; 3.7 percent were Asian Pacific Islander; and 1.1 percent were American Indian/Alaskan Native).

Between 1976 and 1995, the total number of children who were members of minority populations in public elementary and secondary schools increased by 11.1 percent.

Table 43-1 Percentage distribution of enrollment in public elementary and secondary schools, by race/ethnicity: 1976-95

Race/ethnicity	1976	1984	1986	1988	1990	1992*	1993*	1994*	1995*	1976-95
										Change in percentage points
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	—
White, non-Hispanic	76.0	71.2	70.4	70.7	67.8	66.7	66.1	65.6	64.8	-11.2
Total minority	24.0	28.8	29.6	29.3	32.1	33.3	34.0	34.4	35.1	11.1
Black, non-Hispanic	15.5	16.2	16.1	15.2	16.2	16.5	16.6	16.7	16.8	1.3
Hispanic	6.4	9.1	9.9	10.1	11.5	12.3	12.7	13.0	13.5	7.1
Asian/Pacific Islander	1.2	2.5	2.8	3.1	3.4	3.5	3.6	3.6	3.7	2.5
American Indian/Alaskan Native	0.8	0.9	0.9	0.9	1.0	1.0	1.1	1.1	1.1	0.3

— Not applicable.
* Data are from the Common Core of Data (CCD) survey.

NOTE: Data shown in this table are taken from surveys other than the Current Population Surveys (CPS) and are not comparable to the data in other tables of this analysis. Enrollment includes kindergarten students and a small number of prekindergarten students. Details may not add to totals due to rounding.

SOURCE: U.S. Department of Education, Office for Civil Rights, Elementary and Secondary School Civil Rights Survey, 1976, 1984, 1986, 1988, and 1990; National Center for Education Statistics, Common Core of Data Survey, 1992; and Digest of Education Statistics, 1995, 1996, and 1997, table 45.

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27

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

Fact: opening the doors to college to all with: more affordable student loans; more Pell grants; work-study jobs; education IRAs; and the HOPE scholarship tax cut that more than 5 million Americans will receive this year

Source: Various, including: U.S. Department of Education Budget Service; FY99 Budget Report, Office of Management and Budget

Explanation:

“more affordable student loans” -- In August 1993, President Clinton enacted the Omnibus Budget Reconciliation Act of 1993 which included the Student Loan Reform Act. This Act created the Direct Loan Program which has cut student fees and interest rates for all borrowers, allowed students to consolidate college student loans, expanded repayment options and improved service through the Direct Loan Program.

“more Pell grants” -- This year, approximately 4 million students will receive Pell Grant awards, up from 3.6 million in 1997. In addition, the award size has increased. This year, the final budget provides \$7.7 billion for Pell Grants, an increase of \$359 million over FY98, increasing the maximum Pell Grant award from \$3,000 to \$3,125 -- that's the largest maximum award ever, 36-percent higher than it was in 1994.

“1 million new work study jobs” -- President Clinton's FY99 budget included a significant expansion of the Federal Work Study program. The final budget agreement provides \$870 million -- a \$40 million increase over the FY 1998 level of \$830 million -- which will allow nearly one million students to work their way through college and keeps us on track to the President's goal to expand Work Study toward one million students by the year 2000.

“education IRAs and the HOPE scholarship tax cut that more than 5 million Americans will receive this year” -- The 1997 Balanced Budget Act contained the President's \$1,500 HOPE Scholarship tuition tax credit, to make the first two years of college universally available. According to OMB, in 1999, an estimated 5.5 million student will take the tax credit. The 1997 Balanced Budget Act also contains Education Saving Accounts, or Education IRAs, allowing families to save for college, providing penalty and tax-free withdrawals for education.

Affordable
loan

A History of Direct Loans

**Direct
Loans**

The William D. Ford Federal Direct Loan Program was initially authorized as a demonstration pilot by the Higher Education Amendments of 1992. The Student Loan Reform Act of 1993, a part of the Omnibus Budget Reconciliation Act of 1993, authorized that the program be implemented on a phased-in basis.

Such a phase-in would be based on total guaranteed student loan volume: 5 percent in the first year, 1994-95; 40 percent in the second year, 1995-96; 50 percent in the third and fourth years, 1996-97 and 1997-98; and 60 percent in the fifth year, 1998-99. After the 1995-96 year, the loan volume percentages may be increased if institutional demand for participation is greater.

Direct Loans are simpler. There are only three players: the student, the school and the Department of Education. Students complete only one application, the *Free Application for Federal Student Aid* (FAFSA). There is no need for a separate loan application to a bank. The school determines how much a student will need to borrow and electronically transmits all the required loan information to the Department of Education. When the loan is approved, the student simply signs a promissory note and the school credits the student's tuition account.

The primary benefits to students are: They receive their loan funds much more quickly; and they know exactly whom to contact for deferments and repayment or any questions they might have about their loan, because their loans will never be sold. The benefits for schools are: greater control over the loan process by receiving the loan funds electronically; receiving tuition payments faster; and improving cashflow, a benefit for large schools as well as smaller ones.

In the first year of the program 104 institutions participated. Approximately 1350 institutions are participating in the the program during the 1997-98 academic year.

last updated 5/19/98 (jrs/mhm)

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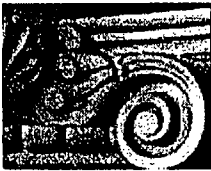
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SAVE MONEY BY CONSOLIDATING COLLEGE STUDENT LOANS

If you are paying back college loans, you now have the opportunity to consolidate & refinance those loans at a new, lower interest rate -- 7.46% -- but only if your application is received by January 31, 1999. This lower interest rate would save most borrowers at least \$50 for every \$1,000 of debt over the life of their loans. A typical student borrower at a 4-year college, who graduates with \$13,000 in debt, will save about \$700 over a 10-year repayment period. For parent (PLUS) loan borrowers, the savings may also be significant. This opportunity is offered through the Department's Direct Loan Program. It may also be available from private lenders who participate in the government-guaranteed student loan program; however, private lenders are not required to offer it. Find out more about this lower interest rate by contacting a private lender or by applying through the Direct Loan Program. You can receive more information about the Direct Loan Program, including an application, by calling 1-800-557-7392 or visiting:
<http://www.ed.gov/DirectLoan/consolid2.html>



direct loans fact sheet

Direct Loans

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The Direct Loan Program, a streamlined student aid delivery system, eliminates confusion and complexity, resulting in better and faster service to borrowers.

- ***The process is simpler for borrowers.*** Direct Loans borrowers complete one application, the Free Application for Federal Student Aid (FAFSA), for all Department student financial aid programs, including Direct Loans. They do not submit a separate loan application to a bank.
- ***Students do not borrow from banks.*** The federal government raises the loan funds through its regular Treasury bill auctions. Direct Loans are loans made with federal capital and owned by the federal government. Loan repayments are made to the government.
- ***Direct Loans are never sold.*** Since borrowing is direct through the federal government, borrowers make loan payments to the Department of Education for the life of their loans. It's "one-stop-shopping" from loan application to repayment.
- ***Students borrow only what they need*** because they are confident that if they need more, the funds will be there quickly. Their institutions act as the originator of the loan on behalf of the federal government.
- ***Students do not wait in lines*** to endorse bank checks because schools receive loan funds electronically from the federal government and disburse them to students directly.
- ***Schools do not wait for or process checks from multiple lenders.*** Funds are transferred electronically from a single source, the federal government, which means less processing time at the school, so there is more time for helping students and better cash flow for the school.
- ***Borrowers have more flexible repayment options*** with a Direct Loan, including Income Contingent Repayment, and they can change options when they need to without a fee at any time during the life of the loan.
- ***Schools may receive free software training and technical assistance.*** Direct Loan schools are not charged for their electronic transactions, including those related to obtaining student data through the Central Processing System. Toll-free numbers ensure that students and schools receive the help they need. In addition, the Department of Education maintains a Client Account Manager (CAM) staff in each of its ten regional offices to offer training and technical support to Direct Loan schools.

last updated 12/16/97 (ejs)

-###-

Pell

Projected State-by-State Distribution of Pell Grant Funds and Recipients

State or Area	Award Year 1997-98		Award Year 1998-99		Award Year 1999-00	
	Number of Recipients	Budget Authority (\$000)	Number of Recipients	Budget Authority (\$000)	Number of Recipients	Budget Authority (\$000)
Alabama	69,800	\$110,000	73,800	\$136,500	74,500	\$143,200
Alaska	4,400	\$7,300	4,600	\$9,100	4,700	\$9,500
Arizona	71,800	\$110,700	76,200	\$137,400	76,800	\$144,100
Arkansas	38,000	\$59,300	38,300	\$73,600	38,500	\$77,200
California	429,900	\$732,300	458,300	\$908,700	458,700	\$953,100
Colorado	48,400	\$74,300	51,400	\$92,200	51,700	\$96,700
Connecticut	24,400	\$35,900	25,800	\$44,500	26,000	\$46,700
Delaware	6,200	\$9,000	6,600	\$11,200	6,700	\$11,700
District of Columbia	10,800	\$17,200	11,300	\$21,400	11,300	\$22,400
Florida	183,000	\$291,500	194,200	\$361,700	195,600	\$379,400
Georgia	96,900	\$137,600	102,800	\$170,800	103,600	\$179,100
Hawaii	8,500	\$13,500	9,100	\$16,800	9,100	\$17,600
Idaho	20,000	\$32,400	21,300	\$40,300	21,400	\$42,200
Illinois	135,300	\$206,800	143,800	\$258,600	144,700	\$269,100
Indiana	68,500	\$102,200	72,700	\$128,800	73,200	\$133,000
Iowa	44,700	\$66,900	47,400	\$83,100	47,700	\$87,100
Kansas	39,200	\$59,100	41,600	\$73,400	41,900	\$77,000
Kentucky	59,200	\$96,700	62,800	\$119,900	63,300	\$125,800
Louisiana	76,500	\$133,300	81,200	\$165,400	81,800	\$173,500
Maine	14,800	\$22,800	15,400	\$28,300	15,600	\$29,600
Maryland	52,700	\$79,100	55,900	\$98,100	56,300	\$102,900
Massachusetts	72,800	\$113,600	77,200	\$141,000	77,800	\$147,900
Michigan	112,800	\$162,500	119,700	\$201,600	120,600	\$211,500
Minnesota	82,500	\$92,100	66,400	\$114,300	68,800	\$119,900
Mississippi	51,200	\$88,200	54,300	\$109,500	54,700	\$114,800
Missouri	70,300	\$108,000	74,600	\$134,000	75,200	\$140,600
Montana	16,200	\$26,800	17,200	\$33,200	17,300	\$34,800
Nebraska	25,800	\$37,400	27,300	\$46,400	27,500	\$48,700
Nevada	9,200	\$13,900	8,800	\$17,200	9,900	\$18,100
New Hampshire	12,200	\$17,800	12,900	\$22,100	13,000	\$23,200
New Jersey	73,600	\$119,200	78,100	\$147,900	78,700	\$155,100
New Mexico	30,400	\$49,100	32,200	\$60,900	32,500	\$63,900
New York	333,800	\$576,200	354,300	\$715,000	356,900	\$749,900
North Carolina	79,000	\$122,500	83,900	\$152,000	84,500	\$159,400
North Dakota	13,300	\$21,000	14,100	\$26,100	14,200	\$27,400
Ohio	134,800	\$204,300	142,800	\$253,500	143,900	\$265,900
Oklahoma	58,200	\$94,500	61,800	\$117,300	62,300	\$123,000
Oregon	35,300	\$55,000	37,500	\$68,300	37,800	\$71,600
Pennsylvania	145,100	\$230,200	154,000	\$285,700	155,200	\$299,600
Puerto Rico	158,100	\$310,300	167,800	\$385,100	169,000	\$403,900
Rhode Island	16,800	\$24,900	17,600	\$31,000	17,800	\$32,500
South Carolina	49,200	\$74,100	52,200	\$91,900	52,600	\$96,400
South Dakota	13,800	\$21,800	14,700	\$26,800	14,800	\$28,100
Tennessee	66,500	\$105,400	70,600	\$130,800	71,100	\$137,200
Texas	258,200	\$409,000	274,000	\$507,500	276,100	\$532,400
Utah	38,600	\$56,700	41,000	\$70,300	41,300	\$73,800
Vermont	8,600	\$12,600	9,100	\$15,600	9,200	\$16,400
Virginia	77,800	\$121,300	82,600	\$150,500	83,200	\$157,900
Washington	67,100	\$108,400	71,200	\$134,500	71,700	\$141,100
West Virginia	27,400	\$46,700	29,100	\$58,000	29,300	\$60,800
Wisconsin	52,100	\$77,100	55,300	\$95,600	55,700	\$100,300
Wyoming	7,300	\$11,600	7,800	\$14,400	7,800	\$15,100
SubTotal*	3,677,800	\$5,809,800	3,903,500	\$7,333,600	3,932,400	\$7,692,100
American Samoa	500	\$1,000	600	\$1,200	600	\$1,300
Fed. Sts. of Micronesia	1,500	\$2,700	1,500	\$3,300	1,800	\$3,500
Guam	800	\$1,500	800	\$1,800	800	\$1,900
Marshall Islands	600	\$1,000	700	\$1,200	700	\$1,300
Northern Marianas	500	\$800	500	\$900	500	\$1,000
Palau	400	\$800	500	\$1,000	500	\$1,000
Virgin Islands	800	\$1,500	900	\$1,800	900	\$1,900
SubTotal*	5,200	\$9,200	5,500	\$11,400	5,600	\$11,600
Grand Total*	3,683,000	\$5,919,000	3,909,000	\$7,344,900	3,938,000	\$7,704,000

Individual entries may not sum to totals due to rounding.

Projected State-by-State Distribution of Pell Grant Funds and Recipients

State or Area	Award Year '99-'00		Award Year '998-'99		Increase Compared to Award Year 1997-'98		Award Year 1999-2000 (Proposed)		Increase Compared to Award Year 1998-'99	
	Number of Recipients	Budget Authority (\$000)	Number of Recipients	Budget Authority (\$000)	Number of Recipients	Budget Authority (\$000)	Number of Recipients	Budget Authority (\$000)	Number of Recipients	Budget Authority (\$000)
Alabama	70,800	\$110,100	75,100	\$136,600	4,300	\$26,500	75,200	\$141,200	100	\$4,600
Alaska	4,100	\$6,800	4,400	\$8,500	300	\$1,700	4,400	\$8,800	---	\$300
Arizona	71,800	\$111,400	76,200	\$138,200	4,400	\$26,800	76,300	\$142,900	100	\$4,700
Arkansas	35,700	\$58,600	37,500	\$72,800	2,200	\$14,200	38,000	\$76,200	100	\$2,400
California	414,400	\$707,300	438,800	\$877,600	25,400	\$170,300	440,300	\$907,400	600	\$29,800
Colorado	48,300	\$74,500	51,200	\$82,500	2,900	\$18,000	51,300	\$95,800	100	\$3,100
Connecticut	24,900	\$38,900	26,500	\$46,600	1,600	\$8,800	26,500	\$47,200	---	\$1,800
Delaware	6,200	\$9,000	6,500	\$11,100	300	\$2,100	6,500	\$11,500	---	\$400
District of Columbia	10,400	\$16,500	11,000	\$20,400	600	\$3,900	11,000	\$21,100	---	\$700
Florida	180,700	\$288,200	191,800	\$358,800	11,100	\$88,600	192,000	\$371,000	200	\$12,200
Georgia	94,600	\$135,200	100,400	\$167,600	5,800	\$32,600	100,500	\$173,500	100	\$5,700
Hawaii	8,200	\$13,000	8,700	\$16,200	500	\$3,200	8,700	\$16,700	---	\$500
Idaho	19,600	\$32,200	20,800	\$35,600	1,200	\$7,700	20,800	\$41,300	---	\$1,400
Illinois	136,800	\$209,200	144,100	\$266,600	8,300	\$60,300	144,300	\$268,300	200	\$8,800
Indiana	68,400	\$103,100	72,500	\$127,800	4,100	\$24,800	72,600	\$132,200	100	\$4,300
Iowa	46,000	\$69,300	48,600	\$86,000	2,600	\$16,700	48,900	\$98,900	100	\$2,900
Kansas	41,100	\$62,400	43,600	\$77,500	2,500	\$15,100	43,600	\$80,100	---	\$2,600
Kentucky	59,600	\$97,200	62,200	\$120,600	3,700	\$23,400	63,300	\$124,700	---	\$4,100
Louisiana	78,300	\$133,500	82,100	\$165,700	4,900	\$32,200	83,200	\$171,300	100	\$5,600
Maine	14,200	\$22,100	15,100	\$27,400	900	\$5,300	15,100	\$28,400	---	\$1,000
Maryland	61,700	\$77,900	64,600	\$98,700	3,200	\$18,800	64,900	\$99,800	---	\$3,200
Massachusetts	74,400	\$117,100	78,500	\$145,400	4,500	\$28,300	78,000	\$150,300	100	\$4,900
Michigan	117,200	\$172,200	124,400	\$213,700	7,200	\$41,500	124,600	\$221,000	100	\$7,300
Minnesota	63,900	\$93,500	67,600	\$116,000	3,900	\$22,500	67,900	\$118,900	100	\$3,900
Mississippi	49,700	\$85,300	52,600	\$105,900	3,100	\$20,800	52,800	\$109,500	---	\$3,800
Missouri	71,200	\$109,300	75,600	\$135,700	4,400	\$26,400	75,700	\$140,300	100	\$4,600
Montana	18,100	\$26,600	17,100	\$33,100	1,000	\$6,500	17,100	\$34,200	---	\$1,100
Nebraska	26,400	\$38,200	28,100	\$47,300	1,700	\$9,100	28,100	\$48,900	---	\$1,600
Nevada	8,100	\$12,200	8,600	\$15,200	500	\$3,000	8,600	\$16,700	---	\$500
New Hampshire	12,600	\$18,600	13,300	\$23,000	800	\$4,400	13,300	\$23,800	---	\$800
New Jersey	71,900	\$116,500	76,400	\$144,600	4,500	\$28,100	76,400	\$148,500	---	\$4,900
New Mexico	30,600	\$49,400	32,400	\$81,300	1,800	\$11,900	32,500	\$83,300	100	\$2,000
New York	338,000	\$577,100	358,700	\$718,200	20,700	\$139,100	359,100	\$740,400	400	\$24,200
North Carolina	79,100	\$122,700	84,000	\$152,300	4,900	\$28,600	84,100	\$157,400	100	\$5,100
North Dakota	13,800	\$21,900	14,600	\$27,200	800	\$5,300	14,700	\$28,100	100	\$900
Ohio	135,700	\$208,600	144,000	\$256,400	8,300	\$48,800	144,100	\$266,000	100	\$8,800
Oklahoma	60,000	\$98,700	63,600	\$120,000	3,600	\$23,300	63,700	\$124,000	100	\$4,000
Oregon	38,300	\$58,400	38,500	\$66,600	2,200	\$13,500	38,600	\$72,300	100	\$2,400
Pennsylvania	145,500	\$231,100	154,500	\$286,700	9,000	\$55,600	154,800	\$298,400	100	\$9,700
Puerto Rico	164,300	\$321,000	174,400	\$388,200	10,100	\$77,300	174,600	\$411,800	200	\$13,500
Rhode Island	18,800	\$25,300	17,800	\$31,400	1,000	\$6,100	17,900	\$32,500	100	\$1,100
South Carolina	50,000	\$75,100	52,000	\$83,200	3,000	\$18,100	53,100	\$86,300	100	\$3,100
South Dakota	14,300	\$22,300	15,200	\$27,700	900	\$5,400	15,200	\$28,600	---	\$900
Tennessee	65,300	\$103,900	69,400	\$128,600	4,100	\$25,000	69,400	\$133,300	---	\$4,400
Texas	251,800	\$398,200	267,300	\$494,200	15,500	\$98,000	267,800	\$510,900	300	\$18,700
Utah	40,300	\$60,800	42,800	\$74,200	2,500	\$14,400	42,900	\$76,700	100	\$2,500
Vermont	8,600	\$12,800	9,200	\$15,900	600	\$3,100	9,200	\$16,400	---	\$500
Virginia	73,700	\$115,100	78,200	\$142,800	4,500	\$27,700	78,300	\$147,800	100	\$4,800
Washington	66,400	\$107,100	70,500	\$132,800	4,100	\$25,800	70,500	\$137,400	---	\$4,500
West Virginia	27,000	\$46,000	28,600	\$57,000	1,800	\$11,000	28,700	\$59,000	100	\$2,000
Wisconsin	55,500	\$83,700	58,900	\$103,800	3,400	\$20,100	59,000	\$107,400	100	\$3,600
Wyoming	7,600	\$12,000	8,100	\$14,500	500	\$2,900	8,100	\$15,400	---	\$500
Sub Total	3,977,000	\$5,908,800	3,902,700	\$7,332,300	225,700	\$1,423,500	3,906,700	\$7,680,900	4,000	\$248,600
American Samoa	1,100	\$1,800	1,100	\$2,300	---	\$500	1,100	\$2,300	---	---
Fed Sts of Micronesia	1,800	\$3,100	1,800	\$3,800	100	\$700	1,900	\$3,900	---	\$100
Guam	1,000	\$1,800	1,100	\$2,000	100	\$400	1,100	\$2,100	---	\$100
Marshall Islands	800	\$900	800	\$1,100	---	\$200	800	\$1,100	---	---
Northern Mariana	400	\$700	500	\$900	100	\$100	500	\$900	---	---
Pelau	400	\$800	400	\$900	---	\$100	400	\$1,000	---	\$100
Virgin Islands	700	\$1,400	800	\$1,700	100	\$300	800	\$1,700	---	---
Sub Total	6,000	\$10,200	6,300	\$12,600	300	\$2,400	6,300	\$13,100	---	\$500
Grand Total	3,983,000	\$5,919,000	3,909,000	\$7,344,900	226,000	\$1,425,900	3,913,000	\$7,694,000	4,000	\$249,100

Note: Cells marked with *** reflect changes that are smaller than the degree to which figures are rounded.

11/9/98

CONGRESSIONAL ACTION ON FISCAL YEAR 1999 BUDGET

14

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	1998 Appropriation	1999 President's Budget	1999 House	1999 Senate	1999 Appropriation
OFFICE OF POSTSECONDARY EDUCATION (OPE)						
<u>Student Financial Assistance</u>						
1. Federal Pell grants (HEA IV-A-1).....	D	7,344,934	7,594,000	8,178,654	8,527,551	7,704,000
Prior-year surplus used (non-add).....	D	78,768	0	0	0	0
Subtotal, resources available (non-add)		7,423,702	7,594,000	8,178,654	8,527,551	7,704,000
Maximum award (in whole dollars).....		3,000	3,100	3,150	3,100	3,125 *
Program costs (non-add).....		7,423,702	7,594,000	7,795,328	7,639,000	7,704,000
Funding excess/shortfall (non-add).....		0	0	383,326	888,551	0
Subtotal, new budget authority.....		7,344,934	7,594,000	8,178,654	8,527,551	7,704,000 *
2. Campus-based programs:						
(a) Federal supplemental educational opportunity grants						
(HEA IV-A-3).....	D	614,000	619,000	614,000	619,000	619,000
(b) Federal work-study (HEA IV-C).....	D	830,000	900,000	950,000	900,000	970,000
(c) Federal Perkins loans (HEA IV-E):						
(1) Capital contributions.....	D	135,000	60,000	0	60,000	100,000
(2) Collections transferred from Perkins loans						
Revolving Fund (permanent authority).....	M	0	40,000	40,000	40,000	0
Subtotal.....		135,000	100,000	40,000	100,000	100,000
(3) Loan cancellations.....	D	30,000	30,000	30,000	30,000	30,000
Subtotal, Perkins loans.....		165,000	130,000	70,000	130,000	130,000
Subtotal, campus-based programs		1,609,000	1,649,000	1,534,000	1,649,000	1,619,000
3. Leveraging educational assistance partnership*						
(HEA IV-A-4).....	D	25,000	0	0	36,000	25,000
Total, Budget authority.....		8,978,934	9,243,000	9,712,654	10,212,551	9,348,000
Current discretionary authority		8,978,934	9,203,000	9,672,654	10,172,551	9,348,000
Permanent mandatory authority..		0	40,000	40,000	40,000	0
Outlays, Total.....		8,394,775	9,068,320	9,097,086	9,084,520	8,695,373
Outlays, current, discr....		8,394,775	9,064,320	9,093,086	9,080,520	8,695,373
Outlays, permanent, mand...		0	4,000	4,000	4,000	0
<u>Federal Perkins Loans Revolving Fund (HEA IV-E section 467)**</u>						
1. Transfer to Perkins Loans for new capital contributions						
(permanent authority).....	M	0	(40,000)	(40,000)	(40,000)	0
Outlays.....		(42,000)	(40,000)	(40,000)	(40,000)	0

*Formerly State Student Incentive Grants prior to enactment of the Higher Education Amendments of 1998.

**Authorization as in effect prior to enactment of the Higher Education Amendments of 1998, which repealed section 467 of Title IV, Part E.

DEPARTMENT OF EDUCATION
Federal Work-Study

Page 31

Work
Study

	1997 Appropriation	1998 Appropriation	1999 Appropriation
Alabama	14,051,649	14,051,649	14,728,837
Alaska	827,180	827,180	867,044
Arizona	9,597,308	9,597,308	10,059,829
Arkansas	6,763,929	6,763,929	7,089,901
California	83,001,507	83,001,507	87,001,579
Colorado	11,125,482	11,125,482	11,661,650
Connecticut	9,651,464	9,651,464	10,116,595
Delaware	1,452,950	1,452,950	1,522,972
District of Columbia	8,452,628	8,452,628	8,859,984
Florida	27,788,647	27,788,647	29,127,859
Georgia	17,512,398	17,512,398	18,356,369
Hawaii	2,121,715	2,121,715	2,223,966
Idaho	2,451,754	2,451,754	2,569,911
Illinois	35,179,244	35,179,244	36,874,629
Indiana	15,569,060	15,569,060	16,319,376
Iowa	10,967,662	10,967,662	11,496,224
Kansas	7,747,729	7,747,729	8,121,114
Kentucky	10,833,437	10,833,437	11,355,530
Louisiana	14,454,059	14,454,059	15,150,640
Maine	7,598,334	7,598,334	7,964,519
Maryland	11,806,469	11,806,469	12,375,455
Massachusetts	43,845,459	43,845,459	45,958,493
Michigan	26,394,777	26,394,777	27,666,814
Minnesota	17,916,075	17,916,075	18,779,500
Mississippi	11,183,093	11,183,093	11,722,037
Missouri	16,448,796	16,448,796	17,241,509
Montana	3,280,901	3,280,901	3,439,017
Nebraska	5,751,401	5,751,401	6,028,577
Nevada	1,337,747	1,337,747	1,402,217
New Hampshire	5,772,446	5,772,446	6,050,636
New Jersey	14,922,574	14,922,574	15,641,734
New Mexico	6,345,808	6,345,808	6,651,630
New York	80,574,380	80,574,380	84,457,483
North Carolina	19,036,577	19,036,577	19,954,002
North Dakota	3,130,560	3,130,560	3,281,430
Ohio	34,874,872	34,874,872	36,555,589
Oklahoma	9,937,829	9,937,829	10,416,761
Oregon	11,813,716	11,813,716	12,363,052
Pennsylvania	45,438,575	45,438,575	47,628,386
Rhode Island	6,789,142	6,789,142	7,116,330
South Carolina	10,817,867	10,817,867	11,339,210
South Dakota	4,045,793	4,045,793	4,240,771
Tennessee	14,962,156	14,962,156	15,683,224
Texas	43,429,863	43,429,863	45,522,868
Utah	4,526,489	4,526,489	4,744,633
Vermont	5,474,286	5,474,286	5,738,107
Virginia	17,753,539	17,753,539	18,609,131
Washington	14,815,425	14,815,425	15,529,421
West Virginia	6,133,865	6,133,865	6,429,473
Wisconsin	16,437,963	16,437,963	17,230,154
Wyoming	976,472	976,472	1,023,531
American Samoa	15,247	15,247	15,982
Guam	527,453	527,453	552,872
Northern Mariana Isl	28,093	28,093	29,447
Puerto Rico	15,930,039	15,930,039	16,697,752
Virgin Islands	70,047	70,047	73,423
Palau	129,495	129,495	135,736
Marshall Islands	0	0	0
Micronesia	176,575	176,575	185,085
Indian Tribe Set Asi	0	0	0
Other	0	0	0
Total.....	830,000,000	830,000,000	870,000,000

NOTE: Amounts for 1999 are estimates; actual allocations may differ.

Budget Service
November 9, 1998

4

Work Study

**Source: U.S. Department of Education
Budget Service
January 15, 1999**

The Department of Education's most current estimates for FY99:

FY99, which funds work study students in academic year 1999-2000:

Budget Authority: \$870 million

Aid available: \$1,081 million

Work Study requires a 25 percent match (school's must pay 25 percent of the average award).

of recipients: 963,000

FY2000 funds work study students in academic year 2000-2001:

estimated # of recipients: 1,019,000

(meeting the President's goal of serving one million work study students by the year 2000)

Hope
Work
Study

BUDGET



BUDGET OF THE UNITED STATES GOVERNMENT

Fiscal Year 1999

V. PREPARING FOR THE 21ST CENTURY

Table 1-1. THE BUDGET INCREASES RESOURCES FOR MAJOR EDUCATION AND TRAINING PROGRAMS BY \$11.6 BILLION, OR 32 PERCENT OVER 1998, AND BY A TOTAL INCREASE OVER 1993 OF 81 PERCENT

(Dollar amounts in millions)

	1993 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1993 to 1999
TAX EXPENDITURES:					
Hope Scholarships Credit		205	4,160	+3,955	NA
Lifetime Learning Credit		115	2,550	+2,435	NA
School Construction			215	+215	NA
Work Opportunity Tax Credit (Targeted Jobs Tax Credit in 1993)	160	280	406	+126	+154%
Welfare/Job Tax Credit		10	41	+31	NA
Total, tax expenditures	160	610	7,372	+6,762	+4,508%
MANDATORY OUTLAYS:					
Welfare-to-Work Grants		466	1,299	+833	NA
Early Learning Fund (see Chapter 2)			372	+372	NA
RECEIPTS FROM TOBACCO LEGISLATION:					
Class Size Reduction			1,100	+1,100	NA
DISCRETIONARY BUDGET AUTHORITY:					
Pre-School (see Chapter 2):					
Head Start	2,776	4,355	4,660	+305	+68%
Elementary and Secondary Education:					
America Reads Challenge:					
Department of Education			260	+260	NA
Corporation for National and Community Service		64	153	+89	NA
Goals 2000		491	501	+10	NA
Education Opportunity Zones			200	+200	NA
Education Technology	23	584	721	+137	+3,035%
Title I—Education for the Disadvantaged	6,709	8,022	8,496	+474	+27%
Eisenhower Professional Development	289	335	335		+16%
Teacher Recruitment and Preparation			65	+65	NA
Special Education	2,966	4,811	4,846	+35	+63%
Bilingual and Immigrant Education	213	354	387	+33	+82%
Safe and Drug Free Schools and Communities	582	556	606	+50	+4%
Charter Schools		80	100	+20	NA
After-School Learning Centers		40	200	+160	NA
Postsecondary Aid:					
Pell Grants	6,372	7,345	7,594	+249	+19%
College Work-Study	617	830	900	+70	+46%
Other Campus-based Aid	764	779	709	-70	-7%
Early Awareness Information Campaign			15	+15	NA
Work Force Development:					
Learning Anytime, Anywhere Partnerships (Education and Labor Departments)			40	+40	NA
Opportunity Areas for Out-of-School Youth			250	+250	NA
Vocational Education	1,170	1,147	1,150	+3	-2%
Adult Education	305	361	394	+33	+29%
Veterans Employment Services and Training	167	164	264	+100	+58%
School-to-Work (Education and Labor Departments)		400	250	-150	NA
Job Corps	966	1,246	1,308	+62	+35%
JTPA Low-income Adult Training	1,015	955	1,000	+45	-1%
JTPA Dislocated Worker Assistance	517	1,351	1,451	+100	+181%
Employment Service and One-Stop Centers	895	974	964	-10	+8%
Total, budget authority	26,346	35,244	37,819	+2,575	+44%
TOTAL RESOURCES (tax expenditures; receipts; mandatory outlays; and budget authority)	25,506	36,320	47,962	+11,642	+81%
STUDENT LOANS (face value of loans issued):					
Direct loans		11,204	12,002	+798	+100%
Guaranteed loans	16,089	20,461	21,932	+1,471	+36%
Consolidation loans	1,540	6,574	6,116	-458	+297%
Total, student loans	17,629	38,239	40,050	+1,811	+127%
DEPARTMENT OF EDUCATION:					
Discretionary Budget Authority	23,694	29,559	31,156	+1,597	+31%

NA=Not applicable.

Title I—Education for the Disadvantaged: Title I provides funds to raise the educational achievement of disadvantaged children. In 1994, the President proposed, and Congress adopted, legislation to focus Title I resources more on low-income children, to set the same high standards for those children as for all others, to hold schools accountable for progress toward achieving those standards, and to give States and schools greater flexibility in using Title I funds. The budget provides \$8.5 billion, six percent more than in 1998, including \$7.8 billion for grants with which school districts can provide educational services to over 10 million children in poor communities.

Comprehensive School Reform Demonstration: This program, which Congress enacted last year, will help nearly 3,500 schools Nation-wide implement effective, research-based school improvement models. The budget proposes \$150 million for these demonstrations in high-poverty schools, a \$30 million increase, and \$25 million for similar demonstrations in other schools.

Safe and Drug-Free Schools and Communities: Since 1993, this program has provided a total of \$3.1 billion to help 97 percent of all school districts implement anti-drug and anti-violence programs. The budget proposes \$556 million, including \$125 million in competitive grants for projects that use proven program designs in high-need areas. The budget also proposes \$50 million for a new School Drug Prevention Coordinators program to ensure that half of all middle schools have a director of drug and violence prevention programs to monitor local programs and link school-based programs to community-based programs.

Special Education: Last year, the President signed into law amendments to the Individuals with Disabilities Education Act (IDEA) to help States improve educational results for children with disabilities by holding States accountable for performance and focusing resources on teaching and learning. The budget provides \$4.8 billion for IDEA, including an increase of \$20 million for the Infants and Families program and an increase of \$10 million to expand State Improvement Grants to reach 35 to 40 States.

Postsecondary Education and Training

High school is the first key step to a good job. But it is only a first step. Those with more years of schooling consistently earn more over their working careers than those with only a high school degree. The cost of higher education can be imposing to many families, but Federal support through Pell Grants, work-study, student loans, Hope Scholarship credits, Lifetime Learning Credits, other tax benefits, and other programs now make college affordable for every American. The budget proposes to help even more young people go to college and to teach all families about the full range of Federal aid.

College Preparation and Attendance: The budget proposes a new \$140 million initiative to help increase college participation among low-income students. It also proposes a \$15 million College and Financial Aid Information program—a Nation-wide information campaign on the benefits of higher education and the availability of Federal resources.

Hope Scholarship Credits and Lifetime Learning Credits: Last year, the President proposed, and Congress enacted, new tax benefits for postsecondary education for low- and middle-income families. With Hope Scholarships, students in the first two years of college or other eligible postsecondary training can get a tax credit of up to \$1,500 for tuition and fees. In 1999, an estimated 5.5 million students will receive \$4.2 billion in tax credits. Under the Lifetime Learning Credit, students beyond the first two years of college, or those taking classes part-time to improve or upgrade their job skills, will receive a 20-percent tax credit for the first \$5,000 of tuition and fees each year through 2002, and a 20-percent credit for the first \$10,000 thereafter. In 1999, an estimated 7.2 million students will receive \$2.5 billion in tax credits.

Pell Grants: The President proposes to raise the maximum Pell Grant award by \$100, to \$3,100—the highest ever—to reach 3.9 million low- and middle-income undergraduates. The budget provides \$7.6 billion for Pell Grants, a \$249 million increase over the 1998 level. In addition, in its reauthorization proposals for 2000, the Administration will

Investing in the Special Needs of Hispanic Americans

The education of Hispanic Americans requires special attention. Their high school drop-out rate, for example, is unacceptably high. Due in part to 1994 improvements in the way that children with limited English proficiency are served, Latinos now receive 32 percent of services under Title I (the largest elementary and secondary program), more than any other minority group. On top of other efforts to boost funding for programs that serve disadvantaged students, the budget targets funding to programs that show particular promise in addressing these needs. The funding increases include:

- \$30 million, to a total of \$150 million, for Comprehensive School Reform in high-poverty schools, providing grants for research-proven reform efforts to schools that have low achievement and high drop-out rates;
- \$25 million, to \$50 million, for Bilingual Education Professional Development, giving teachers the skills they need to help their students learn English and meet challenging academic standards;
- \$53 million, to \$583 million, for the TRIO programs that work with low-income high school and college students to encourage them to complete high school and attend, and graduate from, college;
- \$16 million, to \$28 million, for assistance for colleges and universities that serve large numbers of Hispanic students;
- \$5 million, to \$15 million, for the High School Equivalency Program for migrants and the College Assistance Migrant Program;
- \$33 million, to \$394 million, for Adult Education to expand services and improve English as a Second Language programs by identifying and disseminating proven and promising practices;
- \$50 million, to \$355 million, for Title I-Migrant Education, which provides additional educational assistance to migrant children; and
- \$5 million for a Labor Department demonstration program to develop new training, and work and learning opportunities to help young migrant farm workers qualify for other job opportunities with career potential.

propose to expand Pell Grants to reach more low-income independent students and others.

Work-Study: In 1996, the President committed to expanding the Work-Study program to one million students by the year 2000. The budget reaches the goal one year early. In 1999, one million needy students would earn their work-study awards by helping their schools or surrounding communities. The budget provides \$900 million—the highest level ever—a \$70 million increase over the 1998 level.

Student Loans: An estimated 6.2 million people will borrow \$40 billion through the Federal student loan programs in 1999. The Administration proposes to improve financial incentives in the Federal Family Education Loan program, which guarantees commercial loans through intermediaries known as

guaranty agencies, and ensure continued innovation in the Direct Loan program, which provides capital directly to schools and students. The budget proposes to streamline the Government-guaranty system, to save money for students and families, and to improve services to both schools and borrowers.

A new interest rate structure for student loans, scheduled to take effect on July 1, 1998, may prompt some lenders in the Government-guaranteed loan system to withdraw rather than accept lower revenues. The Administration plans to work with Congress on a rate structure that ensures that students continue to enjoy access to loans but that still limits student costs.

*Hope****A biweekly look at progress on the Secretary's priorities*****Table of Contents**

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AFTER-SCHOOL FUNDING

President Clinton announced last week that he is seeking to triple funding for after-school programs, from \$200 million this year to \$600 million in fiscal year 2000. He said also that, when making awards under this 21st Century Community Learning Centers program, the Department would give priority to schools that discourage "social promotion" -- the practice of allowing students who have failed a school year to move up to the next grade level. These proposals are expected to be part of the President's budget for 2000, which will be sent to Congress early in February.

**WORKSHOPS ON APPLYING FOR AFTER-SCHOOL FUNDS**

Free workshops are being offered this month to assist schools & districts thinking of applying for support under the 21st Century Community Learning Centers program. The workshops will help eligible applicants -- public elementary & secondary schools in inner-cities & rural areas, as well as consortia of those schools & or school districts applying on their behalf -- plan & implement high-quality after-school programs. Workshop features include...

- tips on how to prepare the grant application
- research results on high-quality after-school programs
- examples of high-quality after-school programs & activities in the region.

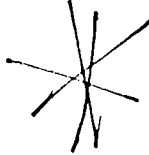
If you are interested in applying, please plan to attend a workshop in one of these cities:

- January 11, 1999: Reno, NV, & Providence, RI
- January 12, 1999: Boise, ID
- January 13, 1999: Billings, MT, & Minneapolis, MN
- January 15, 1999: Portland, OR
- January 16, 1999: Washington, DC
- January 20, 1999: Omaha, NE, & Philadelphia, PA
- January 21, 1999: Flint, MI
- January 30, 1999: Houston, TX, & Atlanta, GA.

For more information on the conferences, hosted by the Charles Stewart Mott Foundation, call the National Community Education Association (703-359-8973) or fill out the application:
<http://www.ed.gov/offices/OERI/21stCCLC/wkspreg.html>

<http://www.ed.gov/offices/OERI/21stCCLC/wkspreg.html>

Questions about the application package or the competition should be directed to the Department by e-mail (21stCCLC@ed.gov), fax (202-219-2198), or phone (202-219-2089 or 202-219-2180).
<http://www.ed.gov/offices/OERI/21stCCLC/>



NEW HIGHER EDUCATION TAX CREDITS AVAILABLE

1998 is the first tax year that parents sending children to college or adults continuing their education may take advantage of the HOPE Scholarship tax credit or Lifetime Learning tax credit.

A Hope tax credit of up to \$1,500 can be claimed for 2 years for each student in a family who is enrolled in higher education at least half-time at an eligible educational institution & who has not yet completed his or her first two years of study. The credit is 100% of the first \$1,000 of payments for qualified tuition & fees, & 50% of the second \$1,000.

The Lifetime Learning tax credit is available for vocational, college, graduate & professional students, & adults who want to upgrade their job skills or acquire new ones or pursue another course of study, & even for a student taking one course as long as it is job-related. In 1998, tax filers can claim a Lifetime Learning credit up to \$1,000 -- 20% of the first \$5,000 paid in qualified tuition & fees on or after July 1. A taxpayer can claim only one Lifetime Learning credit per tax year for the aggregate amount of qualified tuition & fees of those students in the family for whom no Hope credit is claimed. There is no limit, however, on the number of years a taxpayer may claim the Lifetime Learning tax credit.

To take advantage of the 2 credits, which could benefit some 13 million families, taxpayers must submit IRS form 8863 with their federal tax return. For more information, call the IRS Help line at 1-800-829-1040, read IRS publication 970 or visit the Treasury Department's website:
<http://www.irs.ustreas.gov>



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**Advisory Committee
on Student Financial Assistance**

Information on the 1997 Education Tax Cuts from the U.S. Department of Education

Cuts for Higher Education "fact sheet"

The HOPE Scholarship and Lifetime Learning Credit

The President signed on August 5, 1997, the BALANCED BUDGET ACT OF 1997 and TAXPAYERS RELIEF ACT OF 1997 to balance our budget, put our fiscal house in order, and expand educational opportunity. The education provisions provide for universal access to the 13th and 14th years of education through the HOPE scholarship tax credit and a 20% tax credit for lifetime learning.

The final tax cut bill enacts the President's proposals. When fully phased in, 12.9 million students are expected to benefit 5.8 million claiming the HOPE Scholarship, and 7.1 million claiming the Lifetime Learning Credit.

\$1,500 HOPE Scholarship to make the first two years of college universally available.

For students in the first two years of college (or other eligible post-secondary training), taxpayers will be eligible for a tax credit equal to 100% of the first \$1,000 of tuition and fees and 50% of the second \$1,000 (the amounts are indexed for inflation after 2001). The credit will be available on a per-student basis for net tuition and fees (less grant aid) paid for college enrollment after December 31, 1997. The credit is phased out for joint filers between \$80,000 and \$100,000 of income, and for single filers between \$40,000 and \$50,000 (indexed after 2001). The credit can be claimed in two taxable years (but not beyond the year when the student completes the first two years of college) with respect to any individual enrolled on at least a half-time basis for any portion of the year.

Lifetime Learning Credit for college juniors, seniors, graduate students and working Americans pursuing lifelong learning to upgrade their skills.

For those beyond the first two years of college, or taking classes part-time to improve or upgrade their job skills, the family will receive a 20% tax credit for first \$5,000 of tuition and fees through 2002, and for

the first \$10,000 thereafter. The credit is available for net tuition and fees (less grant aid) paid for post-secondary enrollment after June 30, 1998. The credit is available on a per-taxpayer (family) basis, and is phased out at the same income levels as the HOPE Scholarship.

Other Tax Cuts For Higher Education

Education Savings Accounts



For each child under age 18, families may deposit \$500 per year into an Education IRA. Earnings would accumulate tax-free and no taxes will be due upon withdrawal for net post-secondary expenses for tuition, fees, books, equipment, and room and board. The Education IRA is phased out for families with incomes between \$150,000 and \$160,000, and for single filers between \$95,000 and \$110,000. A taxpayer who uses tax-free distributions from an Education IRA may not, in the same year, benefit from the HOPE Scholarship or Lifetime Learning Credit.

Student Loan Interest Deduction

Allows an above-the-line deduction (the taxpayer does not need to itemize in order to benefit) for interest paid in the first 60 months of repayment on private or government-backed loans post-secondary education and training expenses. The maximum deduction is \$1,000 in 1998, \$1,500 in 1999, \$2,000 in 2000, and \$2,500 in 2001 and beyond. It is phased out for joint filers with incomes between \$60,000 and \$75,000, and for single filers with incomes between \$40,000 and \$55,000 (indexed after 2002). The deduction is available for loans made before or after enactment of this provision, but only to the extent that the loan is within the first 60 months of repayment. The loan amount eligible for the deduction is limited to post-secondary expenses for tuition, fees, books, equipment, room, and board.

IRA Withdrawals

Taxpayers may withdraw funds from an IRA, without penalty, for the higher education expenses of the taxpayer, spouse, child, or grandchild. The amount that can be withdrawn without penalty is limited to net post-secondary expenses for tuition, fees, books, equipment, and room and board.

Employer-Provided Education Benefits

Extends Section 127 of the tax code for undergraduates for three years (for courses beginning prior to June 1, 2000). This provision allows workers to exclude up to \$5,250 of employer-provided education benefits from their taxable income.

Community Service Loan Forgiveness

Excludes from taxable income loan amounts forgiven by non-profit, tax-exempt charitable or educational institutions for borrowers who take community-service jobs addressing unmet needs.

Expand benefits for pre-paid tuition plans

Allows State-sponsored pre-paid tuition plans--the earnings from which not taxed until the time of withdrawal as a result of last year's tax bill--to include room and board expenses for students who attend on at least a half-time basis. Withdrawals are eligible for the HOPE Scholarship and Lifetime Learning tax credits.

Repeal Cap on Tax Exempt Bond Issuance by Colleges and Universities

Repeals the \$150 million bond cap that affects private higher education institutions and certain other charitable institutions. The repeal applies to tax-exempt bonds issued by these institutions to finance new capital expenditures.

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Last updated 1/28/98

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28

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

Fact: nearly every state has set higher academic standards for public schools

Source: “Goals 2000: Reforming Education to Improve Student Achievement,”
4/20/98, Department of Education

Explanation: According to the second biennial report to Congress on the progress of the Goals 2000: Educate America Act entitled “Goals 2000: Reforming Education to Improve Student Achievement,” “*Forty-seven States plus the District of Columbia and Puerto Rico now have comprehensive Goals 2000 plans for education reform.*”

Goals 2000: Reforming Education to Improve Student Achievement

April 30, 1998

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Goals 2000: Reforming Education to Improve Student Achievement - April 30, 1998

Executive Summary

The Goals 2000: Educate America Act, which became law in 1994 and was amended in 1996, represents a vast approach for "improv[ing] student learning through a long-term, broad-based effort to promote coherent and coordinated improvements in the system of education throughout the Nation at the State and local levels" (Goals 2000: Educate America Act, Title III, Sec.302).

Section 312 of the authorizing statute requires a biennial report to Congress on the progress of Goals 2000. As the second such report to Congress, *Goals 2000: Reforming Education to Improve Student Performance* describes: 1) the legislation's history and impact on State planning; 2) its strategic role, the dynamic and diverse manner in which Goals 2000 supports reform; 3) change at the local level--the role and impact of Goals 2000 on districts and schools; 4) implementation of standards-based reform--progress in pursuing aligned principles of reform; and 5) continuing the effort--how far States and communities have come and what still needs to be done.

Goals 2000 supports State efforts to develop clear and rigorous standards for what every child should know and be able to do, and supports comprehensive State- and district-wide planning and implementation of school improvement efforts focused on improving student achievement to those standards. Largely through State awards that are distributed on a competitive basis to local school districts⁽¹⁾, Goals 2000 promotes education reform in every State and thousands of districts and schools.

Forty-seven States plus the District of Columbia and Puerto Rico now have comprehensive Goals 2000 plans for education reform. Thirty-six States have established content standards and 18--including Puerto Rico--have defined performance standards developed in a process approved by Title I; remaining States are currently working to complete both content and performance standards. In addition, all States are expected to have aligned assessments in place by 2001 and are developing systems that hold districts and schools accountable for student performance. Approximately sixty percent of Goals 2000 subgrants support local professional development and teacher preservice education efforts to support teaching based on high standards for student achievement.

By providing resources, direction, and flexibility, Goals 2000 supports State and local level implementation of school change. In Georgia, Goals 2000 support for school reform has been described as a "turning point," and in Colorado, Governor Roemer describes Goals 2000 as a "flexible partnership" that has allowed the State to "transform the federal grant into local action."

Over the last four years, Goals 2000 has allocated over \$1.7 billion to the States. At least 90% of each State's award is subgranted to districts in support of local reform, professional development, and preservice education and in 1997 more than 3,000 local awards were made.

The subgrants cover a wide and imaginative spectrum of reform proposals and approaches to aligning school improvement efforts to high expectations for student achievement. For example, Brandywine School District in Delaware has focused its efforts on developing curriculum guides and demonstrating model lessons aligned to the State standards. One of the State's largest districts, Brandywine has seen annual increases in student performance. As Governor Carper said in response to State-wide improvements on the Delaware assessment, student outcomes "signify that we're on the right track."

In Kentucky, where the majority of awards focus on professional development and parental involvement, it has been reported that "the districts receiving Goals 2000 funds performed at higher levels than districts that did not."

In Oregon, where college-bound students score first nationwide on the SAT I: Reasoning Test, Goals 2000 supports professional development through K-12 teacher and university staff partnerships in school-based action research projects.

Continuing the school reform effort will require ongoing support and a solid commitment to ensuring that all children learn to high standards. It will also require the realization and understanding that: school improvements require systemic change; the process of aligning systems is difficult and complex; reform is an iterative process that calls for continuous improvement; and accomplishing the goals requires sustained momentum.

Through the implementation of Goals 2000 and standards-based reform, States and communities are working to ensure positive answers to lingering questions: To what extent are all teachers and schools familiar with the standards, to what extent are they driven by them, and do they believe and behave as though all children can reach them? Is student performance improving universally and for all children?

Implementation of significant changes--particularly across formerly fragmented systems-- aligned to high standards and improved performance requires a sustained commitment to education reform.

In the words of Dr. Henry Marockie, West Virginia Superintendent of Schools, Goals 2000 provides the flexibility and incentives to develop coordinated strategic plans that prioritize needs, address local concerns, and align necessarily diverse efforts. "The seemingly impossible dream of top down, bottom up reform [is] becoming a reality ... At last, the Feds finally got it right."

Footnotes:

1. Because their state education agencies (SEAs) do not participate in Goals 2000, districts in Montana and Oklahoma apply directly to the U.S. Department of Education for Goals 2000 funding.

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[Introduction](#)

Clinton Presidential Records Digital Records Marker

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29

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

Fact: a voluntary national test is being developed to measure the progress of our students

Source: Education Week, 10/28/98

Explanation: According to the October 28, 1998 *Education Week*, the omnibus spending bill President Clinton signed in October 1998 “allows the bipartisan panel in charge of the initiative to continue working on test questions and studying problems that need to be solved if Congress does authorize the pilot- and field-testing required to prepare the exams.”

OCTOBER 28, 1998

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National Tests, Albeit Weaker, Survive Attack

By David J. Hoff

Washington

National tests are dead; long live national tests.

Both sides in the testing debate declared victory last week when President Clinton signed an omnibus spending bill that determined the short-term fate of his plan to create voluntary new *national tests* in 4th grade reading and 8th grade mathematics.

Such opponents as Rep. Bill Goodling, R-Pa., the chairman of the House education committee, said they had derailed Mr. Clinton's plan by "prohibiting the use of federal funds for implementing any new *national tests* not explicitly authorized by Congress," as stated in the bill.

But the compromise language, according to White House aides, allows the bipartisan panel in charge of the initiative to continue working on test questions and studying problems that need to be solved if Congress does authorize the pilot- and field-testing required to prepare the exams.

"It keeps it alive, but not in a way that we would have liked," Michael Cohen, the president's education adviser, said last week.

The bottom line is that the two sides, for the second consecutive year, failed to decide the ultimate fate of the tests. That keeps the program inching forward until Congress and Mr. Clinton reach a tentative on the issue--if they do.

"It's a life-support system we're dealing with here," said Christopher T. Cross, the president of the Council for Basic Education, a Washington nonprofit aimed at improving student achievement in core subjects. "It's a shame it didn't get resolved."

Party Disunity

Just when such truce may come, and what it might look like, is still up in the air.

Congress is scheduled next year to reauthorize the National Assessment of Educational Progress--the current federally sponsored sampling of student achievement in core subjects that would be the basis of the new tests. The

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Read related stories, "Critics Doubt Teacher Plan's Effectiveness," and "Achieve Declares Itself Ready To Aid States With Reforms," in This Week's News.

Read our story, "Contractor Gets More Time To Write National Test Items," Aug. 5, 1998.

For background, previous stories, and Web links, see our Issues Page on National Standards.



achievement in core subjects that would be the basis of the new tests. The same bill would renew the National Assessment Governing Board, the bipartisan panel that oversees NAEP and the development of the proposed tests.

President Clinton argues that such tests, if widely administered by states or districts, would serve as a lever to improve students' skills in the two most basic subjects, reading and math, at points where they need to master them to assure success in later grades. Republican foes say the plan represents a worrisome expansion of federal influence in education and would add to an already ample load of tests students take.

The past suggests that the two camps will not reach a resolution soon. For two consecutive congressional sessions, Congress and the White House have debated the issue extensively. The compromises they reached precluded both sides from declaring complete victory and left the final decision for another year.

"Any type of agreement on a polarized issue is not going to happen in one fell swoop," said Sarah Binder, a research associate in governmental studies at the Brookings Institution, a Washington think tank.

Testing opponents, however, may have the upper hand. Mr. Clinton's original plan--unveiled in his 1997 State of the Union Address--called for the exams to be ready for students to take by the spring of 1999. Given the language in last week's legislation, the starting date would probably be set back until the spring of 2002, according to Mark D. Musick, the chairman of the assessment governing board.

Mr. Clinton compromised on the testing initiative, according to observers, because his own party is divided on the issue. In addition to the opposition of gop lawmakers, the plan has drawn strong objections from black and Hispanic Democrats in Congress. They have argued that conservatives would use a poor showing on the tests in urban districts to justify school voucher programs and that a reading test in English would be unfair to students who can't speak the language.

In contrast, Mr. Clinton won Republican concessions to spend \$1.2 billion on hiring and training new teachers in fiscal 1999 because Democrats united behind that cause.

Without such unanimity on testing, it may be difficult to keep the president's plan moving forward, even at its current snail's pace.

Exploring Other Issues

In addition to allowing the assessment governing board, known as NAGB, to continue preparing test questions, the compromise in the spending bill requires the board and academic experts to study *national testing* issues.

AGB will need to inform Congress about what it sees as the purpose of

the tests, answering such questions as whether states would be allowed to use the results to decide if individual students should be retained or promoted to the next grade. The governing board will also have to explain who should decide which children take the exams--state leaders, district officials, or parents.

Separately, NAGB will be required to respond to recent criticisms from a National Academy of Sciences panel that the process the board follows in setting NAEP achievement levels is "fundamentally flawed." Those "basic," "proficient," and "advanced" achievement levels would be used to score the proposed new tests.

For its part, the national academy, a private scientific group that advises the federal government, will study the feasibility of taking a block of NAEP questions and adding them to a state's own assessment, in lieu of separate *national tests*. The study is needed to find out if the approach is technically possible and if it would yield reliable data on individual students' achievement.

That approach, known as "embedding," could provide a politically attractive alternative because it would blur the lines between a state assessment and a national one.

If the technical problems can be solved, the administration would endorse that approach, according to Mr. Cohen, the president's education aide. "What's important to us is that students and schools be measured against a widely accepted set of standards," he said. "The technology of how you do it ... is not an issue."

With or without federal assistance, a nonprofit, nonpartisan group is working with 20 states to explore the possibility of embedding a national set of questions into their exams. The Cambridge, Mass.-based Achieve Inc. says it may prepare a slate of nationalized questions within two years.

"We're going to plow ahead," said Robert B. Schwartz, the president of the group established by governors and corporate leaders to monitor and encourage standards-based reforms. "We think we have a workable political strategy and the makings of a substantive strategy."

But one longtime proponent of *national testing* said the federal government should do more to help states than it has.

"I think the states will get it done ourselves," said Colorado Gov. Roy Romer, a Democrat who will retire in January. "It's unfortunate we can't get the national government to help."

Boon for NAEP?

While the research continues, NAGB will keep its schedule to draft test questions and set policies for the tests. Over the next year, it will do much

of its work it had planned, except for the pilot- and field-testing of questions, which had been scheduled for the spring.

The board will proceed with hearings that will inform it of which accommodations to offer limited-English-proficient and disabled students, according to Mr. Musick, NAGB's chairman and the president of the Southern Regional Education Board in Atlanta.

It also will maintain development of the 1,200 questions that board members believe they would need for each of the proposed *national tests*, he added.

Even if the *national-testing* initiative is halted, the creation of the test items will have been a valuable exercise, Mr. Musick said last week. "At the very least, we are going to have hundreds and hundreds of new reading and math items for NAEP," he said. NAGB plans to offer the next 8th grade math exam in 2000 and the next 4th grade reading test in 2002.

States may even be able to use test questions that aren't included in NAEP, he added.

But will that be all the governing board can salvage from the more than \$8 million it has spent on *national test* development so far?

Congress and Mr. Clinton have until next year to decide.

In addition to the reauthorization of NAEP and NAGB, Congress will be considering revisions to the Elementary and Secondary Education Act, the main federal law in K-12 education. That could add new wrinkles to the debate, according to one observer.

"The context now will be different than '*national test* or no *national test*,'" said Gordon M. Ambach, the executive director of the Council of Chief State School Officers. The fact that a national assessment could be used to measure progress under Title I and other ESEA programs may soften some opposition to it, he said.

But, in a Congress likely to remain in the control of Republicans, the onus will be on the Democratic president to prove the worth of his proposal, Ms. Binder of the Brookings Institution said.

"It's always easier to stop things than it is to enact them," she said.

On the Web

Read about *national testing* from the Department of Education.

The National Assessment Governing Board provides test outlines for Voluntary *National Tests* in reading and math.

PHOTO: "I think the states will get it done ourselves," says Colorado Gov. Roy Romer, top left, of the *national tests*. "It's unfortunate we can't get the national government to help," he adds. Above, Secretary Richard W. Riley, left, and Rep. Bill Goodling debated the tests' merit last year on "Face The Nation."

—AP/Wide World

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2

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

Fact: with over \$1 billion in discounts available this year, we can meet our goal of connecting every classroom and every library in America to the Internet by the year 2000

Source: “FCC Reforms Universal Service Support Mechanism for Schools and Libraries,” Federal Communications Commission (FCC) Press Release, 6/12/98

Explanation: In a June 12, 1998 Press Release, the FCC reported: “With regard to the schools and libraries support mechanism, the Commission directed the Universal Service Administrative Company (USAC) to collect and disperse no more than \$325 million per quarter for the third and fourth quarters of 1998 and the first and second quarters of 1999.”



NEWS

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News media information 202 / 418-0500
Fax-On-Demand 202 / 418-2830
Internet: <http://www.fcc.gov>
<ftp.fcc.gov>

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F 2d 385 (D.C. Circ 1974).

Report No. CC 98-17

COMMON CARRIER ACTION

June 12, 1998

FCC Reforms Universal Service Support Mechanism for Schools and Libraries (CC Docket No. 96-45)

The Commission has modified the mechanism by which schools and libraries will receive discounts on communications services. In an Order adopted today, the Commission revised the funding year for the schools and libraries support mechanism; froze the amount of funding at current rates; revised the disbursement rules to ensure that the most disadvantaged schools and libraries get priority for support; and made other administrative changes consistent with the intent of Congress.

Today's decision changes the funding year for the schools and libraries discount mechanism from a calendar year cycle (January 1 - December 31) to a fiscal year cycle (July 1 - June 30). In order for the transition to take effect immediately, the first funding cycle will be extended by six months. Applications submitted by schools and libraries during the initial 75-day filing window and approved for funding will, therefore, be funded through June 30, 1999. This approach will synchronize the schools and libraries support mechanism with the budgetary and planning cycles of most schools and libraries. In addition, it will align changes in universal service contribution levels with local telephone companies' annual access tariff filing schedule, thereby providing carriers with information needed to file tariffs.

Today's decision freezes the amount of funding for schools and libraries and rural health care providers at current rates. With regard to the schools and libraries support mechanism, the Commission directed the Universal Service Administrative Company (USAC) to collect and disperse no more than \$325 million per quarter for the third and fourth quarters of 1998 and the first and second quarters of 1999. Funding collected for schools and libraries will be assessed, therefore, at a rate of 0.0075 -- that is, three-quarters of one percent of total telecommunications revenues. The Commission also directed USAC to collect and disperse no more than \$25 million per quarter for the third and fourth quarters of 1998 for the rural health care mechanism. Although these revised funding amounts will not fully satisfy the estimated demand by the schools and libraries that completed applications during the first filing window, the Commission anticipates that its revised rules of priority will ensure that all eligible schools and libraries will receive full support for telecommunications services and Internet access, and the neediest applicants will receive support for internal connections. Schools and libraries had submitted approximately 30,000 completed applications, requesting an estimated \$2.02 billion in discounts.

The rules of priority adopted today will allow for substantial and predictable support for schools and libraries and give preference to the most economically disadvantaged applicants. In cases where demand by schools and libraries exceeds the level of funding available, the Commission concluded that the best approach is to provide full support for recurring services, such as telecommunications services and Internet access, and to direct support for internal connections to the most disadvantaged schools and libraries. In addition, distribution of support to health care providers will be pro-rated if demand exceeds the support available

for a given funding year.

Also in the Order, the Commission reiterated changes it is making to the administration of universal service, consistent with the will of Congress. In its May 8, 1998 Report to Congress, the Commission proposed that a single entity, USAC, administer all forms of universal service support. Today's Order notes that the Schools and Libraries Corporation (SLC), the Rural Health Care Corporation (RHCC), and USAC are directed to file with the Commission, for its approval, a joint plan of reorganization by July 1, 1998. The Commission also lowered the level of compensation for the officers and employees of SLC and RHCC, effective July 1, 1998.

The caps on annual collection for the schools and libraries and rural health care mechanisms remain unchanged at \$2.25 billion and \$400 million, respectively. During the first half of 1998, USAC was directed to collect \$625 million for the schools and libraries mechanism and \$50 million for the rural health care mechanism. Schools and libraries should begin to receive discounts this summer, and rural health care providers should begin to receive discounts later this year.

In a related action, the Common Carrier Bureau today announced the collection rates for the components of universal service that keep telephone rates affordable for low income consumers and those who live in rural and other high cost areas. The Bureau directed USAC to collect no more than \$414.2 million for the high cost mechanism and no more than \$124.7 million for the low income mechanism during the third quarter of 1998. During the first half of 1998, USAC was directed to collect no more than \$865.2 million and \$247.7 million for the high cost and low income mechanisms, respectively.

Action by the Commission, June 12, 1998, by Fifth Order on Reconsideration and Fourth Report and Order (FCC 98-120). Chairman Kennard, Commissioners Ness and Tristani, with Commissioner Furchtgott-Roth dissenting, Commissioner Powell dissenting in part, and Commissioners Ness, Furchtgott-Roth, Powell, and Tristani issuing separate statements.

-FCC-

News Media contact: Rochelle Cohen at (202) 418-0253.

Common Carrier Bureau contact: Irene Flannery at (202) 418-7383.

*A biweekly look at progress on the Secretary's priorities***Table of Contents**

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HELPING ALL CHILDREN READ WELL BY THE END OF 3RD GRADE

Sixteen conferences designed to promote strong literacy-tutoring programs will be conducted by the Department's Regional Educational Laboratories between July & September. Participants will focus on tutor training, management, & support, as well as developing & maintaining tutorial partnerships. For conference locations, a brochure, conference pre-registration form, & more, please see:

<http://www.ed.gov/inits/americanreads/training.html>

ONE THOUSAND COLLEGES & UNIVERSITIES have joined the America Reads Challenge by committing to send college work-study students to tutor children in reading, the President announced last month. As of July 1, 1998, the federal government will pay 100% of the wages of federal work-study students tutoring children and/or their parents in family literacy programs. Family literacy programs and colleges & universities are invited to take advantage of this opportunity. For more information on the federal work study program, please see:

<http://www.ed.gov/inits/americanreads/arc-fwsi.html>

READ*WRITE*NOW! & SUMMER READING programs are being established by America Reads with organizations in all 50 states. Programs pair children with learning partners to encourage them to read & write for 30 minutes each day. This effort was begun to help prevent the "summer reading drop-off," which has a negative impact on student achievement. To become a learning partner for your own child or a child in your community this summer, call 1-800-USA-LEARN & order your own Read*Write*Now! kit. For a fact sheet on summer reading or more information on the America Reads Challenge, see:

<http://www.ed.gov/PressReleases/06-1998/rwnwhy.html>

<http://www.ed.gov/inits/americanreads/>



ALL CLASSROOMS CONNECTED TO THE INTERNET; ALL STUDENTS TECHNOLOGICALLY LITERATE

The Federal Communications Commission (FCC) decided on June 12 to fund the E-Rate program, which offers K-12 schools & libraries 20 to 90% discounts (depending on poverty level) on telecommunications & information services such as Internet access, telephone service, & internal wiring. Although the Administration is pleased the program is being funded, it is disappointed that the FCC voted to collect just \$1.28 billion in 1998 for the program, which falls well short of the \$2.02 billion in funding requested from 30,000 schools & libraries this year. Aware that the money being collected does not satisfy demand, the FCC has established rules of priority which will fund all of the telecommunications & Internet services & give preference to the most economically disadvantaged applicants for inside wiring. For more information, call 1-888-203-8100 or visit:

<http://www.slcfund.org>

<http://www.fcc.gov>

LAST MONTH, in a commencement address at the Massachusetts Institute of Technology, President Clinton challenged states to make technology literacy a requirement for middle school graduation. To help states achieve this goal, the President has proposed...

- providing \$180 million over 3 years to create a team of technology-trained teachers to train other teachers
- creating competitions to encourage the development of high-quality educational software & educational websites by students, university faculty, commercial software companies, & others.

The President's speech is at:

<http://www.whitehouse.gov/WH/New/html/commencement.html>



EVERY SCHOOL STRONG, SAFE, DRUG FREE & DISCIPLINED

The Office of National Drug Control Policy (ONDCP), in conjunction with the Partnership for a Drug-Free America (PDFA), will launch its National Youth Anti-Drug Media Campaign on Thursday, July 9 from 9:30 AM - 2:00 PM EST (times subject to change). President Clinton, General Barry McCaffrey, Director of ONDCP, & Jim Burke, CEO of the Partnership for a Drug-Free America, will announce the launch. The Community of Anti-Drug Coalitions of America (CADCA), in partnership with the National Guard, will host a satellite broadcast of the launch, which will serve as a "call for action" for communities across the country & can be a catalyst for community planning sessions to develop action plans to reduce youth substance abuse. You can join in this free, live broadcast from any site with a satellite dish having C-band or KU-band capabilities. For the agenda & information on how to participate, please see:

<http://www.CADCA.org>



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3

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

Fact: last fall, you passed our proposal to start hiring 100,000 new teachers

Source: CQ Weekly, 10/17/98

Explanation: President Clinton and Congressional Democrats forced Republicans to include a \$1.2 billion down payment on the President's call for 100,000 new teachers in the fiscal 1999 omnibus Appropriations bill (HR 4328).

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4

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

Fact: SAT scores are up

Source: The Condition of Education 1996: Scholastic Assessment Test (SAT) Scores, National Center for Education Statistics

Explanation: According to the National Center for Education Statistics' *Condition of Education 1996*, "Average total SAT scores rose 8 points between 1994 and 1995." The report later added, "...scores on the SAT rose 14 points" between 1991 and 1995.

Scholastic Assessment Test (SAT) scores

The Scholastic Assessment Test (SAT) is the test taken most frequently by college-bound students. It is designed to predict success in the freshman year of college, and to track the performance of groups of students who intend to enter college over time. When interpreting these scores, the reader should be aware that the proportion of high school graduates who take the exam changes over time.

- * • Average total SAT scores rose 8 points between 1994 and 1995. Verbal scores rose 4 points for male and 5 points for female test-takers, and mathematics scores rose 2 points for male and 3 points for female test-takers.
- The percentage of high school graduates who took the SAT remained at about 42 percent during the 1992-95 period, up from 35 percent in 1984. The proportion of minority SAT test-takers more than doubled between 1976 and 1995, rising from 15 to 31 percent (see supplemental table 22-1).
- Overall, average scores for minority test-takers have improved over the past 20 years. Between 1976 and 1995, the average scores of black test-takers rose 24 points on the verbal section and 34 points on the mathematics section, while the average scores of whites fell 3 points on the verbal section and rose 5 points on the mathematics section (see supplemental table 22-2).
- * • Between 1991 and 1995, the percentage of graduating seniors taking the American College Testing (ACT) program increased 5 percentage points, while the percentage taking the SAT remained the same. While scores on the ACT remained about the same over this time period, scores on the SAT rose 14 points (see supplemental tables 22-1 and 22-7).

Chart 1: Percentage of high school graduates who took the SAT and average SAT scores of college-bound seniors, by section and sex: 1972-95; high school graduates

Chart 2: Percentage of high school graduates who took the SAT and average SAT scores of college-bound seniors, by section and sex: 1972-95; verbal

Chart 3: Percentage of high school graduates who took the SAT and average SAT scores of college-bound seniors, by section and sex: 1972-95; mathematics

Average SAT scores of college-bound seniors, by section and sex: 1972-95

Year	Verbal			Mathematics			Combined		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
1972	453	454	452	484	505	461	937	959	913
1973	445	446	443	481	502	460	926	948	903
1974	444	447	442	480	501	459	924	948	901
1975	434	437	431	472	495	449	906	932	880
1976	431	433	430	472	497	446	903	930	876
1977	429	431	427	470	497	445	899	928	872

1978	429	433	425	468	494	444	897	927	869
1979	427	431	423	467	493	443	894	924	866
1980	424	428	420	466	491	443	890	919	863
1981	424	430	418	466	492	443	890	922	861
1982	426	431	421	467	493	443	893	924	864
1983	425	430	420	468	493	445	893	923	865
1984	426	433	420	471	495	449	897	928	869
1985	431	437	425	475	499	452	906	936	877
1986	431	437	426	475	501	451	906	938	877
1987	430	435	425	476	500	453	906	935	878
1988	428	435	422	476	498	455	904	933	877
1989	427	434	421	476	500	454	903	934	875
1990	424	429	419	476	499	455	900	928	874
1991	422	426	418	474	497	453	896	923	871
1992	423	428	419	476	499	456	899	927	875
1993	424	428	420	478	502	457	902	930	877
1994	423	425	421	479	501	460	902	926	881
1995	428	429	426	482	503	463	910	932	889

Table reads: The average verbal SAT score for college-bound males in 1995 was 429, down from 454 in 1972.

NOTE: The term "college-bound seniors" refers to those students from each high school graduating class who participated in the College Board Admissions Testing Program, and does not include all first-year college students, or all high school seniors, as about one-third of high school graduates participate in the American College Testing (ACT) Program. ACT scores can be found in supplemental table 22-7. See the supplemental note to this indicator for information on interpreting SAT scores.

SOURCE: College Entrance Examination Board, *National Report: College Bound Seniors, 1972-1995* (Copyright 1995 by College Entrance Examination Board. All rights reserved.).

Table 22-1: SAT test-takers as a percentage of high school graduates, percentage of test-takers who are minorities, SAT mean scores, standard deviations, and percentage scoring 600 or higher: 1972-95

Table 22-2: Average SAT scores of college-bound seniors, by race/ethnicity: 1976-95

Table 22-3: Percentage of college-bound seniors taking the SAT who scored in various ranges on the verbal and mathematics sections of the SAT, by sex: 1995

Table 22-4: Percentage distribution of college-bound seniors and average verbal and mathematics SAT scores, by selected characteristics: 1988, 1991, and 1995

Table 22-5: Average verbal and mathematics SAT scores of college-bound seniors, by class rank expressed in quintiles: 1977-95

Table 22-6: Percentage of students intending to major in selected fields and their average verbal and mathematics SAT scores: 1995

Table 22-7: Percentage of graduating seniors taking the ACT and ACT composite scores, by race/ethnicity and type of program: 1991-95

Supplemental note for Indicator 22

[Indicator 21]



[Indicator 23]

Sources of Data**Glossary**

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5

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

Fact: math scores have risen in nearly all grades

Source: 1996 Mathematics Report Card for the Nation and the States, National Assessment of Educational Progress (NAEP)

Explanation: According to NAEP's 1996 Mathematics Report Card for the Nation and the States, "Student performance also increased as measured by the three mathematics achievement levels set by NAGB. The percentage of students at or above the *Basic* level increased for all three grades. The percentage of fourth-grade students at or above the *Proficient* level increased from 1990 to 1992, and from 1992 to 1996, while the percentage of eighth- and twelfth-grade students at or above the *Proficient* level increased over the period 1990 to 1996. However, only eighth-grade students showed an increase in the percentage at the *Advanced* level, and this increase was for the period 1990 to 1996."

Student Achievement

Students' mathematics performance is summarized on the NAEP mathematics scale, which ranges from 0 to 500. In addition, results for each grade are reported according to three achievement levels: *Basic*, *Proficient*, and *Advanced*. The National Assessment Governing Board (NAGB) developed and adopted the mathematics achievement levels, based on collective judgments about what students should know and be able to do in mathematics. The *Basic* level denotes partial mastery of prerequisite knowledge and skills that are fundamental for proficient work at each grade. The *Proficient* level represents solid academic performance, while the *Advanced* level signifies superior performance. These achievement levels are still developmental, and the process for setting them remains in transition.

Major Findings for the Nation, Regions, and States^[2]

National data from the NAEP 1996 mathematics assessment showed progress in the mathematics performance by students on a broad front, compared with both the 1990 and 1992 assessments.

- Students' scores on the NAEP mathematics scale increased for all three grades. Scores were higher in 1996 than in 1992 for all three grades, and higher in 1992 than in 1990. The national average scale score for fourth graders in 1996 was 224, an increase of 11 points over the national average for 1990; the average for eighth graders in 1996 was 272, an increase of 9 points; and the average score for twelfth graders was 304, also an increase of 10 points.
- Student performance also increased as measured by the three mathematics achievement levels set by NAGB. The percentage of students at or above the *Basic* level increased for all three grades. The percentage of fourth-grade students at or above the *Proficient* level increased from 1990 to 1992, and from 1992 to 1996, while the percentage of eighth- and twelfth-grade students at or above the *Proficient* level increased over the period 1990 to 1996. However, only eighth-grade students showed an increase in the percentage at the *Advanced* level, and this increase was for the period 1990 to 1996.
- For fourth-grade students, the percentage performing at or above the *Basic* level was 64 percent in 1996, as compared to 50 percent in 1990; for eighth-grade students, 62 percent as compared to 52 percent; and for twelfth-grade students, 69 percent as compared to 58 percent.

Regional results showed positive trends similar to the national results for some but not all regions. NAEP divides the United States into four regions: the Northeast, Southeast, Central, and West.

- The Southeast and Central regions recorded increases in the average NAEP mathematics scale scores over the period 1990 to 1996 for all three grades. The Northeast recorded an increase for fourth graders only, while the West showed an increase for twelfth grades only.
- For fourth-grade students, average scale scores were higher in the Northeast and Central than the Southeast and West; for eighth-grade students, scores in the Central were higher than the West; and for the twelfth-grade students, scores in the Southeast were lower than the other three regions.

State data for the NAEP 1996 mathematics assessment covered fourth graders in 47 states, territories, and other jurisdictions and eighth graders in 44 states and jurisdictions. Many but not all states and jurisdictions showed increases in mathematics performance for the 1996 assessment.

- Fourth graders in 15 of the 39 states and jurisdictions that participated in both the 1992 and 1996 assessments showed an increase in their average scale scores for 1996.
- Eighth graders in 13 of the 37 states and jurisdictions that participated in both the 1992 and 1996 assessments showed an increase in their average scale scores.
- Eighth graders in 27 of the 32 jurisdictions that participated in both the 1990 and 1996 assessments showed an increase in their average scale scores.
- Colorado, Connecticut, Indiana, North Carolina, Tennessee, Texas, and West Virginia reported increases in the percentages of fourth graders who scored at or above the *Basic* and *Proficient* achievement levels over the period 1992 to 1996.
- Maryland, Michigan, Minnesota, Nebraska, North Carolina, and Wisconsin reported increases in the percentages of eighth graders who scored at or above all three achievement levels over the period 1990 to 1996.

Major Findings for Student Subgroups

The NAEP 1996 mathematics assessment reports national results on the basis of demographic subgroups, type of school attended, participation in Title I programs, and eligibility for the free/reduced-price lunch component of the National School Lunch Program.

- Average scale scores for eighth- and twelfth-grade males and females showed no significant differences in 1996. Scores for fourth-grade males were higher than scores for fourth-grade females.
- White students recorded increases in their average mathematics scale scores for all three grades over the period 1990 to 1996.
- Black and Hispanic students recorded increases in their average mathematics scale scores for grades 4 and 12 over the period 1990 to 1996.
- Scores for Black, Hispanic, and American Indian students remained below scale scores for White students. The gaps between scores for these subgroups did not change in 1996.
- Generally, students with higher scale scores reported higher levels of parental education. The more education parents had, the higher the scores of their children.
- Both public and nonpublic schools showed increased scale scores for fourth- and eighth-grade students. Public schools showed increased scores for twelfth-grade students as well. Students attending nonpublic schools continued to outperform their peers attending public schools.
- Fourth- and eighth-grade students receiving services supplied by Title I programs had lower scale scores than those who did not participate in Title I. (The sample for twelfth graders who participated was not large enough to permit a comparison.) Title I of the Elementary and Secondary Education Act provides funding to local educational agencies to meet the needs of children who are failing or most at risk of failing. For this reason, the difference between the scores cannot be taken as an indication that Title I programs fail to benefit students. The NAEP 1996 mathematics assessment was the first mathematics assessment to collect data on these

students.

- Students eligible for the free/reduced-price lunch program administered by the U.S. Department of Agriculture (USDA) scored lower than those not eligible, for all three grades. Eligibility for free/reduced-price lunches is determined by the USDA's Income Eligibility Guidelines. Information on eligibility was lacking for 16 percent of fourth graders, 17 percent of eighth graders, and 27 percent of twelfth graders. The NAEP 1996 mathematics assessment was the first mathematics assessment to collect data on these students.

Exploring a More Inclusive NAEP

NAEP has always attempted to report results that reflect the achievement of *all* students at a given grade or age. Logistical difficulties prevent the sampling of certain students, for example, students who receive home schooling, who are in ungraded schools, who attend special schools for the deaf and blind, or who are incarcerated. Some students who are enrolled in regular schools also present special considerations with respect to sampling -- those with disabilities and those who are limited English proficient (LEP). NAEP 1996 results indicate that 15 percent of the nation's fourth graders, 11 percent of the eighth graders, and 8 percent of twelfth graders are classified as students with disabilities or as LEP students. Previous NAEP assessments sampled more than half of these students.

The NAEP 1996 assessments investigated the feasibility of increasing the participation of students with disabilities and LEP students. Revised inclusion criteria, in combination with accommodations to remove barriers to participation, were examined to determine their impact of participation rate, for students with disabilities and LEP students.

The analysis of inclusion issues featured in this report is only a first step in an ongoing research and development effort. A comprehensive research report on inclusion issues will be published later in 1997.

-
1. The Executive Summary for this report was prepared by Alan Vanneman of the Education Statistics Services Institute.
 2. In all discussions of differences in mathematics performance, either over time or between subgroups, only statistically significant differences are reported. Such differences are unlikely to be due to chance factors.



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6

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

Fact: 4th graders outperform their peers in other developed countries in math and science; 8th graders are around average; 12th graders rank near the bottom

Source: Third International Mathematics and Science Study (TIMSS), 2/98

Explanation: **4th Grade**
According to the TIMSS, "In mathematics, U.S. fourth graders perform above the international average of the 26 TIMSS countries...In science, U.S. fourth graders also perform above the international average of the 26 TIMSS countries."

8th Grade
TIMSS: "In mathematics, U.S. eighth graders score below the international average of the 41 TIMSS countries. Our students' scores are not significantly different from those of England and Germany...In science, U.S. eighth graders score above the international average of 41 TIMSS countries. Our students' scores are not significantly different from those of Canada, England, and Germany."

12th Grade
TIMSS: "The international standing of U.S. students was stronger at the eighth grade than at the twelfth grade in both mathematics and science among the countries that participated in the assessments at both grade levels."



Voluntary NATIONAL TESTS

4th Grade Reading • 8th Grade Mathematics

Today, not all children are being challenged to reach high standards.

- 41% of our 4th graders cannot read at the basic level and only 28% performed at or above the proficient level, according to the 1994 NAEP Reading Report Card.
- 75% of our 8th graders do not take algebra by the end of 8th grade, and only 21% scored at or above the proficient level, according to the 1996 Mathematics Report Card. Our 8th graders also scored below the international average among 41 countries in the Third International Mathematics and Science Study (TIMSS).

The idea behind voluntary national tests is not to simply have another test. The reason for voluntary national tests is to change the odds for our kids -- to improve the chances that *all* children will receive high quality instruction in reading and mathematics.

- Why 4th grade reading and 8th grade mathematics?
- How would the voluntary national tests be different from other tests?
- Legislation

For more information regarding the voluntary national tests, please visit the National Assessment Governing Board website.

ED HOME

Last updated June 25, 1998 (eal)



EXECUTIVE SUMMARY

PREFACE

The Third International Mathematics and Science Study (TIMSS) is the largest, most comprehensive, and most rigorous international comparison of education ever undertaken. During the 1995 school year, the study tested the mathematics and science knowledge of a half-million students from 41 nations at five different grade levels. This report presents findings from the tests, questionnaires, and curriculum analysis performed at the fourth grade. Twenty-six nations participated in the fourth-grade assessment.

- TIMSS' information not only compares achievement, but also provides insights into how life in U.S. schools differs from that in other nations.
- This report on fourth-grade students is the second of a series of three public-audience reports titled *Pursuing Excellence*. The first report presented findings on student achievement at eighth grade. The third report will be released in the spring of 1998, and will present findings from the twelfth grade. Additional reports will provide information on various other topics.

TIMSS is a fair and accurate comparison of mathematics and science achievement in the participating nations. It is *not* a comparison of "all of our students with other nations' best students," a charge that some critics have leveled at previous international comparisons. The students who participated in TIMSS were randomly selected to represent all students in their respective nations, with the exception of a few nations which are clearly noted in this report. The entire assessment process was scrutinized by international technical review committees to ensure its adherence to established standards. Those nations in which irregularities arose are clearly noted in this and other TIMSS reports.

ACHIEVEMENT

One of our national goals is to be "first in the world in mathematics and science achievement by the year 2000," as President Bush and 50 governors declared in 1989. In fourth-grade science achievement, we are close to this mark. Fourth graders in only one country--Korea--outperform U.S. students in this subject.

- In mathematics, U.S. fourth graders perform above the international average of the 26 TIMSS countries. U.S. students are outperformed by those in 7 countries and outperform those in 12 countries. Among our major economic partners who participated in the study, our students' scores are below those of Japan, not significantly different from those of Canada, and are significantly higher than those of England.
- In science, U.S. fourth graders also perform above the international average of the 26 TIMSS countries. U.S. students are outperformed by students in only one country--Korea. U.S. students outperform those in 19 countries. Among our major economic partners who participated in the study, our students' scores are not significantly different from those of fourth graders in Japan. Our students outperform those in England and Canada.

- In mathematics content areas, our fourth graders exceed the international average in five of the six areas assessed. These five areas are: whole numbers; fractions and proportionality; data representation, analysis, and probability; geometry; and patterns, relations, and functions. In one content area, the U.S. average is lower than the international average--measurement, estimation, and number sense.
- In science content areas, our fourth graders' performance exceeds the international average in all four of the areas assessed. In three of these content areas--earth science; life science; and environmental issues and the nature of science--U.S. fourth grade students are significantly outperformed by only one or two other nations. In physical science, five other nations perform significantly better than the U.S.
- If an international talent search were to select the top 10 percent of all fourth-grade students in the 26 countries, in mathematics 9 percent of U.S. fourth-grade students would be included. In science, 16 percent would be included.
- The international standing of U.S. fourth graders is stronger than that of U.S. eighth graders in both mathematics and science.
- In comparison with their international counterparts, U.S. students perform better in science than in mathematics at both the fourth and eighth grades.

CONTEXTS OF LEARNING

- It is too early in the process of data analysis to provide strong evidence to suggest factors that may be related to the patterns of achievement described here. No single factor or combination of factors emerges as particularly important.
- On most background factors studied, there is no difference between the U.S. and the international average, or the differences are small. Therefore, these factors are unlikely to be strongly associated with our international standing.
- On those background factors on which there is a difference between the U.S. and the international average, the factor is not shared with most high performing countries. Therefore, these factors are also unlikely to be strongly associated with our international standing.
- In general, preliminary analyses shed little light on factors which might account for the differences between our performance in mathematics and science, and our performance at the fourth and eighth grades. Further analyses are needed to provide more definitive insights on these subjects.

CONCLUSION

This report presents initial findings from TIMSS for fourth-grade mathematics and science, and evidence from early analyses concerning the context of U.S. education achievement. Adequate understanding of our nation's education in an international perspective must await findings from the twelfth-grade data and deeper analysis of data at all grade levels.

TIMSS is not an answer book, but a tool to examine our own national educational strengths and weaknesses in an international perspective. All countries, including the U.S., have something to learn from other nations, and have something from which other countries can learn. These TIMSS findings will be an important source of information to guide our nation in the pursuit of excellence into the next century.



U.S. Department of Education - National Center for Education Statistics

PURSUING EXCELLENCE

A Study of U.S. Eighth-Grade Mathematics and Science Teaching,
Learning, Curriculum, and Achievement in International Context

Executive Summary

EXECUTIVE SUMMARY

PREFACE

The Third International Mathematics and Science Study (TIMSS) is the largest, most comprehensive, and most rigorous international comparison of education ever undertaken. During the 1995 school year, the study tested the math and science knowledge of a half-million students from 41 nations at five different grade levels. In addition to tests and questionnaires, it included a curriculum analysis, videotaped observations of mathematics classrooms, and case studies of policy issues.

- TIMSS' rich information allows us not only to compare achievement, but also provides insights into how life in U.S. schools differs from that in other nations.
- This report on eighth-grade students is one of a series of reports that will also present findings on student achievement at fourth grade, and at the end of high school, as well as on various other topics.

ACHIEVEMENT

One of our national goals is to be "first in the world in mathematics and science achievement by the year 2000," as President Bush and 50 governors declared in 1989. Although we are far from this mark, we are on a par with other major industrialized nations like Canada, England, and Germany.

- In mathematics, U.S. eighth graders score below the international average of the 41 TIMSS countries. Our students' scores are not significantly different from those of England and Germany.
- In science, U.S. eighth graders score above the international average of 41 TIMSS countries. Our students' scores are not significantly different from those of Canada, England, and Germany.
- In mathematics, our eighth-grade students' standing is at about the international average in Algebra; Fractions; and Data Representation, Analysis, and Probability. We do less well in Geometry; Measurement; and Proportionality.
- In science, our eighth graders' standing is above the international average in Earth Science,

Life Science, and Environmental Issues. Our students score about average in Chemistry and Physics.

- If an international talent search were to select the top 10 percent of all students in the 41 TIMSS countries, in mathematics 5 percent of U.S. students would be included. In science 13 percent would be included.

CURRICULUM

U.S. policy makers are concerned about whether expectations for our students are high enough, and in particular whether they are as challenging as those of our foreign economic partners. In all countries, the relationship between standards, teaching, and learning is complex. This is even more true in the U.S., which is atypical among TIMSS countries in its lack of a nationally defined curriculum.

The content taught in U.S. eighth-grade mathematics classrooms is at a seventh-grade level in comparison to other countries.

Topic coverage in U.S. eighth-grade mathematics classes is not as focused as in Germany and Japan.

In science, the degree of topic focus in the U.S. eighth-grade curriculum may be similar to that of other countries.

U.S. eighth graders spend more hours per year in math and science classes than German and Japanese students.

TEACHING

In recent years, concern about the quality of instruction in U.S. classrooms has led mathematics professional organizations to issue calls for reform. However, TIMSS data cannot tell us about the success of these reform efforts for several reasons, including the fact that this assessment occurred too soon after the beginning of the reform for states and districts to have designed their own programs, retrained teachers, and nurtured a generation of students according to the new approach. Also, we do not have comparable earlier baseline information against which to compare the findings from TIMSS. However, TIMSS includes the first large-scale observational study of U.S. teaching ever undertaken, and this can form a baseline against which future progress may be judged.

- U.S. mathematics classes require students to engage in less high-level mathematical thought than classes in Germany and Japan.
- U.S. mathematics teachers' typical goal is to teach students how to do something, while Japanese teachers' goal is to help them understand mathematical concepts.
- Japanese teachers widely practice what the U.S. mathematics reform recommends, while U.S. teachers do so infrequently.
- Although most U.S. math teachers report familiarity with reform recommendations, only a few apply the key points in their classrooms.

TEACHERS' LIVES

The training that teachers receive before they enter the profession and the regular opportunities that they have for on-the-job learning and improvement of their teaching affect the quality of the teaching force. The collegial support that teachers receive and the characteristics of their daily lives also affect the type of teaching they provide.

- Unlike new U.S. teachers, new Japanese and German teachers undergo long-term structured apprenticeships in their profession.
- U.S. teachers have more college education than their colleagues in all but a few TIMSS countries.
- Japanese teachers have more opportunities to discuss teaching-related issues than do U.S. teachers.
- Student diversity and poor discipline are challenges not only for U.S. teachers, but for German teachers as well.

STUDENTS' LIVES

The manner in which societies structure the schooling process gives rise to different opportunities and expectations for young people. The motivators, supports, and obstacles to study in each country are outgrowths of the choices provided by society and schools.

- Eighth-grade students of different abilities are typically divided into different classrooms in the U.S., and into different schools in Germany. In Japan, no ability grouping is practiced at this grade level.
- In mathematics, U.S. students in higher ability-level classes study different material than students in lower-level classes. In Germany and Japan, all students study basically the same material, although in Germany the depth and rigor of study depends on whether the school is for students of higher or lower ability levels.
- Japanese eighth-graders are preparing for a high-stakes examination to enter high school at the end of ninth grade.
- U.S. teachers assign more homework and spend more class time discussing it than teachers in Germany and Japan. U.S. students report about the same amount of out-of-school math and science study as their Japanese and German counterparts.
- Heavy TV watching is as common among U.S. eighth graders as it is among their Japanese counterparts.

CONCLUSIONS

This report presents initial findings from TIMSS for eighth-grade mathematics and science. A fuller understanding of our nation's educational health must await data from the fourth and twelfth-grade levels. The search for factors associated with student performance is complicated because student achievement after eight years of schooling is the product of many different factors. Furthermore, the U.S. education system is large and decentralized with many interrelated parts. No single factor in isolation from others should be regarded as the answer to improving the performance of U.S. eighth-grade students. With these cautions in mind, this report offers the following insights into factors that may be associated with our students' performance:

- The content of U.S. eighth-grade mathematics classes is not as challenging as that of other countries, and topic coverage is not as focused.
- Most U.S. mathematics teachers report familiarity with reform recommendations, only a few apply the key points in their classrooms.
- Evidence suggests that U.S. teachers do not receive as much practical training and daily support as their German and Japanese colleagues.

TIMSS is not an answer book, but a mirror through which we can see our own education system in international perspective. Careful study of our nation's reflection in the mirror of international comparisons will assist educators, business leaders, teachers, and parents as they guide our nation in the pursuit of excellence.

[\[Executive Summary\]](#) [\[Preface\]](#) [\[Chapter 1\]](#) [\[Chapter 2\]](#) [\[Chapter 3\]](#) [\[Chapter 4\]](#) [\[Chapter 5\]](#) [\[Conclusions\]](#) [\[Appendixes\]](#)



Last Updated November 20, 1996 (NAA)

FIGURE 22: Age Beginning Grade 1 And Grade(s) Marking End Of Secondary School in TIMSS Nations

FIGURE 23: U.S. Twelfth-Grade Students' Reports on Personal Safety at School In Comparison With The International Average

FIGURE 24: U.S. Twelfth-Grade Students' Reports On Hours On A Normal School Day Spent Working At A Paid Job In Comparison With The International Average

FIGURE 25: Relationship Between U.S. Relative Performance And Schooling And Student Factors: Mathematics General Knowledge

FIGURE 26: Relationship Between U.S. Relative Performance And Schooling And Student Factors: Science Knowledge Assessments

FIGURE 27: Relationship Between U.S. Relative Performance And Education System Factors: Grade Eight And End Of Secondary School

FIGURE 28: Advanced Mathematics Students' Reports On Connecting Mathematics To Everyday Problems

FIGURE 29: Relationship Between U.S. Relative Performance And Instructional Factors: Physics And Advanced Mathematics Students

Pursuing Excellence

A Study of U.S. Twelfth-Grade

Mathematics and Science Achievement

in International Context

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Initial Findings from the
Third International Mathematics and Science Study

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National Center for Education Statistics

The National Center for Education Statistics (NCES) is the primary federal entity for collecting, analyzing, and reporting data related to education in the United States and other nations. It fulfills a congressional mandate to collect, collate, analyze, and report full and complete statistics on the condition of education in the United States; conduct and publish reports and specialized analyses of the meaning and significance of such statistics; assist state and local education agencies in improving their statistical systems; and review and report on education activities in foreign countries.

NCES activities are designed to address high priority education data needs; provide consistent, reliable, complete, and accurate indicators of education status and trends; and report timely, useful, and high-quality data to the U.S. Department of Education, the Congress, the states, other education policy makers, practitioners, data users, and the general public.

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February 1998

REVISED August 1998

Available for downloading at <http://nces.ed.gov/timss>

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COMMISSIONER'S STATEMENT

The Third International Mathematics and Science Study (TIMSS) is the largest, most comprehensive, and most rigorous international study of schools and student achievement ever conducted. This report, *Pursuing Excellence: A Study of U.S. Twelfth-Grade Mathematics and Science Achievement in International Context*, compares the general mathematics and science knowledge of our students in their last year of secondary school with those of 20 other countries, as well as the achievement of our students taking physics and advanced mathematics courses with those in 15 other countries. It is the last of three major TIMSS reports by the National Center for Education Statistics (NCES) in its *Pursuing Excellence* series. The first report, outlining U.S. comparative eighth-grade results, was released in November 1996, and the second report, detailing fourth-grade results, was released in June 1997. Together, these three studies paint the most complete picture ever of how achievement in mathematics and science by U.S. students compares with that of other nations. The information is intended to help U.S. educators, parents, policymakers, and others evaluate the strengths and weaknesses of our schools from an international perspective. This comparative portrait can be used to examine our education system, scrutinize improvement plans, and evaluate proposed standards and curricula.

The scope of TIMSS is unprecedented in the annals of education research. The international project involved the testing of more than one-half million students in mathematics and science at three grade levels in 41 countries. In contrast to previous international comparative studies, TIMSS also goes beyond the traditional "horserace" data on student performance to explore possible causes for differences in achievement including questions on students' lives inside and outside of the classroom.

This wealth of data is being analyzed and published by NCES and others around the world. TIMSS has become the most accessible international education study ever by releasing information in a variety of new forms, including CD-ROM, videotape, and the World Wide Web (<http://nces.ed.gov/timss>). We invite everyone who is dedicated to enhancing the quality of our nation's mathematics and science education to make the fullest possible use of this rich resource.

Together, the various TIMSS reports constitute important tools that can improve the quality of primary and secondary education for all students. That is why the Center has worked cooperatively with other parts of the U.S. Department of Education to produce a

multi-media resource kit designed for educators and those interested in using TIMSS data to improve teaching, curricula, and student achievement in states and local communities. We also will be conducting a follow-up study in 1999, when the students who took TIMSS in the fourth grade have reached the eighth grade, both to compare their performance with the 1995 eighth-grade results, and to assess the level of progress made by this group of students over the intervening four years.

The TIMSS data provide a reference point from which we can begin to clarify what we mean by "world-class" education. They give us tools by which we can benchmark not only the performance of our students but also the way in which we deliver instruction. Most importantly, they allow the U.S. to learn unique lessons from other members of the world community so that we may better pursue the goal of an excellent education for all students.

Pascal D. Forgione, Jr.

Pascal D. Forgione, Jr.
Commissioner of Education Statistics
February 1998

NSF DIRECTOR'S STATEMENT

The Third International Mathematics and Science Study (TIMSS) was designed explicitly to enable educators and policy makers to compare achievement in science and mathematics of students in the United States with those in other countries at three levels of education, grades 4, 8, and the final year of secondary school (grade 12 in the U.S.). With this publication of the results of the 1995 assessment of the final year of secondary school, TIMSS has been successful. In addition, differences in student learning and characteristics of schooling, as measured by the TIMSS assessment instruments and questionnaires, enhance our understanding of the possible influences of such factors as school organization, teaching practices, student study habits, and family background. But the secrets of raising the level of student achievement beyond their current levels are not readily uncovered, and this study provides no easy answers or quick fixes.

The results of students in the final year of secondary school in the TIMSS science and mathematics general knowledge assessments found that our students performed less well than they did at grade 8, significantly below the international mean. In addition, U.S. most advanced students (those taking pre-calculus or calculus and those taking physics) performed at low levels in advanced mathematics and at especially low levels in physics when compared with similar students in other countries.

Once the results for all grades are considered, we see that U.S. students in the early school years have reasonable levels of achievement when compared with other countries--in science they are actually rated near the top--but performance lags by grade 8 and becomes even poorer at grade 12. The report's new information about advanced students should be reviewed carefully by college and university policy makers as well as those who influence coursetaking and career decisions made during the high school years.

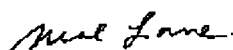
Results of the advanced mathematics test reveal some unexpected weaknesses. Despite the fact that about one-quarter of the test related to calculus and that one-half of the U.S. advanced mathematics students were actually studying calculus, it was in geometry, not calculus, where U.S. students performed worst. This is consistent with performance in grades 4 and 8, but unexpected because these advanced students have all had formal

geometry coursework. The results show that both geometry and algebra need to be key subjects of study throughout the curriculum.

For me, as a physicist with a keen interest in education, the science results are even more troubling. Students performed poorly in most sub-areas of physics, with the poorest performance coming on items on mechanics and electricity/magnetism (areas that account for about 75 percent of American physics textbooks). Even students who took an Advanced Placement physics course scored below the international norm.

These studies suggest that students appear to disengage from learning critical mathematics and science content as they progress through the school system. The sources of disengagement may include the classroom environment, the quality of instruction, and parental and community support for the value of science and mathematics to our children's future.

Improving achievement in mathematics and science subjects, whether in basic skills or advanced critical thinking, will require that students have, in combination, access to good teachers, good teaching materials, and agreement within the school on the goals of learning for all students. There are many efforts underway in states and localities throughout the United States to reform the process of teaching and learning mathematics and science. They are beginning to reveal mechanisms for obtaining gains in achievement. TIMSS also provides us with examples of nations with high performance at all grade levels, most notably Canada, the Netherlands, and Switzerland. American educators need to examine these successful efforts, learn from them, and effectively use all available resources to improve teaching and learning in mathematics and science at all grade levels.



Neal Lane, Director
National Science Foundation
February 1998

EXECUTIVE SUMMARY

INTRODUCTION

- The Third International Mathematics and Science Study (TIMSS) is the largest, most comprehensive, and most rigorous international comparison of education ever undertaken. During 1995, the study assessed the mathematics and science knowledge of a half-million students from 41 nations at three levels of schooling.
- The information in this report is about students who were assessed at the end of twelfth grade in the United States and at the end of secondary education in other countries. It includes four areas of performance: mathematics general knowledge, science general knowledge, physics, and advanced mathematics.
- This report on students in the final year of secondary school is the last in a series of three public-audience reports titled *Pursuing Excellence*. The first report presented findings on student achievement at eighth grade. The second report presented findings from the fourth grade.
- TIMSS is a fair and accurate comparison of mathematics and science achievement in the participating nations. The students who participated in TIMSS were scientifically selected to accurately represent students in their respective nations. The entire assessment process was scrutinized by international technical review committees to ensure its adherence to established standards. Those nations in which

irregularities arose, including the United States, are clearly noted in this and other TIMSS reports.

- Criticisms of previous international studies comparing students near the end of secondary school are not valid for TIMSS. Because the high enrollment rates for secondary education in the United States are typical of other TIMSS countries, our general population is not being compared to more select groups in other countries. Further, the strict quality controls ensured that the sample of students taking the general knowledge assessments was representative of all students at the end of secondary school, not just those in academically-oriented programs.
- This report consists of three parts: initial findings from the assessments of mathematics and of science general knowledge; initial findings from assessments of physics and of advanced mathematics; and initial findings about school systems and students' lives; and how those are associated with the relative performance of U.S. students compared to those in other cultures.

ACHIEVEMENT OF ALL STUDENTS

- A sample of all students at the end of secondary school (twelfth grade in the United States) was assessed in mathematics and science general knowledge. Mathematics general knowledge and science general knowledge are defined as the knowledge of mathematics and of science needed to function effectively in society as adults.
- U.S. twelfth graders performed below the international average and among the lowest of the 21 TIMSS countries on the assessment of mathematics general knowledge. U.S. students were outperformed by those in 14 countries, and outperformed those in 2 countries. Among the 21 TIMSS nations, our students' scores were not significantly different from those in 4 countries.
- U.S. twelfth graders also performed below the international average and among the lowest scoring of the 21 TIMSS countries on the assessment of science general knowledge. U.S. students were outperformed by students in 11 countries. U.S. students outperformed students in 2 countries. Our students' scores were not significantly different from those of 7 countries, including France, Germany, Italy, and the Russian Federation.
- The international standing of U.S. students was stronger at the eighth grade than at the twelfth grade in both mathematics and science among the countries that participated in the assessments at both grade levels.
- The U.S. international standing on the general knowledge component of TIMSS was higher in science than in mathematics. This pattern is similar to the findings at fourth and eighth grades in TIMSS.
- The U.S. was one of three countries that did not have a significant gender gap in mathematics general knowledge among students at the end of secondary schooling. While there was a gender gap in science general knowledge in the United States, as in every other TIMSS nation except one, the U.S. gender gap was one of the smallest.

ACHIEVEMENT OF ADVANCED STUDENTS

- The advanced mathematics assessment was administered to students who had taken or were taking pre-calculus, calculus, or AP calculus in the United States and to advanced mathematics students in other countries. The physics assessment was administered to students in the United States who had taken or were taking physics or AP physics and to advanced science students in other countries.
- Performance of U.S. physics and advanced mathematics students was among the lowest of the 16 countries which administered the physics and advanced mathematics assessments. In physics, 14 countries outperformed the United States;

- no countries performed more poorly. In advanced mathematics, 11 countries outperformed the United States and no countries performed more poorly.
- In all five content areas of physics and in all three content areas of advanced mathematics, U.S. physics and advanced mathematics students' performance was among the lowest of the TIMSS nations.
 - In both physics and advanced mathematics, males outperformed females in the United States and most of the other TIMSS countries.
 - More countries outperformed the United States in physics than in advanced mathematics. This differs from the results for mathematics and science general knowledge, as well as the results at grades 4 and 8, where more countries outperformed the United States in mathematics than in science.

CONTEXTS OF LEARNING

- It is too early in the process of data analysis to provide strong evidence to suggest factors that may be related to the patterns of performance at the end of secondary schooling described here.
- Although secondary education in the United States differs structurally in important dimensions from that in many of the other countries, in this first analysis, few of those structural differences are clearly related to the relatively poor performance of our twelfth graders on the TIMSS assessments.
- Although the lives of U.S. graduating students differ from those of their peers in other countries on several of the factors examined, few appear to be systematically related to our performance in twelfth grade compared to the other countries participating in TIMSS.
- Further analyses are needed to provide more definitive insights on these subjects.

CONCLUSIONS

- U.S. students' performance was among the lowest of the participating countries in mathematics and science general knowledge, physics, and advanced mathematics.
- TIMSS does not suggest any single factor or combination of factors that can explain why our performance at twelfth grade is low relative to other countries at the end of secondary education.
- From our initial analyses, it also appears that some factors commonly thought to be related to individual student performance are not strongly related to national averages of student performance at the end of secondary school in TIMSS.
- TIMSS provides a rich source of information about student performance in mathematics and science, and about education in other countries. These initial findings suggest that to use the study most effectively, we need to pursue the data beyond this initial report, taking the opportunity and time to look at interrelationships among factors in greater depth.



Last updated August 1998

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7

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

Fact: each year, the national government invests more than \$15 billion in our public schools

Source: Department of Education

Explanation:

1/19/99

DEPARTMENT OF EDUCATION HISTORY

(dollars in thousands)

<u>Education Department Budget by Level</u>	<u>1992 Appropriation</u>	<u>1993 Appropriation</u>	<u>1994 Appropriation</u>	<u>1995 Appropriation</u>
Elementary and Secondary.....	\$13,946,473	\$13,876,622	\$14,418,794	\$14,865,676
Postsecondary.....	15,602,058	15,789,525	9,420,639	14,076,674
Other.....	2,641,210	2,796,311	3,215,166	3,351,568
Total.....	32,189,741	32,462,458	27,054,599	32,293,918

(dollars in thousands)

<u>Education Department Budget by Level</u>	<u>1996 Appropriation</u>	<u>1997 Appropriation</u>	<u>1998 Appropriation</u>	<u>1999 Appropriation</u>
[Elementary and Secondary.....	\$15,961,164	\$16,887,500	\$18,598,544	[\$21,369,170]
Postsecondary.....	12,291,614	12,972,302	13,277,145	13,567,009
Other.....	3,526,560	3,667,771	3,804,579	4,031,860
Total.....	31,779,338	33,527,573	35,680,268	38,968,039

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8

Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

Fact: Chicago ended social promotion and made summer school mandatory for those who don't master the basics

Source: Chicago Tribune, 3/28/96

Explanation: On March 27, 1996, the Chicago School Reform Board of Trustees approved a student-promotions policy that requires all 3rd, 6th and 8th graders achieve minimum scores on the Iowa Test of Basic Skills or reach those levels at summer school.

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Chicago Tribune

March 28, 1996 Thursday, NORTH SPORTS FINAL EDITION

SECTION: METRO CHICAGO; Pg. 1; ZONE: N

LENGTH: 710 words

HEADLINE: SCHOOLS TO OPEN IN AUGUST IN '97

BYLINE: By Michael Martinez, Tribune Education Writer.

BODY:

After adopting a tougher student-promotions policy and suspending the powers of the controversial Hale local school council, the Chicago School Reform Board of Trustees toppled another icon Wednesday by deciding to open schools before Labor Day.

Saying the postholiday opening was an antiquity whose roots extend to the Agricultural Age, the board approved starting classes in late August beginning in 1997.

The move, which also means an earlier end to the school year, will put city schools in step with virtually every other public and private school in the area. It also will mean Chicago public school students will be on equal footing with others in competing for summer jobs and participating in childhood rituals such as camp, school officials said.

This fall, schools will reopen Sept. 3, a day after Labor Day, and end in late June 1997.

According to the schedule approved for the following three years, schools will open Aug. 21, 1997, Aug. 25, 1998, and Aug. 19, 1999. Classes will end June 11, 1998, June 10, 1999, and June 8, 2000.

Chief Education Officer Lynn St. James said the tradition of opening school after Labor Day dates back to the era when children were routinely needed to help work family farms during the summer.

"We're from an agricultural society. Of course, we're not an agricultural society any more," said St. James.

The board also moved up the deadline for parents to enroll their children in the schools of their choice to June 21 beginning this year. Previously,

parents had until the first day of school. After the deadline, the school system will enroll the children in a school within their attendance areas, unless that facility is overcrowded, officials said.

The new deadline will guarantee teacher assignments by summer and will reduce the large number of classrooms that have gone without teachers until as late as October.

"This gives us a clean enrollment process," Board President Gery Chico said.

In other action, the board approved a student-promotions policy that Chico said "is probably one of the top five pieces of legislation we've undertaken."

Under the new policy, all 3rd, 6th and 8th graders must achieve certain minimum reading and math scores on the Iowa Test of Basic Skills or reach those levels at summer school.

The six-week summer school program also will be mandatory this year for 8th graders with scores more than two years below grade level and will become mandatory next year for 3rd graders with scores more than a year behind and 6th graders more than a year and a half behind, officials said.

In a provision to allow for pupils who may have a bad test day, principals, with the permission of the regional education officer, will be able to exempt youngsters from summer school who have a record of adequate academic performance.

For the coming year only, 8th graders who must attend summer school will be allowed to walk across the stage with classmates in graduation ceremonies but will not receive graduation certificates at that time, officials said.

According to Chico, the new policy "says we will no longer sit by idly and watch children be pushed out in the streets or into city colleges . . . letting them become someone else's problem. Is it easy? No. Is it light? No. It's fairly tough medicine. It's one of the most defining moments here."

The board voted unanimously to suspend the powers of the Hale local school council for 90 days, following a recommendation by Chief Executive Officer Paul Vallas.

Though the board stopped short of disbanding the council, the effect was the same because new councils will be elected citywide in April and take office on July 1.

In the meantime, school system officials said they will try to remediate

what they deemed to be an education crisis at Hale, 6140 S. Melvina Ave., caused by the controversy involving its council.

It was alleged that some members of the council, including its chairman, John Bartgen; his brother; a sister-in-law; and several friends, had tried to intimidate the principal and teachers for their own purposes, held secret meetings and otherwise acted improperly. Bartgen, who said he is planning to seek re-election, has denied the accusations.

LANGUAGE: ENGLISH

LOAD-DATE: March 28, 1996

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Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

Fact: Chicago's math and reading scores are up 3 years in a row; some of the biggest gains have come in what were some of the poorest neighborhoods

Source: Chicago Public Schools Web Site (cpsweb.cps)

Explanation: According to a CPS release, "City schools improve on IGAP Chicago's public schools improved their performance on the Illinois Goal Assessment Program (IGAP) tests, posting gains in 16 of 18 areas compared to last year's results. Two areas were unchanged. By contrast, state scores improved in only 12 areas, stayed the same in 3, and declined in 3. This is the third straight year that Chicago's IGAP scores have improved..."

According to a CPS release, "The hard work is paying off citywide, with schools in all neighborhoods showing improvements. The system's poorest performing schools-those placed on academic probation or reconstituted-are also getting on track. Roughly 80 percent of those schools posted gains in standardized testing last spring, and 26 of them were removed from the probation list at the start of the school year because of their rising test scores."

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City schools improve on IGAP

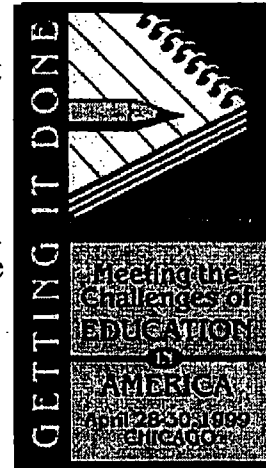
Chicago's public schools improved their performance on the Illinois Goal Assessment Program (IGAP) tests, posting gains in 16 of 18 areas compared to last year's results. Two areas were unchanged. By contrast, state scores improved in only 12 areas, stayed the same in 3, and declined in 3. This is the third straight year that Chicago's IGAP scores have improved. [More...](#)

Bulls donate \$3.5 million to CPS

A \$3.5 million donation over three years from CharitaBulls, the Chicago Bulls philanthropic arm, to the Children First Fund will establish the Bulls Scholars Program in all 24 Chicago public middle schools. It is a competitive, after-school program designed to provide up to 40 students in sixth, seventh and eighth grades with instruction in algebra and English from two middle school teachers and a certified high school teacher. [More...](#)

CPS receives \$2.5 million after-school grant

President Bill Clinton announced last month that the Chicago Public Schools would receive \$2.5 million of \$60 million in new grants for after-school programs. Chicago School Reform Board of Trustees President Gery Chico traveled to Washington, D.C. to secure the additional money for CPS after-school programs, which provide 250,000 students with safe educational, vocational and cultural activities after regular school hours or on Saturdays. [More...](#)

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The IGAP is given annually by the Illinois State Board of Education to students in selected grades. Students in grades 3, 6, 8, and 10 are tested in reading, math and writing; students in grades 4, 7, and 11 are tested in science and social studies.

"The IGAP results are another sign that our schools are getting better," said Board President Gery Chico. "We are clearly on the right road. We intend to continue on this course until we have the best schools in Illinois and even in the nation."

The increases in Chicago's average scores on the IGAP outpaced the statewide gains in 13 of 18 areas reported. Specifically, large Chicago gains in 10th grade writing, 4th grade science and 6th grade math kept statewide averages from declining. The statewide decline in 8th grade writing was minimized by the increase in Chicago's performance.

Chicago also led the county in improvement. Of the five most improved schools in each subject and grade, 74 of the 90 schools (82%) were city public schools. Four city high schools - Lane Tech, Lincoln Park, Von Steuben, and Whitney Young exceeded the state averages. Whitney Young was among the top ten high schools in the six-county area in every category.

In the six-county metropolitan area, of the top five elementary schools in each subject and grade on the IGAP tests, 63% were in Chicago (46 of 65), highlighting the fact that many of the best elementary schools in the area are in the Chicago Public Schools.

"Chicago is fueling the increases in the statewide averages," commented schools' CEO Paul Vallas. "Our leading high schools and outstanding elementary schools are proving that city public schools are capable of achieving excellence. They are leading the way for the continuous growth of all schools in Chicago."

IGAP improvements are evident in all subjects tested. Students in 3rd, 6th, 8th, and 10th grades were tested in reading, math and writing. Reading scores are up, with gains of more than ten points in three of four grades tested. These scores are at their highest levels in the last four years. Math scores also went up in all grades, to their highest level since before 1995. Writing scores increased in three of four grades tested; the sixth grade writing score was unchanged from last year.

Students in 4th, 7th, and 11th grades were tested in science and social studies. Science scores in 4th and 7th grades increased by more than 10 points; the score for 11th grade was unchanged. Social studies scores increased in all grades.

The new data - in conjunction with the ITBS/TAP (Illinois Tests of Basic Skills/Tests of Achievement and Proficiency) results for

1997-98 - show a clear pattern of progress. "No matter what test is used, our students are showing improvement," Vallas said. "We have seen three years of growth on the nationally standardized ITBS/TAP, three years of gains on the IGAP, and three years of improvement on the ACT. All the measures of student performance are positive."

Another important indicator of improvement is the large decline in the number of Chicago public schools on the academic early warning list. In 1994, 148 schools were on the state's list. Last year, the number was down to 83 and this year it has dropped to 58.

"Although our schools continue to lag behind," declared Vallas, "we are making larger gains than the rest of the state. We have a long way to go, but we will not rest until the gap is closed."

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More students coming back to improving schools

As buses begin rolling again in full force and backpack-toting students once again line neighborhood sidewalks, Chicago's public schools start the 1998-99 school year showing continued signs of improvement and drawing a growing number of students to the classroom.

More than 430,000 students are expected to attend the Chicago Public Schools this year, which would be the first time the school system's enrollment has reached that level since 1985, according to Giacomo Mancuso, CPS Manager of Planning and Demographics. It also would mark the third straight year that the CPS enrollment has increased. Enrollment for the 1995-96 school year-the year that Mayor Richard M. Daley's management team began running the schools-was 412,167 students. Last year's enrollment was 428,184 students, an increase of about 16,000 students since 1995.

The school system's test scores have continued to rise along with enrollment. The number of elementary and high school students posting reading and math scores that meet or exceed national norms is at the highest level in a decade. At the elementary level, 34.7 percent of students are reading at or above the national norm, and 39.6 percent of students meet or exceed national norms in mathematics. Both levels reflect an increase of about 4 percentage points over the previous year's numbers. High school students also are posting their highest scores in a decade: 28.4 percent at or above national norms in reading and 31.1 percent in math.

"For the fourth year in a row, we will have a predictable, peaceful, and productive start to the school year," said Gerry Chico, President of the Chicago School Reform Board of Trustees. "We still have plenty of work to do, but we've made steady improvement. That's what's important. And I expect the improvement to continue this year."

Financial stability and continuing labor peace are further signs of the school system's strength and have resulted in the "predictable, peaceful" starts to the school year. Budget concerns and teacher unrest no longer threaten to disrupt the school year.

"Schools are opening on time, and we're on solid financial ground, which allows us to focus on what's happening in the classrooms," said Paul Vallas, CPS Chief Executive Officer. "We've worked hard with teachers, administrators, and Local School Council members to continually upgrade the quality of education our students receive."

The hard work is paying off citywide, with schools in all neighborhoods showing improvements. The system's poorest performing schools-those placed on academic probation or

reconstituted-are also getting on track. Roughly 80 percent of those schools posted gains in standardized testing last spring, and 26 of them were removed from the probation list-at the start of the school year because of their rising test scores.

"Our after-school programs and academic-support initiatives are clearly paying dividends," said Cozette Buckney, Chief Education Officer. "This year we're looking to sustain the momentum we've built up over the past three years."

Send feedback to the CPS web team.

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Divider Title: _____

State of the Union Address
January 19, 1999

Section of Speech: 21st Century Schools

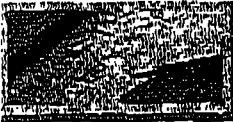
Fact: North Carolina Gov. Jim Hunt established a policy where school districts turn around their worst-performing schools or shut them down; North Carolina test scores made the biggest gains in the nation last year

Source: “Education Week Lauds North Carolina’s Accountability Effort,” North Carolina Department of Instruction, 1/7/99; Education Week, 1/11/99; North Carolina Department of Instruction

Explanation: According to Education Week, North Carolina is one of 16 states which have the “ultimate sanctions” for failing schools, saying, “some state legislatures have created an ‘end point’ for failing schools by giving states the authority to take them over, reconstitute them or close them.”

North Carolina’s Department of Instruction notes: “In *Education Week’s* third annual 50-state report card on public education, North Carolina was recognized as just one of two states (joined by Texas) as coming closest to having all components of a complete accountability system. North Carolina and Texas were also noted as the two states posting the ‘largest average gains in student test scores on the National Assessment of Educational Progress (NAEP) between 1990 and 1996.’”

Source: North Carolina Department
of Instruction



North Carolina Public Schools

I N F O R M A T I O N

Jan. 7, 1999

Education Week Lauds North Carolina's Accountability Efforts

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In *Education Week's* third annual 50-state report card on public education, North Carolina was recognized as just one of two states (joined by Texas) as coming the closest to having all the components of a complete accountability system. North Carolina and Texas were also noted as the two states posting the "largest average gains in student test scores on the National Assessment of Educational Progress (NAEP) between 1990 and 1996."

The 206-page report, Quality Counts '99: Rewarding Results, Punishing Failure, attributes North Carolina's accountability program, the ABCs of Public Education, with sparking the rise in student achievement throughout the state and assisting the state's lowest performing schools to move forward. The ABCs program was implemented in grades K-8 in 1996-97 and in grades 9-12 in 1997-98.

State Board of Education Chairman Phillip J. Kirk Jr. said the report verifies that North Carolina is leading the nation in its efforts to hold schools accountable for student learning. "We are pioneers in school accountability in the nation. It speaks well for North Carolina that we recognized the need for this early and found the courage to implement a program that rewards growth and achievement and provides realistic help for the schools that need it most."

State Superintendent Mike Ward said, "We have seen all of our schools make significant academic growth in just the two years the program has been in place. Our classrooms are focused like never before and, as a result, our children are achieving."

In regards to school accountability, *Education Week's* report reviewed North Carolina's accountability program to see if it contained what its editors deemed the six essential steps necessary for building a comprehensive accountability system: assessment of a student's achievement; report cards noting the performance of individual schools; public rating of schools; performance rewards; available assistance; and sanctions for failing schools. North Carolina is one of only five states that have all the components.

"Our end-of-grade/end-of-course tests track academic growth. Every school's performance on these tests is available to parents and other people who are interested through the Department of Public Instruction

or on our web site, www.dpi.state.nc.us. Teachers and other eligible staff at schools that meet and/or exceed expected growth receive a monetary bonus. Unfortunately, on the reverse end of the spectrum, we have had to recommend dismissals of two teachers and removal of some administrative staff from low-performing schools. North Carolina has been the first state willing to take these steps. Taking all this into consideration, it really doesn't surprise me that our state leads the nation in school accountability," Ward said.

Dr. Jay Robinson, past superintendent of the Charlotte-Mecklenburg School System and past chair of the North Carolina State Board of Education, was highlighted in *Education Week* for his support of rewards as a motivational factor. Robinson was chair of the State Board when the ABCs model was first developed and implemented. While superintendent of the Charlotte-Mecklenburg School System, Dr. Robinson persuaded a local amusement park to donate passes which he pledged to give to students who finished school with perfect attendance. He said that almost 12,000 students finished the year with perfect attendance. He stated in the article that he felt educators could be similarly motivated. Given the fact that the state spent \$117 million in bonuses for the 1997-98 ABCs program, he was right. North Carolina was noted in the report for leading the nation in investing in school-based performance incentives.

Also highlighted in *Education Week's* report was State Superintendent Mike Ward for his research on teacher tenure. As a doctoral student, Ward conducted a study on teacher tenure and dismissal to determine if there was a correlation between the number of dismissals based upon whether or not a teacher had tenure. Ward said, "Tenure itself may not be the barrier. What may be needed is to focus more energy on the preparation of administrators for dealing with personnel responsibilities."

North Carolina's strong academic growth also was recognized by the National Education Goals Panel which identified North Carolina as the state showing the most significant improvement during the 1990s. The Panel called North Carolina's and Texas' improvements, which led all states in the combined math and reading achievement on NAEP between 1990 and 1996 "significant and sustained" with large achievement gains occurring for white, black and Hispanic students. The US Department of Education is scheduled to release 1998 NAEP test scores on fourth and eighth grade reading and eighth grade writing within the next few months.

North Carolina's school accountability program is noted in the report as having strong support from lawmakers, educators, the business community and the public. State Board of Education Chairman Phil Kirk said, "Through programs such as NC HELPS, we've targeted additional resources to those schools that need them most, and, as a result, proven that all children can achieve." NC HELPS provides

technical assistance through the matching of businesses, higher education institutions and state agencies with low-performing schools.

In addition to the state's strong school accountability program, *Education Week* gave a top grade to the state's efforts to improve teacher quality. The Excellent Schools Act, the centerpiece of North Carolina's efforts to improve teacher quality, is responsible for bringing teacher pay closer to the national average, rewarding those teachers who've achieved National Board Certification with a 12 percent salary bonus, and providing increased professional development opportunities. Ward credited Gov. James B. Hunt Jr., the NC General Assembly, and the State Board of Education for continuing to show that they are committed to strong leadership in the classroom by supporting the Excellent Schools Act and the ABCs.

North Carolina's next big step is student accountability through stronger student performance standards. The State Board of Education will begin consideration of a policy on student performance standards next week at its monthly meeting in Charlotte. The standards are anticipated to go into effect for students beginning with the year 2000-01. "North Carolina will continue to strive for excellence in the classroom with the ultimate goal of having every student perform at or above grade level," Ward said.

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ED Week 1/11/99

QUALITY COUNTS '99

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North Carolina: Seeing a Payoff

by Kathleen Kennedy Manzo

North Carolina's 2-year-old accountability system continues to win praise from lawmakers, educators, the business community, and the public for spurring a rise in student achievement throughout the state.

But some of the consequences for low-performing schools—including the suspension of principals and the imposition of competency tests for teachers—have been harshly criticized, causing legislators to tone down some of the elements of the high-stakes program.

North Carolina's accountability plan has put the state's most troubled schools on the path to reform.

Clearly, though, the ABCs of Public Education plan, signed into law with overwhelming bipartisan support in 1996, has helped some of the state's most troubled schools start on the path to reform.

Under the law, each school is given a goal for improving student performance on state tests, which are linked to the state's

academic-content standards. Bonuses are awarded to teachers and other staff members in schools that exceed expectations.

Those schools that do not meet their goals receive state help.

Since the start of the 1997-98 school year, when the state dispatched assistance teams to the 15 elementary and middle schools with the most alarming deficits in achievement, significant progress has occurred.

All but one of the targeted schools met or exceeded the state's expectations on tests in reading and mathematics given to students in grades 3-8 last year. Thirteen were declared exemplary after surpassing the goals for improved student performance that the state

Vital Statistics

118	Public school districts
1,997	Public schools
1.2 million	K-12 enrollment
36.1%	Minority students
20%	Children in poverty
12.6%	Students with disabilities
\$6.1 billion	Annual K-12 expenditures (all revenue sources)

QUALITY COUNTS '99

set for each school.

The progress has state education leaders convinced that this latest effort to improve the Tar Heel State's 1,997 schools is working and that its tradition of start-and-stop reforms has been halted.

"The ABCs have really made a difference more than anything I've seen in our state," says John N. Dornan, the executive director of the Public School Forum of North Carolina, a nonprofit research center in Raleigh.

"The serious consequences in this plan were missing in other accountability programs. Principals and teachers are more concentrated on student outcomes than at any time in state history," he says.

The state's 416 high schools were included in the accountability program for the first time last year. Some 83 percent of secondary schools met or exceeded expectations for student performance on tests in algebra, biology, English, history, and economic, legal, and political systems.

Fifteen high schools were deemed low-performing, three of which will go under the supervision of state assistance teams.

According to the results released last summer, 1,132 elementary and middle schools, or about two-thirds, earned exemplary status on math and reading tests; 15 schools (different from the 15 cited from the previous year) were identified as low-performing.

"The success of these schools says that where you have clearly defined, measurable goals, people will work hard to achieve them," says Phillip J. Kirk Jr., a longtime business leader who took over as the chairman of the state school board in late 1997.

"We've targeted additional resources and helped shine the spotlight on schools that aren't doing so well," Kirk says. "We've proven that all children can learn."

Teachers and other staff members at exemplary schools were awarded up to \$1,500 each, thanks to a \$25 million bonus plan financed by the legislature last year.

The lawmakers also approved a second round of salary hikes, expected to total about \$1 billion over the next three years, to bring teachers' salaries up to the national average.

Teachers chalked up another victory when they successfully stalled

plans for testing all those teaching in the lowest-performing schools.

Union officials at the state level promised a lawsuit if the testing went forward, and the 250 teachers, administrators, and counselors who were scheduled to take the competency exams threatened a boycott.

The legislature compromised just days before the exam was to be administered and amended the law, ensuring that no one would be tested for the next two years and adding more steps to firing ineffective teachers.

"Teachers can still be tested, but only after evaluations find them not only lacking in good teaching methodology, but in content and general knowledge," says Tom Houlihan, an education adviser to Democratic Gov. James B. Hunt Jr.

"The threat of indiscriminate testing was considered punitive and caused more morale problems and grief than it was worth," Houlihan says.

Although the changes received widespread support at the Statehouse in Raleigh, some lawmakers who demanded the teacher-accountability measures in the initial legislation were outraged at the effort to "water down" the law.

"Now, there are many more hoops and hurdles to go through and over to discharge an incompetent teacher," contends Republican Sen. Hamilton C. "Ham" Horton Jr., who voted against the revisions.

But many observers say that the law still has teeth and that the state is committed to getting extra resources and support to the schools that need it most.

The governor, school leaders, and the state university and community college systems have joined in a new effort to rally more money and services for all the state's struggling schools.

As part of the effort, called NC helps, low-performing schools will be matched with businesses, higher education institutions, and state agencies for technical help.

Some schools could qualify for grants of up to \$100,000 to design and implement reforms. Money for the program will come from existing federal grants and fund-raising efforts.

The state is moving forward with other accountability measures as well.

With a new 10th grade test in math and reading that students must

pass to graduate, administered for the first time last spring, the path to a diploma is becoming more difficult.

And a committee was appointed last year to set promotion benchmarks for various grade levels and high school graduation standards.

Some funding issues have yet to be resolved.

A 1994 lawsuit by five low-wealth districts claiming that the state has failed to pay for the basic education needs of their students is still awaiting trial, and finance reform is on hold until that case is resolved.

Meanwhile, all the state's 118 districts--which rely on the state for an average of 70 percent of their funding--are benefiting from a nearly 10 percent increase in the education budget. And a \$182 million state bond issue is being used to build new schools and repair aging structures.

"We are building schools so fast, they are going up like mushrooms all over the state," Houlihan says. The 132 new buildings and 767 additions and renovations to existing schools generally will not mean an expansion of the state's class-size-reduction effort, which has not received additional funding this school year.

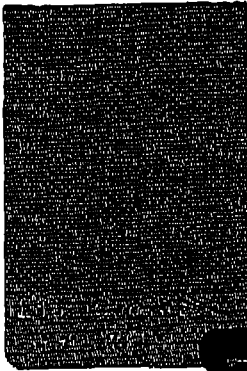
During the past three years, the initiative has led to widespread declines of about four pupils per classroom in grades 1-3 statewide, cutting the student-to-teacher ratio to about 22-to-1.

The state has a growing cadre of charter schools, which reached 61 in the 1997-98 school year under a 2-year-old law that allows for 100 such institutions. Some lawmakers are pushing initiatives to remove the cap on the number, while others are seeking to limit the number of charters even more.

Education technology continues to get limited funding. The state's school technology fund, created several years ago after a study estimated it would cost as much as \$100 million a year for five years to bring schools into the computer age, is expected to get only about \$12 million this year.

Accountability will continue to maintain its position at the top of the state's priority list, observers say.

As districts adapt their curricula and teachers focus their instructional strategies to bring more students up to acceptable levels of achievement, the program is expected to lead to even more improvements in the years to come.



"We are getting some assurance that we are headed in the right direction," Dorman of the Public School Forum says.

"There is a good deal more cohesion around the accountability plan than there had been in the past.... There is a lot of optimism around education in this state," he says.

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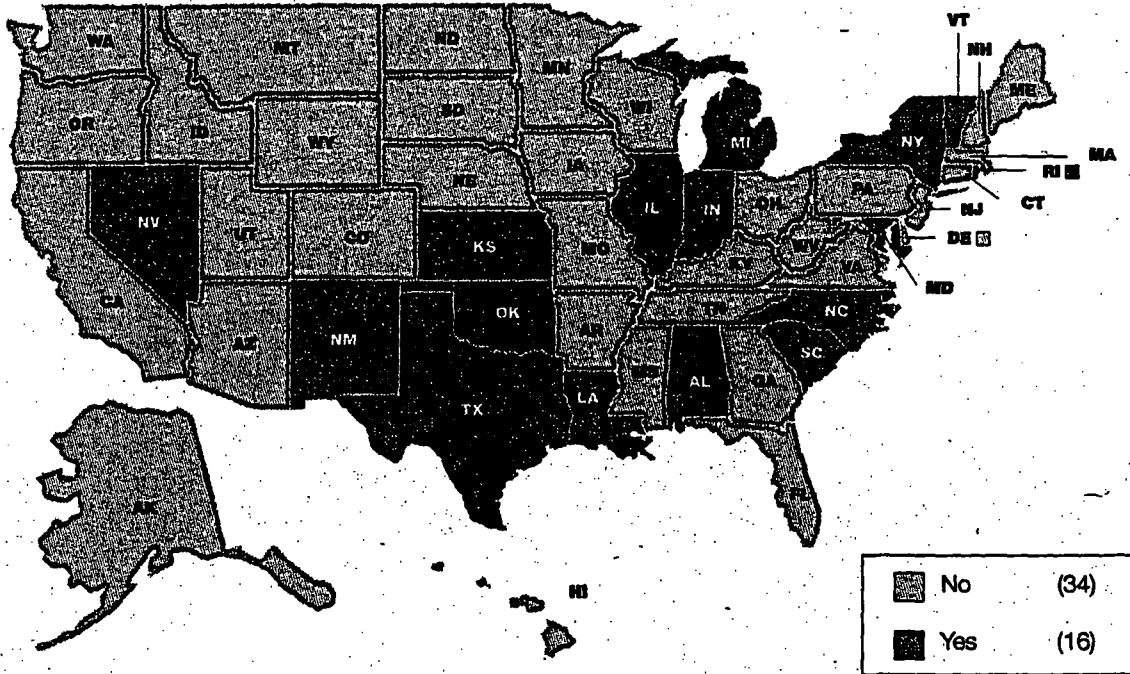
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The Ultimate Sanction

Some state legislatures have created an "end point" for failing schools by giving states the authority to take them over, reconstitute them, or close them. This map shows which states have enacted such policies.



JRCE: Education Week.

What Are the Ultimate Sanctions for Failing Schools?

STATE	What are the state's strongest sanctions for dealing with failing schools?			What other sanctions can the state impose on failing schools?				Years before state can or must act		Has the state ever closed, taken over, or reconstituted a low-performing school?
	Closure	Takeover	Reconstituted	Replace principal or teachers	Students may enroll elsewhere	Loss of accreditation	Other	Minimum	Maximum	
Alabama	yes	yes	yes	yes	no	no	no	2 years	n/a	no
Alaska	no	no	no	no	no	no	no	n/a	n/a	no
Arizona	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Arkansas	no	no	no	no	no	no	no	n/a	n/a	no
California	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Colorado	no	no	no	no	no	no	no	n/a	n/a	no
Connecticut	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Delaware	no	no	no	yes	no	yes	no	4 years	none	no
Florida	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Georgia	no	no	no	no	no	no	no	n/a	n/a	no
Hawaii	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Idaho	no	no	no	no	no	no	no	n/a	n/a	no
Illinois	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Indiana	yes	no	no	no	no	yes	no	4 years	8 years	no
Iowa	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Kansas	yes	no	no	yes	no	yes	yes	1 year	none	no
Kentucky	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Louisiana	yes	no	yes	yes	yes	yes	yes	5 years	none	no
Maine	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Maryland	no	yes	yes	no	no	no	no	none	none	no
Massachusetts	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Michigan	yes	no	no	yes	no	yes	no	3 years	none	no
Minnesota	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Mississippi	no	no	no	no	no	no	no	n/a	n/a	no
Missouri	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Montana	no	no	no	no	no	no	no	n/a	n/a	no
Nebraska	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Nevada	no	yes	no	yes	no	no	no	3 years	none	no
New Hampshire	no	no	no	no	no	no	no	n/a	n/a	no
New Jersey	no	no	no	no	no	no	no	n/a	n/a	no
New Mexico	yes	yes	yes	yes	no	no	no	n/a	n/a	no
New York	yes	no	yes	yes	yes	yes	no	1 year	3 years	reconstituted (46), closed (3)
North Carolina	yes	yes	yes	yes	no	no	no	n/a	n/a	no
North Dakota	no	no	no	no	no	no	no	n/a	n/a	no
Ohio	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Oklahoma	yes	yes	no	no	yes	no	no	none	none	closed (2)
Oregon	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Pennsylvania	no	no	no	no	no	no	no	n/a	n/a	no
Rhode Island	no	no	yes	no	no	no	no	n/a	n/a	no
South Carolina	no	yes	no	yes	no	no	no	none	none	no
South Dakota	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Tennessee	no	no	no	no	no	no	no	n/a	n/a	no
Texas	yes	yes	yes	yes	no	no	no	1 year	none	reconstituted (4)
Utah	no	no	no	no	no	no	no	n/a	n/a	no
Vermont	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Virginia	no	no	no	no	no	yes	no	7 years	7 years	no
Washington	no	no	no	no	no	no	no	n/a	n/a	no
West Virginia	no	no	no	no	yes	no	yes	none	6 months	no
Wisconsin	yes	yes	yes	yes	no	no	no	n/a	n/a	no
Wyoming	no	no	no	no	no	no	no	n/a	n/a	no
U.S.	11	10	7	10	7	8	7	-	-	55 schools

* Florida's state board of education may recommend that a district take such action and may withdraw the district's lottery funds if it does not.
n/a indicates not applicable.

SOURCE: Education Week.