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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2012

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

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

DENNY REHBERG, Montana, *Chairman*

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LUCILLE ROYBAL-ALLARD, California
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NOTE: Under Committee Rules, Mr. Rogers, as Chairman of the Full Committee, and Mr. Dicks, as Ranking Minority Member of the Full Committee, are authorized to sit as Members of all Subcommittees.

STEVE CRANE, KEVIN JONES, DONNA SHAHBAZ,
JOHN BARTRUM, SUSAN ROSS, and LORI BIAS,
Subcommittee Staff

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Printed for the use of the Committee on Appropriations

PART 5—DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2012

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U.S. GOVERNMENT PRINTING OFFICE

71–353 WASHINGTON : 2012

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2012

THURSDAY, MARCH 10, 2011.

DEPARTMENT OF EDUCATION

WITNESS

HON. ARNE DUNCAN, SECRETARY, DEPARTMENT OF EDUCATION

OPENING REMARKS OF CHAIRMAN REHBERG

Mr. REHBERG. We will begin the hearing, and I thank you all for your patience. This begins the 2012 cycle for the Labor, Health and Human Services, Education appropriations subcommittee.

I historically and normally do not feel it necessary to give opening statements, because we are here to hear from the Secretary, and so that will be the protocol that I follow. I am also going to ask that the members, to the best of their ability, maintain their questions or their conversation with the Secretary on the fiscal year 2012 budget. There will be plenty of opportunity to have conversation about other issues that are before the Secretaries. We are going to have oversight hearings, and we are working in consultation with the minority for what those oversight hearings will look like.

And I thank those members, Mr. Flake, you learned your lesson; you were on time. Thanks for being here.

At this time I will turn it over to the minority ranking member—and I thank Mr. Duncan for coming; we will introduce you in a moment—if you would like to make an opening statement.

OPENING REMARKS OF RANKING MEMBER, MS. DELAURO

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

I want to just say that I am looking forward to our work together on this committee. I have served on this committee for a number of years, and it is at the heart and soul of everything that I believe in with regard to education and health services and scientific research. So, again, I am looking forward to working with you and all the members of the subcommittee.

Mr. Secretary, let me say, thank you, for joining us today. Budgets are the embodiment of more than just our national priorities; they reflect our moral values, what we as a people and as a Nation hold most dear. And as such, I strongly support the decision that you and the President have made in making investments in edu-

cation the top priority in this budget. Only through education can people better themselves and their communities, keep the promise of opportunity and social mobility for all, and continue to lead the world in innovation and standard of living.

As President Obama has said, "Countries that out-educate us today, will out-compete us tomorrow." With that in mind, I applaud the new investments in education that you have included in this budget. For example, $300 million, for i3, the Investing in Innovation Fund; $150 million for Promise Neighborhoods; and $100 million to increase after-school programs.

IMPORTANCE OF EARLY CHILDHOOD EDUCATION

I want to particularly thank you for your continued support of early childhood education. This is something the chairman and I have worked together to emphasize as cochairs of the Congressional Baby Caucus. And study after study has shown, and I know from watching my own grandchildren, that the earliest experiences are essential, and supportive environments critical to long-term outcomes for children.

The business community understands this. Just last week Federal Reserve Chairman Ben Bernanke said, and I quote, The payoff to early childhood programs can be especially high. For instance, preschool programs for disadvantaged children have been shown to increase high school graduation rates. Because high school graduates have higher earnings, pay more taxes, and are less likely to use public health programs, investing in such programs can payoff even from the narrow perspective of State budgets. Of course, the returns to the overall economy and to the individual themselves are much greater.

So I thank you for recognizing the vital importance of early learning in the budget.

TITLE I, ESEA AND IDEA PROGRAMS INVESTMENT

I do have some concerns about other inclusions in the budget request, and I hope we can discuss them this morning. For example, I would like to see a bigger commitment to Title I, which aids at-risk children, and to IDEA for children with disabilities. These are the two fundamental building blocks of our K-through-12 education system and the resources that school systems rely on desperately to get by.

CHILDREN LIVING IN POVERTY

According to Census data, the number of America's children that live in poverty grew by 2 million during the recession. In 2009, child poverty reached a level of 20.7 percent, a rate of more than 1 in 5 and totaling more than 15.5 million children. This makes Title I funding even more important, as without those resources, far too many children would not have the supports they need to succeed.

PELL GRANT PROGRAM

In terms of higher education, I strongly welcome the emphasis you placed on Pell Grants, maintaining the maximum award at the

current amount of $5,550. I have been visiting community colleges in my district, and I cannot emphasize enough how important Pell Grant support is in helping people of all ages go to work, go to school—now more than ever.

Since the recession, the number of students needing Pell Grant support to pursue their education has increased by 2.4 million to almost 9 million students. Many of these students told me not only that Pell Grants were making the difference for them, but if they lost even $100 out of that grant, their education and their chances of improving their employment prospects would be put at risk.

That is the knife's edge that these men and women are walking on in this economy. It is one of the many reasons I oppose the shortsighted cuts in the majority's budget for the remainder of 2011 to Pell, to supplemental education opportunity grants, and to many other education programs, including Title I and IDEA, and even to Head Start and early education. If we want to create jobs, grow the economy, and reduce the deficit in the long term, it does not make sense to roll back our critical investments in education. We should not be slashing the programs that help the middle class ensure educational opportunity for all.

So, on behalf of the students in my district and across America, I want to thank you and the President for committing to investments in education. I believe it is just the right thing to do. Thank you again for coming. I am looking forward to hearing your testimony, and I thank you very much, Mr. Chairman.

Mr. REHBERG. Thank you, Mrs. DeLauro, and I look forward to working with you as well.

As you notice, there is a timer in front of you. She may look nice, but she is not. She has got the red button. We will ask that you keep your comments to 5 minutes.

Ms. DELAURO. You do look nice.

Mr. REHBERG. She does look nice.

And I ask each of the members of the committee to keep their remarks to 5 minutes as well. There will be plenty of opportunity if we stay on schedule for many rounds of questions of the Secretary.

So, at this time, I would like to welcome you to the committee and look forward to at least 2 more years of fruitful discussion with you on how best to provide the services that you provide to a very worthy cause, and that is the education of our youth.

So, at this time, Mr. Duncan.

Mr. JACKSON. Mr. Chairman, just before the Secretary begins, can I just acknowledge that, Mr. Secretary, the absence of members has nothing to do with their interest in the subject. Secretary Clinton is testifying, and many members of our committee share both subcommittees, and we have this hearing at exactly the same time. So a number of us will be running back and forth between hearings.

Thank you.

Mr. REHBERG. Thank you.

And that is a good point.

We have a new standard; I think we are actually keeping track of our attendance. That is something you have done at school for many years, I know, because it made me nervous over the years.

And so we are all missing other meetings, and just please understand this is not for a lack of interest.

So, Mr. Duncan, I am sorry; he used up a minute of your time. [Laughter].

FY 2012 EDUCATION DEPARTMENT BUDGET REQUEST

Secretary DUNCAN. Thank you so much, Mr. Chairman, Ranking Member DeLauro and other members of the committee.

Thank you for this opportunity to come before you and talk about President Obama's fiscal year 2012 education budget.

This proposed budget reflects our Administration's dual commitment to reduce spending and to be more efficient while investing to secure our future, and at the very top of that list of investments we must make is education.

Today, all across America, people are meeting the challenge of improving education in many different ways, from creating high quality early learning programs to raising standards, strengthening the field of teaching, and aggressively attacking achievement gaps.

ROLE OF FEDERAL GOVERNMENT IN EDUCATION SUPPORT

While the Federal Government contributes less than 10 percent of K-to-12 funding nationally, our programs play a critical role in promoting equity, protecting children at risk and, more recently, supporting reform activities at the State and local level.

RACE TO THE TOP PROGRAM

We have used competitive dollars to get State and local educators to think and to act differently. Our Administration's Race to the Top program has prompted Governors and educators to jointly embrace bold reform programs. With our support, 41 States have adopted higher standards. And several States have passed new laws and policies around teacher evaluations. Several States altered their charter laws and policies to foster the creation of new learning models.

RETHINKING THE FEDERAL ROLE IN EDUCATION

Race to the Top also prompted us to rethink the Federal role. Our Department was established to promote equity in education and protect students most at risk. To that end, we have steadily boosted our commitment to formula programs, like Title I and IDEA. This budget also increases our investments in higher education through both student lending programs and grants.

But today, our most critical role is in supporting reform at the State and local level by providing flexibility and incentives while holding States and districts accountable in a fair and an honest and a transparent way. And for filling this role, we must strike the right balance, providing as much freedom as possible to schools while ensuring that children are learning what they need to learn.

NO CHILD LEFT BEHIND

I have spent 2 years traveling the country, visiting many of your States and districts, and talking with your teachers and parents and students. There is a lot of dissatisfaction with the current Fed-

eral law around public education. Many people feel the Federal Government went too far with sanctions, mislabeling schools as failures and issuing one-size-fits-all mandates.

And just yesterday, I announced that the percentage of schools that are not meeting Federal standards under No Child Left Behind could rise to 82 percent this year. That is why we are asking Congress to rewrite No Child Left Behind. We want to fix the law and we want to fix that law together.

I do not think that all of these schools are failing by any means. They have challenges, big and small challenges, and they need to meet them, because every single child counts. But the current law simply does not distinguish between them. And we need to do that if we are going to address the real problems.

FY 2012 EDUCATION BUDGET PROPOSALS

But there is also a deep appreciation for the Federal commitment to children and learning. They are grateful for our support of STEM subjects, Science, Technology, Engineering and Mathematics. Americans know that even in challenging fiscal times like these, we must prepare our young people to compete and to be successful in tomorrow's economy. They know that, even as States face greater financial pressure than in any other time in recent history, we cannot put our children at risk. So our budget proposal reflects these aspirations and commitments.

Overall, we are seeking a $2 billion increase in non-Pell spending. That includes a modest increase in formula programs, like Title I of ESEA and IDEA, while maintaining programs for English language learners and other at-risk populations, such as rural, migrant and homeless children.

We are calling for a new round of Race to the Top Funds, though we would change the program to target school districts rather than States and include a carve-out for rural communities. We also want to do another round of our Investing in Innovation Fund and again do a rural carve-out there as well.

We will continue to invest in innovation and research. We want to support a well-rounded education that includes the arts and foreign languages, literacy, STEM and physical education. We want to strengthen the teaching profession in a number of different ways and work harder to attract top students to pursue teaching careers. We propose the new competition to strengthen early-learning programs. And we are challenging States to boost college completion rates.

PROGRAM CONSOLIDATIONS AND ELIMINATIONS PROPOSED

We are also working to be more efficient. In the 2010 budget enacted by Congress, we eliminated four programs saving $360 million. In our proposed 2012 budget, we propose eliminating 13 more programs, saving another $147 million. Together these savings total more than $500 million annually, which is helping fund our other priorities.

We are also proposing to consolidate 38 separate elementary and secondary education programs into 11 funding streams. These commonsense reforms make it easier for school districts to focus on

educating children rather than bureaucratic compliance with us here in Washington.

We are also proposing to reduce our investment in career and technical education, not because we don't believe in CTE, but because we feel the current program is not getting the results we need.

EFFICIENCIES TO CLOSE PELL SHORTFALL, PROTECT MAX AWARD

This year we have also identified efficiencies in the student aid program that, which when coupled with a change in Pell Grant policy, would help close a $20 billion shortfall in the Pell Grant program and save $100 billion over the next decade. Those savings means we can protect the $5,550 maximum Pell award and help millions of young people meet the rising tuition costs. Those savings also mean that we can meet the skyrocketing demand for Pell Grants, which has risen from less than 4 million grants in 2000 to a projected 9.6 million grants next year. In the last 2 years alone, an additional 3 million students received Pell Grants.

WINNING THE FUTURE

Finally, let me close by saying that we share with you the responsibility for being efficient and smart in how we invest. We share an even greater responsibility, which is to prepare the next generation to lead.

In his recent speech to Congress, the President talked about winning the future. To emphasize that point, he announced his budget at an elementary school in Baltimore. He believes, as I do, that winning the future starts in the classroom.

He also believes that Government spends too much, and he has outlined more than a trillion dollars in deficit reduction over the next decade. This is an important national conversation. It will take a great deal of time, energy and thought. It will take courage, real courage on the part of Congress and the Administration. We have to be truthful with each other and truthful with the American people about what is and isn't working. We have to take the heat together for the cuts that we are making.

CONGRESSIONAL SUPPORT OF EDUCATION

I want to close by thanking Congress for supporting education over the past 2 years. Because of you, we protected millions of children in classrooms all across America from the greatest economic crisis since the Depression. Because of you, we helped States and districts all across America advance their reform agendas, raise standards and challenge the status quo. Because of you, almost a thousand underperforming schools have launched dramatic restructuring plans. Because of you, there is a greater determination than ever before to ensuring that our children can compete in the global economy. And because of you, we face a brighter future and the greatest prospect that the world we leave behind will be better than the world we inherited.

I thank all of you for your collective leadership, and I am happy to take your questions.

[The prepared statement of Secretary of Education, Arne Duncan, follows:]

DEPARTMENT OF EDUCATION

Statement by

Arne Duncan
Secretary of Education

on the

U.S. Department of Education Fiscal Year 2012 Budget Request

Chairman Rehberg, Ranking Member DeLauro, and Members of the Committee:

Thank you for this opportunity to come before this Committee and talk about President Obama's fiscal year 2012 budget to help America out-educate the rest of the world. There is broad agreement that the Federal Government has to start living within its means, and the President's 2012 budget represents a good first step toward our shared long-term goal of reducing the Federal deficit. However, we believe it is absolutely essential to keep investing in education so that, as the President put it, "every American is equipped to compete with any worker, anywhere in the world."

PRESIDENT OBAMA'S 2012 BUDGET REQUEST

President Obama's 2012 request is a responsible budget that invests in education reforms that will deliver results. The overall discretionary request for the Department of Education, excluding Pell Grants, is $48.8 billion, a $2 billion or 4 percent increase over the 2011 continuing resolution (CR) level, which at the time our budget was released was roughly the same as the Department's 2010 discretionary appropriation.

As you know, financing the Pell Grant program, which is funded through a combination of discretionary and mandatory appropriations and has faced growing demand in recent years as more and more students and working adults seek to improve their knowledge and skills, has been a real challenge for the Department and for the Congress. The historic demand for Pell Grants has created a shortfall that we project could reach $20 billion in 2012. The President's Budget responds to this challenge by proposing a combination of tough choices to generate savings from Pell Grants and student loan programs and increased discretionary funding — $5.4 billion above the 2011 CR level for a total of $28.6 billion in 2012. The overall goal of our Pell Grant proposals is to protect the $5,550 maximum Pell Grant award, put the program on more sustainable financial footing in 2012 and beyond, and ensure that more than 9 million low-income students can continue to rely on Pell Grants to enter and complete a college education.

To rein in Pell costs and place the program on more solid financial footing, the Pell Grant Protection Act would eliminate the extra Pell Grant; end the interest subsidy for graduate student loans; and allow the conversion of guaranteed student loans to the

Department. The Department will also work with the Internal Revenue Service, taking administrative action to implement enhanced income verification procedures for Pell Grant applicants as part of improvements in the processing of the Free Application for Federal Student Aid (FAFSA) to better manage the transmission of accurate information. Combined, these actions would reduce the discretionary need for the Pell grant program by $100 billion over the next 10 years.

MAKING TOUGH CHOICES

Before I describe some of the key investments we are proposing for 2012, I want to emphasize that our overall strategy for supporting effective education reform is fully consistent with the current fiscal environment. From the beginning, this Administration has envisioned a smaller Federal role focused on key priorities and structured to ensure the most productive use of the resources entrusted to us by taxpayers and the Congress. This is why, for example, our reauthorization proposal for the Elementary and Secondary Education Act (ESEA) would consolidate 38 existing programs into 11 more flexible authorities that would give communities more choices to implement their own research-based reform strategies. We also have worked hard to identify and eliminate duplicative, unnecessary, or ineffective programs. In 2010, we worked with the Congress to terminate four programs for a savings of $360 million, and our 2012 request proposes the elimination of 13 additional programs for a total savings of $147 million. In addition, we took a close look at our Career and Technical Education (CTE) programs, which too often have not lived up to their promise of preparing students for careers and college, and are proposing a $264 million cut in CTE State grants. All levels of government will be facing budget shortfalls and challenged to do more with less in these times of financial constraint. The budget places a priority on spending smarter through cost-effective reforms that improve student outcomes.

We look forward to working with Congress to strengthen the Perkins Act, which shapes the CTE program, and improve its alignment with the education reform efforts at the core of our ESEA reauthorization proposal, so that the Perkins Act is a stronger vehicle for supporting the President's 2020 college completion goal and the Department's efforts to improve secondary schools.

While Pell costs remain substantial, we made tough choices in our 2012 budget; the changes we are proposing in the Pell Grant and student loan programs will save more than $100 billion over the next decade. Cuts like these are never easy, but in the current fiscal climate they are the responsible thing to do, and the only way to ensure that we can make the investments we need to secure our future.

Make no mistake; the budget request for education is more about investment than cuts. President Obama has said that to win the future, we have to win the education race, and his 2012 budget would provide the resources we need to educate our way to a better economy. More specifically, the 2012 request for education is designed to promote reform, reward success, and support innovation at the State and local levels while maintaining strong support for students most at risk of educational failure. To meet these goals, our 2012 investments in education are divided into five significant priorities.

EARLY LEARNING

First, we are seeking $350 million for the Early Learning Challenge Fund (ELCF), which we see as a key investment in our children's success. Research tells us that high-quality early learning is one of the best investments we can make. It prepares children for success in school and puts them on track to graduate high school and go on to college. This new competitive grant program would challenge States to establish model systems of high-quality early learning supports and services for children from birth to kindergarten entry. Such systems would support early learning standards, promote better coordination of resources, and measure program results to help ensure that more children enter school ready to succeed.

The Department of Education would administer the ELCF jointly with the Department of Health and Human Services (HHS), providing significant opportunities for streamlining and leveraging other Federal and State early learning investments to improve results for young children and their families. The President has also proposed targeted, complementary 2012 increases at HHS of $866 million for Head Start and $1.3 billion for quality child care.

SUSTAINING REFORM MOMENTUM

Second, the President is proposing to sustain and expand important reforms by providing $900 million for Race to the Top, which already has demonstrated how competitive rewards create powerful incentives for State and local leaders to make groundbreaking education reforms. In the first two RTT competitions, 46 States created bold comprehensive reform plans that have buy-in from governors, legislators, local educators, union leaders, business leaders and parents. The 2012 request would focus on supporting district-level reform plans while also emphasizing cost-effective strategies that improve student achievement in a time of tight budgets. The Department would also carve out a portion of funds for rural school districts to ensure that communities of all sizes and from all geographic areas are able to compete for a fair share of Race to the Top funds.

The 2012 request also would encourage reform and innovation through a $300 million request for the Investing in Innovation (i3) program to develop, evaluate, and scale up promising and effective models and interventions with the potential to improve educational outcomes for hundreds of thousands of students. The request includes priorities for science, technology, engineering, and mathematics (STEM) education and early learning, as well as an overall focus on increasing productivity to achieve better student outcomes. The Department would include a refined rural priority in the i3 competition to ensure geographic diversity in the communities served by recipients, and would fund applications from providers and other entities proposing evidence-based approaches to address the unique needs and priorities of rural districts and schools. We also would take a page from the Department of Defense by creating a new Advanced Research Projects Agency: Education (ARPA-ED) that would use $90 million in discretionary and mandatory funds to pursue breakthrough developments in

educational technology and learning systems, support systems for educators, and tools that improve outcomes from early learning through postsecondary education. We see this as a natural complement to the innovations found in the field through the i3 program.

In addition, we would significantly boost funding for the Promise Neighborhoods program to $150 million to support comprehensive, innovative and cost effective approaches to meeting the full range of student needs, drawing on the contributions of schools, community-based organizations, local agencies, foundations, and private businesses. Also, the Department would maintain its $365 million investment in safe school programming designed to reduce substance use, violence, and bullying while providing States with greater ability to adapt interventions to school needs and drive resources to the most unsafe schools.

GREAT TEACHERS AND LEADERS

Our third priority is teachers and school leaders. I think we can all agree that nothing is more important, or more likely to improve student achievement and other key educational outcomes, than putting a great teacher in every classroom and a great principal in every school. Our 2012 request, together with a proposed restructuring of teacher and leader recruitment and preparation programs as part of our ESEA reauthorization plan, is designed to support State and local reforms of systems for recruiting, preparing, supporting, rewarding, and retaining effective teachers and school leaders. For example, the budget includes $500 million for the Teacher and Leader Innovation Fund to support ambitious reforms, including innovative teacher evaluation and compensation systems, to encourage effective teachers, principals, and school leadership teams to work in high-need schools. We also are seeking $250 million for Teacher and Leader Pathways to expand high-quality traditional and alternative pathways into teaching, with an emphasis on recruiting, preparing, and placing promising teacher candidates for high-need (including rural) schools, subject areas, and fields. Included in this request is an $80 million set-aside to help prepare 10,000 new STEM teachers over the next 2 years, as part of the President's plan to prepare 100,000 new STEM teachers over the next decade. In addition, a new Presidential Teaching Fellows program (formerly the TEACH program), paid for with mandatory funds, would award $10,000 scholarships for the best students attending our most effective teacher preparation programs who agree to work in high-need schools.

COLLEGE COMPLETION

Our fourth priority is college completion. I've already talked about the Pell Grant program, which is the foundation of Federal efforts to support both increased college access and completion for low-income students. Unfortunately, we know that far too many students who enroll in college drop out and never earn a degree. Currently, one-third of postsecondary students leave school without earning a degree and only half finish after 6 years. Clearly, access isn't enough, and we need a much stronger emphasis on attainment in postsecondary education. Through the $123 million "First in the World" competition, we'll provide venture capital to develop innovative approaches to increase

college completion rates and improve educational outcomes while lowering costs and time to degree for students in higher education. And through our proposed College Completion Incentive Grants program, we would provide $1.25 billion of mandatory funding over the next 5 years in grants to States to reward institutions with exemplary college completion outcomes.

The President's budget also would continue support for key existing programs supporting college access and completion, particularly for minority and disadvantaged students. The request includes a $67 million increase for the Federal TRIO programs, for a 2012 total of $920 million, and $323 million for the GEAR UP program, which helps an estimated 756,000 middle and high school students prepare for and enroll in college. The 2012 budget also provides $651 million in combined discretionary and mandatory funding for the Aid for Institutional Development programs, which support institutions that enroll a large proportion of minority and disadvantaged students, and $239 million in combined discretionary and mandatory funding for the Aid for Hispanic-Serving Institutions programs, which help ensure that Hispanic students have access to high-quality postsecondary education opportunities.

SUPPORT FOR AT-RISK STUDENTS AND ADULTS

Finally, the President's 2012 budget for education would maintain, and in some cases expand, the Federal government's commitment to formula programs for students most at risk of educational failure. For example, a $14.8 billion request for the reauthorized Title I College- and Career-Ready Students program (currently Title I Grants to Local Educational Agencies) includes a $300 million increase to recognize and reward high-poverty districts and schools where disadvantaged students are making the most progress. The $600 million request for a reauthorized School Turnaround Grants program would expand support for school districts undertaking fundamental reforms in their persistently lowest-achieving schools, while the budget provides $750 million to help English Learners meet the same college- and career-ready standards as other students.

In Special Education, a $200 million increase for Individuals with Disabilities Education Act Grants to States would help States and school districts pay the additional costs of educating students with disabilities, while a $50 million increase for the early intervention Grants for Infants and Families program, for a 2012 total of $489 million, would complement the proposed Early Learning Challenge Fund.

The 2012 request also provides significant resources to help adults pursue educational and employment opportunities, including $635 million for Adult Basic and Literacy Education State Grants to help adults without a high school diploma or equivalent to become literate and obtain the knowledge and skills necessary for postsecondary education, employment, and self-sufficiency, and a total of $3.1 billion in mandatory and discretionary funds for Vocational Rehabilitation (VR) State Grants to help States and tribal governments to increase the participation of individuals with disabilities in the workforce.

We are looking forward to the reauthorization of the Workforce Investment Act (WIA) so that low- skilled adults and individuals with disabilities have access to the education and training they need to be successful in the 21st century economy. A reauthorized WIA would provide opportunities to upgrade the skills of our Nation's workers so that they are able to compete in this new economy. One of those opportunities includes a new Workforce Investment Fund, which we are proposing in partnership with the Department of Labor, to help provide flexibility for the connections necessary to get people into good jobs or the education needed for a better job. The Fund will also provide resources to evaluate and replicate best practices so that we better serve those who have the hardest time finding work — those with limited basic skills and individuals with disabilities.

CONCLUSION

In conclusion, President Obama's 2012 budget for education is part of a comprehensive and responsible plan that will put us on the path toward fiscal sustainability in the next few years. Like every other agency across the Government, we are working hard to more efficiently steward the Department's resources. At the same time, education remains a priority for the Administration due to the critical importance of our education system for our continued economic prosperity. The Department's budget includes a responsible mix of savings and investments that will promote reform and innovation, support a comprehensive ESEA reauthorization, and encourage improved postsecondary outcomes. I look forward to working with the Committee to build support for the President's 2012 budget for education and to secure the best possible future for America by providing the best possible education for all of our children.

Thank you. I would be happy to answer any questions you may have.

Arne Duncan
U.S. Secretary of Education

Biography

Arne Duncan was nominated to be Secretary of Education by President-elect Barack Obama and was confirmed by the U.S. Senate on Inauguration Day, Jan. 20, 2009.

Prior to his appointment as secretary of education, Duncan served as the chief executive officer of the Chicago Public Schools, a position to which he was appointed by Mayor Richard M. Daley, from June 2001 through December 2008, becoming the longest-serving big-city education superintendent in the country.

Prior to joining the Chicago Public Schools, Duncan ran the non-profit education foundation Ariel Education Initiative (1992-1998), which helped fund a college education for a class of inner-city children under the I Have A Dream program. He was part of a team that later started a new public elementary school built around a financial literacy curriculum, the Ariel Community Academy, which today ranks among the top elementary schools in Chicago.

Duncan formerly served on the boards of the Ariel Education Initiative, Chicago Cares, the Children's Center, the Golden Apple Foundation, the Illinois Council Against Handgun Violence, Jobs for America's Graduates, Junior Achievement, the Dean's Advisory Board of the Kellogg School of Management, the National Association of Basketball Coaches' Foundation, Renaissance Schools Fund, Scholarship Chicago and the South Side YMCA. He also served on the Board of Overseers for Harvard College and the Visiting Committees for Harvard University's Graduate School of Education and the University of Chicago's School of Social Service Administration.

He has been honored by the Civic Federation of Chicago and the Anti-Defamation League. In 2007, he received the Niagara Foundation's Education Award, the National Foundation for Teaching Entrepreneurship Enterprising Educator Award and the University High School Distinguished Alumni Award. He also received honorary degrees from the Illinois Institute of Technology, Lake Forest College and National-Lewis University. In 2006, the City Club of Chicago named him Citizen of the Year. He was a member of the Aspen Institute's Henry Crown Fellowship Program, class of 2002, and a fellow in the Leadership Greater Chicago's class of 1995.

From 1987 to 1991, Duncan played professional basketball in Australia, where he also worked with children who were wards of the state.

Duncan graduated magna cum laude from Harvard University in 1987, majoring in sociology. He was co-captain of Harvard's basketball team and was named a first team Academic All-American. He credits basketball with his team-oriented and highly disciplined work ethic. Duncan is married to Karen Duncan and has two school-aged children, a daughter Clare and a son Ryan.

ESEA REAUTHORIZATION

Mr. REHBERG. Thank you, Mr. Duncan.

Holding true to tradition, we will alternate between majority and minority. I will withhold my questioning until the end. And as it looks, we will have plenty of opportunity for several rounds.

So, at this time, I will call on Mr. Alexander.

Mr. ALEXANDER. Thank you, Mr. Chairman.

Mr. Secretary, good morning.

Mr. Secretary, your fiscal year 2012 budget proposal presents your budget request based on your proposed vision of a reauthorized Elementary and Secondary Education Act. Nearly all of the program increases and most of the consolidations assume a brand new structure for K–12 educational programs and accounts.

Most of the new programs that you are requesting funding for are not even authorized at this time. They include Race to the Top, Early Learning Challenge Fund, Title I rewards, Investing in Innovation and Promise Neighborhoods. In addition, you proposed to consolidate 38 ESEA programs into 11 new authorities.

We applaud your efforts to identify duplicative programs and proposed consolidation and elimination of them. But absent action from the authorizing committee, it is difficult for us to fund these programs under the vastly different structure than you proposed.

And we know that our colleagues who are on the Education and Workforce Committee are working hard in developing new ideas to reauthorize the No Child Left Behind act. But I don't think any of us are under the illusion that the bill can be developed, passed by the House, conferenced in the Senate, and signed into law by the President by the time that this committee needs to develop its budget bill for fiscal year 2012. And again, that budget that you are asking for is $2 billion more than last year.

So the question is, if the Elementary and Secondary Education Act is not reauthorized by the time that we begin markup in a few short months, how would you propose to distribute funding in your budget proposal under the structure that we are operating under with the existing law?

Secretary DUNCAN. So what we are trying to do is—as you know and it is a great question—is we are trying to do business very differently. And we think by consolidating programs, we will enable those scarce resources that currently States and local districts are spending dealing with us in Washington, enable those scarce resources to be put into the classroom instead. We want to streamline our bureaucracy. We want to support reform and innovation and move from this compliance-driven culture, and we want to move on these two paths concurrently.

We think we have to support reform. We have to support a very different set of priorities. And we are going to continue to push very, very hard. So we want to partner with you, partner with everyone in Congress. We want, as you mentioned, to rewrite the law this year and go into the new school year this fall with a new law that rewards excellence and challenges the status quo; we need to do that.

And our goal is not to continue to do business as usual. We don't think, with the 25 percent dropout rate, and the U.S. falling from

first to tenth in the world in college graduates—we can afford to just do business as usual.

Mr. ALEXANDER. So we feel like it is going to cost the taxpayers $2 billion more to save some money?

EDUCATION INVESTMENT MUST CONTINUE IN HARD TIMES

Secretary DUNCAN. It is not just about saving money, sir. We are trying to, again, make some very tough cuts, reducing, eliminating the second Pell Grants given in the same year, making cutbacks in CTE. But I continue to absolutely believe that, as a country, we have to invest in education. So we want to invest in early childhood education. We can make a pretty compelling case that the savings to society of the early childhood investment are massive. We have to continue to invest in K-to-12 reform.

And the fact that we have more young people going to college and accessing Pell Grants, I think it is a challenge, but a great challenge to have. The jobs of the future, as you know, you have to have some form of higher education to get those. So I do fundamentally believe that even in tough budget times, particularly in tough budget times, we have to invest in education.

Mr. ALEXANDER. Thank you, Mr. Chairman.

I will wait until the next round.

Mr. REHBERG. Thank you.

Ms. DeLauro.

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

And thank you, again, Mr. Secretary.

GROWTH IN PELL GRANT COSTS AND RECIPIENTS

A very important part of the Department's budget is Pell Grants, which currently help more than 9 million students with low and moderate incomes afford to go to college. As you have stated, the cost of Pell Grants has increased over the past several years. I understand that the biggest single factor in that increase has been the growth in the number of students who are eligible for assistance.

In part, it seems to be that because people have lost their jobs, they are going back to school to get the skills they need in order to be able to get their next job. So I am glad that the President's budget places a high priority on maintaining the current amount of the Pell Grant.

Given the importance of higher education and helping to prepare students for the jobs of the future, as you pointed out, and the importance of education in setting the stage for economic growth, cutting back on student financial aid is not something that we ought to be doing when the need is so high.

And again, as you have pointed out, to maintain Pell, the budget proposes some difficult trade-offs that would produce savings that could be dedicated then to the Pell program.

HOUSE-PASSED 2011 APPROPRIATIONS BILL AND PELL FUNDS

In contrast, the 2011 appropriations bill that passed the House, H.R. 1, last month responds to the growth in the number of students eligible for Pell by cutting grant amounts for the 9 million

people in the program, including an $845 cut in the maximum grant amount. That reduction, as I looked at it, would take us back almost 40 years on the proportion of college costs that would be covered by Pell. And I believe that is accurate, but I will have you answer that in a second.

I'd like to explore with you for a minute what is happening to State budgets. Let me hold up this Wall Street Journal article which was out yesterday. The Wall Street Journal this week reports about Pennsylvania, where the State is cutting spending for universities by 50 percent. What that means is that tuition is going to be higher for people going to school at this critical moment.

With State cuts and the Pell Grant cuts, aren't we putting college out of reach of working families? And in fact, is this a plan to kill the middle class in America?

IRONY OF UNFILLED JOBS DURING HIGH UNEMPLOYMENT

Secretary DUNCAN. So my overarching concern is that, at a time of high unemployment, and today it is actually staggering—we have a couple million unfilled jobs in our country. And people say, how is that possible at a time of high unemployment that you have unfilled jobs? The simple fact is we are not producing enough workers, knowledgeable workers with the skills to fill those jobs. And President Obama and I met with a number of CEOs, and it is interesting how many of them said, we are trying to hire now, we just can't find the workers who can fill these jobs.

NEED TO INCREASE RATE OF COLLEGE COMPLETION

In a globally competitive, knowledge-based economy, the only way we keep those jobs in this country is if we continue to dramatically increase the number of young people, not just graduating from high school but going on to some form of higher education, 4-year universities, 2-year community colleges, trade, technical, vocational training schools, whatever it might be. And we have to educate our way to a better economy and we have to produce the knowledgeable workers that can fill those jobs and drive down unemployment. We cannot scale back on Pell Grants.

IMPACT OF H.R. 1 ON AFFORDABILITY OF COLLEGE

Ms. DELAURO. Is this the lowest level in terms of proportional cost for the last 40 years for Pell?

Mr. SKELLY. Thirty-eight years.

Ms. DELAURO. Thirty-eight? Well, that is close, that is close.

What is your view of the effect that the cuts have on the ability for kids to go to college?

Secretary DUNCAN. Well, there is no question that many, tens of thousands, if not hundreds of thousands, of students would have to drop out. And we look today at why young people leave college, 52 percent the majority today leave college due to financial challenges. And so, at a time when college has never been more expensive and never been more important—as you know, our families across the country are struggling—and so to scale back on this desperately needed ability to create that opportunity through Pell Grants,

again, just does grave disservice not just to our country's young people but ultimately to our economy.

Ms. DELAURO. I presume from what you have said that universities and community colleges are not in a position to make up this difference and are dealing with their own pressures.

Secretary DUNCAN. Well, we are actually trying to get them not to continue to drive up tuition exponentially. And so they have to contain costs in very tough budget times. And we need to continue to support young people and families who are struggling to go to college, absolutely.

INDIVIDUALS WITH DISABILITIES EDUCATION ACT FUNDING

Ms. DELAURO. Just quickly, there are a couple of seconds left here. IDEA is funded at only 17 percent of the promised 40 percent of the Federal statutory commitment. These are difficult fiscal times and many argue that the Federal Government needs to do more to meet its mandate for special education spending. How do you answer that concern?

Secretary DUNCAN. It is an absolutely valid concern. And when I managed the Chicago public schools, I lived at the other end of that. We asked for a significant increase for IDEA Grants to States. We asked for more also for the Infants and Families with Disabilities program. It is never enough. It is never as much as I would like; we have asked for increases in IDEA and Title I every single year, but is it enough in an ideal world? Of course not. We would love to be able to do more; we are just in a very tough budget time.

Ms. DELAURO. So, in fact, we are looking at an unfunded mandate on the States that is 17 percent when we committed to 40 percent?

Secretary DUNCAN. It continues to be an unfair amount——

Ms. DELAURO. Thank you.

Thank you, Mr. Chairman.

Mr. REHBERG. Thank you.

Mr. Flake.

Mr. FLAKE. Thank you.

Thank you, Secretary Duncan.

HEAD START AND EARLY LEARNING CHALLENGE FUND

With regard to Head Start, you are familiar with a recent study that came out, a survey of 4,600 preschoolers randomly assigned, either Head Start or no program, the control group; 114 different measures, academic skills, socioeconomic development, health status. The survey found no statistically relevant effects from Head Start programs by the end of first grade.

The Department seems to recognize that there is a problem here. It is a $6 billion program, but instead of going in and trying to correct or do something different, we are laying on another program; $350 million you are seeking for a new unauthorized program entitled Early Learning Challenge Fund. Tell me how this is going to be different. If we are learning that there are problems with Head Start, why aren't we going to fix those? My assumption is that we aren't diminishing any funding for Head Start, but we are laying on this new program. Why is it different, and how is it different?

Secretary DUNCAN. As you know, Congressman, Head Start is administered by HHS. We have worked in close partnership with them, and they are actually starting to do business very differently. They are making—where programs are not of high quality, HHS is making those local sites recompete for those funds. And if HHS doesn't see improvements, those sites will lose those funds.

So, to me, the question is not, should we invest or not invest? I think we absolutely have to invest, but your point I couldn't agree with more; we have to invest in quality. And if we are investing in low quality programs, that are not changing children's lives and that are not helping; it is not the right thing to do for taxpayers.

So we continue to drive quality with HHS through Head Start. And our Early Learning Challenge Fund is just geared to do two things, to create opportunities for early learning programs in disadvantaged communities and to make sure they are of high quality. If we can do those things, I would argue to you that high quality, early childhood programs are arguably the best investment we can make if we are serious about closing the achievement gaps and leveling the playing field.

IMPROVING AND INVESTING IN HIGH QUALITY EARLY LEARNING

Mr. FLAKE. Well, I haven't seen the Department of Education identify with HHS the problems with Head Start. If you are unable to identify those problems, how in the world can you do any better a with $350 million program? And why should we have any confidence that you will do anything different?

Secretary DUNCAN. It is a very fair question.

So there are lots of factors that lead to high quality, and when we are looking at outcomes for students where this is glorified baby-sitting, where it is not making a difference in students' lives, we can't and should not, as an Administration, continue to support that. I absolutely agree with you.

Where it is high quality, we need to create greater access to those types of programs.

Mr. FLAKE. Well, I would like to see then the recommendation for a cut in those funds. They are on the HHS side, but I don't think we are going to see it. We haven't seen it.

Secretary DUNCAN. Where you and I might disagree is, to me, the goal should not be to cut the funds; the goal should be to reinvest in the high quality programs to continue to create opportunities. I worry desperately about young people who come to school in kindergarten, some of whom have never been read to, who do not know the front of a book from the back of a book. And how are we ever supposed to give them a chance to compete academically and be successful long term if we don't start to give them enriched, high quality early childhood programs? So the goal is not to walk away. The goal is to make a difference in those students' lives.

Mr. FLAKE. Well, I am not trying to absolve the previous Administration. We spent a lot of money there, and we shouldn't have. But this Administration has been in 2 years, and I still haven't seen any identification of the problems there. It is just kind of vague, "we will do better."

ARPA: EDUCATION

And so let me move to another program quickly. You are requesting $90 million for this Advanced Research Projects Agency: Education. It is similar to new technology programs in other agencies. What is that?

Secretary DUNCAN. So we have tried to learn a lot from the Defense Advanced Research Projects Agency, DARPA. And I think DARPA over the years has led to some extraordinarily important advances for our country. And I think technology has not transformed education like it has in other areas. Technology has transformed how we do business. It has transformed how we interact socially. At a time of declining revenue, I think technology can potentially lead to breakthroughs and productivity in education. And we want to invest in places that will be sort of cutting-edge, over-the-rainbow type opportunities that could dramatically improve student achievement, perhaps at a fraction of the cost. We don't think there is nearly enough investment in R&D in this space.

Mr. FLAKE. Do you really think that we should believe that the Department of Education can outguess the market here and do better than the private allocation of resources toward these programs?

FUNDS FOR BREAKTHROUGH EDUCATION TECHNOLOGY, PROGRAMS

Secretary DUNCAN. We are absolutely not trying to outguess the market. We are trying to support the market and trying to take to scale leading-edge work, cutting-edge work that could help students be much more successful than they are today. The idea that we deliver education 6 hours a day, 5 days a week, 9 months out of the year is a 19th century model. With cutting-edge technology, we can start to deliver content 24/7 and engage students in very different ways and start to close these achievement gaps.

Mr. FLAKE. In order to help the market, you have to take money out of the market to do this, and I just don't think it is good investment. Thank you.

Mr. REHBERG. Mr. Jackson.

Mr. JACKSON. Thank you, Mr. Chairman.

Thank you for yielding me the time.

And thank you, Secretary Duncan, welcome back to the subcommittee. Thank you for your testimony.

E-BOOK TECHNOLOGY—REVISITING "SEPARATE BUT UNEQUAL"

Earlier this year, Chicago State University in my district provided incoming freshman class students with an iPad. Over time, as new classes enroll, the Administration at CSU hopes that all students and teachers will be using electronic reading devices for their textbooks and to submit all assignments. They expect to be a textbookless campus within 4 years. These are the Kindle devices which can download any e-book in the e-book sphere. And as I see it, more and more bookstores are beginning to close, like Borders bookstores' recent announcement to close 200 of 508 stores.

I can't help but feel that education is moving in this direction as well. The idea of a textbook education will soon go the way of the dinosaur. Soon, local schools, local libraries will be closing because of the ease with which these devices bring books to the end user,

local libraries in every jurisdiction in this country, including local libraries in our public schools.

Based on the way education is funded based on local property taxes, it is clear to me that, soon, some local school systems will be choosing these devices over textbooks as well. We are moving toward a time when paper books will be phased out, and consumers will be using electronic devices like the iPad, Kindle and the Nook, exclusively.

Mr. Secretary, with school districts struggling in these tough economic times and many without the resources to purchase these devices, we are quickly approaching revisiting *Brown* v. *The Board of Education* and the question of separate and unequal schools; not by race, but by resources and technological advantage that is likely to be compounded by the issue of race.

I am wondering what is the Federal Government's plan to ensure that no school district is left behind in acquiring these kinds of textbookless devices. I am wondering what the Federal Government's plan is to ensure that, by virtue of local property taxes, students will not be trapped in some school districts with outdated books, while other school districts are replacing textbooks with these devices? What is the Federal Government's plan and will the President make a request to close the gap for those school districts that will be left behind as other school districts move away from textbooks to these devices:

In addition to that, I am hoping that you might be able to share some insight as to whether or not the Obama Administration is willing to coordinate with the Justice Department to defend the civil rights of these students against local property tax schemes that will deny them access to the fundamental right to learn if in fact they don't have access to these devices. I will reserve the rest of my questions, Mr. Secretary, and I hope that you will give us an answer.

Thank you, sir.

Secretary DUNCAN. Really thoughtful question.

NEED TO ENSURE EQUAL ACCESS TO EDUCATION TECHNOLOGY

A couple thoughts, big picture—this move from print to digital I think is a fantastic move. It will actually save tens of billions of dollars going forward and will create, I think, much greater access, particularly in disadvantaged communities. So this is not a change or transition that we should fight. We should embrace it. We should accelerate it. But to your point, it has got to be equitable access.

And I think the savings, particularly to poor districts, will be very significant going forward. They can direct scarce resources to this, at a fraction of the cost of what they have been spending in other areas and engage students, again, 24/7, not just a couple of hours a day.

We need to continue to move much faster in education. Education has lagged behind business, lagged behind social networking in really embracing technology. So I think this is a very healthy move, but we have got to provide access.

So a couple of thoughts, we have done a tremendous amount, not just our Department, but the FCC, the Department of Commerce,

the Department of Agriculture, to really increase broadband access, and whether it is inner city communities or rural communities, there have been massive investments there to try and close the digital divide, and we are going to continue to invest there.

Our e-Rates program, we are looking to provide much more flexibility there, so folks can use our resources to do that.

EQUITY AND EXCELLENCE COMMISSION

But your fundamental question about inequities we take very seriously. As you and I know, I lived on the tough side of that equation, leading the Chicago public schools, and we actually, in the past couple of weeks, launched an Equity and Excellence Commission to evaluate these issues. We have some extraordinary experts from around the country who are going to give me some very clear recommendations. And I think——

ENSURING EQUITY IN ACCESS TO EDUCATION TECHNOLOGY

Mr. JACKSON. Before my time completely expires, and I know the chairman is honoring the time, I just want to reiterate or ask the question again: Is the Obama Administration willing to coordinate with the Justice Department to defend the civil rights of these students when, and it inevitably will happen, when these local school districts resist moving in the direction of providing these students with the access that they need through these devices? They are going to resist, just as sure as I am sitting here, and they are going to question whether or not you have the right to move in the direction of these devices.

Secretary DUNCAN. We will always partner with the Department of Justice to defend students' civil rights.

ESEA REAUTHORIZATION AND BUDGET PRIORITIES

Mr. REHBERG. Mr. Duncan, one of the advantages I have in going last is having an opportunity to listen to people prior to my question, and I listened very carefully to Mr. Alexander's question, and you did not answer it.

The question becomes if ESEA reauthorization is not completed before our markup, what are you going to do? So I will ask it in a little different way, but it is an either/or question, and that is, with Pell Grants that you have built into your proposal—and you are touting the fact that your budget increase is a little over 4 percent, which is not necessarily true when you consider the Pell Grant increases. And so the question is, would you rather we cut $15.3 billion from your budget to cover the shortfall in the Pell Grants if the changes do not occur in the authorizing committees—because nobody believes they can be done that quickly—or would you rather we cut the grant amounts?

Secretary DUNCAN. My choice is neither on those two choices.

Mr. REHBERG. Well, you don't get that choice, because unfortunately, we have to make appropriations decisions based upon authorized legislation that makes it through Congress. And so there is going to be no choice for us. If the changes do not occur before Pell Grant funding occurs at the end of this markup, a choice is

going to have to be made. Are you willing to cut your budget $15.3 billion, or would you rather we cut the Pell grant awards?

Secretary DUNCAN. What I want to do is continue to work with Congress to invest in these critically important areas.

IMPACT OF H.R. 1 ON PELL GRANT RECIPIENTS

Mr. REHBERG. I don't deny that, and I entirely agree with you. We want the ability, to pay for the Pell Grants. We certainly want the ability, so before you answer the either or the or, because it is one or the other, would you share some information with me then. I have seen reports that are out there that have so far gone unchallenged that under H.R. 1, 1.7 million students would lose their Pell Grant altogether; is that true or not?

Mr. SKELLY. Mr. Rehberg, our estimate is that, under H.R. 1, that only 10,000 students would lose their Pell Grant completely. It would be devastating to the over 9 million students who get Pell. They would all lose at least $845.

Mr. REHBERG. But it was reported that 1.7 million would lose their grants entirely. That is not correct?

Mr. SKELLY. That is not the way the math works.

Mr. REHBERG. We didn't think so either. But so far, that has gone unchallenged. Okay.

GROWTH IN PELL GRANT RECIPIENTS

So would it be safe to say as well, following on the Ranking Member's line of questioning, that there are more people, certainly more people that are entering the Pell arena because of the economy—unfortunately the failed economic stimulus that we are having to deal with, but the question then becomes, are there more people on Pell as a result of an increase in eligibility as well?

Secretary DUNCAN. I think there are more people on Pell because there is an increasing awareness that you have to have some form of higher education to compete in this global economy.

ELIGIBILITY CHANGES INCREASE PELL RECIPIENTS

Mr. REHBERG. But the question is, are there more people on Pell Grants today as a result of a change in Congress in recent years in eligibility?

Mr. SKELLY. Some of the change is due to changes in eligibility. You had changes in 2007 and 2008 legislation, and it increased the number of people who would be eligible for Pell Grants.

Mr. REHBERG. Do you know how many that would be, approximately?

Mr. SKELLY. I know that, since 2008, we have had a large increase. We have gone up over 50 percent in the number of recipients.

Mr. REHBERG. So it was about 4.5 million up until that point, and an additional 4.5 million recipients after the change in criteria or eligibility?

Mr. SKELLY. It went from roughly 6.2 to 9.6 million recipients.

Mr. REHBERG. Okay.

OTHER FACTORS INFLUENCING RISE IN PELL RECIPIENTS

Mr. SKELLY. And of the change, about 40 percent of it was due just to the growth in the number of students. Some of that related to the economy, growth in schools. About 14 percent of it was legislative changes in the need analysis formula. About 22 percent was just from this year and the two Pell process that was legislated in 2008. And another 25 percent of it was the change in the maximum grant; it was increased by $619.

TOUGH BUDGET CHOICES IF ESEA NOT REAUTHORIZED

Mr. REHBERG. Returning to my prior question, because again, realistically, it is nice to give us a budget presentation that shows that you would like the changes that are going to occur in other committees. Those are the authorizing committees, which we have no say over. We are strictly the money committee. Would you rather we cut your budget to cover the shortfall in a semi-mandatory Pell Grant program, or would you rather we cut the grant level?

Secretary DUNCAN. Again, you may not be happy with my answer. I think Congress and the Administration have to work together to protect our Nation's students, and Congress should not let process and procedure get in the way of what is the right thing to do here.

Mr. REHBERG. Well, process and procedure is called the law. It is the law of the land. It is the rules that we follow. We don't have any choice. If something does not make it through the House, the Senate, the conference committee and get signed by the President, it doesn't matter what I want or you want. I want what you want. I am sure the minority wants what you want. We want what you want, but if we can't do that, we have no choice; we are going to have to make a decision. And the choice is, are we going to cut somewhere else within your budget, or are we going to have to cut the allowable grant level? There is no choice.

Secretary DUNCAN. Again, I would say we shouldn't—we shouldn't put our Nation's young people or the country itself in that position. I think we as leaders in this country have to work together to do better.

Mr. REHBERG. Ms. Roybal-Allard.

Ms. ROYBAL-ALLARD. Welcome, Mr. Secretary.

CAREER AND TECHNICAL EDUCATION

Just in general, the concern I have about the budget is that it seems to be looking toward future students at the expense of current students. And you mentioned earlier the fact that we can't find American workers to fill some of these high-paying tech jobs. And the President himself has given a very strong emphasis on the need to educate our children in high-skill, high-demand career fields, such as STEM and other disciplines that are vital to keeping our Nation competitive in our global economy.

So I was surprised to learn that funding for career and technical education has been slashed by $264 million in the President's budget. This is a program, as you know, that provides career pathways for high school and college students in precisely the high-

wage, high-skill, high-demand career fields that the President and that you have been talking about.

And I can attest to the fact that in my own district, I had students who participated in the program in Downey, in Warren High School, and as a result, they outperformed their peers in English and math, boasting a 94 percent proficiency rate in both subjects and an impressive 97 percent graduation rate. So, at a time when we are trying to increase high school and college graduation rates and train our people for high skill jobs, what is the rationale for cutting this program, which successfully helps to make students competitive in our world economy and has also been shown to lower the dropout rate?

Secretary DUNCAN. No, it is a great question, these have been very, very tough choices. I will also tell you that when I managed the Chicago public schools, we did a pretty thorough analysis of the students involved in our career and technical education programs. And to your point, we actually saw higher GPAs and higher graduation rates. So it wasn't just about those classes; it was really doing something to better engage students in school overall.

We still have a billion dollar investment there. We made some very tough decisions. Honestly, as we looked across the country, we saw some very high-performing CTE programs, and we saw others that weren't quite getting the results, and they weren't leading to real jobs and real skills.

And so, given the extraordinary difficult budget climate we are in, we invest where we must. And our hope is those programs will increase in quality, and then to come back and increase our investments. But if you look across the country, the results have been pretty uneven, and given the very tough budget times, we want to raise quality and then come back and increase our investment.

FUNDS FOR FORMULA AND COMPETITIVE GRANTS

Ms. ROYBAL-ALLARD. Well, I guess that brings me to my next question because I think that you would agree that now more than ever school districts need a reliable and sustainable Federal funding in order to plan for their school year, to keep teachers in the classroom and to keep school reform efforts on track.

And since we are not fully funding our formula programs aimed at helping the poor, I am concerned that your budget request shows a preference for new competitive grants.

And while I understand and appreciate what you have said and the Administration's focus on rewarding innovative and effective programs, my fear is that these competitive grants will favor school districts with the resources and the capacity to write grant applications at the expense of those districts which have the greatest need but have fewer resources and less expertise in writing these grants. And that is a realistic concern.

So with school districts struggling just to provide the basic educational services, is this really the right time to be increasing funding for new grants, like the Investing in Innovation Fund and Race to the Top, at the expense of our core formula programs, like Title I and IDEA.

Secretary DUNCAN. No, it is a really thoughtful question, and to be very clear, 84 percent of our budget goes to those formula pro-

grams, and a small percent, 16 percent, goes to the competitive side. And as you know, we are actually looking for increases in ESEA, Title I funding and IDEA funding and want to continue every single year to increase our investments there.

IMPACT OF RACE TO THE TOP COMPETITIVE PROGRAM

At the same time, we can't just do formula funding. We have to challenge the status quo and get better. And what I would argue or try to get you to see is that with Race to the Top, it wasn't about the States that won. It was a change for the country. So California didn't win, but California is one of 41 States that raised standards. I would argue that having higher standards, college-encouraged standards, for every child, particularly disadvantaged children and children of color, has been desperately missing in this country. We have dummied down standards. We have lied to children, and we have done the wrong thing by them.

So a smaller number of States won that money; but 41 States raised standards; 44 States are working together on better assessments. About three dozen States created more innovative opportunities in their States. Every State eliminated their laws prohibiting the link to student achievement and teacher evaluation. So it is not just those States that won; 46 States now have roadmaps for reform, and they are moving forward.

We do want to invest at the district level, and we do want to have a rural set-aside. We understand those challenges, but we have to continue not just to fund formulas but to move the country. And I would argue for a small percent spent, we are seeing more reform in the past 2 years as a result of Race to the Top than we have in two decades.

Mr. REHBERG. Mr. Alexander.

Mr. ALEXANDER. Thank you, Mr. Chairman.

PROGRAM CONSOLIDATIONS AND FLEXIBILITY

Mr. Duncan, in your testimony, you said that the Administration has envisioned a smaller Federal role focused on key priorities, one would include consolidating those 38 existing programs.

Since 1985, the inflation-adjusted Federal spending on K–12 education has increased by 138 percent. Since 1960, real per-pupil Federal education expenditures have tripled. However, since the 1970s, math and reading achievement scores have remained relatively flat. So could you elaborate to us how the Department's budget request would achieve the smaller Federal role in our education system while making tough choices? And how would this vision decrease many of the burdensome and ineffective Federal mandates that our local school districts have to deal with?

FLEXIBILITY TO HELP MEET LOCAL NEEDS

Secretary DUNCAN. So a couple of thoughts there. First of all, in very tough budget times, we are trying to provide maximum flexibility at the State and local level. And in fact, last week, in a meeting with the Governors, we handed them a document, which we would be happy to get you, demonstrating the flexibility that we want to provide to them now, but also trying to let them under-

stand, if we reauthorized ESEA, how much more flexibility they will have moving forward.

[The information follows:]

FLEXIBILITY IN USING FEDERAL FUNDS TO MEET LOCAL NEEDS

Federal laws and regulations allow states, districts, and schools certain flexibility in using federal funds to meet local needs. Which opportunities make sense to use will vary based on local context. In this document, we have highlighted some of the current flexibility contained in the *Elementary and Secondary Education Act* (ESEA) to allow state and local policymakers, working in collaboration with teachers, principals, and other stakeholders, to evaluate which options make the most sense for their particular needs. More information on the provisions described below is available on the Department's Web site (http://www.ed.gov).

Transferring ESEA Funds among Programs to Meet State and Local Needs

The ESEA allows state and local educational agencies (SEAs and LEAs) to transfer a portion of the funds that they receive under certain ESEA programs to other programs and into Part A of Title I of the ESEA in order to more effectively address their students' needs, including the needs of English Learners and students with disabilities. This is allowed through the "transferability" provision in section 6123 of the ESEA. For more information on transferability, please see the Department's final guidance on the transferability authority at http://www2.ed.gov/programs/transferability/legislation.html.

State Transfers

An SEA may transfer up to 50 percent of the nonadministrative funds allotted to it to carry out state-level activities under each of the following ESEA provisions to one or more of its allotments under any of the other provisions listed below:

- Section 2113(a)(3) (Teacher and Principal Training and Recruitment)
- Section 2412(a)(1) (Enhancing Education Through Technology)
- Section 4112(a)(1) (Safe and Drug-Free Schools and Communities Governors' funds, with the agreement of the Governor) and Section 4112(c)(1) (Safe and Drug-Free Schools and Communities SEA funds)
- Section 4202(c)(3) (21st Century Community Learning Centers)

State Transferability Basic Facts	
Overview	Allows SEAs to transfer 50% of funds to certain other programs to meet unique state needs
Eligibility	All SEAs
Application	None
Requirements	Conduct consultation in order to provide for the equitable participation of private school students and staff; notify the Department of the intent to transfer at least 30 days before the date of the transfer; modify state plans if necessary and submit modified plans to the Department.
Reporting	Report information on transfers on the Consolidated State Performance Report.

Although no 2010 funds were appropriated for the Safe and Drug-Free Schools and Communities formula grant programs (Section 4112(a)(1) Governors' funds and Section 4112(c)(1) SEA funds) at the state level, carryover funds from 2009 may be available for obligation. Accordingly, funds may be transferred into or out of these programs through September 30, 2011.

An SEA may also transfer up to 50 percent of the funds allotted to it under the provisions listed above to its allotment under Part A of Title I to carry out state-level activities. An SEA may not transfer funds out of Part A of Title I to any other program.

LEA Transfers

There are separate transferability provisions applicable to LEAs generally, to LEAs identified for improvement, and to LEAs identified for corrective action.

Most LEAs

An LEA (except an LEA identified for improvement or corrective action under Title I) may transfer up to 50 percent of the funds allocated to it by formula under each of the following provisions to its allocation under any of the other provisions:

- Section 2121 (Teacher and Principal Training and Recruitment)
- Section 2412(a)(2)(A) (Enhancing Education Through Technology)
- Section 4112(b)(1) (Safe and Drug-Free Schools and Communities)

An LEA may also transfer up to 50 percent of the funds allocated to it by formula under the provisions noted above to its allocation under Part A of Title I. An LEA may not transfer funds allocated under Part A of Title I to any other program.

LEAs identified for improvement

An LEA identified for improvement under Part A of Title I may transfer not more than 30 percent of the funds allocated to it by formula under any of the provisions listed above to its allocation for school improvement under section 1003 of the ESEA or to any other allocation listed above if the transferred funds are used only for LEA improvement activities consistent with section 1116(c) of Title I. The LEA may not transfer funds allocated under Part A of Title I to any other program.

LEA Transferability Basic Facts	
Overview	Allows certain LEAs to transfer 30-50% of funds to certain other programs to meet unique local needs
Eligibility	Most LEAs may transfer 50%; LEAs identified for improvement may transfer 30% for specified activities; LEAs identified for corrective action may not transfer funds
Application	None
Requirements	Modify local plans, notify the SEA, and consult with private school officials (as appropriate)
Reporting	Submit a copy of the modification to the SEA within 30 days

LEAs identified for corrective action

An LEA identified for corrective action may not transfer funds under this authority.

Additional Flexibility for Rural Districts

Because small rural districts frequently receive small allocations from federal formula grants and often have higher costs per pupil, the ESEA offers flexibility to districts eligible for the Small, Rural School Achievement (SRSA) program. This provision, known as "REAP-Flex," allows these districts to make more effective use of their small federal formula allocations. An eligible LEA may use its formula allocations under certain programs to carry out authorized activities or for activities authorized under a broader range of programs.

To be eligible for the SRSA program, and thereby eligible for REAP-Flex, an LEA must:

- Have fewer than 600 students in average daily attendance in the LEA, or serve only schools that are located in counties that have a population density of fewer than 10 persons per square mile; and
- Serve only schools that have a National Center for Education Statistics (NCES) locale code of 7 (rural) or 8 (rural near an urban area); or are located in an area of the state defined as rural by a governmental agency of the state. (The locale codes of schools are listed on the Department's NCES Web site at http://www.nces.ed.gov/ccd/ccdLocaleCode.asp.)

REAP-Flex Basic Facts	
Overview	Allows eligible LEAs to combine certain funds and use them to carry out activities under a broader range of programs
Eligibility	LEAs eligible for the Small, Rural School Achievement program
Application	None
Requirements	Notify the SEA of its intention to use this flexibility
Accountability	After 3 years in the program, LEAs that have not made adequate yearly progress must use the funds for school improvement activities

Specifically, this authority allows eligible LEAs to combine certain funds provided under the ESEA – specifically, funds provided under subpart 2 of Part A of Title II, section 2412(a)(2)(A), section 4114, and Part A of Title V – and use that funding to carry out local activities under one or more of the following ESEA programs:

- Part A of Title I (Improving the Academic Achievement of Disadvantaged Children)
- Part A of Title II (Teacher and Principal Training and Recruiting)
- Part D of Title II (Enhancing Education Through Technology)
- Title III (Language Instruction for Limited English Proficient and Immigrant Students)
- Part A of Title IV (Safe and Drug-Free Schools and Communities)
- Part B of Title IV (21st Century Community Learning Centers)

- Part A of Title V (Innovative Programs)

After the third year that an LEA participates in the SRSA program, the SEA must determine whether the LEA has made adequate yearly progress (AYP) as defined under Title I of the ESEA. Only those LEAs that have made AYP may continue to participate. LEAs that fail to make AYP may continue to participate in the program and use the REAP-Flex authority only if they use the flexible funds to carry out the Title I school improvement requirements.

Consolidation of State and District Administrative Funds to Build State and Local Capacity

SEAs and LEAs are currently allowed to consolidate ESEA administrative funds in order to utilize such funds to strengthen their own capacity to more effectively meet local needs, including to best support students with the greatest needs such as students from low-income families, English Learners, and students with disabilities.

State Consolidation

An SEA may consolidate funds specifically made available to it for state administration under any ESEA program, as well as other programs that the Secretary may designate. An SEA may consolidate state administrative funds only if it can demonstrate that the majority of its resources are derived from non-federal sources.

State Consolidation Basic Facts	
Overview	Allows SEAs to consolidate ESEA administrative funds to administer all programs in the consolidation
Eligibility	Any SEA that can demonstrate the majority of its resources are from non-federal sources
Application	None
Reporting	None

An SEA may use consolidated state administrative funds to administer the programs included in the consolidation, and for administrative activities designed to enhance the effective and coordinated use of funds under those programs. In addition, an SEA may use the funds to develop the standards and assessments required under Part A of Title I.

District Consolidation

With the approval of its SEA, an LEA may also consolidate funds available for program administration under ESEA programs so long as the amount consolidated does not exceed the cap, if any, established in the ESEA for each program.

District Consolidation Basic Facts	
Overview	Allows LEAs to consolidate ESEA administrative funds to administer all programs in the consolidation
Eligibility	LEAs with the approval of their SEAs
Application	None
Reporting	None

An LEA may use consolidated administrative funds to administer the programs included in the consolidation and for uses, at the district and school levels, designed to enhance the effective and coordinated use of funds under those programs.

An LEA that consolidates administrative funds for any fiscal year may not use any other funds under the programs included in the consolidation for administration for that fiscal year.

Consolidating Federal, State, and Local Education Funds to Promote Comprehensive Reforms at the Schoolwide Level

Schools that run a Title I schoolwide program (those with 40 percent or more students from low-income families) have the flexibility to combine federal education funds, including ESEA, IDEA, and Perkins funds (consistent with certain limitations in IDEA) along with state and local funds in order to redesign their entire educational program to improve educational achievement for all students, including English Learners and students with disabilities. This allows a school to use resources effectively and efficiently to undertake comprehensive reform.

The minimum poverty threshold required for implementing a schoolwide program is 40 percent. Eligible schools are allowed to consolidate and use funds under Part A of Title I, together with other federal education funds (to the extent applicable) and state and local funds, in order to upgrade the entire educational program at the school. This means that all funds are treated as if they are a single pool of funds – individual program funds can be used flexibly to support any activity of the schoolwide program that is identified in its schoolwide plan. Schools that fully consolidate all funds are subject to less burdensome federal reporting requirements.

In consultation with its LEA, an eligible school that desires to operate a schoolwide program must:

- Conduct a comprehensive needs assessment of the entire school;
- Develop (or amend, as applicable) a comprehensive plan, based on the needs assessment, for reforming the total instructional program in the school; and
- Annually evaluate the academic achievement results and revise the plan, as necessary, to improve achievement.

Schoolwide Consolidation Basic Facts	
Overview	Consolidate federal, state, and local funds into a flexible pool to be used for improving the whole school
Eligibility	Title I schools operating a schoolwide program where 40% or more of students are from low-income families
Application	None
Requirements	Conduct a needs analysis and design a comprehensive plan
Reporting	Schoolwide schools that consolidate federal funds with state and local funds are not required to maintain separate fiscal accounting requirements or employee time and effort requirements

A school that consolidates and uses funds from different federal programs along with state and local funds to support a schoolwide program is not required to meet most of the statutory and regulatory requirements of the consolidated federal programs, provided the school meets the intent and purposes of those programs. The school is also not required to maintain separate fiscal accounting records that identify how the consolidated federal funds were spent, so long as the school can demonstrate that the schoolwide program as a whole addresses the intent and purposes of each program whose funds were consolidated. Furthermore, the school is not required to maintain "time and effort" records for employees. Finally, an LEA with a schoolwide school is allowed to comply with the Title I supplement, not supplant requirement by demonstrating that it distributes state and local funds fairly and equitably to the schoolwide school without regard to whether the school is receiving federal funds.

BENEFITS FROM PROPOSED CONSOLIDATION

By consolidating programs, it will make it much easier to deal with us. And it frees people from that sort of compliance, so they can focus those scarce resources on the classroom. But I think what you are hopefully seeing from what our Administration is trying to do, with a relatively small amount of money, is get dramatic changes and improvement. And again, I submit, Race to the Top, with less than 1 percent of overall K-to-12 spent for the country, to see so many States raising standards, to see so many States working together on assessments, to see so many States doing more innovative things and creating more opportunities for students. From a very small investment for the country, a massive change. And we want to continue to encourage and unleash that kind of courageous behavior around the country.

COMPETITIVENESS OF OLD PROGRAMS WITH NEW PROGRAMS

Mr. ALEXANDER. In your consolidation sheet, some of these programs that we know about—you know, Even Start for example has worked great down in the State of Louisiana; Teach for America, working great in some of the rural areas where teachers are hard to find to begin with. Can we be assured that some of these programs, as they are consolidated, the ones that are effective today can compete for funds against some of the programs that we don't know are effective?

Secretary DUNCAN. Absolutely. And I think this is a real chance for the cream to rise to the top. And where programs are getting great results and making a difference in students' lives, we actually want to put more resources behind them, not less. For example, Teach for America competed in the Investing in Innovation Fund and won $50 million from us.

Ms. DELAURO. Would the gentleman from Louisiana yield for one second?

Mr. ALEXANDER. Sure.

PROGRAMS ELIMINATED IN H.R.1

Ms. DELAURO. My understanding is Teach for America, Special Olympics and Close Up, among others, were eliminated in H.R.1. They were not consolidated but eliminated in H.R.1. I just wanted to clarify that.

Secretary DUNCAN. So, to be clear, they are consolidated in our budget, not eliminated. But in H.R. 1, they are eliminated.

Ms. DELAURO. In H.R. 1, they are eliminated.

Secretary DUNCAN. Yes, that is absolutely correct.

Mr. ALEXANDER. Okay, Mr. Chairman.

Mr. REHBERG. Thank you.

Ms. Lee.

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

Good to see you, Secretary Duncan.

IMPACT OF A VETO OF CONGRESSIONAL EARMARKS

First of all, let me just say this, there is no doubt that President Obama's support for and his commitment to education, your commitment, this Administration's commitment to education is very

evident in the budget, which includes funding for TRIO, Pell Grants, STEM education and other programs that are really near and dear to all of us, especially, of course, our constituents.

However, the President made it very clear in his State of the Union address that he would veto any spending bills that included congressionally directed spending, i.e. earmarks.

Now, let me just say this to you, I think I can quantify, as well as I know members of the Congressional Black Caucus, can quantify how earmarks have benefitted our districts, which provide literacy programs and mentoring, after-school tutoring, technology utilization, safety programs. I could go on and on and on.

My concern is that these vital educational programs supported by earmarks are now, if we put them in, of course, would be vetoed. Now the reality is, though, that the elimination of earmarks, you know, is not anything new in terms of the support.

I was just quite surprised that the President recognized that he supports these communities that don't have the technical capacity maybe to write these competitive grants, but who provide these services for our children and who educate our children. I know he is committed to that. I was surprised that he would say no more of this.

Secondly, let me just say, and I know this is controversial, but I know for a fact that in our districts, I know members of the Congressional Black Caucus' districts, these earmarks leverage private funding and foundation funding. So you are talking about a $250,000 or $300,000 earmark that leverages $1 million, $1.5 million. Now this administration has really cut that and these organizations that provide these school services, cut the rug from under them.

And so I am wondering, and we have written to the President and to the White House, to ask, what do you intend to do to help backfill these badly needed school programs that now are lost without this funding?

CHILD POVERTY RATE

Secondly, at the same time, let me just say this, the President's budget includes an increase for ESEA Title I, but it is not targeted to those students and schools with the greatest need, again. Unfortunately, the earmarks had to make up for these losses, and now we don't even have that. According to First Focus, from 2008 to 2009, America's children that live in poverty, mind you, grew by 2 million, or close to 2 million.

In 2009, child poverty rates reached a level of 20.7 percent, which is a rate of more than 1 in 5, totaling 15.5 million children. So this makes it even more important to target Title I finding via formula grants to the schools with the greatest needs. So, again, it is a double-whammy. You know, you are not targeting resources to those schools. You have cut earmarks where all these badly needed school programs, supplemented by private and corporate donations, now are gone. So what do we do in the absence of this? And what do you all intend to do to backfill these small little earmarks that have helped our children become educated young people?

PROMISE NEIGHBORHOODS INITIATIVE

Secretary DUNCAN. So there are a number of different ways to think about this, I will just give you one example, the Promise Neighborhoods initiative. So you and I have talked, and I have visited your schools and know the tremendous need, and the hard work and leadership that is happening there. I am going to do everything I can to be supportive. So when you lose that $300,000 or $400,000 investment and that leverage to a $1 million or $2 million from the outside, that is tough. I understand that.

Promise Neighborhoods initiative, we have a $150 million request there. And we want to work in the most distressed communities, this is not about fancy grant proposals. This is about going where there is tremendous need. And there is a chance to bring significantly new resources, additional resources to our most distressed communities and to increase that leveraging ability that much more at the local level.

JOINT FEDERAL EFFORT TO HELP CHILDREN IN POVERTY

I also say that I take very, very seriously the concern about many more children living below the poverty line. And we can't just do this by ourselves. This is why Head Start, which goes back to Congressman Flake's question, I think that is why that is so important to be of high quality, but we have to provide greater access to children who live below the poverty line. We have to work with the Department of Agriculture to increase the nutritional value of meals, because so many of our children are not eating three or even two meals a day. And I just want to assure you that, working with HHS, and working with HUD, working with the Department of Agriculture, we have to holistically think about how we support those children in poverty.

Ms. LEE. Mr. Secretary, I appreciate your response and I appreciate what you are doing, but let me just say these educational programs and school programs do not really have lobbyists here. They do not have the technical capacity to write these grants. They educate children. They fill the holes that the public school system has left in terms of the void because of disinvestment of our minority children. And so I still don't understand how you are going to backfill these millions of dollars that have been lost because of the elimination of earmarks.

Mr. REHBERG. Mr. Flake.

CONSOLIDATION AND PROGRAM ELIMINATION PROPOSALS

Mr. FLAKE. Thank you, let me get back to the request for funding for new programs and authorized programs here. You recommend consolidation of certain programs. That is laudable. That is often recommended and rarely done. I would be willing to guess and bet that this time next year, we will be talking about more programs, the addition of new programs, but the consolidation or getting rid of some of these programs, we just do not see it very often. Why should we have the confidence that that is really going to happen, if we are talking about new programs being created that seem to duplicate some of the programs that we are consolidating or getting rid of?

Secretary DUNCAN. So we are absolutely committed to doing this. We did it in the 2011 budget. And again, all I can ask is that you look at our track record and look at our integrity, and we are asking Congress for the right to do this. And so we are absolutely committed to consolidating 38 to 11. We are absolutely committed to eliminating 13 that don't work. And we want to invest in those things that have the highest leverage to make the greatest difference in students lives.

And again, hopefully, you see the way we have worked, that every single day we are trying to challenge the status quo, in which our country has an unacceptable dropout rate, in which our country has gone from first to tenth in the world in college graduates. We look at international results, the Program for International Student Assessment, PISA results, where our children are lagging significantly behind children in other countries. We have to do much better, and that is our only focus.

ARPA-EDUCATION

Mr. FLAKE. Let me get back to this Advanced Research Projects Agency. You are seeking $50 million, and let me just read from your request: In addition to the $50 million in discretionary funding for ARPA–ED, the Administration is seeking $40 million in mandatory funding from the Wireless Innovation Fund to support the improvement of early childhood through postsecondary education through the mandatory appropriation for the Fund of Improvement of Education. The Wireless Innovation Fund will be financed by the sale of spectrum bands by the FCC, and its main purpose is to spur innovation and the use of wireless technology.

Do you have any estimate of how much money is currently being invested by the private sector in wireless technology?

Secretary DUNCAN. I don't have it for the country. I don't think there has been enough investment or enough R&D in the education space. And again, we are trying to spur that innovation.

EDUCATION WIRELESS TECHNOLOGY—TECHBOSTON

Mr. FLAKE. What is the difference between wireless technology for the education space and every other space?

Secretary DUNCAN. I want us delivering content to students 24/7. The President and I visited a fantastic high school earlier this week in Boston, TechBoston, where students are getting their assignments on cell phones.

Mr. FLAKE. But how is that a limitation of the current wireless technology? I can tell you, there are literally tens of billions of dollars being invested every year by the private sector in wireless technology, or something like that. And I fail to see how this education space is any different than any other business application. And to spend $40 million in taxpayer dollars in a tight budget environment so we can direct funding in chosen industries or chosen businesses or whatever else, just seems to me a colossal waste of resources.

DEFENSE-ARPA—THE INTERNET

Secretary DUNCAN. Let me just challenge you a little bit, the investment in DARPA led to the creation of the Internet.

Mr. FLAKE. Well, let me just say that I don't think anybody has any confidence that the Department of Education through the use of taking—remember, you have to take it out of productive market-based capital allocation. Government takes it and then gives out grants in this fashion, through the Department of Education, where we have conceded that there are literally dozens of programs that we are consolidating and getting rid of because they haven't worked well, how anybody should have any confidence that this is going to be money well spent, I just don't see it.

Secretary DUNCAN. What is your analysis of what DARPA has spent over the years and whether that investment has been worthwhile?

Mr. FLAKE. That is miles away from what we are talking about here with the Department of Education. I think when you want to talk track records, then let's talk track records. And then somebody would point out specifically, how in the world can we see, when you are talking about going from first to tenth in college graduates and everything else, all this has happened since we have invested so much at the Federal level in education. So track records, if you want to look at track records, we will, but it is not pretty, and so that is my concern here. That is my concern.

USING TECHNOLOGY FOR CHANGE IN EDUCATION

Secretary DUNCAN. I hear your concern. I would just challenge you that we are seeing this massive transformation in almost every other sector of our society using technology that hasn't translated into change in how we educate our children. And I think if we can do that, we will save huge sums of money going forward and we will do a much better job of teaching our children. The children I saw at TechBoston were engaged in phenomenal ways. That has to become the norm, not the exception. And we have to spread those best practices.

Mr. FLAKE. Thank you.

Mr. REHBERG. Ms. Lowey.

Mrs. LOWEY. I want to apologize, Mr. Secretary, but Secretary Clinton is across the hall and—busy day.

EDUCATION CUTS IN 7-MONTH 2011 CONTINUING RESOLUTION

Thank you very much for your service. And let me first say that I wholeheartedly agree with you and President Obama that while we must exercise restraint—no one wants waste, and I can give you a long list of places where there is waste, not here—it is penny wise and pound foolish to slash education spending. If we want to be a global leader, we must educate our workforce.

And that is why I am so dismayed with the draconian cuts that the Republicans have sought in the 7-months fiscal year 2011 CR.

Let me provide a quick example of how it would hurt New York. One of the largest school districts in my district, New Rochelle, had around 2,000 employees a year ago. After a round of budget cuts last year and the forecast of additional cuts this year, it may end

up losing nearly 10 percent of its workforce. The Governor has proposed a $1.5 billion reduction in education spending. And if the shortsighted CR were to become law, New Rochelle would lose an additional 5 percent of its ESEA Title I funding and IDEA.

It doesn't make sense. Because of these cuts, the school is forced to lay off teachers, eliminate curricula. The House Republican CR hurts education from cradle to grave. Graduation, here is what to expect if the Republicans have their way—and I am hoping we can work in a bipartisan way and work it out—200,000 fewer children enrolled in Head Start; an end to quality education and news programming through public broadcasting. School districts and community organizations would lose billions in after school, TRIO, Title I, IDEA funding. College students would have their Pell Grants decreased. To me, this is unacceptable. We cannot win the next century by decimating the initiatives we need to ensure today's students will become tomorrow's entrepreneurs and innovators.

21ST CENTURY COMMUNITY LEARNING CENTERS PROGRAM

Now, I don't know if anybody, and I apologize, spoke about after-school? Good. Because that has been a real priority of mine. I remember when we worked in a bipartisan way to make sure our kids had after-school programs. I strongly support after-school education. And I am appreciative of the $100 million increase you proposed for the 21st Century Community Learning Centers Program. This is in stark contrast to the $100 million cuts the Republicans propose in the fiscal year 2011 CR.

Can you tell us how many fewer students and families would lose after-school programs if the 21st Century Community Learning Centers program were cut by $100 million?

Secretary DUNCAN. Well, that $100 million would represent close to a 10 percent cut. So that is the impact it would have. And I'll just say quickly that I got my start in education as part of my mother's after-school program, so this is in my DNA. And this idea of a school being open 6 hours a day, 5 days a week, just doesn't work. It doesn't work for two-parent working families. It does not work for a single mom trying to work two or three jobs trying to make ends meet. It does not work where you have no parents at home. And I just fundamentally believe our schools should be open 12, 13, 14 hours a day, with a wide variety of after-school programming. Academic enrichment being the core, but GED, ESL, family literacy nights, health care clinics. The more our schools become like full-service schools in absolutely serving the community and serving as the community anchors, where families are learning together, our children are going to do very, very well. I just don't think we can get where we need to go as a country engaging our students in these schools 6 hours a days.

Mrs. LOWEY. I want to support exactly what you have said, because I have been to another part—I have been all over my district, but the Port Chester schools, that has a very diverse population. Frankly the parents come in; the kids come in. They work together. They work on their studies. They really need these after-school programs. This is not an arbitrary request.

SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS

One of my priorities is STEM education. Not only do we need to provide training for new STEM teachers. Current teachers need to improve and maintain up-to-date skills. Quickly, how does the request help our country's standing in STEM fields?

Secretary DUNCAN. Very, very significant investment in STEM fields. We do a couple things, to better train the current crop of teachers, to recruit—the President challenged us to recruit 100,000 new teachers into the STEM fields moving forward. We want to continue to expand access through increasing access to alternative certification programs. And we also have significant college scholarships for folks who want to enter the STEM field. So trying to work on both the future teachers and expand that pipeline as well as provide much better support for existing teachers.

Mrs. LOWEY. Thank you, Mr. Chair and Madam Ranking Member.

Thank you for your indulgence.

SPECIAL OLYMPICS AND EARMARKS

Mr. REHBERG. Welcome, it is good to have you.

Mr. Duncan, the Obama Administration made the statement that they were going to veto legislation coming out of this Congress that has an earmark. The Special Olympics was an earmark, and we took it out. Would he have vetoed that bill if we had not taken that earmark out?

Secretary DUNCAN. Again, I am not the President, but I will say that——

Mr. REHBERG. Do you stand by his decision, though, not to support earmarks?

Secretary DUNCAN. Well, we have to continue to support the Special Olympics. They do a fantastic job.

Ms. DELAURO. If the gentleman would yield. It is an authorized program. The Special Olympics is an authorized program.

Mr. REHBERG. Reclaiming my time. I didn't identify it as an earmark. This committee did. Your chairman, Mr. Obey, did. And we were just taking the recommendation of the last Congress that it was, in fact, an earmark.

EVEN START AND PROPOSED CONSOLIDATIONS

Even Start was suggested for elimination by this administration, correct, by the Obama Administration?

Secretary DUNCAN. We are looking to consolidate programs and put them into larger funding pools, yes.

Mr. REHBERG. So the elimination of Even Start by this Congress was supported by the Obama Administration?

Secretary DUNCAN. What we are trying to do, again, is to consolidate programs——

Mr. REHBERG. That is not my question. The question was, Even Start was identified by this administration for elimination. Did you agree with or support that decision to eliminate Even Start?

Secretary DUNCAN. We are trying to consolidate small, fractured programs and put them into larger funding streams.

IMPACT AND PAYMENTS BACKLOG

Mr. REHBERG. I have received information from my district and other districts around the country on the slow payment of Impact Aid dollars, including one entity down in Arizona that we have not verified yet—we will—that are suggesting they are going to have to shut their doors because they have not received their Impact Aid. In the case of my situation, I am hearing there is as much as 3 years in arrears. What is the problem? The money is there. We have the money. The money has been appropriated. Is it an accounting problem?

Secretary DUNCAN. No, it is a really fair question. We are working with a backlog that went back to actually 2006, of over 4,000 of these claims. And that backlog from 2006 to 2008 of 4,000 that we inherited is cleaned up. All of those payments have been made. And so we are still working to move forward from that point and expedite——

Mr. REHBERG. So what would be the oldest?

Secretary DUNCAN. I don't think there should be anything—we cleaned up everything through 2008, and we are working very rapidly—through 2009, I apologize.

Mr. REHBERG. Okay.

Secretary DUNCAN. We are working rapidly. And if there is a situation, we would look at it, but we inherited a mess there. And frankly, I give our staff a lot of credit for having them move very rapidly to clean up some of these claims that are as much as 5 years old. That is unacceptable, and we have to do better.

USE OF RECOVERY ACT "STIMULUS" APPROPRIATIONS

Mr. REHBERG. I assume you take your direction from the Administration of the head office. Would you provide us with information showing that the stimulus dollars that were provided through the economic stimulus plan gave the agency's authority to then come back and build programs based upon the stimulus dollars?

My understanding of the stimulus was that it was intended to be a one-time event. And so if I am under a misunderstanding that stimulus dollars were intended to be for ongoing programs or that programs would be built upon or in anticipation of there being follow-on dollars, I would like to have that provided to the committee as well.

Secretary DUNCAN. Yes, sir.

Mr. REHBERG. Okay, thank you very much.

[The information follows:]

RECOVERY ACT FUNDING

The Department has urged States and school districts to use funds from the America Recovery and Reinvestment Act (Recovery Act) consistent with these four guiding principles: (1) spend funds quickly to save and create jobs; (2) improve student achievement through school improvement and reform; (3) ensure transparency, reporting, and accountability; and (4) invest one-time Recovery Act funds thoughtfully to minimize the "funding cliff." In our program-specific guidance, the Department has consistently noted that the Act provides a one-time infusion of new resources that should be invested in ways that do not result in unsustainable continuing commitments after funding expires.

That said, the Recovery Act authorizes new programs—such as the Race to the Top and Investing in Innovation programs—for which the Congress can provide subsequent appropriations. Recognizing the impact they are having on accelerating the

pace of education reform in States and localities, the Administration's fiscal year 2012 request includes new funding for these programs, which we propose to codify in authorizing statute through the reauthorization of the Elementary and Secondary Education Act.

Ms. DeLauro.

PROGRAMS NOT INCLUDED IN THE CONTINUING RESOLUTION

Ms. DELAURO. Thank you. Once again, Even Start, Teach for America, Close Up, and Special Olympics are all authorized programs. We live or die here by programs that are authorized or not.

Mr. Flake had a question about and others had a question about unauthorized programs. These are authorized programs.

Even Start, as a result of the 2-week C.R., the Continuing Resolution, that we are currently living under, has been in effect killed. And I would just say to Mr. Alexander that I share your view about the benefits of the Even Start program and the incorporation of parents in the education of their children.

STIMULUS FUNDING

Just a clarification before I get on to my question, the economic recovery program was a response to the recession, to massive unemployment. We were looking at losing 700,000 jobs a month about 2 years ago. We have seen that 192,000 mostly private sector jobs were created last month, and we are beginning to see some small glimmer of recovery, but in fact, it is not making its way down to most of the people in this Nation.

PELL GRANT REDUCTION IN CONTINUING RESOLUTION

An $845 reduction in the Pell Grant, as has been said, takes us back 38 years in terms of the cost of what education is today. And what we are doing by this is making it almost a fait accompli that education becomes a purview of the rich and not middle class families, who with the help of Pell Grants are being able to take advantage of getting skills so that they can succeed.

LITERACY FUNDING—STRIVING READERS PROGRAM

Let me move on to another area which is of real importance to me, and that is literacy. We have more than two-thirds of the Nation's 4th, 8th, 12th graders scoring below proficient on the National Assessment of Educational Progress.

Congress seeks to address this through the Striving Readers program, which was moving forward by helping 46 States put statewide literacy teams in place, standing ready to implement the program. Again, the House majority stripped away all the funding for the Striving Readers program in 2011. They have proposed to reach back and rescind the funds remaining from last year's appropriation. State literacy teams are now waiting. In addition to which, as we just had this discussion, the targeted funding for literacy in the budget has all been eliminated. If you can't read, you can't do anything, you have little chance for success.

Mr. Secretary, your budget proposes to fold existing literacy programs, like Striving Readers, into a new consolidated effort to invest Federal resources in helping States to improve the reading skills of their students.

FUNDAMENTAL IMPORTANCE OF LITERACY SUPPORT

Can you talk about the importance of contributing Federal funds to strengthening literacy in our Nation's schools? What impact we can expect from this approach of the majority to strip away all of the targeted literacy funding that is essential? As a Nation how we can go back on the commitment to literacy is absolutely, I believe, unacceptable and it is irresponsible if we are going to make our way to long-term economic growth.

Secretary DUNCAN. So if you ask why so many students drop out of high school, it is because many have struggled to read. And when they drop out of high school, they are basically condemned to poverty and social failure. There are no good jobs out there for dropouts. So we have to continue to invest in literacy. It is fundamental. It is foundational. If we teach our children to read and to love to read and to be able to comprehend what they are reading and to be able to express their ideas verbally on paper, I am very confident about what they can accomplish in life. And if we don't do those things well, Congresswoman, basically nothing else we do matters. It is that critically important to helping our students fulfill their academic and social potentials.

CONNECTION BETWEEN PARENT LITERACY AND STUDENT SUCCESS

Ms. DELAURO. It is a Nation going backwards in terms of literacy instead of forward. I just want to mention to this committee, a recently released NIH research effort identified a scientifically significant connection between the educational level of parents and the school success of their children. In light of this—understanding the role that parents play in the education of their children—I want to ask you, Mr. Secretary about how you are going to connect parents in terms of the education of their children and particularly about low literacy skills and limited English proficiency.

Secretary DUNCAN. Parents have to be full and equal partners in their children's education. We think we have underinvested in parental engagement and parental participation. And we are actually looking to try and double funding there. We think parents have to be in those schools helping students. It is part of the answer, and teachers cannot do this by themselves.

BUDGET INCREASE FOR PARENTAL INVOLVEMENT

Ms. DELAURO. Where in the budget would we find those dollars that talk about parents——

Secretary DUNCAN. It is an increase in parental engagement from—the request is from about $140 million to $280 million.

Mr. REHBERG. Mr. Alexander.

Mr. ALEXANDER. No.

BUDGET PROPOSES ESEA REAUTHORIZATION, CONSOLIDATIONS

Mr. REHBERG. Mr. Duncan, let me ask you, Striving Readers program, that was also slated by the Administration for consolidation or elimination?

Secretary DUNCAN. Yes, sir.

Mr. REHBERG. Okay. So this Congress did exactly what you asked it to do.

Secretary DUNCAN. Again, we are trying to consolidate multiple funding streams that make it very difficult to deal with the Federal bureaucracy and get scarce resources——

Mr. REHBERG. Does that consolidation require an action by an authorizing committee? The Appropriations Committee doesn't get to consolidate programs; we just get to figure out how to pay for it.

Mr. SKELLY. Consolidation is sought in the proposed budget, and we would like to have all of ESEA reauthorized this year.

Mr. REHBERG. It is inside the budget, so it is in anticipation that it will be done in the authorizing committees. So, once again, my question is, if the authorizing committees both in the House and Senate are unable to complete their work in time, and have a new ESEA bill signed by the President what are we supposed to do?

Mr. SKELLY. The Administration is going to work with Congress on this, but Congress, you guys are the experts in your process in how you do things. Our budget proposed that we would have this consolidation and we hope you would get to it in time.

Mr. REHBERG. So you are okay, then, with us cutting the budget; if the consolidation doesn't occur, we can go ahead and reduce this account by that subsequent amount?

Secretary DUNCAN. If Congress doesn't act, a program like Striving Readers would be kept in the meantime.

SCHOOL TURNAROUND, RESTART, CLOSURE, TRANSFORMATION MODELS

Mr. REHBERG. Okay. Let me ask you a question about your programs, your four categories for school improvement. I know you have been to Montana, and I know you are well familiar with our Native American school situation. I also heard you say that you wanted to move away from a one-size-fits-all, but we just feel that you replaced it with four sizes fit all.

Let me ask you, on the transformational category, which about 71 percent of the schools that are currently receiving grants are in that transformational process, that is the firing of the principal—is that what transformation means? I was trying to identify which category within the four each was. And I saw in the materials that 71 percent of the grants are going to transformational schools. Is that the firing of the principal?

Secretary DUNCAN. It depends on the situation. If that principal has been there for a long time and hasn't moved the school forward, it would mean that. If that principal has been there a short amount of time and is part of an existing transformation movement, he would not be removed.

Mr. REHBERG. Okay. If we are talking about a school that is in noncompliance and it had been identified for a period of years, and they fired a principal. They received the grant. What is the end game? Does that principal have 1 year to succeed, 2 years, 3 years, 4 years?

Secretary DUNCAN. No, we are in this for the long haul.

Mr. REHBERG. Well, that is what I am trying to understand; what is the long haul? What is the end game? I understand the children are the end game, but as far as your four categories, I am trying to make it work for rural America. How long does that prin-

cipal have before, if they don't conform, they are kicked out, and we start this all over again?

Secretary DUNCAN. This has nothing to do with conforming and not conforming. What we did through this program is we challenged the country to take those bottom 5 percent of schools, not the 95 percent, the bottom 5 percent, the 1 in 20 where it simply wasn't working for children, and we challenged the country to stop tinkering around the edges and to stop perpetuating the status quo in which children were being poorly served by those schools.

RURAL SCHOOLS AND SCHOOL IMPROVEMENT GRANTS

I am very cognizant of rural concerns, I have spent lots of time talking about them. It is very interesting, rural schools constituted about 19 percent of the potential pool of schools eligible for turnaround grants, and they actually received 23, 24 percent of the funding. So they were disproportionately represented. They found ways to make this work. And we have been very encouraged with that participation and those results. I was, frankly, pleasantly very surprised. I was worried we would not have enough rural schools competing. And they were actually disproportionately represented in the number of schools receiving money through school improvements grants.

EDUCATION BUDGET BASED ON CURRENT LAW

Mr. REHBERG. Okay. You know, this being my first opportunity to chair a subcommittee. I have chaired appropriations subcommittees at the State level, but never at the Federal level, so this is frankly new to me. And I don't know if I am going to ask you to do something that is not standard, but would you present a budget based upon current law? That is all we ask, current law, because the law hasn't changed. The law probably will not change before we have to do a markup. I am asking you, will you present a budget to us based upon current law?

Mr. SKELLY. Last year we had a similar situation, and we did propose sort of an alternative or fallback of what would be the most important thing, the highest priorities within——

Mr. REHBERG. Well, I am asking you to present to this subcommittee a budget based upon current law—not a sort of, not based upon your best priorities. If we are going to have to make decisions based upon the current law, I need a budget so that I can see what your priorities are and not try and guess it, or we are going to make those determinations, and we are going to get yelled at by the minority. So I am asking you to present to this committee a budget based upon current law.

Thank you.

I think Mr. Dicks is next.

Welcome, nice to have you. I never served on a committee with you before.

Mr. DICKS. Well, Mr. Rehberg, it is nice to be with you. Montana and Washington are close. You went to Washington State——

Mr. REHBERG. You had to say that.

Mr. DICKS. You beat us twice in basketball. So it has been a bad year.

Mr. REHBERG. No, it has been a good year.

Mr. DICKS. Thank you. I do want to congratulate you on becoming chairman.

And to our Ranking Member, Rosa DeLauro, who does so much and is such an effective member.

NUMBERS OF CHILDREN, STUDENTS IMPACTED BY BUDGET CUTS

In your opinion, given the dire circumstances facing State and local governments, what does your Department project will be the impact of the Federal budget cuts on local educational agencies? How will they deal with $690 million less in Title I, more than $330 million cut in school improvement grants, $1 billion less in Head Start funding? We are looking at a loss of 8 percent in the education budget. How will this lack of financial resources hurt our children in public schools?

Secretary DUNCAN. So in a time when we have to get dramatically better education and in fact get better faster than we ever have, it would be a very significant step in the wrong direction. On the ESEA Title I cuts, that means as many as a million poor children would lose access to educational services.

Mr. DICKS. A million?

Secretary DUNCAN. Yes, nearly a million young children. On the School Improvement grants, it would be more than 250,000 children who have had historically very poor educational options, who are now getting better ones, would lose that. A $1 billion cut to Head Start would mean about 216,000, again low-income children, who desperately need to get off to a good start in life, would lose access. And on the Pell Grant cut, as Congresswoman DeLauro mentioned, as many as 8 million; 8 million young people would see their Pell Grants cut. I would worry desperately about what percent of those would then have to leave college.

Mr. DICKS. And there is no question that Head Start and these programs have been very effective and help the children. And there is a backlog, right? We are not still taking care of all the children that would like to be in a Head Start program; isn't that correct?

Secretary DUNCAN. Quality early childhood education programs are arguably the best long-term investment that our country, our society can make.

IMPACT AID BACKLOG

Mr. DICKS. Let me ask you, on another matter, Impact Aid, which is an issue in Washington State, I think it is probably in Montana as well. I have been told, and I didn't realize this, that it takes years and years for the Impact Aid money to actually get to the school district. Can you explain why that is?

Secretary DUNCAN. The chairman asked me about that, and when we came here, this administration inherited a backlog that went back to 2006, over 4,000 cases. I am pleased to report to you, Congressman, that all 4,000 of those have been resolved up through 2009. It was a mess, and our staff has worked very, very hard. We are never going to go back to those days, and we will continue trying to expedite the more recent claims. But yes, there was a backlog that went back 5 years.

IMPACT OF FEDERAL BUDGET CUTS ON PELL RECIPIENTS

Mr. DICKS. You mentioned Pell Grants. What is the number, how many students will be affected? Is it 8,000, is that the number, who would have gotten the maximum grant and that will be reduced?

Secretary DUNCAN. No, it is about 8 million that would see their——

Mr. DICKS. Eight million.

Secretary DUNCAN. Eight million Pell Grants reduced by $845 each, and about 10,000——

Mr. SKELLY. Ten thousand.

Secretary DUNCAN. Ten thousand would completely lose access to Pell Grants, but 8 million would be touched. As I mentioned earlier, more than half of the people who drop out of college today do so for financial reasons. They are trying to do the right thing. They are trying to take that next step, but because they simply can't afford it, that is the largest reason, the majority reason why people leave school today. So a further cut in access, I think it would be devastating.

IMPACT OF FEDERAL BUDGET CUTS ON HIGH SCHOOL COMPLETION

Mr. DICKS. What about the fact that one-third of the high school students are dropping out of school now? Do we have a program to address that issue? I am familiar with the Youth Challenge program at the National Guard. I worked on it. Do we need do more to help these dropouts? How will they be affected?

Secretary DUNCAN. Well, couple things. We have to stop the pipeline of dropouts first of all. Again, that is where these school Improvement grants are so important, where we are investing in radically different ideas of what those schools can do and seeing huge results.

The President and I, with former Governor of Florida Jeb Bush, were in Miami last Friday in a school that a year ago had huge problems, and we are seeing remarkable progress. And so we have to stop the dropout factories, and we have to have a safety net of alternative programs and alternative schools for those who do drop out and want to come back in.

Mr. DICKS. Thank you, Mr. Chairman.

CONTINUING RESOLUTIONS EFFECT ON IMPACT AID PAYMENTS

I just would say one thing, we also understand Impact Aid has a problem under CRs, that somehow I guess they don't do anything—I don't understand maybe why that is, but could you explain that?

Mr. SKELLY. Impact Aid is one of our current funded programs. We give out money as the fiscal year goes on. We are through——

Mr. DICKS. Halfway.

Mr. SKELLY. Just over, 45 percent. So we can give them 45 percent of the annual level funds, but we can't give the school districts all the money, and some of them are counting on that to finalize their expenditures.

Mr. DICKS. Thank you for explaining that.

Thank you, Mr. Chairman.

Mr. REHBERG. You bet.

PROPOSAL TO ELIMINATE SECOND (SUMMER) PELL GRANT

I have listened now to many members talking about the devastation, including you used the word devastation, of the cuts in Pell Grants. I am confused. I thought part of your new consolidation and elimination and your grand plan within the Pell Grant was to cut Pell Grants from two in a year to one. Wouldn't that be more devastating to the student to lose the $5,550 in grant aid for a second semester within 1 year?

Secretary DUNCAN. No, actually, it does not cut Pell Grants for a second semester; it is just for the summer. They can actually use existing Pell Grants over the summer. So it is a cut, Mr. Chairman, that obviously is not one that we wanted to do or look forward to doing, but again, given the tough budget climate, we had to make tough decisions. And we thought by far the better investment was to support the existence of Pell Grants for all students rather than provide a second Pell Grant for some who already have access—we thought maintaining that access to $5,550 for all was the right thing to do.

Mr. REHBERG. Have you anticipated how many people that would include, or how many that would affect?

Secretary DUNCAN. Oh, yeah, we know how many it would affect. And again, we——

Mr. REHBERG. Do you want to share that with us?

Mr. SKELLY. About 10 percent of all the Pell recipients in 2009; 10 percent got a second Pell Grant and we think that would grow in the future.

Mr. REHBERG. So that would be almost a million students would be affected, versus the 10,000 that are going to be, going to be affected by the $845 reduction——

Secretary DUNCAN. No, no, not 10,000. It is 9 million would be affected by the $845 reduction. So, again, these are very tough calls.

Mr. REHBERG. I understand the $845 is across the board; it goes from top to bottom, so those that are receiving $5,550 are going to see an $845 reduction. And it is on down the sliding scale. I clearly understand that. I am suggesting that by not going to the second Pell, it is going to affect what, a 100,000——

Mr. SKELLY. No, no, 900,000.

Mr. REHBERG. Nine hundred thousand students. So your suggested reduction in Pell affects 900,000 students that won't get any grant——

Secretary DUNCAN. No, no, no, sir, you are misunderstanding.

Mr. REHBERG. Okay. Then I am misunderstanding.

Secretary DUNCAN. They will get—what we are trying to do is make sure they get the one grant of $5,550.

Mr. REHBERG. Correct, but they can't get a second grant.

Secretary DUNCAN. They cannot get a second one in the same year.

Mr. REHBERG. Correct. Which was the change that was made to try to get kids through college quicker, to make space for the next group of kids coming through. And I use kids loosely, I know there are many that are nontraditional students who are going through as well; is that correct?

Secretary DUNCAN. So, again, sir——

Mr. REHBERG. By not granting the second grant, it is slowing down the——

Secretary DUNCAN. Well, we are hoping it wouldn't slow down. And again, our primary focus was on supporting the 9 million and making sure we don't see massive dropouts because of that.

ALLEGATIONS OF MISCONDUCT IN STUDENT AID

Mr. REHBERG. Okay, let me shift gears real quickly. I was following Mr. Coburn's conversation in the Senate last week about short sellers. And having been involved in the markets in the cattle business, I have a pretty good understanding of what occurs. And there is always this belief or feeling or fear that there is something nefarious going on within the markets that manipulate prices and such.

Did that occur, the short selling in the for-profit area? And I have seen some of the conversation that occurred with conversations. I would like to know your involvement of what you know; have you been briefed on short selling?

Secretary DUNCAN. I have never talked to a short seller, I don't have your financial acumen. We have one interest, and that is making sure more young people graduate from college successful.

Mr. REHBERG. So you are not aware of any conversations that occurred within the Department of Education nor any under secretary or deputy secretaries or any—

Secretary DUNCAN. We have zero sense that anything bad went on, and we have asked the IG to investigate. And we look forward to a speedy resolution.

Mr. REHBERG. So you have had conversation on it?

Secretary DUNCAN. Absolutely. We have asked the IG to take a very serious look at any allegations. We take it seriously. I would just ask you to look at our track record to date, and I don't think you will find one instance where folks in our leadership team have done anything in self interest or not in the interest——

Mr. REHBERG. And I am not suggesting they are. I am just suggesting the issue has been raised and—

Secretary DUNCAN. The issue has been raised, and we have asked in every one of these situations, we have asked for a thorough investigation.

Mr. REHBERG. And you will share that with this committee?

Secretary DUNCAN. Absolutely.

And if anything is found, we will absolutely address it. But I will just say I can speak to you with absolute confidence today that I don't think there is a thing there.

Mr. REHBERG. Thank you.

Mr. Jackson.

Mr. JACKSON. Mr. Chairman, let me also associate myself with the news report and the concerns that have been raised about short selling and get a little bit of clarity on that, and then I want to go back to a point that I raised earlier.

So there is absolutely no truth that senior Department officials communicated with short sellers from FrontPoint or CPMG to discuss the Department's gainful employment regulations. Is that what you are saying?

Secretary DUNCAN. I don't have all the details. We are having a thorough investigation. So a thirty-party IG will look at it, but there is nothing that I am aware of where folks would have profited personally by anything we are doing. I have zero awareness of anything close to that.

Mr. JACKSON. Thank you, Mr. Secretary.

POTENTIAL MOVE TO E-DEVICES FOR TEXTBOOKS

I want to go back to a question that I raised earlier, because in perfect candor, I expect massive resistance in these tough economic times to moving school districts across the country to an equitable textbookless system that provides every child with a modern textbook or some form of e-device that allows them to stay current in time of news information as well as their textbooks. They simply don't have the money. And if they are minority, it will be even more complicated. The idea of taxing the haves to get more resources for school districts that have nothing or have little is an uphill struggle.

So I want to make clear what I think I heard you say, and please tell me if I didn't hear you say it, that the Department of Education will coordinate with the Justice Department to ensure that school districts will not deny modern textbooks to students; is that correct?

Secretary DUNCAN. Again, as I said earlier we have always partnered with the Department of Justice. Our Office of Civil Rights I think has done an extraordinary job over the past 2 years, has been reinvigorated, and when we see civil rights being violated, we step in, in a heartbeat.

ENSURING EQUITABLE ACCESS TO E-DEVICE TEXTBOOKS

Mr. JACKSON. Sixty million kids are about to enter your public school system across the country. And those 60 million kids are heading into an e-bookless or e-device environment where most of their textbooks are simply going to be wiped out in a very short period of time. And I want to make sure I am being clear: The Department of Education's position will be that it will be on the side of ensuring that every single child in that environment will have the appropriate technology to participate in the modern education world.

Secretary DUNCAN. Let me just take a couple steps further. So you say districts won't have the money; it is interesting. I think this is actually going to save districts money. Districts are spending lots of money now on textbooks. I think this is a much more effective, much more efficient way to spend. It is a matter of reallocation. And so they cannot continue to spend the old way and spend the new way. And so they have to make real clear decisions there. But I think you will find less pressure on strained districts' budgets moving forward by being much more efficient in this area.

And just to be clear, we look at not just access here, but access to AP classes, access to college prep curriculum. Where we see disparate discipline, where we see disproportionate numbers of African-American and Latino young boys being suspended, we will challenge that status quo. And so we want to make sure children have a chance to fulfill their potential.

Mr. JACKSON. And therefore, the Department of Education and the Justice Department would then, I would imagine, or through your Department of civil rights, but probably the Justice Department, would then be prepared in the event that a school district resists moving school children in that direction to bring the appropriate legal actions under historical statutes?

I mean, it is clear to me that if I offered a proposal in this Congress or in a debate over the budget between Democrats and Republicans about providing a modern education for 60 million children, which includes one of these devices, that I am not going to be able to squeeze any blood out of this turnip. So I am preparing to go the legal route, based upon historical precedence, to ensure that every single child and every single school district has access.

Now that is where this is headed. It is clear because it is not coming from the Congress and not likely to come from the President's proposal. But I want to make sure that the Justice Department is going to be on the side of these kids in the event of such an action.

Secretary DUNCAN. I appreciate that. And again, we just launched this commission that I have a lot of respect for, and I will make sure this commission is looking specifically at this issue, of this new way, this transformative way of delivering instruction and content to young people.

Mr. JACKSON. Thank you.

Mr. REHBERG. Thank you.

If it rains any more, I won't see you any more down there.

Mrs. Lummis, welcome to the committee. If you have a question or if you would like to wait, I will ask one, go back to the Democrat side, and then ask you.

Mrs. LUMMIS. Mr. Chairman, thank you, if you would be so kind as to go back to the Democrat side.

Mr. REHBERG. I will go to me first, then I will go to the Democrat side.

Mrs. LUMMIS. Thank you.

Mr. REHBERG. All right. Great.

EDUCATION JOBS SAVED THROUGH STIMULUS FUNDING

If I remember correctly, and again, I don't know if it was your initiative or whose initiative it was, recommended to us last August a $10 billion emergency appropriation. And I am always interested in what the definition of stimulus is because my definition would be timely, and it would be targeted, and it would be transparent, and it would be temporary. And so far, a lot of that has not occurred. It was not necessarily targeted to something that would be stimulative to the economy, so frankly, it failed.

The definition was changed, of course, to jobs created to jobs created and saved. But we don't need to have that discussion today because I think the proof is out in the marketplace of America's political opinion, and that is, where are the jobs?

So the question is of the edu-jobs, the $10 billion that was so desperately needed so quickly, if I remember the reports correctly from recently, that 20 of the States haven't spent even 5 percent of their appropriated dollars and that only $2.5 billion of the $10 billion has been spent. So, again, what was the rush? Where was the time-

liness that was so absolutely critical to get out to save these jobs? And how does that fit into creating the economy that then is going to fund the rest of your budget as a result of an economy that hasn't turned around enough to pay for all of the requests that we are getting.

Secretary DUNCAN. So if you look at the Recovery Act and edujobs together, we have saved a couple hundred thousand teacher jobs around the country. And we can give you and are happy to provide to you State By State——

Mr. REHBERG. Saved permanently?

Secretary DUNCAN. Well, I don't know if it is for the next 50 years.

Mr. REHBERG. Really? Two years, 3 years, 4 years?

Secretary DUNCAN. We saved north of 300,000 teacher jobs where those teachers would have been in the unemployment lines rather than in classrooms.

Mr. REHBERG. Okay.

EDUCATION JOBS SAVED BY STIMULUS FUNDS—STATE BY STATE DATA

Secretary DUNCAN. And we will give you State-by-State data demonstrating what we did there. I think, had we seen in these very tough economic times a couple hundred thousand teachers in the unemployment lines, not able to make car payments and not able to make mortgage payments, that would have been a huge lag on the economy.

[The information follows:]

JOBS CREATED OR RETAINED UNDER THE RECOVERY ACT AND THE EDUCATION JOBS FUND

Below is a table providing, by State, the total number of jobs created or retained with funds from appropriations for Department of Education programs under the American Recovery and Reinvestment Act (Recovery Act) and from the Education Jobs Fund for the quarter ending December 31, 2010, as reported by recipients. Data are provided for each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, and each of the outlying areas. The number of jobs created or retained is reported on a full-time equivalent basis.

Please note that the total numbers of jobs created or retained below are for the reporting quarter only and are not cumulative across quarters; cumulative total numbers of jobs created or retained would be higher.

The Department is happy to provide break-outs of these State totals by program if requested.

Quarterly jobs reports for programs receiving Recovery Act funding, including State-specific and program-specific reports, are also available on the Department's website at http://www2.ed.gov/policy/gen/leg/recovery/spending/impact5.html.

Quarterly jobs reports for the Education Jobs Fund are available at http://www.educationjobsfund.gov/Pages/home.aspx.

STATE	NUMBER OF JOBS CREATED OR RETAINED
AK	518.02
AL	7,830.10
AR	2,779.98
AS	343.13
AZ	3,130.86
CA	37,003.66
CO	9,039.32
CT	10,300.67
DC	1,240.24
DE	605.46
FL	82,401.98
GA	31,427.64
GU	20.00
HI	2,871.20
IA	4,864.08
ID	6,369.06

STATE	NUMBER OF JOBS CREATED OR RETAINED
IL	29,620.93
IN	6,516.98
KS	6,044.73
KY	7,572.58
LA	16,190.84
MA	7,285.26
MD	1,430.18
ME	495.03
MI	27,969.39
MN	19,083.70
MO	12,352.36
MP	1,075.00
MS	8,590.36
MT	5,098.03
NC	38,474.11
ND	876.77
NE	4,384.14
NH	1,570.13
NJ	4,902.21
NM	2,589.78
NV	1,521.27
NY	66,071.68
OH	19,573.47
OK	9,274.47
OR	7,214.34
PA	8,798.75
PR	22,302.49
RI	733.01
SC	6,483.36
SD	2,328.12
TN	18,153.38
TX	42,113.89
UT	1,642.51
VA	7,791.63
VI	551.00
VT	561.09
WA	5,668.60
WI	12,928.38
WV	2,089.96
WY	379.36
Total	**639,048.67**

SLOW EXPENDITURE OF EMERGENCY STIMULUS FUNDS

Mr. REHBERG. Could I ask you to answer the question then, why have 20 States spent less than 5 percent if it was that critical for those States to have that money?

Secretary DUNCAN. So States are going through a very difficult time. And States are using some money last year, some money this school year, some money next school year. They are trying to cushion the blow. And I think States are making or districts are making rational decisions to use this money, over very tough budget times, to take whatever steps they can so we don't have this disastrous impact in education we would have had——

Mr. REHBERG. But it was sold to Congress as an emergency that it needed to be done in August. We got called back for the specific purpose of getting the money out the door.

Secretary DUNCAN. Yeah.

Mr. REHBERG. And with 20 States, less than 5 percent has been spent to this point.

Secretary DUNCAN. Way more than 100,000 jobs were saved from that, so that was real dollars, real teachers that, again, I don't think you nor I would want to have on the unemployment line. And Congress gave—Congress passed the law, not us, as you know. Congress gave States and districts the right——

Mr. REHBERG. And I laud you for the 100,000 jobs that were saved. My question is why was so little of the emergency money spent to this point?

Secretary DUNCAN. Again, that is not our decision how to spend it. Congress gave districts the authority to spend it over a period of time, and States and districts are exercising the authority that Congress gave them.

Mr. REHBERG. Thank you.

Ms. DeLauro.

I am sorry, Ms. Roybal-Allard. I apologize.

EDUCATIONAL TECHNOLOGY STATE GRANTS

Ms. ROYBAL-ALLARD. First of all, Mr. Secretary, let me associate myself with the comments that were voiced earlier by my colleague Barbara Lee about the impact of consolidation, competitive grants and the lack of earmarking, which in fact is going to result in very critical programs not being able to leverage the Federal dollars. That is a real reality. And one of the areas that I am concerned about in terms of consolidation is, again, the Administration's proposal to consolidate the Educational Technology State Grants program, which actually complements the $30 billion investment in broadband, Internet access and other technology for our Nation's classroom.

These grants have really been essential to State and local district efforts to coordinate technology purchases and train educators on how to use the technology, which is absolutely critical, because you could have technology in the classroom, but if teachers don't know how to use it, it is pointless.

I have seen the value of that in the Los Angeles Unified School District, where thousands of teachers have been trained to use it in hundreds of schools. So, without this dedicated Federal funding,

how do you expect financially strapped school districts to maintain their technology programs and ensure that educators can effectively use technology that will be made available to them.

Secretary DUNCAN. It is a thoughtful question. Let me just sort of give you my sense of where the country needs to go with technology. Technology up to this point has been exactly this siloed, stand alone investment and has not transformed how we educate children. So you can't just go to a technology class once a week and think that is going to get you where you need to go. Technology has to be infused in everything we do, in every subject matter, not just in high school but going down to kindergarten and preschool and first grade and all the way through. So we see technology as not an end in and of itself, but it is a means to an end to get much better outcomes in a comprehensive manner. So we want technology infused in STEM areas. We want technology infused in foreign language. We want technology infused in the arts. It is that larger vision that we are supporting. And we will get you information, but I guarantee you, at the end of the day, our total spending on technology will be more than that $100 million. But it has to be infused across the curriculum, not as a stand alone. I think that is what has been missing historically in the vision for education.

Ms. ROYBAL-ALLARD. I understand that, but as we are moving, for example, I know that there is $90 million that was in the Advanced Research Projects Agency. But a lot of what is being done is really looking to the future. And money is being shifted to accomplish the very things that you said, which no one would disagree that is the ultimate goal. But in the meantime, it is taking resources away from today's students and their teachers. So my concern is that we are going to lose a generation of kids because of this shift as we are looking to the future.

Secretary DUNCAN. I just disagree with that assumption. We are asking for a $2 billion increase in investments for students now.

COMPETITIVE GRANTS AND STATE FORMULA GRANTS

Ms. ROYBAL-ALLARD. But everything is competitive.

Secretary DUNCAN. Okay, everything, again, is not competitive. About 14 to 16 percent of the budget is competitive; 84 percent is not. And we are asking for increases in the basic formula programs. And I would argue, again, California for the first time raised standards, college and career standards. That is a massive breakthrough for the poor and minority children who have been desperately underserved in your State for far too long. Your mayor, your superintendent, your board chair and your union leaders all could not be more appreciative of what we did to help lead to higher standards for those children, and that is not for children tomorrow; that is for children today. That is trying to dramatically improve what is going on there.

School improvement grants to LA are having a huge impact on those dropout factories today; not future generations, those students who year after year after year we are losing from your schools to the streets. Your dropout rates in LA are amongst the highest in the country, a devastating reality, particularly among Hispanic and African-American children. We are challenging that reality every single day.

Ms. ROYBAL-ALLARD. I am still concerned about the gap that is being left, and I just very quickly—the example mentioned, Even Start has been mentioned several times. That is the only Federal program that integrates adult and child literacy and parenting education into a single program for low-income families. And how is that going to be filled or what guarantee is there that that program will be filled, because now it is a competitive grant? And again, these competitive grants usually go to organizations that have the capability of how to put a good graph together.

Mr. REHBERG. I will let you answer that very quickly, please.

Secretary DUNCAN. When we consolidate these programs, we are trying to get scarce resources to the communities that need the most help. And where there are desperately underserved communities, that is where we are making massively disproportionate investments in the children and the communities that need it the most.

Mr. REHBERG. Ms. Lummis.

Mrs. LUMMIS. Thank you, Mr. Chairman.

EDUCATION ROLE OF STATE OF WYOMING; OF FEDERAL GOVERNMENT

Secretary Duncan, thanks for coming to Wyoming. A couple years ago you saw firsthand, you know, I think a first-class State education system. We have, on an adjusted-cost basis, we spend more per student than any other State. And I think it shows in the quality of our schools, our classrooms; our commitment is pretty extraordinary. It is required by the Wyoming Constitution that the State be the driver for education. And I think we are fulfilling our constitutional obligation so, of course, I am a big advocate for State-driven and locally-driven education decisions.

Coming from that perspective, I hope that the direction of the U.S. Department of Education will be more oriented toward sharing best practices, helping districts that are out there achieve better results for kids, and not become a replacement for State and local control. And that is just an editorial comment.

Secretary DUNCAN. I absolutely concur.

Mrs. LUMMIS. Thank you, Mr. Secretary.

STUDENT LOAN PROGRAMS AND STUDENT AID ADMINISTRATION

So now I am going to go to a question on a bit of an another matter. I want to talk about the student loan program.

As you know, based on the Health Care and Education Reconciliation Act of 2010, all Federal student loans will now be administered through the Department of Education. The cost of subsidizing the loans is on the mandatory side of budget. But the cost of administering the Direct Student Loan program generally flows through this committee. Now I note that the Administration's fiscal year 2012 budget request for Student Aid Administration is nearly $1.1 billion. This is a 26 percent increase above the fiscal year 2011 CR level. That is $225 million more in 1 year.

It appears to me that the largest driver of the cost would be increases in what the Department calls other services, and that would be origination, disbursement, loan servicing activities. Those are the basic activities of any bank that is making similar loans.

Now I was on the budget committee when we went through this in last session of Congress. And we were told at the time that existing funds were sufficient to administer the program.

FEDERAL ADMINISTRATION OF DIRECT LOAN PROGRAM

So my question is this, why is an increase of this magnitude needed less than a year after the program was overhauled, and the Federal Government took it over from private banks? I just find this completely inconsistent with what we were told at the time as part of the rationale for the Federal Government doing something the private sector had been doing in my State extremely well.

Secretary DUNCAN. So what we tried to do from day 1 was, in times of scarce resources, to try to get maximum benefit for every single tax dollar that citizens from your State and from around the country are investing. And by removing the subsidies to the private sector and originating the loans ourselves, we were able to increase Pell Grants over the next decade by over $40 billion, $40 billion without going back to taxpayers for a nickel. And we think that is absolutely the right investment. We think it is the right thing to do to help many more young people around the country have a chance to go to college, have access to Pell Grants and not subsidize banks. And so——

Mrs. LUMMIS. Mr. Secretary, here is where I beg to differ, where it is going to cost taxpayers not only 1 nickel, but $225 million additional dollars is the proposal in the budget. So how can you say that? Where am I missing something here?

FEDERAL ADMINISTRATION OF DIRECT LOANS—PROJECTED SAVINGS

Mr. SKELLY. I think one issue is that you are in this committee dealing with discretionary appropriations, and there is an increase request for administrative costs of the student aid programs. But for that $225 million, over time you are going to save, according to CBO, you are going to save $67 billion over time. So it is a small investment to make in the administrative costs, where we do get other services from private-sector contractors to perform all those duties for us, but they do it under a contract, not under a level specified in the law.

Mrs. LUMMIS. But are you willing to admit that it is an increase to the taxpayers?

Mr. SKELLY. No, ma'am, it is a net big savings to the taxpayer to run the direct loan program, so it saves the Government billions and billions of dollars.

Secretary DUNCAN. I would argue, at a time when we are all trying to become more efficient and more effective, if you had more examples of where we could save the taxpayers $67 billion for an investment of $227 million, I think that is a quite a good value proposition for taxpayers who are really hurting today.

Mr. REHBERG. Ms. Lummis, I have been holding strictly to the 5-minute limit. I would be willing, after I call upon Ms. Lee, to yield my time to you.

Mrs. LUMMIS. Thank you, Mr. Chairman.

Ms. LEE. Thank you very much.

COMPETITIVE PROGRAMS IN 2012 EDUCATION BUDGET

Secretary Duncan, let me just go back to Congresswoman Roybal-Allard's point with regard to, maybe it is a perception that the Administration is overemphasizing competitive grants. You say 84 percent are formula-driven. But virtually, as I understand it, all of the Administration's proposed funding increases are funneled into competitive grant programs. Now there is a perception out there that that is the case. So I am not—but you say that that is not the case. So I would like for you to explain that in a bit more detail.

COMMUNITY GROUPS PARTICIPATION IN EDUCATION

Secondly, given the fact, and you didn't quite answer my previous question, so I want to ask you again, given the fact that there are no more earmarks, no more targeting Title I funds to those students with the greatest and schools with the greatest need and given this perception that all of the new funding now is geared toward competitive grants, are you looking internally at how you are going to help nonprofits and organizations that have been just totally—will be dismantled, which means our kids will lose out as a result of some of these policy decisions that you all have been making? I mean, are you sponsoring technical assistance for nonprofits in school districts that contract with or provide grants with nonprofits? I mean, just what are you all doing?

PERCENTAGE OF FORMULA GRANT FUNDING IN 2012 BUDGET

Also, explain this perception that your funding is going into competitive grants now, because that definitely is the perception. I was surprised to hear you say 84 percent is formula-driven.

Secretary DUNCAN. We can give you this precisely. And we would be happy to share that with you, but just very clearly, for IDEA Grants to States, we are asking for a $200 million increase, that is formula based; and $50 million for the Infants and Families with Disabilities States Grant program. For ESEA Title I, a $300 million increase. So those are just a couple of concrete examples.

[The information follows:]

PROPORTION OF K-12 FUNDING DELIVERED BY FORMULA AND COMPETITIVE GRANTS

The table on following page shows a comparison of the amount of funds in FY 2010 and the FY 2012 Budget devoted to Kindergarten-12 education programs that is delivered by formula grants and by competitive grant awards. Funding is grouped in three categories: ESEA programs, ESEA and IDEA-Special Education programs combined, and Career and Technical Education programs. Formula and competitive grants totals are shown for each category.

The combined total for each category is shown at the top of the table for FY 2010 and for the FY 2012 Budget Request. The total for all K-12 programs in the FY 2012 budget is $40.150 billion, comprised of $33.573 billion in formula grant programs and $6.576 billion in competitive grant programs. Based on these numbers, the proportion of K-12 programs funded through formula grants in the FY 2012 budget request is 84 percent.

Also shown on the table is the overall percentage that ESEA, and IDEA-Special Education programs represent of non-Pell Grant program discretionary appropriations requested for the Department of Education in FY 2012. For example, ESEA program funds requested represent 55 percent of the total of $48.8 billion in non-Pell Grant discretionary appropriations requested for FY 2012.

U.S. Department of Education

Proportion of K-12 funding delivered by formula

ESEA	25,073	26,767
ESEA & IDEA	37,660	39,598
All K-12	38,355	40,150

($ millions)	FY 2010		FY 2012 Request		FY 2010	FY 2012 Request
	Formula	Competitive	Formula	Competitive	% Formula	% Formula
College & Career-Ready Students (Title I, ELCF, Turnaround & Assessments)	14,903	546	15,212	950	96%	94%
Diverse Learners (e.g. EL, Migrant, Indian, Rural, Impact Aid)	2,766	137	2,741	166	95%	94%
Effective Teachers & Leaders	2,977	541	2,500	750	85%	77%
Well-Rounded Education & College Pathways	178	850	-	921	17%	0%
Supporting Student Success	-	1,541	-	1,781	0%	0%
Innovation (e.g. RTTT, i3 & Expanding Educational Options)	-	634	-	1,745	0%	0%
Total ESEA Programs	**20,824**	**4,249**	**20,453**	**6,313**	**83%**	**76%**
IDEA Part B	11,505	-	11,705	-		
IDEA Preschool	374	-	374	-		
IDEA Infants & Families	439	-	489	-		
National Activities	-	260	-	250		
Spec Olympics	8	-	8	-		
Best Buddies	-	-	-	5		
Total of ESEA & Special Education	**33,151**	**4,509**	**33,029**	**6,568**	**88%**	**83%**
Perkins & Tech Prep State Grants	688	-	544	-		
National Programs	-	8	-	8		
Total of ESEA, Special Education, and Career & Technical Education	**33,838**	**4,517**	**33,573**	**6,576**	**88%**	**84%**

ESEA % of non-Pell budget	***55%***	***26,767***
IDEA % of non-Pell budget	***26%***	***12,831***

Note 1: $600M in School Turnaround Grants counted above as Competitive are sent by formula to States and then competed to Districts
Note 2: Perkins & Tech Prep State Grants figure calculated by the 54% of appropriation that has gone to school districts vs. IHEs

COMMUNITY GROUP PARTICIPATION IN EDUCATION

But I will say again, whether it is the Investing in Innovation Fund, whether it is the Promise Neighborhoods initiative, those are all designed, or the after-school funding, they are all designed to encourage the participation of nonprofit social service agencies, faith-based institutions. We will continue to provide technical assistance to help them compete. It is a great point that you make to continue to try and let folks know what is available there.

The Promise Neighborhoods applicants, they can't come in just as a school; they have to come in with a community, and they have to come in with a set of relationships. And so we are really trying to incentivize and encourage those folks who are involved in the community. Because I think school systems and schools can't do this work by themselves.

IMPROVING THE GRANT APPLICATION PROCESS

Ms. LEE. Well, I think it is more than letting nonprofits and those who have been sort of—will be put out of business, you know, more than just letting them know what is available. It is about the process, making the process a bit less cumbersome to apply for some of these grants and also providing a road map or some assistance as to how they are going to achieve that match again, because like I say, a $250,000, $300,000 investment in an after-school program leverages $1.5 billion, $2 billion, so you have to not only tell them what is available, but you have to make the process a bit more friendly and also show them where they are going to pick up the rest of this money that they are going to lose as a result of your decision and this Administration's decision, no more earmarks.

Secretary DUNCAN. And so, again, I hear the concerns, and we will continue to try and offer technical assistance to help streamline it. As you know, I have also had a number of conversations with the head of the Community Foundation in Oakland, who I think is doing a great job of bringing the district nonprofit partners, the corporate community to the table.

I did a conference call with a number of funders who are interested in supporting the reform efforts that are going on in Oakland. And we will do everything we can to be a good partner and to bring entire communities behind this effort. And I think the work going on, particularly in Oakland, has great promise.

Ms. LEE. Sure, Mr. Secretary. I am extremely concerned naturally about my district in Oakland. But I am also concerned about the entire country.

And I do know, and I can speak very clearly about members of the Congressional Black Caucus, they share the same concerns. And so what you are doing in Oakland is great, and I really appreciate it, and we have a lot more to do. But I think somehow this needs to be institutionalized within your Department to help fill some of these huge gaps that are going to result now in some of these really badly needed educational efforts in many of our urban and rural communities.

Secretary DUNCAN. Thank you.

Mr. REHBERG. Thank you.

Ms. Lummis, you get the last question.

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

FEDERAL GOVERNMENT ADMINISTRATION OF DIRECT LOAN PROGRAM

I would like to point out that the Education Department did maintain a year ago that their budget at the time could absorb the cost of this. And now we are being asked for 225 million more taxpayer dollars, 26 percent above the fiscal year 2011 CR.

I would also point out that, while I heard you talking about, in an exchange with Mr. Chairman, about the jobs that you feel were saved, the teacher jobs that were saved by coming in and doing that emergency appropriation that we did in August, you look at this program, I know personally dozens, dozens of people who lost their jobs in the private sector because of the student loan program being moved from the private sector to the public sector.

And so it is hard for me to listen to an argument about how we had to come back here and spend all this money, of these taxpayers dollars, to save jobs in the public sector, while at the same time, we callously stole jobs from the private sector, so we could have a program that is run by Government that we now know is going to cost more than you told us a year ago it was going to cost. So I just find it disingenuous.

It is as if public sector jobs are somehow more important, more valuable than private sector jobs. And I would argue, Mr. Chairman, that quite the opposite is true. That private sector jobs are paying for public sector jobs to exist through their tax dollars and that the tax dollars that are taken from the pockets of public employees are taken from 100 percent taxpayer dollars paid to that salaried person. So I do think the economic analysis that you have made is only looking at one component of what we are doing by transferring jobs from the private sector to the public sector. We are not in the long run doing this Nation a favor.

And Mr. Chairman, I thank you for the opportunity to express that point of view.

Mr. REHBERG. Thank you.

Secretary DUNCAN. Can I express a counterpoint?

Mr. REHBERG. You certainly may.

SAVINGS GENERATED VERSUS COST OF ADMINISTERING DIRECT LOANS

Secretary DUNCAN. So, again, we may agree to disagree, but we actually still have nonprofit companies in the private sector helping to service student loans. But, again, if we would ask any American out there, if we could save $67 billion and help millions of more young people go to college and get a good education, have that be affordable, is that the right investment to make? I think you would be hard pressed to find folks that think that that is a bad investment. If we could save $67 billion with an investment of $225 million, and because of that have a much, much better educated workforce going forward, and have many young people's families who are struggling financially have access to college, I think that is exactly the type of work that we should be doing.

Mr. REHBERG. Mr. Duncan, I know you requested a hard finish at 12 o'clock, but Ms. DeLauro would like to ask an additional question. Would you grant her an additional 5 minutes?

Secretary DUNCAN. Absolutely.

Ms. DELAURO. Thank you very much, Mr. Secretary.

Yes, I think, of the number of rounds we have had, I think I have asked only a couple of questions, so I am going to take some time.

Just a couple of points. I would like to add that the big losers in moving to direct lending are the banks. And it would seem to me that the banks are doing pretty well. And you know what, we bailed them out to a "fare thee well"; it is time we bailed out those folks who are trying to get the kids to school, who are having a very, very tough time to do it.

ECONOMIC RECOVERY PROGRAM

I would also say that the economic recovery program was targeted. It was transparent. It was timely, and it was temporary, all of the points that the chairman spoke about. And so in fact, all States received the stabilization fund for their schools. And so there were dollars for Montana's schools, as well as $10 billion in Title I. And I have not been there recently, but others tell me, Mr. Chairman, that in Glacier National Park, there are a whole lot of signs that talk about the improvements they are doing that are a direct result of the economic recovery program.

BENEFITS OF EARLY CHILDHOOD EDUCATION PROGRAMS

Mr. Secretary, I have a question for you on early childhood education. I commend the increase in that effort and for the Early Learning Challenge Fund. I might add, I think this is important—I am not an expert in this and you may be more of one. But we have Dr. James Heckman, who is a Nobel prize winning economist who suggests that the non-academic education offered by high quality childhood education programs creates lifelong benefits. And we see that what happened in the Republican continuing resolution, was a cutback in Head Start funds of $1.1 billion. And that means that we have got youngsters, a couple hundred thousand youngsters who are never going to get the opportunity to get early education. Dr. Heckman also writes, "For high quality early childhood interventions, there are none of the tradeoffs between equity and efficiency that plague most public policies. Early interventions produce broadly based benefits, reduce social and economic inequality. They promote productivity and economic efficiency."

EARLY LEARNING CHALLENGE FUND

Let me ask you, the passage of the President's Early Learning Challenge Fund, how would it improve quality in early childhood programs, including Head Start, child care? What benefits would the enactment of the challenge grants offer? How will implementation be coordinated between the Department of Education and the Department of Health and Human Services? Beyond the Challenge Fund, what other initiatives would you support to expand our attention to kids in their earliest years?

Secretary DUNCAN. So we have had a fantastic working relationship with HHS. Secretary Kathleen Sebelius has been a wonderful partner. Her staff and my staff are joined at the hip. We actually have a joint committee working to gather information specifically around early childhood education. So this idea of silos or stovepipes

with the Departments, I think hopefully we prove time and time again that we are collaborating in a significant way.

Our goal is to do a couple of things: to dramatically increase access, particularly in disadvantaged communities, and to make sure it is high quality. So we would challenge communities, we would challenge States to step up to the plate with their high standards, whether working with children who need the most help, or the communities that have been the most underserved.

Again, if we are serious about closing the achievement gaps, we have to stop playing catch up. We have to stop doing remedial work, and the best way to do that is to have our children enter kindergarten with their literacy and socialization skills intact. I worry desperately about those children who haven't been read to, who don't know the front of a book from the back of a book. That is the toughest of jobs for our best kindergarten teachers to work in that situation. So when our 2- and 3- and 4-year-olds can have high quality programs, we have to do that.

I will just add one more statement that I am really concerned that in these tough budget times, many Governors are scaling back in early childhood programs. It is not just at the Federal level, and I challenged all those Governors last weekend to say that is the wrong cut to make. And you have to be creative at tough times, but to walk away from early childhood is cutting off your nose to spite your face.

Ms. DELAURO. Thank you.

SCHOOL IMPROVEMENT GRANTS FUNDS FOR HIGH SCHOOLS

Let me try to ask a very quick question here, which has to do with the School Improvement Grants in high schools. It is my understanding that an in-depth analysis of the grants shows that only about 13 percent of the funding goes to high schools, those that are most in need, and that is where we look at the 40 percent or more of students who don't reach their senior year.

I am concerned that when we see the drop-off after the economic recovery program funds, that these schools that are in need, there is going to be less emphasis placed on high schools. I just want to ask you about how the Department is going to make sure that the high schools receive at least a proportional share of the SIG funds? And would you entertain the proposition that high schools should receive a share of each State's SIG allocation that is, if you will, equal to the percentage of high school students attending low-performing high schools in the State?

Secretary DUNCAN. If we are not addressing the high school dropout factories, we are missing the boat. So we have to do that. I would just quickly add that so much of the creative work going on in New Haven, in your community, is extraordinarily exciting to me, and they are challenging the status quo in some pretty interesting ways, doing it with courage, working together and I think at lots of levels. The models we have seen there can help to inform the national conversation on this and other issues as well.

Ms. DELAURO. I know we will see you again, Mr. Secretary, so I haven't had a chance, because I wanted to talk about the model for teacher retention that was effective in New Haven and how all

pieces came together, but we will have another chance to talk about that and turn around models. Thank you very much.

Ms. LEE. Mr. Chairman.

Mr. REHBERG. As we discussed, I will ask that the members if they have additional questions, that they put them into the record and assume that they will be asked. And at this time, because of my time commitment as well, the hearing is adjourned.

[The following questions were submitted to be answered for the record:]

ESEA REAUTHORIZATION

Mr. Rehberg: If the Elementary and Secondary Education Act is not reauthorized by the time we mark up, how would you propose to distribute the funding in your budget proposal under the structure we are operating under in existing law?

Secretary Duncan: We understand that if ESEA reauthorization is not completed in a timely enough basis to coincide with your mark-up, you will need to mark up fiscal year (FY) 2012 appropriations under current law. The Department will forward an allocation of our 2012 request based on current law to you shortly.

GUIDANCE ON USE OF FEDERAL STIMULUS FUNDING

Mr. Rehberg: Should stimulus money be used for on-going activities or one-time funding; what is the Department's guidance on this and can you report to us how stimulus funding has actually been used by states and school districts?

Secretary Duncan: The Department has urged States and school districts to use funds from the American Recovery and Reinvestment Act (Recovery Act) consistent with four guiding principles: (1) spend funds quickly to save and create jobs; (2) improve student achievement through school improvement and reform; (3) ensure transparency, reporting, and accountability; and (4) invest one-time Recovery Act funds thoughtfully to minimize the "funding cliff." In our program-specific guidance, the Department has consistently noted that the Act provides a one-time infusion of new resources that should be invested in ways that do not result in unsustainable continuing commitments after funding expires.

That said, the Recovery Act authorizes new programs—such as the Race to the Top and Investing in Innovation programs—for which the Congress can provide subsequent appropriations. Recognizing the impact they are having on accelerating the pace of education reform in States and localities, the Administration's fiscal year 2012 request includes new funding for these programs, which we propose to codify in authorizing statute through the reauthorization of the Elementary and Secondary Education Act.

FEDERAL TRIO PROGRAMS—STUDENT SUPPORT SERVICES GRANTS

Mr. Simpson: Secretary Duncan, in my own District, 3,325 students – from sixth-grade through graduate study and including veterans – benefit from the Federal TRIO Programs, which play a critical role in moving students through the educational pipeline. However, TRIO programs have been under attack in rural areas. During last year's Student Support Services (SSS) grant competition, nearly 30 SSS programs in rural areas throughout the country – 9 percent of all

rural SSS programs that provided services to more than 6,000 students – lost their programs. Can you explain how the Administration's FY 2012 request will prevent further student losses in rural America?

Mr. Duncan: During last year's Student Support Services grant competition, a total of 92 applicants with prior experience did not get a new grant award – approximately 10 percent of the existing SSS projects that submitted an eligible application. Therefore, it would appear that if 9 percent of existing SSS projects in rural areas did not win new awards last year, that rate would be in line with what we saw across the program and that rural areas were not differentially affected. Additionally, in spite of the 92 applicants with existing grants who failed to effectively compete for new awards under the SSS program, 193 new applicants received awards, resulting in an increase of 101 projects and 6,000 students served by the program. We hope that the addition of these new grantees will raise the overall quality of the services provided to students, based on the judgment of our peer reviewers that these new grantees can do a better job in achieving the desired results. For FY 2012, the Administration has requested an additional $67 million in discretionary funding for TRIO, all of which is expected to be allocated to the FY 2012 Upward Bound program competition. Notably, in Upward Bound projects, it appears that students attending rural schools are being served at a higher rate relative to the proportion of low-income students in rural schools.

FEDERAL TRIO PROGRAMS – EDUCATIONAL OPPORTUNITY CENTERS

Mr. Simpson: Although my District hosts 12 different TRIO projects serving 3,325 students, my District does not have the benefit of the Educational Opportunity Center (EOC) program. It's my understanding that the Department of Education is currently preparing for the next grant competition for this program, yet has indicated its intention to cap the per-student expenditure at $300. I fear this will have a detrimental impact on rural areas – and will prevent students in isolated areas from receiving the services they desperately need, thus isolating them even further. Please explain the reasoning behind this decision by the Department?

Mr. Duncan: In developing the maximum funding levels and per participant costs for the FY 2011 competition, the Department, to the extent practicable, sought to: (1) equalize funding levels for all EOC grantees; (2) maintain current service levels; and (3) encourage grantees to coordinate project services with school-level partners and other community resources in order to carry out projects that are both cost-effective and best meet the needs of adult learners.

We know that 82 percent of currently-funded grantees have per-participant costs of less than $300. Based on the requirements for the competition, only 18

percent of currently-funded grantees would have to either request smaller grants or increase the number of participants they will serve. With current fiscal constraints, we are unable to allow grantees to substantially increase per-participant costs and maintain current service levels. To increase the per-participant cost to $400, for example, would reduce the number of individuals served by the EOC program by an estimated 82,635 individuals.

CAREER AND TECHNICAL EDUCATION

Mr. Simpson: Secretary Duncan, as you may know, my district is home to the Idaho National Laboratory, a premier nuclear and energy research laboratory. I frequently meet with leading energy and nuclear energy companies, and they have been consistently telling me the same thing over the years. We have a workforce shortage in the vocational and technical fields—for example welders, electricians and mechanical technicians to service our country's nuclear plants. Some nuclear companies are setting up their own training schools to train students for careers in these high-demand fields. While we all recognize the importance of going to college, a traditional 4-year bachelor's degree may not be the best fit for all of our Nation's youth. The median salary for an electrical or mechanical technician working for a nuclear plant is around $60,000—which is a great salary in my home state of Idaho. However, the President's budget request has reduced funding for the career and technical education under the Perkins Act, which helps to fund the development of vocational and technical programs. Can you tell me what the Department is doing to stimulate vocational and technical training and education to fill this gap in our workforce?

Secretary Duncan: Career and technical education (CTE) programs play an important part in helping prepare students for careers and in the pursuit of further education. While not every high school graduate will decide to seek a 4-year degree, many, including those who take CTE courses in high school, often go on to some form of postsecondary coursework or training. According to the National Center for Education Statistics report, *Career and Technical Education in the United States: 1990 to 2005*, students who had taken the most CTE courses in high school were more likely than not to enter the workforce directly after high school, but 70 percent of 1992 public high school graduates who had earned at least four CTE credits in high school had enrolled in postsecondary education by the year 2000. The Perkins Career and Technical Education Act supports programs that assists both students who will go immediately to postsecondary education and those who will enter the workforce right after high school, and provides funding to both secondary and postsecondary institutions that provide career and technical training.

CAREER AND TECHNICAL EDUCATION "PROGRAMS OF STUDY"

The Department has a key role in promoting best practices in CTE and in encouraging dissemination of good ideas among States. We routinely conduct

technical assistance and monitoring activities to help States implement the requirements of the Perkins Act and improve the quality of their programs. In addition, the Department has invested in activities to assist States in implementing the "programs of study" required under the Act. Programs of study are coherent sequences of non-duplicative CTE courses that progress from the secondary to the postsecondary level, include both rigorous and challenging academic and career and technical content, and lead to an industry-recognized credential, certificate, or degree at the postsecondary level. Because they require alignment between secondary and postsecondary coursework, as well as alignment with requirements for industry-recognized credentials or postsecondary degrees, we believe that they hold great promise for improving the quality of CTE programs across the country and helping all students graduate from high school college- and career-ready. Programs of study also help students understand the educational and training requirements for their chosen careers, and help them determine whether a high school credential is sufficient to pursue a career.

FY 2012 CAREER AND TECHINICAL EDUCATION BUDGET REQUEST

Finally, the Administration did make the difficult decision to request reduced funding for CTE in fiscal year 2012. But the President's budget would still provide $1 billion for States, school districts, and postsecondary institutions for upgrading CTE programs. Our decision was based in part on the need to allocate scarce resources to the highest-priority needs and in part on the fact that current CTE programs have not demonstrated strong results. To an extent this failure to demonstrate results is attributable to the fact that the current Perkins Act lacks strong accountability provisions, making it difficult for the Department to hold States accountable for their performance. During the next year we will work aggressively to develop a Perkins Act reauthorization proposal that provides for strengthened accountability and will also seek to take actions to help strengthen performance under the current statute.

EFFECTIVE TEACHING AND LEARNING FOR A COMPLETE EDUCATION INITIATIVE

Mr. Simpson: I have a number of hi-tech companies in my district, and we have been working closely with them on proposals to improve math and science education. Without strong math and science programs in our junior high and high-school programs, we will not have the educated workforce needed to stay competitive in today's global market. At the same time, I am concerned that we are moving focus away from other basic skills, such as reading, writing, communication and the Arts, in order to place all of our attention on math and sciences. What are we doing to provide a well-rounded education that will give students ALL of the skills they need to find jobs and succeed in the workplace after they graduate.

Secretary Duncan: Our FY 2012 budget request and Elementary and Secondary Education Act (ESEA) reauthorization proposal reflect the Administration's commitment to improving achievement in all academic subjects so that students are fully equipped with the skills needed to succeed in college and the workplace. Notably, our request includes $835 million for a new Effective Teaching and Learning for a Complete Education initiative that is designed to strengthen instruction across the core academic content areas and consists of three integrated components. The first, Effective Teaching and Learning: Literacy, would replace the patchwork of literacy programs in current law with a more comprehensive program supporting evidence-based, high-quality literacy projects aligned with college- and career-ready standards. The second, Effective Teaching and Learning: Science, Technology, Engineering, and Mathematics (STEM) would replace the Mathematics and Science Partnerships program with a more flexible authority to support projects that are designed to improve achievement in STEM subjects. The last, Effective Teaching and Learning for a Well-Rounded Education, would consolidate existing ESEA programs supporting projects in specific academic content areas (such as American history, the arts, civics and government, economics and financial literacy, and foreign language) into a single program that supports projects in a wide domain of subjects. Together, these three programs will allow school districts to tailor instruction to respond to local needs.

The President's FY 2012 request for each of these three programs is higher than the amount included in the FY 2011 continuing resolution for the currently operating programs they would replace.

RACE TO THE TOP AND COMPETITIVE GRANT PROGRAMS

Mr. Jackson: Secretary Duncan, as I was looking through your budget, I noticed an increased emphasis on a number of competitive grant programs like Race to the Top and the Teacher Incentive Fund. It seems to me that when you place a greater emphasis on Federal education funding based on a competitive system, that you create winners and losers. And when you are talking about the education of American children throughout this country--there should never be losers. EVERY child deserves a top notch education.

Do you believe that the greater emphasis that you and the President propose in your FY 2012 budget for competitive programs will provide adequate funds to school districts that serve the neediest children and may not have the resources or staff to compete through grant proposals?

Secretary Duncan: We have long relied, and continue to rely, on our large multi-billion-dollar formula grant programs to provide significant supplemental education funding to school districts that serve the neediest children. This is why programs like the nearly $15 billion ESEA, Title I Grants to Local Educational Agencies allocate funds wholly or primarily on the basis of counts of poor

children. What has too often been lacking is meaningful results from that assistance, and that's why providing incentives for innovation and better performance is so important. Investing a modest portion of Federal education dollars in competitive grants gives us the opportunity to demonstrate, promote, and test cutting-edge ideas for transformational reforms in such areas as teacher effectiveness, turning around low-performing schools, literacy and STEM education, and improving school safety and climate.

DEPARTMENT OF EDUCATION IMPLEMENTATION AND SUPPORT UNIT

I share your concern, however, about ensuring a level playing field for school districts and schools that may not have the resources or staff needed to prepare successful competitive grant proposals. This is why we are working hard, in part through a new, cross-cutting Implementation and Support Unit within the Department, to provide high-quality technical assistance and other support where needed.

PROGRAMS FOR SCHOOLS AND CHILDREN MOST IN NEED

Mr. Jackson: Aside from the $300 million for Title I rewards in high poverty LEAs and the $600 million for School Turnaround Grants, how can you ensure that resources will get to schools and children that need it the most?

Secretary Duncan: Our FY 2012 budget request maintains and, as you noted with regard to Title I and School Turnaround Grants, even increases funding for large formula-based programs that are designed to ensure that funds are allocated to school districts and schools that have high concentrations of poor students and that face the greatest challenges in helping those students meet State academic achievement standards. In the case of School Turnaround Grants, funding is even more focused on schools and students with the greatest need for support; under our reauthorization proposal, funds would be awarded to schools that rank in the bottom 5 percent of schools in each State based on student achievement (and, at the high school level, graduation rates) and that are not improving. Additionally, our new competitive programs, in literacy, STEM, and other subjects, would be designed specifically to serve high-need students.

The President's budget would also maintain targeted support for students who have special needs, including migrant students, Native Americans, English Learners, homeless students, and students who reside in institutions for the neglected and delinquent. Each of these programs has statutory provisions that ensure that funds reach schools and students who have need for the assistance, and the Department's ESEA reauthorization proposal would further strengthen the targeting of those funds.

Finally, on December 15 of last year the Department published in the Federal Register a notice of supplemental priorities and definitions that describes our priorities for competitions across the Department's programs. Among the priorities included in the notice are priorities for accelerating learning and improving high school graduation rates and college enrollment rates for high-need students, rural students, English Learners, and students in high-poverty schools. We intend to use these priorities aggressively in competitions, so as to ensure that more funds reach schools and students who are most in need of services.

ENSURING LOW-INCOME STUDENTS SUCCEED AND COMPLETE POSTSECONDARY EDUCATION

Mr. Jackson: Mr. Secretary, I am grateful that the President's Budget recognizes the importance of TRIO and the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) in his quest to ensure that by 2020, the United States will again have the highest proportion of college graduates in the world.

During my tenure on this subcommittee, I have made TRIO and GEAR UP a priority because it prepares low-income and first-generation college students for the rigors of college and helps them to graduate. I have met with many of the colleges in my state of Illinois and throughout my district that explain that these programs are providing a great service for many young people going to college, many of them the first in their family.

What more does the Department of Education plan to do to ensure that low-income students succeed and complete postsecondary education beyond receiving the maximum Pell Grant Award and through programs like TRIO and GEAR UP?

Secretary Duncan: Students from low-income backgrounds are more likely to study part-time due to work and family obligations, have inadequate high school preparation for college level work, delay enrollment, and take longer to earn a degree. Currently, only 60 percent of students earn a degree within 6 years of enrolling in higher education institutions and that percentage is even lower for students from low-income backgrounds. To address the unique needs of low-income students and close the achievement gap, we need to spur the field to come up with innovative solutions, build evidence of what works through rigorous evaluations, and scale up and disseminate those strategies that prove successful.

FIRST IN THE WORLD COMPETITION

The FY 2012 budget request includes $123 million for the first year of the First in the World (FITW) competition under the Fund for the Improvement of Postsecondary Education, which would apply the lessons of the Investing in Innovation (i3) program to the challenge of improving college completion,

particularly for low-income students. Funds for FITW would be used to encourage innovative approaches to improving college completion, build the evidence of effectiveness needed to identify successful strategies, and scale up and disseminate strategies we already know are successful. The FITW competition would address several issues of critical importance for improving outcomes for low-income individuals. In the first year of the competition, priority would be given to projects that demonstrate the potential to reduce the net price paid by students, improve learning outcomes, reduce time to degree, reduce instructional costs, or improve college access or completion rates.

AID FOR INSTITUTIONAL DEVELOPMENT AND HISPANIC-SERVING INSTITUTIONS PROGRAMS

The budget also reflects a total of $651 million in combined discretionary and mandatory funds for the Aid for Institutional Development programs and a total of $239 million in discretionary and mandatory funds for the Aid for Hispanic-serving Institutions programs, which are designed to strengthen institutions of higher education that serve high percentages of minority students and students from low-income backgrounds. In order to receive funds under any of these programs, an institution must have an enrollment of needy students, which is defined as, "(1) At least 50 percent of its degree students received financial assistance under one or more of the following programs: Federal Pell Grant, FSEOG, FWS, or the Federal Perkins Loan Programs; or (2) the percentage of its undergraduate degree students who were enrolled on at least a half-time basis and received Federal Pell Grants exceeded the median percentage of undergraduate degree students who were enrolled on at least a half-time basis and received Federal Pell Grants at comparable institutions that offer similar instruction."

CCAMPIS PROGRAM FUNDING

In addition, the 2012 budget requests $16 million for the Child Care Access Means Parents in School (CCAMPIS) program to support the participation of low-income parents in postsecondary education through the provision of campus-based child care services. The CCAMPIS program helps to ensure that low-income student parents enroll in, persist in, and complete postsecondary education by helping to meet their needs for affordable and convenient child care. Funds would be used to support or establish campus-based child care programs primarily serving the needs of low-income students, to subsidize the costs of child care for low-income students, and to establish programs involving parents.

STEM EDUCATION AND SCIENCE TEACHERS

Mr. Jackson: Mr. Secretary, I would like to commend the President and your continued support of STEM education programs. According to a study released earlier this year by Michael Berkman and Eric Plutzer of Penn State

University which was covered widely in the news, only 28 percent of High School Biology teachers teach evolution correctly.

In the Department of Education Budget brief, you propose a $26 million increase to support professional development, student assessment and instructional materials and $80 million under the proposed Teacher and Leader Pathway program to prepare and recruit 100,000 new Science, Technology, Engineering, and Math (STEM) teachers in the next 10 years. How do you plan to utilize these programs and resources to enhance teacher training in the STEM areas where we currently fall short?

Secretary Duncan: The Department of Education is committed to supporting the Administration's goal of recruiting and preparing 100,000 effective and highly effective STEM teachers over the next 10 years.

STEM TEACHER PREPARATION

The Department would reserve $80 million under the proposed Teacher and Leader Pathways program to hold a competition for new grants to States, local educational agencies (LEAs), institutions of higher education, and nonprofit organizations to train STEM teachers. The Teacher Pathways program would support the creation or expansion of high-quality traditional and alternative pathways into the teaching profession, with an emphasis on partnerships and on increasing the number of effective and highly effective teachers serving in schools and LEAs that are high-need or low-performing and in high-need subjects.

This emphasis on STEM teacher preparation reflects the Administration's commitment to promoting excellence in STEM throughout our education system, and will complement other proposed activities, including the Effective Teaching and Learning for a Complete Education initiative and the Investing in Innovation program. Within the proposed Effective Teaching and Learning for a Complete Education initiative, the Effective Teaching and Learning: STEM program would support comprehensive, evidence-based efforts to improve instruction and achievement in STEM subjects. As part of their efforts, States and school districts could use funds under this program to recruit, prepare, and develop individuals with STEM expertise to teach in high-need schools.

COMPETITIVE GRANTS VERSUS FORMULA GRANTS FEDERAL EDUCATION FUNDING

Ms. Lee: Do you anticipate any change within your Department that will result in a de-emphasis on the heavy concentration on competitive grant applications?

Secretary Duncan: The vast majority of Federal elementary and secondary education funds in our request would continue to be allocated through

longstanding formula-based programs, and we remain committed to key formula grant programs such as Title I, Part A Grants to Local Educational Agencies under the Elementary and Secondary Education Act and Special Education Part B Grants to States under the Individuals with Disabilities Education Act, as the "foundation" of Federal support for students, teachers, schools, school districts, and States. Our FY 2012 budget request includes a $300 million increase for Title I Grants to LEAs, a $200 million increase for Special Education Grants to States, and maintains funding for other formula programs targeting at-risk populations.

The goal of our competitive grant programs is to build on this foundation by promoting transformational change in States and school districts. We know that the status quo is not good enough, especially for at-risk populations, and that is why our request includes competitive programs such as Race to the Top, Investing in Innovation, and the Early Learning Challenge Fund.

SUPPORT FOR FORMULA AND COMPETITIVE PROGRAMS

Ms. Lee: Given the scenario I just outlined, how do you respond and what institutional responses exist to what appears to be a deficiency in the formula grant application process?

Secretary Duncan: Funds appropriated through formula programs are awarded to States and school districts based on provisions detailed in authorizing statutes. Allocations under such Programs as Title I Grants to LEAs are driven primarily by poverty and population data from the Census Bureau. States and LEAs generally are able to meet the requirements for the receipt of those funds, including submitting applications and ensuring that the funds are spent on authorized activities. The Department provides technical assistance to the States and LEAs in applying for formula grants, implementing the programs, and meeting reporting and other accountability requirements.

PELL GRANTS – COLLEGE COMPLETION TOOLKIT

Ms. Lee: The President's budget proposes "suspending the two Pell Grant provision effective the 2011-2012 award year." Will the Department of Education continue to examine ways to help students complete their degrees more quickly in a fiscally responsible way?

Secretary Duncan: The Department is always interested in finding ways to assist students in completing their program of study, and in a timely manner. Last week the Department presented the College Completion Toolkit, which provides seven proven strategies that Governors should consider to raise college completion rates. It provides specific examples from States that have implemented these practices already, as well as resources for more information or data. Also, the College Completion Incentive Grants program, included in the

Pell Grant Protection Act, provides financial incentives to States to set and meet goals for college completion with its public and other higher education institutions, particularly to meet goals that help low-income students.

PROPOSED ELIMINATION OF "TWO PELLS" PROVISION

Ms. Lee: Can you provide some perspective on the potential adverse effect your limitation will have on the sub-population of students who pursue their studies during the spring and summer school sessions?

Secretary Duncan: The overriding goal in making the tough choice to eliminate the "Two Pells" provision was to maintain the $5,550 grant for everyone. If the Pell Grant program is funded at the requested level and none of the changes proposed in the Pell Grant Protection Act are made (including the elimination of the "Two Pells" provision) students would only be eligible to receive a maximum grant of $3,570 in award year 2011-2012. We believe allowing the maximum award to be cut is of greater detriment to Pell Grant recipients, particularly since it affects all recipients.

IMPACT ON PELL GRANTS OF H.R. 1 – THE FY 2011 HOUSE FULL-YEAR CONTINUING APPROPRIATIONS BILL

Ms. Lee: Pell Grant recipients already borrow more than non-recipients. Would Pell Grant cuts like those in H.R.1 force students to drop out of college or take on more debt?

Secretary Duncan: H.R.1 would reduce grants to all students by $845 and completely eliminate the availability of a Pell Grant for about 10,000 students. It would be logical to assume these students would then be forced to either find alternatives to pay for their education (one alternative, of course, would be to take on student loan debt), or leave school altogether.

PELL GRANT PROGRAM – ELIGIBILITY LIMITS

Ms. Lee: Given concerns about abuse and fraud associated with the Pell Grant program, is it possible to track where students are in their eligibility for Pell Grants over the course of time they are in school; and the extent to which they use their benefits if they transfer to multiple institutions of higher learning?

Secretary Duncan: Current eligibility limits, established in the Higher Education Opportunity Act, say that after July 1, 2008 students cannot receive grants for more than 18 semesters or its equivalent. The Department is able to track recipients' awards, even if they transfer schools or drop out of school and return later. Students are prohibited from receiving Pell Grants at more than one institution simultaneously.

PELL GRANTS AND CAREER EDUCATION PROGRAMS

Ms. Lee: What is the Obama Administration doing to ensure that Pell Grant dollars are not being wasted on over-priced, ineffective programs that are funded nearly entirely by Federal taxpayer-funded student aid? This is a particular concern at career education programs with rapid increases in enrollment, aggressive recruiting, and where almost all students are borrowing.

Secretary Duncan: The gainful employment regulations seek to ensure that all Title IV aid goes to students to receive a useful education. These rules are intended so that, for instance, programs designed for a specific recognized occupation notify students about the program's graduation rate, graduates' employment, and costs of attendance; as well as ensuring that students have an ability to benefit from the program's training.

INCOME-BASED REPAYMENT PLAN

Ms. Lee: What is the Department doing to let struggling borrowers know about the Income-Based Repayment (IBR) Plan?

Secretary Duncan: On Federal Student Aid's Student Aid on the Web page, students are able to find basic IBR information, including a question and answer sheet that has been recently updated, the advantages and disadvantages to entering into the IBR repayment plan, and a calculator to estimate a borrower's payments in the IBR program. There is also a link directing borrowers on how to apply. At the Student Aid on the Web site, individuals can also easily access information on other repayment plans, and assistance options for struggling borrowers.

SPECIAL EDUCATION

Ms. Lee: Is it correct to assume that as our country continues to grapple with a prohibitively expensive war in Iraq and Afghanistan, that we will be unable to increase the percentage share of budget resources to achieve the desired percentage spending amount of 40 percent.

Secretary Duncan: The Administration is committed to increasing support for programs under the Individuals with Disabilities Education Act (IDEA) that assist States in meeting the educational needs of children with disabilities, even in fiscally challenging times. The President's FY 2012 Budget includes a $200 million increase for Special Education Grants to States, as well as a $50 million increase for Grants to Infants and Families, over the annualized FY 2011 Continuing Resolution level. The proposed increase for Grants to States would maintain Federal funding as a share of the average per pupil expenditure at 17 percent. The Department believes that the requested funds would help States and districts cover the excess costs associated with providing special education and

related services to children with disabilities and would help ensure that students with disabilities are prepared for college and careers, and productive, independent adult lives. An increase of $16.8 billion, for a total of $28.3 billion for the Grants to States program, would be required to fund this program at the maximum level authorized by the IDEA.

FREE APPLICATION FOR FEDERAL STUDENT AID

Ms. Lee: Is the Department working with the IRS and White House to allow applicants to transfer their W-2 or other information to simplify the application for all students?

Secretary Duncan: The Department piloted an IRS data retrieval process for the 2009-10 award year where Title IV student aid applicants and parents of dependent applicants can transfer certain tax return information from the IRS website directly to their Free Application for Federal Student Aid (FAFSA). The Department is now working with the IRS to expand and enhance this process. The data retrieval process for initial and renewal applications will include a Spanish version, address user authentication errors, and allow users to correct tax information on the web. The Department expects these changes to significantly increase the number of applicants who successfully utilize the automated process, which, in combination with the removal of several data elements from the FAFSA as proposed in the President's FY 2012 Budget request, would simplify the application considerably.

CIVIC EDUCATION

Ms. Lee: As teachers face ever-increasing pressure to teach-to-the-test, how can we ensure that the vital mission of civic education -- education that focuses on the role of the individual in society-- is not lost?

Secretary Duncan: The President and I recognize that our Nation must ensure that American students receive a well-rounded curriculum, including high-quality civic education, in order to produce an informed citizenry that is prepared to vote and participate in civil society. Last October, I spoke to the American Bar Association Litigation Section about this and shared some troubling statistics, including the fact that fewer than half of all Americans can name the three branches of government. In the last National Assessment of Educational Progress test for Civics, only one in five eighth graders was proficient in civics and government.

Our proposal to reauthorize the Elementary and Secondary Education Act goes much further than existing law in supporting a well-rounded curriculum. In the place of several small, sometimes narrowly targeted, programs that focus on specific subject areas, we have proposed a new Effective Teaching and Learning for a Well-Rounded Education program, for which we have requested $246

million in 2012, that would make competitive awards to support effective and innovative practices to improve student achievement across academic content areas, including civics and government. This comprehensive approach would give States and districts the resources and flexibility to identify effective and innovative practices and focus resources to where they are most needed.

EDUCATION RESOURCES TO TEACH CIVICS AND GOVERNMENT

Ms. Lee: Is the Department of Education willing to commit resources to promoting programs that teach students about the importance of human rights and helps them to take on appropriate roles in the work of creating a more just and peaceful world?

Secretary Duncan: The Department is committed to helping States and districts better prepare students to participate in the world community. Through the Effective Teaching and Learning for a Well-Rounded Education program, for which $246 million is requested in fiscal year 2012, the Department would support effective and innovative practices to improve teaching and learning across academic content areas, including civics and government, history, foreign languages, geography, and economics, all of which are critical to ensuring that American students are prepared to understand and participate in the world community.

EFFECTIVE TEACHING AND LEARNING: STEM PROGRAM

Creating a better world requires not only investments in civil society and foreign languages but also in science and mathematics. The United States has played a leadership role in improving the lives of people throughout the world by investing in scientific and technological advances in health, agriculture, energy, and manufacturing. The Administration has requested $206 million in fiscal year 2012 for the proposed Effective Teaching and Learning: STEM program that would support States and districts in their efforts to improve student achievement across science, technology, engineering, and mathematics (STEM) subjects, especially in high-need local educational agencies. In addition, the Administration is requesting to set aside $80 million in fiscal year 2012 from the funds requested for the new Teacher and Leader Pathways program for projects to prepare effective STEM teachers and would also support STEM projects through the 2012 request for the Investing in Innovation program and the new Advanced Research Projects Agency-Education, which would promote advancements in STEM-related educational technology.

By preparing the next generation of American students to pursue advances in science, technology, engineering, and mathematics, the United States is also ensuring that we have the human capital necessary to meet global challenges with innovative solutions.

PARTICIPATION OF NON-PROFIT ORGANIZATIONS IN THE TEACHING OF CIVICS AND GOVERNMENT

Ms. Lee: Would the Department consider working with organizations that have created curricula focused on promoting human rights and civic participation, i.e. the Speak Power to Truth curriculum?

Secretary Duncan: Under the Administration's proposal for Effective Teaching and Learning for Well-Rounded Education, nonprofit organizations, including those focused on promoting human rights and civic participation, would be eligible to submit applications, in partnership with one or more high-need LEAs, for funding under this program to support the development and expansion of innovative practices to improve teaching and learning across a well-rounded curriculum. In awarding grants, the Department would be authorized to give priority to applicants that propose to: (1) integrate teaching or learning in one or more academic content areas, including the arts, health education, physical education, foreign languages, civics and government, history, geography, environmental education, and economics and financial literacy, with reading, English language arts, or science, technology, engineering, or mathematics instruction; (2) establish articulation agreements with postsecondary programs for continued instruction in an academic subject; or (3) achieve State-wide impact in one or more States. The Department could also give priority to proposals that are supported by the strongest available evidence.

FRIDAY, MARCH 11, 2011.

DEPARTMENT OF HEALTH AND HUMAN SERVICES FISCAL YEAR 2012 BUDGET REQUEST

WITNESS

HON. KATHLEEN SEBELIUS, SECRETARY, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. REHBERG. Welcome. Good morning. We will deal today with the budget of the Department of Health and Human Services, and we appreciate and look forward to the opportunity to hear from and question Secretary Sebelius.

My committee and personal staff and I have reviewed this budget at some length, and as have the members of the committee and their staffs. At first glance the overall discretionary spending seems to be slightly reduced from fiscal year 2011, but on closer examination we see that this gives a false impression.

First we see that several mandatory appropriations in Obamacare augment this discretionary request, resulting in greater spending levels. In addition, we see that funds from the so-called stimulus have been directed to many of these programs, significantly raising the level of funding, and the Department now apparently seeks to turn those temporary spending levels into permanent increases in the baseline levels of spending. This is what we feared.

With the nearly $1,000,000,000,000 stimulus, we learned after the fact that the stimulus bill was full of dollars that did not stimulate, money that simply supported more and more government programs at higher and higher levels. Also, we see that in this budget, the Department has even requested money for new programs, or has only provided limited justification or explanation for its action in the requests.

At times it seems that some people almost think of this as some sort of a game: Bump up the baseline through stimulus, add new programs, cut a few, then freeze at the higher levels. We all want a good health care system, and we all have one, but through the Obamacare legislation, we have $2,600,000,000,000 in new spending, creating new entitlement programs, and our national debt is climbing at an alarming rate to dangerous levels with the continued $1,000,000,000,000-plus deficits.

When are we going to realize that this is not a question of whether we can afford all that some want government to do? It is the reality that we cannot afford what government already does. Do we have to have another economic meltdown before we see that reality?

Just by looking at the numbers and the trend, in using our common sense we can see that we are on a path to financial ruin if we don't stop borrowing and spending. And looking at this budget,

I question whether the administration gets it. Why? I am not sure. It is staring us in the face. You don't have to be in business, be an accountant, an economist, a mathematician or a fortune teller to understand this. You don't have to be a pilot to know if the plane you are in is diving towards the ground with nobody trying to prevent a crash, you are in big trouble.

We are at the point where we must make hard choices, so there is a heavy burden on the Department today to justify what it is asking for.

Mr. REHBERG. Ms. DeLauro.

Ms. DELAURO. Thank you very, very much, Mr. Chairman, and welcome, Madam Secretary. It is a pleasure to have you before the committee this morning, and we will have a wonderful opportunity to discuss the budget request.

And let me just say to you how much I support your mission and the good work that you are doing at Health and Human Services. You know, HHS is our principal agency for protecting the health of all Americans and providing essential human services, and the work of the agency has always reflected our Nation's priorities and the highest moral obligation of our government—providing health care services, educating our children, advancing scientific research for the cures of tomorrow.

I want to reflect on the budget and on health care where you seek to lower health care costs for American families. In that regard the budget request builds on the many cost-cutting reforms that we passed last year in the Affordable Care Act. I am glad to see that, unlike the majority's resolution, this budget continues to move us forward on health care. On the well-being of our children, your budget is really strong, and I want to thank you for that.

As with Secretary Duncan's budget for the Department of Education, which we discussed yesterday, this request also emphasizes the vital importance of early learning and determining child outcomes, and unlike the majority's budget, it makes important investments in child care and in Head Start.

I cannot stress the importance of Head Start enough. For more than 45 years, Head Start has provided comprehensive child development, literacy and family services to over 27 million preschoolers from low-income and working-poor families. Nearly 1 million children and their families are served every year. It is unquestionably the most effective early childhood development program ever developed, and I am glad to see this continued critical investment.

On the Administration on Aging, I appreciate that although you do not propose an overall increase, you have several good initiatives, including one on elder justice. This is in contrast to what we find in the majority's budget, which would cut the Administration on Aging and impact several nutrition programs, potentially eliminating up to 10 million new meals delivered to the homebound elderly.

I am pleased that, unlike the budget put forward by the majority here in the House, this request invests in continued medical research at the National Institutes of Health, instead of a $1,600,000,000 cut. Every dollar invested in the NIH has more than a twofold return on investment, creating jobs, stimulating the local economy, by working to improve the health of Americans. And

as a cancer survivor who has felt firsthand the power of this research—I am here because of the grace of God and by medical research—I know that this research has the power to save lives, and I can't thank you enough for the commitment to that future.

Thanks to NIH research, the prognosis for a woman diagnosed with breast cancer has improved greatly over the past 25 years. The cure rate for childhood leukemia is now 80 percent. We have seen the approval of the cervical cancer vaccine. And though one in six men will be diagnosed with prostate cancer, the translation of research has improved the survival rate to just over 99 percent. The death rates from cardiovascular disease have dropped nearly 70 percent in the last 30 years, all of this due in large part to NIH research. Imagine, a $1,600,000,000 cut.

So, as a whole there is much I agree with in this request. To take another example, I strongly support the move to decrease the stigma of mental health services by recognizing their value in community health centers and primary care. This is a move that is long overdue. Just last week the administration released a report that, among other alarming estimates, noted that not even one in three women experiencing depression has seen a mental health professional in the last 12 months. There is a health center in my State of Connecticut that is leading the way in this kind of integration, and I hope to hear more about how it can help our constituents' health, their pocketbooks, and their quality of life.

I do have some concerns about some of the cuts in the budget request, particularly with regard to the Low-Income Energy Home Assistance Program, which so many families in my area rely on, and on the Community Service Block Grant. I voted against a proposal by the majority to eliminate the Community Service Block Grant, but I also disagree with the 50 percent reduction that the President's budget proposes. I believe these cuts will have harmful consequences for American families, our workforce, and the economy.

I am also concerned with the proposed elimination of the Children's Hospital Graduate Medical Education. This is a critical, modest investment we make as a Nation to ensure we are training the next generations of physicians that will take care of our children.

I hope we will have an opportunity to discuss those issues today. We have much to talk about.

With that in mind, thank you so much for being here this morning, and look forward to hearing your testimony.

Thank you, Mr. Chairman.

Mr. REHBERG. Thank you.

Mr. REHBERG. And we welcome you to this hearing.

I thank you for the quick briefing on the tsunami and your responsibilities and response. If the committee has any questions, they can certainly ask you the same questions that I did, but I thank you for that, and at this time we will welcome your opening statement.

Secretary SEBELIUS. Thank you, Mr. Chairman and Ranking Member DeLauro, and members of the subcommittee.

It is good to be with you today. I briefly told the chairman that our medical evacuation team is standing by, working closely with

FEMA, waiting for the call from Hawaii if needed. So we are mobilized and ready to go. And as I also indicated to the Chairman, we are waiting to see what the aftermath in Japan will be, but certainly our thoughts and prayers are with those folks and the people who are, like the Chairman's parents, waiting to see what happens in Hawaii.

I also want to recognize the hospitality of the Chairman in this room with the quote from Hubert Humphrey. I work in the Hubert Humphrey Health and Human Services Building. And the quote from Dwight Eisenhower, as a Governor of Kansas, Dwight Eisenhower as the only Kansas President, I feel right at home. So thank you for having me here today.

In the President's State of the Union Address, he outlined his vision for how the United States can win the future by out-educating, out-building, and out-innovating the world so that we can give every family and business the chance to thrive. And our 2012 Budget is a blueprint for putting that vision into action. It makes investments for the future that will grow our economy and create jobs.

But the Budget also recognizes that we can't build lasting prosperity on a mountain of debt. Years of deficits have put us in a position where we need to make some tough choices in order to invest for the future. We need to live within our means. So in developing this Budget, we looked closely at every program in our Department, cut waste, redesigned programs with a focus on results, and in some cases cut programs we wouldn't have cut in better fiscal times.

So I look forward to answering your questions, but first I want to share some of the highlights.

Our entire Budget for our Department is just under $80,000,000,000, and this committee oversees $72,000,000,000 of that. Now, over the last year, we have worked around the clock with our partners in Congress and States to deliver on the promise of the Affordable Care Act. Thanks to the law, children are no longer denied coverage because of their preexisting health conditions. Families have new protections with the Patient's Bill of Rights, and business owners are beginning to get some relief from soaring health costs. Seniors have lower-cost access to prescription drugs and preventive care.

We continue to build on this progress by supporting innovative new models of care that improve patient safety and quality, while reducing the burden of rising health costs on families, businesses, cities and States, and we make new investments in our health care workforce. And particularly, the Budget supports workforce diversity programs that help students from disadvantaged backgrounds achieve their dreams of becoming health professionals. And because we know these students are more likely to return home to practice in underserved areas, these investments also make sure that more Americans can see a doctor when they need one.

When you add new investments in community health centers, this Budget makes quality, culturally competent, affordable care available to millions more Americans across the country. At the same time, the Budget includes additional proposals to strengthen Medicare and Medicaid by improving program integrity, promoting

lower medicine costs and investing in the health-information technology.

To make sure America continues to lead the world in innovation, our budget also increases funding for the National Institutes of Health. New frontiers of research like cell-based therapies and genomics have the promise to unlock transformative treatments and cures for diseases ranging from Alzheimer's to cancer to autism.

Our Budget will allow the world's leading scientists to pursue these discoveries while keeping America at the forefront of biomedical research, and because we know there is nothing more important to our future than the healthy development of our children, our budget includes significant increases in funding for child care and Head Start. Science shows that success in school is significantly enhanced by high-quality, early learning opportunities. That makes these some of the wisest investments we can make as a Nation.

But our Budget does more than provide additional resources. We also aim to raise the bar on quality by supporting key reforms to transform the Nation's child care system into one that fosters healthy development and gets children ready for school. We propose a new Early Learning Challenge Fund, a partnership with the Department of Education that promotes State innovation in early education. These initiatives, coupled with the quality efforts already under way in Head Start, are an important part of the education agenda that helps every American child reach his or her academic potential and make America more competitive.

Our Budget also recognizes that at a time when so many Americans are making every dollar count, we need to do the same, and that is why we provide new support for President Obama's unprecedented push to stamp out waste, fraud and abuse in our health care system, an effort that far more than pays for itself, returning a record $4 billion to taxpayers in 2010 alone.

In addition, the Budget includes a robust package of administrative improvements for Medicare and Medicaid. These proposals enhance repayment scrutiny, expand auditing, increase penalties for improper action, strengthen CMS' ability to implement corrective action, and address state activities that increase Federal spending. Over 10 years they will deliver a minimum of $32 billion in savings.

So across our Department we have made eliminating waste, fraud and abuse a top priority, but we know that is not enough. So for the past few months we have also gone through our budget program by program to find additional savings and opportunities where we can make our resources grow further. We have abolished a grant program which was duplicative of the health law that was passed last year. We have had CDC funding consolidated so that the funding for different diseases is now going in a comprehensive grant to States to give them more flexibility to address chronic disease more effectively.

The President's 2012 Budget makes tough choices and smart, targeted investments today so we can have a stronger, healthier and more competitive America tomorrow. That is what it will take to win the future, and that is what we are determined to do.

Thank you again, Mr. Chairman, for having me here today, and I look forward to answering your questions.

Mr. REHBERG. Thank you, Secretary.

[The information follows:]

STATEMENT OF

KATHLEEN SEBELIUS

SECRETARY

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

ON

THE PRESIDENT'S FISCAL YEAR 2012 BUDGET

BEFORE THE

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

COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

March 11, 2011

Testimony of
Secretary Kathleen Sebelius
U.S. Department of Health and Human Services
before the
United States House of Representatives
Committee on Appropriations
Subcommittee on Labor, Health and Human Services, Education, and Related Agencies
March 11, 2011

Chairman Rehberg, Ranking member DeLauro, and Members of the Subcommittee, thank you for the invitation to discuss the President's FY 2012 Budget for the Department of Health and Human Services (HHS).

In President Obama's State of the Union address he outlined his vision for how the United States can win the future by out-educating, out-building and out-innovating the world so that we give every family and business the chance to thrive. His 2012 budget is the blueprint for putting that vision into action and making the investments that will grow our economy and create jobs.

At the Department of Health and Human Services this means giving families and business owners better access to health care and more freedom from rising health costs and insurance abuses. It means keeping America at the cutting edge of new cures, treatments and health information technology. It means helping our children get a healthy start in life and preparing them for academic success. It means promoting prevention and wellness to make it easier for families to make healthy choices. It means building a health care workforce that is ready for the 21st century health needs of our country. And it means attacking waste and fraud throughout our department to increase efficiency, transparency and accountability.

Our 2012 budget does all of this.

At the same time, we know that we can't build lasting prosperity on a mountain of debt. And we can't win the future if we pass on massive debts to our children and grandchildren. We have a responsibility to the American people to live within our means so we can invest in our future.

For every program we invest in, we know we need to cut somewhere else. So in developing this budget, we took a magnifying glass to every program in our department and made tough choices. When we found waste, we cut it. When we found duplication, we eliminated it. When programs weren't working well enough, we reorganized and streamlined them to put a new focus on results. When they weren't working at all, we ended them. In some cases, we cut programs we wouldn't in better fiscal times.

My discretionary budget is slightly below the 2010 level. Within that total we cover the increasing costs of ensuring the safety of our food supply, providing medical care to American Indians and Alaska Natives, managing our entitlement programs, investing in early childhood, and advancing scientific research. We contribute to deficit reduction and meet the President's freeze to non-security programs by offsetting these investments with over $5 billion in targeted reductions. These reductions are to real programs and reflect tough choices. In some cases the reductions are to ineffective or outdated programs and in other areas they are cuts we would not have made absent the fiscal situation.

The Budget proposes a number of reductions and terminations in HHS.

- The Budget cuts the Community Services Block Grant in half, a $350 million reduction, and injects competition into grant awards.
- The Budget cuts the Low Income Home Energy Assistance Program by $2.5 billion bringing it back to the 2008 level appropriated prior to energy prices spikes.
- The Budget eliminates subsidies to Children's Hospitals Graduate Medical Education focusing instead on targeted investments to increase the primary care workforce.
- The Budget reduces the Senior Community Services Employment Program by $375 million, proposes to transfer this program from the Department of Labor to HHS, and refocuses the program to train seniors to help other seniors.

The Budget also stretches existing resources through better targeting.

- The Budget redirects and increases funding in CDC to reduce chronic disease. Rather than splitting funding and making separate grants for heart disease, diabetes, and other chronic diseases, the Budget proposes one comprehensive grant that will allow States to address chronic disease more effectively.
- The Budget redirects prevention resources in SAMHSA to fund evidence-based interventions and better respond to evolving needs. States and local communities will benefit from the additional flexibility while funds will still be competed and directed toward proven interventions.

These are the two goals that run throughout this budget: making the smart investments for the future that will help build a stronger, healthier, more competitive, and more prosperous America, and making the tough choices to ensure we are building on a solid fiscal foundation.

The budget documents are available on our website. But for now, I want to share an outline of the budget, including the areas of most interest to this Committee, and how it will help our country invest in, and win, the future.

That starts with giving Americans more freedom in their health care choices, so they can get affordable, high-quality care when they need it.

TRANSFORM HEALTH CARE

Expanding Access to Coverage and Making Coverage More Secure: The Affordable Care Act expands access to affordable coverage to millions of Americans and strengthens consumer protections to ensure individuals have coverage when they need it most. These reforms create an important foundation of patients' rights in the private health insurance market and put Americans in charge of their own health care. As a result, we have already implemented historic private market reforms including eliminating pre-existing condition exclusions for children; prohibiting insurance companies from rescinding coverage and imposing lifetime dollar limits on coverage; and enabling many adult children to stay on their parent's insurance plan up to age 26. The Affordable Care Act also established new programs to lower premiums and support coverage options, such as the Pre-Existing Condition Insurance Plans Program and the Early Retiree

Reinsurance Program. The Act provides Medicare beneficiaries and enrollees in most private plans access to preventative services free of charge. Medicare beneficiaries also have increased access to prescription drugs under Medicare Part D by closing the coverage gap, known as the "donut hole," by 2020 so that seniors no longer have to fear being unable to afford their prescriptions. The Act also provides for an annual wellness visit to all Medicare beneficiaries free of charge.

Beginning in 2014, State-based health insurance Exchanges will create affordable, quality insurance options for many Americans who previously did not have health insurance coverage, had inadequate coverage, or were vulnerable to losing the coverage they had. Exchanges will make purchasing private health coverage easier by providing eligible consumers and small businesses with "one-stop-shopping" where they can compare a range of plans. New premium tax credits and cost-sharing reductions will also increase the affordability of coverage and care. The Affordable Care Act will also extend Medicaid insurance to millions of low-income individuals who were previously not eligible for coverage, granting them access to affordable health care.

Ensuring Access to Quality, Culturally Competent Care for Vulnerable Populations: The Budget includes $3.3 billion for the Health Centers Program, including $1.2 billion in mandatory funding provided through the Affordable Care Act Community Health Center Fund, to expand the capacity of existing health center services and create new access points. The infusion of funding provided through the Affordable Care Act, combined with the discretionary request for FY 2012, will enable health centers to serve 900,000 new patients and increase access to medical, oral, and behavioral health services to a total of 24 million patients.

Reducing Health Care Costs: New innovative delivery and payment approaches will lead to both more efficient and higher quality care. For example, provisions in the Affordable Care Act designed to reduce health care acquired conditions and preventable readmissions will both improve patient outcomes and reduce unnecessary health spending. The Innovation Center, in coordination with private sector partners whenever possible, will pursue new approaches that not only improve quality of care, but also lead to cost savings for Medicare and Medicaid. Rate adjustments for Medicare providers and insurers participating in Medicare Advantage will promote greater efficiency in the delivery of care. Meanwhile, new rules for private insurers, such as medical loss ratio standards and enhanced review of premium increases, will lead to greater value and affordability for consumers.

Combating Healthcare Associated Infections: HHS will use measures related to heathcare-associated infections for hospital value-based purchasing beginning in FY 2013, as called for in the Affordable Care Act. The FY 2012 Budget includes $86 million – of which $20 million is funded in the Prevention and Public Health Fund Prevention Trust Fund - to the Agency for Healthcare Research and Quality (AHRQ), the Centers for Disease Control and Prevention (CDC), and the Office of the Secretary to reduce healthcare-associated infections. In FY 2012, HHS will continue research on health-care associated infections and tracking infections through the National Healthcare Safety Network. HHS will also identify and respond to new healthcare-associated infections by conducting outbreak and epidemiological investigations. In addition, HHS will implement, and ensure adherence to, evidence-based prevention practices to eliminate healthcare-associated infections. HHS activities, including those that the Innovation Center sponsors, will further the infection reduction goals of the Department's Action Plan to Prevent Healthcare-Associated Infections. HHS has made progress in reducing HAIs. For instance, in

2009, an estimated 25,000 fewer Central line-associated blood stream infections (CLABSIs) occurred among patients in ICUs in the United States than in 2001 (a 58% reduction). Progress in reducing CLABSIs highlights the preventability of these infections, and HHS will continue to support HAI prevention in collaboration with States and facility partners.

Health Services for 9/11 Terrorist Attacks: To implement the James Zadroga 9/11 Health and Compensation Act, the FY 2012 Budget includes $313 million in mandatory funding to provide medical monitoring and treatment to responders of the September 11, 2001 terrorist attacks and initial health evaluations, monitoring, and treatment to others directly affected by the attacks. In addition to supporting medical monitoring and treatment, HHS will use funds to establish an outreach program for potentially eligible individuals, collect health data on individuals receiving benefits, and establish a research program on health conditions resulting from the terrorist attacks.

ADVANCE SCIENTIFIC KNOWLEDGE AND INNOVATION

Accelerating Scientific Discovery to Improve Patient Care: The Budget includes $32.0 billion for the National Institutes of Health (NIH), an increased investment of $745 million over the FY 2010 enacted level, to support innovative basic and clinical research that promises to deliver better health and drive future economic growth. In FY 2012, NIH estimates it will support a total of 36,852 research project grants, including 9,158 new and competing awards.

Recent advances in the biomedical field, including genomics, high-throughput biotechnologies, and stem cell biology, are shortening the pathway from discovery to revolutionary treatments for a wide range of diseases, such as Alzheimer's, cancer, autism, diabetes, and obesity. The dramatic acceleration of our basic understanding of hundreds of diseases; the establishment of NIH-supported centers that can screen thousands of chemicals for potential drug candidates; and the emergence of public-private partnerships to aid the movement of drug candidates into the commercial development pipeline are fueling expectations that an era of personalized medicine is emerging where prevention, diagnosis, and treatment of disease can be tailored to the individual and targeted to be more effective. To help bridge the divide between basic science and therapeutic applications, NIH plans to establish in FY 2012 the National Center for Advancing Translational Sciences (NCATS), of which one component would be the new Cures Acceleration Network. With the creation of NCATS, the National Center for Research Resources will be abolished and its programs transferred to the new Center or other parts of NIH.

Advancing Patient-Centered Health Research: The Affordable Care Act created the Patient-Centered Outcomes Research Institute to fund research and get relevant, high quality information to patients, clinicians and policy-makers so that they can make informed health care decisions. The Patient-Centered Outcomes Research Trust Fund will fund this independent Institute, and related activities within HHS. In FY 2012, the Budget includes $620 million in AHRQ, NIH and the Office of the Secretary, including $30 million from the Trust Fund, to invest in core patient-centered health research activities and to disseminate research findings, train the next generation of patient-centered outcomes researchers, and improve data capacity.

Advancing Health Information Technology: The Budget includes $78 million, an increase of $17 million, for the Office of the National Coordinator for Health Information Technology (ONC) to accelerate health information technology (health IT) adoption and promote electronic health records (EHRs) as tools to improve the health of individuals and transform the health care

system. The increase will allow ONC to assist health care providers in becoming meaningful users of health IT.

ADVANCE THE HEALTH, SAFETY, AND WELL-BEING OF THE AMERICAN PEOPLE

Enhancing the Quality of Early Care: The Budget provides $6 billion in combined discretionary and mandatory funding for child care. These resources will enable 1.7 million children to receive child care services. The Administration also supports reforms to the child care program to serve more low-income children in safe, healthy, and nurturing child care settings that are highly effective in promoting early learning; supports parental employment and choice by providing information to parents on quality; promotes continuity of care; and strengthens program integrity and accountability Additionally, the President's Budget includes $8.1 billion for Head Start, which will allow us to continue to serve 968,000 children in 2012. The Administration is also working to implement key provisions of the Head Start Reauthorization, including requiring low-performing programs to compete for funding, that will improve program quality. These reforms and investments at HHS, in conjunction with the Administration's investments in the Early Learning Challenge Fund, are key elements of the broader education agenda designed to help every child reach his or her academic potential and improve our Nation's competitiveness.

Preventing and Treating HIV/AIDS: The Budget supports the goals of the National HIV/AIDS Strategy to reduce HIV incidence, increase access to care and optimize health outcomes for people living with HIV, and reduce HIV-related health disparities. The request focuses resources on high-risk populations and allocates funds to State and local health departments to align resources to the burden of the epidemic across the United States. The Budget includes $2.4 billion, an increase of $85 million, for HRSA's Ryan White program to expand access to care for persons living with HIV/AIDS who are otherwise unable to afford health care and related support services. The Budget also includes $858 million for domestic HIV/AIDS Prevention in CDC, an increase of $58 million, which will help CDC decrease the HIV transmission rate; decrease risk behaviors among persons at risk for acquiring HIV; increase the proportion of HIV infected people who know they are infected; and integrate services for populations most at risk of HIV, sexually transmitted diseases, and viral hepatitis. In addition, the Budget proposes that up to one percent of HHS discretionary funds appropriated for domestic HIV/AIDS activities, or approximately $60 million, be provided to the Office of the Assistant Secretary for Health to foster collaborations across HHS agencies and finance high priority initiatives in support of the National HIV/AIDS Strategy. Such initiatives would focus on improving linkages between prevention and care, coordinating Federal resources within targeted high-risk populations, enhancing provider capacity to care for persons living with HIV/AIDS, and monitoring key Strategy targets.

Addressing the Leading Causes of Death and Disability: Chronic diseases and injuries represent the major causes of morbidity, disability, and premature death and contribute to the growth in health care costs. The Budget aims to improve the health of individuals by focusing on prevention of chronic diseases and injuries rather than focusing solely on treating conditions that could have been prevented. Specifically, the Budget includes $705 million for a new competitive grant program in CDC that refocuses disease-specific grants into a comprehensive program that will enable health departments to implement the most effective strategies to address the leading causes of death. Because many chronic disease conditions share common risk factors, the new program will improve health outcomes by coordinating the interventions that

can reduce the burden of chronic disease. In addition, the allocation of the $1 billion available in the Prevention Fund will improve health and restrain the growth of health care costs through a balanced portfolio of investments. The FY 2012 allocation of the Fund builds on existing investments and will align with the vision and goals of the National Prevention and Health Promotion Strategy under development. For instance, the CDC Community Transformation Grants create and sustain communities that support prevention and wellness where people live, learn, work and play through the implementation, evaluation, and dissemination of evidence-based community preventive health activities.

Preventing Substance Abuse and Mental Illness: The Budget includes $535 million within the Substance Abuse and Mental Health Services Administration (SAMHSA) for new, expanded, and refocused substance abuse prevention and mental health promotion grants to States and Tribes. To maximize the effectiveness and efficiency of its resources, SAMHSA will deploy mental health and substance abuse prevention and treatment investments more thoughtfully and strategically. SAMHSA will use competitive grants to identify and test innovative prevention practices and will leverage State and Tribal investments to foster the widespread implementation of evidence-based prevention strategies through data driven planning and resource dissemination.

Supporting Older Adults and their Caregivers: The Budget includes $57 million, an increase of $21 million over FY 2010, to help seniors live in their communities without fear of abuse, and includes an increase of $96 million for caregiver services, like counseling, training, and respite care, to enable families to better care for their relatives in the community. The Budget also proposes to transfer an Older Americans Act program that provides community service opportunities and job training to unemployed older adults from the Department of Labor to HHS. As part of this move, a new focus will be placed on developing professional skills that will enable participants to provide services that allow fellow seniors to live in their communities as long as possible.

Pandemic and Emergency Preparedness: While responding to the H1N1 influenza pandemic has been the focus of the most recent pandemic investments, the threat of a pandemic caused by H5N1 or other strains has not diminished. HHS is currently implementing pandemic preparedness activities in response to lessons learned from the H1N1 pandemic in order to strengthen the Nation's ability to respond to future health threats. Balances from the FY 2009 supplemental appropriations are being used to support recommendations from the HHS Medical Countermeasure Review and the President's Council of Advisors on Science and Technology. These multi-year activities include advanced development of influenza vaccines and the construction of a new cell-based vaccine facility in order to quickly produce vaccine in the U.S., as well as development of next generation antivirals, rapid diagnostics, and maintenance of the H5N1 vaccine stockpile.

The HHS Medical Countermeasure Review described a new strategy focused on forging partnerships, minimizing constraints, modernizing regulatory oversight, and supporting transformational technologies. The request includes $665 million for the Biomedical Advanced Research and Development Authority, to improve existing and develop new next-generation medical countermeasures and $100 million to establish a strategic investment corporation that would improve the chances of successful development of new medical countermeasure technologies and products by small and new companies. The Budget includes $70 million for FDA to establish teams of public health experts to support the review of medical

countermeasures and novel manufacturing approaches. Additionally, NIH will dedicate $55 million to individually help shepherd investigators who have promising, early-stage, medical countermeasure products. Finally, the Budget includes $655 million for the Strategic National Stockpile to replace expiring products, support BioShield acquisitions, and fill gaps in the stockpile inventory.

STRENGTHEN THE NATION'S HEALTH AND HUMAN SERVICE INFRASTRUCTURE AND WORKFORCE

Strengthening the Health Workforce: A strong health workforce is key to ensuring that more Americans can get the quality care they need to stay healthy. The Budget includes $1.3 billion, including $315 million in mandatory funding, within HRSA, to support a strategy which aims to promote a sufficient health workforce that is deployed effectively and efficiently and trained to meet the changing needs of the American people. The Budget will initiate investments that will expand the capacity of institutions to train over 4,000 new primary care providers over five years.

Health Workforce Diversity: As part of these health workforce investments, the Budget also includes $163 million at HRSA for Health Workforce Diversity programs to improve the diversity of the Nation's health workforce and improve care to vulnerable populations. This funding will support training programs and scholarship opportunities to students from disadvantaged backgrounds enrolled in health professions and nursing programs.

Expanding Public Health Infrastructure: The FY 2012 Budget supports State and local capacity so that health departments are not left behind. Specifically, the Budget requests $73 million, of which $25 million is funded in the Prevention Fund, for the CDC public health workforce to increase the number of trained public health professionals in the field. CDC's experiential fellowships and training programs create an effective, prepared, and sustainable health workforce to meet emerging public health challenges. In addition, the Budget requests $40 million in the Prevention Fund to support CDC's Public Health Infrastructure Program. This program will increase the capacity and ability of health departments to meet national public health standards in areas such as information technology and data systems, workforce training, and regulation and policy development.

INCREASE EFFICIENCY, TRANSPARENCY, AND ACCOUNTABILITY OF HHS PROGRAMS

Strengthening Program Integrity: Strengthening program integrity is a priority for both the President and myself. The Budget includes $581 million in discretionary funding, a $270 million increase over FY 2010, to expand prevention-focused, data-driven, and innovative initiatives to improve CMS program integrity. The Budget request also supports the expansion up to 20 Strike Force cities to target Medicare fraud in high risk areas and other efforts to achieve the President's goal of cutting the Medicare fee-for-service error rate in half by 2012. The proposed ten year discretionary investment yields $10.3 billion in Medicare and Medicaid savings, a return of about $1.5 for every dollar spent. In addition, the Budget includes a robust package of program integrity legislative proposals to expand HHS program integrity tools and produce $32.3 billion in savings over ten years.

In addition, the Affordable Care Act provides unprecedented tools to CMS and law enforcement to enhance Medicare, Medicaid, and Children's Health Insurance Program (CHIP) program integrity. The Act enhances provider screening to stop fraudsters from participating in these programs in the first place, gives the Secretary the authority to implement temporary enrollment moratoria for fraud hot spots, and increases law enforcement penalties. Additionally, the continued implementation of the Secretary's Program Integrity Initiative seeks to ensure that every program and office in HHS prioritizes the identification of systemic vulnerabilities and opportunities for waste and abuse, and implements heightened oversight.

Implementing the Recovery Act: The American Recovery and Reinvestment Act provides $138 billion to HHS programs as part of a government-wide response to the economic downturn. HHS-funded projects around the country are working to achieve the goals of the Recovery Act by helping State Medicaid programs meet increasing demand for health services; supporting struggling families through expanded child care services and subsidized employment opportunities; and by making long-term investments in health information technology (IT), biomedical research and prevention and wellness efforts. HHS made available a total of $118 billion to States and local communities through December 31, 2010; recipients of these funds have in turn spent $100 billion by the same date. Most of the remaining funds will support a signature Recovery Act program to provide Medicare and Medicaid incentive payments to hospitals and eligible health care providers as they demonstrate the adoption and meaningful use of electronic health records. The first of these Medicaid incentive payments were made January 5, 2011. More than 23,000 grantees and contractors of HHS discretionary programs have to submit reports on the status of their projects each calendar quarter. These reports are available to the public on Recovery.gov. For the quarter ending December 31, 2010, 99.6 percent of the required recipient reports were filed timely. Recipients that do not comply with reporting requirements are subject to sanction.

CONCLUSION

This Budget is about investing our resources in a way that pays off again and again. By making smart investments and tough choices today, we can have a stronger, healthier, more competitive America tomorrow. This testimony reflects just some of the ways that HHS programs improve the everyday lives of Americans.

Under this Budget, we will continue to work to make sure every American child, family, and senior has the opportunity to thrive. And we will take responsibility for our deficits by cutting programs that were outdated, ineffective, or that we simply could not afford. But, we need to make sure we're cutting waste and excess, not making across the board, deep cuts in programs that are helping our economy grow and making a difference for families and businesses. We need to move forward responsibly, by investing in what helps us grow and cutting what doesn't.

My department can't accomplish any of these goals alone. It will require all of us to work together. I look forward to working with you to advance the health, safety, and well-being of the American people. Thank you for this opportunity to speak with you today. I look forward to our conversation.

SECRETARY OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES KATHLEEN SEBELIUS

Kathleen Sebelius was sworn in as the 21st Secretary of the Department of Health and Human Services (HHS) on April 28, 2009. As Secretary, she leads the principal agency charged with keeping Americans healthy, ensuring they get the health care they need, and providing children, families, and seniors with the essential human services they depend on. She also oversees one of the largest civilian departments in the federal government, with nearly 80,000 employees. Since taking office, Secretary Sebelius has been a leader on some of the Obama administration's top priorities. As the country's highest-ranking health official, she has been a powerful voice for reforming our health insurance system. She has also been charged by the President with coordinating the response to the 2009 H1N1 flu virus. And under her leadership, HHS has provided a wide range of services from health care to child care to energy assistance to help families weather the worst economic crisis since the Great Depression.

Secretary Sebelius has answered President Obama's call to form partnerships across government to improve the lives of Americans. She is the Co-Chair, with Secretary Vilsack, of the President's Food Safety Working Group. With Attorney General Holder, she chairs the new Health Care Fraud Prevention and Action Team (HEAT). She has teamed up with Secretary Duncan improve early childhood education. As part of President Obama's "Year of Community Living," she is working with Housing and Urban Development Secretary Shaun Donovan to improve the lives of seniors and people with disabilities who wish to live at home.

Secretary Sebelius has been a leader on health care, family, and senior issues for over 20 years. As Governor of Kansas from 2003 to 2009, she fought to create jobs, improve access to affordable health care, and give every Kansas child a quality education. In 2005, Time Magazine recognized her achievements by naming her one of America's Top Five Governors.

Before being elected Governor, she served from 1995 to 2003 as the first Democrat to be elected Kansas Insurance Commissioner. In that role, she was recognized as a strong advocate for consumers while streamlining the Department's budget. For her efforts, Governing Magazine selected her as their Public Official of the Year for 2000. Prior to her service as Insurance Commissioner, she was a member of the Kansas House of Representatives from 1987 to 1995.

Secretary Sebelius is the first daughter of a governor to be elected governor in American history. She holds a Master of Public Administration degree from the University of Kansas and a Bachelor of Arts degree from Trinity Washington University. She is married to Gary Sebelius, a federal magistrate judge. They have two sons, Ned and John.

COMMUNITY HEALTH CENTERS

Mr. REHBERG. My apologies to ranking Member DeLauro. I didn't do it exactly correctly yesterday. I am still learning on the job, and so I understand I cannot defer to somebody else for the first question, I have to do it myself or defer to you, and that was a mistake. And then I thought we went back and forth between the Democrat and Republican side, and that is not necessarily true. So I have learned from my lessons yesterday, and hopefully we will run a better meeting today.

So I get to ask the first question. I have brought a chart along. Some of us, myself included, are hearing from the community health centers of these devastating cuts that are occurring to the community health center, and I would like you to look at this chart and tell me if any of these numbers are incorrect. I don't believe they are, because they are actually your numbers. Do you see any discrepancy in the numbers?

Secretary SEBELIUS. Mr. Chairman, I cannot accurately answer that question. I need to look at a budget number.

Mr. REHBERG. Discretionary appropriations, the enacted was in fiscal 2010 $2 billion approximately.

Secretary SEBELIUS. I know H.R. 1 cut it by $1 billion. I think that is an accurate number.

Mr. REHBERG. Yes. And this number down here is the affordable health care, which is Obamacare in our minds, added $1 billion. Did you get that billion dollars in fiscal 2011, or will you get that billion dollars in fiscal 2011?

Secretary SEBELIUS. Well, Mr. Chairman, as you know, you and others have voted to repeal the Affordable Care Act. That is the law of the land currently.

Mr. REHBERG. The law of the land currently is you are going to get that billion dollars?

Secretary SEBELIUS. That is correct.

Mr. REHBERG. All right. So there is no cut in community health centers.

Secretary SEBELIUS. Well, the will of the Congress is still remaining to be seen. H.R. 1 and the House vote would repeal that billion dollars. So the budget actually in H.R. 1 is $1,000,000,000 lower.

Mr. REHBERG. You know as well as I do that we cannot take the mandatory funding. That would be legislating on an appropriations bill, and this subcommittee did not legislate. We did not take that billion-dollar mandatory away.

Secretary SEBELIUS. If the Affordable Care Act is repealed, Mr. Chairman, that billion dollars would be repealed with it.

Mr. REHBERG. But as of today, under current law, you are going to get the additional billion dollars, so there is no cut in community health centers; is that correct?

Secretary SEBELIUS. We don't have a 2011 budget, so it is impossible for me to answer what is going on. H.R. 1 proposes to cut our funding by $1,000,000,000 below what our 2010 funding would be. That cut is what is proposed. Whether that will end up being the 2011 budget, I can't tell you. We don't have a 2011 budget, as you know.

Mr. REHBERG. So the question is, if H.R. 1 goes through as this chart shows, there will be no reduction in community health centers. If it goes through as the continuing resolution passed the House, there will be no reduction in community health centers.

Secretary SEBELIUS. Mr. Chairman, the House has taken two actions: H.R. 1, which does cut community health centers; and a vote to repeal the Affordable Care Act, which funds community health centers by an additional billion dollars. So if you assume the Affordable Care Act stays in place, and H.R. 1 would leave that as a flat line, but H.R. 1 as a budget proposal cuts our 2010 allocation by $1,000,000,000 for community health centers.

Mr. REHBERG. As the current law exists—I can only speak for the Appropriations Committee, not the authorization committee of the legislation—from an appropriations standpoint, if these numbers are true, is there a reduction in community health centers?

Secretary SEBELIUS. Well, again, we do not have a budget, so I cannot answer that question.

Mr. REHBERG. The answer is no. There is no cut. There is no reduction, because if you get $1,000,000,000 of mandatory funding from Obamacare, it replaces the billion dollars we took of discretionary. Otherwise, with no changes, you would have gotten $3,000,000,000 instead of $2,000,000,000.

Secretary SEBELIUS. Well, Mr. Chairman, as you know, H.R. 1 also prohibits our staff from implementing any features of the Affordable Care Act. So those dollars that are appropriated in the Affordable Care Act for community health centers, the grants that would have to be outlaid, the draw down of those funding would be prohibited by another feature of H.R. 1.

Mr. REHBERG. Are you using mandatory funding for the implementation within the Department?

Secretary SEBELIUS. Mr. Chairman, when the resources for the Affordable Care Act fall within an existing service, and this one is within our agency of HRSA, we do not have additional new staff to do that. We have the HRSA staff who would implement that. We read, and our lawyers read, the Affordable Care Act amendment as H.R. 1 to prohibit our staff, including ongoing staff, from implementing any features of the Affordable Care Act. We could not put out grants. We couldn't design a program. We couldn't put the money out. So, indeed, the billion dollar cut would take place because that money could not be appropriated.

Mr. REHBERG. So you are suggesting at this time that all activity on the implementation of Obamacare has stopped within the Department?

Secretary SEBELIUS. No, sir. H.R. 1 is not the law. I am suggesting that this committee has voted to not only defund $1,000,000,000 through repealing the Affordable Care Act, but you also through H.R. 1, have suggested that we can't implement any feature of the Affordable Care Act. So, even if the Affordable Care Act stays the law of the land, if indeed H.R. 1 becomes part of the operating instructions for the 2011 budget, we cannot implement that billion dollars. We cannot put that money out into new health care centers around the country.

Mr. REHBERG. Thank you. We will obviously talk further in the second round of questioning.

Ms. DeLauro.

Ms. DELAURO. Just to repeat this, in the Secretary's answer—the question, that is—you kind of can't have it both ways, all ways, whatever ways you want to have this—is that there is no budget for 2011, and with the continuing resolution, there was defunded the community health centers, no money for community health centers. That is 125 centers that are out there now, four in my State of Connecticut and, I think, Mr. Chairman, one in your State. And if I am not mistaken I think you may have been there, and I don't know that, for the opening of the health center. But if you can't get it there, and then you take the 2012 budget and you have several amendments over and over again—again, I said on the floor of the House that night it was like being in Groundhog Day, we couldn't find enough ways or the majority couldn't find enough ways to defund health care and community health services.

So the money isn't there. If you say 2012, let us damn the torpedoes, full speed ahead, let us go with it. Then the health care centers would not have any money potentially between now and the end of this year, some of them may go out of business, but we pick them up for 2012 next March in doing that. But you can't have it both ways and say that the funding is there. The funding is not there for community health centers.

And what would happen, I want to ask the Secretary, if we do—if the majority is successful in repealing affordable health care, and you couple that with the $1,300,000,000 cut made in H.R. 1, what happens, Madam Secretary? What happens to these centers?

Secretary SEBELIUS. Well, Congresswoman, our staff has estimated that there are approximately 10 million medically underserved people, who would lack services if this cut were indeed to follow through. About 3 million of those folks are currently being served by health centers, and an additional 7 million would be served with the Affordable Care Act investment. By comparison, the President's Budget would serve a total of about 23 million patients in 2011 and about 24 million patients in 2012, building the infrastructure of public health throughout this country in the most underserved areas.

Ms. DELAURO. I also might add, and this is what the anomaly is for me, with respect, Mr. Chairman, this is a quote from you in 2007: Community health centers are the backbone of quality health care in rural States like Montana. Thanks to Montana's 13 centers already in place, folks living in rural areas, on Indian reservations, and those without insurance have access to reliable health care.

And that is not only a comment in 2007, there are comments in 2006, a couple of them, about health centers being critical to ensuring Montanans living in rural areas have top-flight health care options; Montanans rely on community health centers, and the centers rely on Congress to provide adequate funding.

We understand what the relevance of the community health centers are all about, and by action in two directions, by calling for the repeal of the Affordable Care Act, using the appropriations process to defund portions of the Affordable Care Act like community health centers, and then cutting it back below the 2010 level, then we are eliminating community health centers, which is a major portion of our health care system. It is reliable. It is acces-

sible. As the Secretary pointed out, it serves 20 million patients. It improves access, quality of care. It reduces health care costs. It reduces reliance on expensive alternatives like emergency room visits, detecting and treating conditions like high blood pressure and diabetes before they become severe problems.

This is addressing the need for health care that we have in this Nation and cutting off millions of people. We have health care here. All of us who are sitting here have health care, the Federal Employees Health Benefit Program. The people who utilize these centers don't have what we have, and what we have gone down the road over the last few months would do is to end their ability to have health care and while we maintain our own.

Mr. REHBERG. Mr. Flake.

DEMONSTRATION PROJECT WAIVER

Mr. FLAKE. Thank you, Madam Secretary. Thank you for being here.

A couple of questions with regard to Arizona and other States. As you know, States are in a world of hurt in terms of their own budgets and deficits, and most States, the largest single item not public education is health care, and Arizona is one of those States in trouble. Arizona has a pilot program going, or demonstration project, I should say, and you recently sent a letter to Arizona saying that Arizona could trim its rolls after that demonstration project runs out, I believe, this fall. So Arizona will be able to save some money in that regard.

Since then, one Representative has suggested that that such a letter constitutes guidance from your Department and therefore would be subject to the comment period and other things which could delay implementation. How do you understand that? Does such a letter constitute guidance that would—that could perhaps be delayed by comment periods and whatnot?

Secretary SEBELIUS. Well, Congressman, in the situation you are describing, Governor Brewer actually had discussed with our Department the opportunity to ask for a waiver of the demonstration project that was in effect, and she wanted to have the waiver effective as of October of 2011. What we did in our examination of the Arizona demonstration project was to remind Governor Brewer that actually the project expires in September, and that there is no mandatory obligation to renew a demonstration project. That has been the law of the land. So all we did in our letter back to the Governor was reiterate what the law is with regard to demonstration projects. So there was no need for a waiver with a program expiring. It isn't guidance. It is just a law.

Mr. FLAKE. All right. So there is no comment period required or anything.

Secretary SEBELIUS. Certainly not to my understanding, because we are not offering advice or giving any kind of demonstration waiver. It is just what the law says.

HEAD START

Mr. FLAKE. Thank you. I appreciate that.

Earlier in this hearing it was stated that Head Start, which is a very expensive program run by your Department, is unquestion-

ably the most effective early childhood education program ever developed. That seems at conflict with some of the information that your own Department has put out. A recent study released by HHS says that a national survey of 400—I am sorry, 4,600 preschoolers randomly assigned to either Head Start or no program, a control group, were studied in 114 different measures ranging from academic skills, socioeconomic development, health status. The study found no statistically relevant effects from Head Start after grade 1.

What is your Department doing to rectify that? I don't see any cut in the spending recommended. I don't see any changes to the program. In fact, the Department of Education is now launching their own early childhood education program to the tune of about $350 million they are asking for this year. Should they be doing that? Why are they trying to build on a program; do they have little confidence in your program?

Secretary SEBELIUS. Well, Congressman, the Head Start program, the study that you are referring to is a comprehensive study that was done in the 2004–2005 timeframe. It was recently published, but the snapshot is substantially older than the publication.

Mr. FLAKE. What has changed with the program since then?

Secretary SEBELIUS. That is what I was going to mention is that there was some concern about the long-lasting components of Head Start and, indeed, the quality measures that get children school ready and not just focus on child development.

Program changes have been implemented over the last number of years up to and including this year. There is a determination that the lowest performing in terms of school readiness issues, 25 percent of the programs have to recompete. That has never been done before, so we are really trying to look very closely not only for safe places for children to be, but effective school-readiness strategies.

For the first time ever, I think, the Department of Education and the Department of Health and Human Services are working very closely together. As you know, there are a wide variety of early education programs for children. Head Start and Early Head Start are specifically aimed at children who qualify because of the income level of their parents. They are not universal.

Department of Education has always run early education programs, and we now have a very collaborative effort together looking at not only social and development skills, but also learning-readiness skills to make sure that wherever a parent chooses as the appropriate placement for his or her child out of the house, and most children under 5 are in placements out of the house, that they are getting more than sophisticated babysitting, that they are really getting school-readiness programs.

Mr. REHBERG. Mrs. Lowey.

TITLE X

Mrs. LOWEY. Thank you, Mr. Chair.

Thank you, Madam Secretary. I just want to associate myself with the comments of my ranking member and make a few more comments.

The House-passed 7-month CR is, in my judgment, deeply flawed. It is a dangerous bill. It wouldn't create a single job. It would hurt Federal programs essential to economic growth and compromise our security. And it seems to me at a time when we should work in a bipartisan way to ensure the competitiveness of our workforce, what the Republicans are doing in this bill is slashing education and health services vital to our long-term economic success. If the Republicans had their way, there would be billions in cuts to medical and innovative research that would result in job loss; and ground-breaking and lifesaving research; cut over $100,000,000 from New York institutions. And I can go on and on about these ill-advised proposals in the bill, but I am concerned that I would be talking for weeks, let alone the remainder of my 5 minutes.

So I just want to make it clear, if the Republicans really believed the name they gave to H.R. 2, the Repealing the Job-Killing Health Care Law, then I would like to propose that they rename the CR the Laying Off Everyone from Teachers and Firefighters to Bert and Ernie Act. This would better reflect the real impact of this draconian legislation.

Now, to get specific in the couple of minutes I have left, I think this is a deeply flawed bill. The House-passed 7-month continuing resolution, for many reasons it is flawed. I would like to focus on one. It eliminates all funding for Title X family planning, and despite the fact that every dollar that is spent on publicly supported family planning saves nearly $4 in Medicaid costs, if our goal is to cut spending, it is reckless to eliminate programs that save taxpayer dollars.

As the House was debating this CR, the administration wisely proposed to increase Title X by $10,000,000, which would increase access to affordable basic care such as contraceptives and cancer screening.

Now, would you agree that defunding Title X would jeopardize health care access for millions of poor and low-income women and men who depend on it, and can you put into perspective the real costs of eliminating Title X to our health care system and families? How would they get basic affordable care?

And I just want to put one other comment in perspective, because we have good health care here, and a lot of people are confused, and if they think there are parts of the health care bill that should be amended, so be it, let us amend it. But essentially we want to give everyone essentially what the Federal Employee Health Benefit Plan has.

So I just wonder if you can put in perspective Title X.

Secretary SEBELIUS. Well Congresswoman, last year Title X provided services to about 5 million Americans across the country, and as you say, they often are lower-income men and women accessing services from contraception and family planning services to cervical cancer screenings, tests for STDs, and HIV screening. It is estimated that about one million unintended pregnancies were avoided thanks to the access to affordable contraception, and I think that for 40 years Title X has been proven to be an effective health strategy for millions of Americans across the country.

HEAD START

Mrs. LOWEY. Thank you very much.

What do I have, 1 minute left?

I just want to say I feel very blessed. I have eight grandchildren. I have a 4-year-old, and I know how her brothers and her grandmother and everyone dotes on her. And Head Start to me—and I have visited so many of them. If Head Start can be improved, let us improve it, but you don't provide the services to those kids by eliminating it. So I just want to say to my good friend, I would be happy to work with you to see what we can do to improve the program.

I don't know if you have ever had a 4-year-old, but a 4-year-old needs some—you have five. That is right. I should know my good friend has five. But I am on the grandkids stage. I want to tell you this 4-year-old is bilingual. Everyone is teaching, reading to her, and kids who don't have that opportunity have to get that support. And so I would like to work with you to improve the program if, in fact, it is not meeting the standards we think it should.

Thank you, Mr. Chairman.

Mr. REHBERG. You bet.

Secretary SEBELIUS. Well, Congresswoman, if I can follow up on that for just a moment. The impact study did show that there are significant improvements in a variety of cognitive skills and parenting skills. As you know, Head Start has an important parenting component in areas that may expire.

Mr. REHBERG. We will have an opportunity on the second round. Thank you.

Mr. Alexander.

ACA WAIVERS

Mr. ALEXANDER. Thank you, Mr. Chairman.

Madam Secretary, good morning.

Secretary SEBELIUS. Good morning.

Mr. ALEXANDER. Out of a little over 1,000 waivers that have been granted to the Affordable Care Act, can you give us the most compelling reason that was presented to you that led to those waivers?

Secretary SEBELIUS. Certainly, Congressman. The waivers that you are, I think, referring to, and I think there are 1,040 as of the time of this hearing, deal with one provision of the Affordable Care Act, and that is the provision that indicates that annual benefit limits should be up to $750,000 and gradually disappear altogether to make sure that people don't run out of coverage at the time that they need it the most, when they get sick.

What became clear as we began to hear from business owners is that a wide variety of the so-called mini-med plans in place have some benefits, but fairly limited benefits. And since the law gave me the opportunity to have some discretion with regard to what would be serious rate shock for people, and since there is no viable alternative yet—before 2014, there won't be a State-based exchange available to offer competitive coverage to those same business owners—we determined that granting waivers and allowing those—while limited benefits, they are better than no benefits—to stay in place for at least the first year so we can gather data, take a look

at what really is in the marketplace, and then have a further conversation was far better for those beneficiaries than denying the waivers and having that coverage cancelled.

So we have, I think—I can't give you the exact average. We would be happy to present a list. I think it is over 98 percent of the people who actually came forward with a waiver request have been granted them and is everybody from self-insured plans to a variety of small business owners and large corporations, small corporations. It represents at this point less than 2 percent of the insured marketplace, but that limited coverage, at least this year while we are gathering data, will stay in place.

[The information follows:]

WAIVER REQUEST

As of February 19, 2011, 1,040 waiver applications were approved. Applications for waivers from annual limit requirements are reviewed on a case by case basis by Department officials who look at a series of factors including whether or not a premium increase is larger or if a significant number of enrollees would lose access to their current plan because the coverage would not be offered in the absence of a waiver. More detailed information on specific criteria can be found at: http://cciio.cms.gov/resources/files/11-905_2010annual_limits_waiver_bulletin.pdf.

HHS periodically posts the list of the plans that have been granted waivers to ensure the public is aware of the waiver process and stakeholders understand how they are affected. Approved applicants are granted an annual limit waiver for one year. A list of annual limit waivers that have been granted can be found at the following links:

Self-insured employers: http://cciio.cms.gov/resources/files/alw_employer_04012011.pdf

Health Reimbursement Arrangements: http://cciio.cms.gov/resources/files/alw_hra_04012011.pdf

Multi-Employer Plans: http://cciio.cms.gov/resources/files/alw_multiemployer_04012011.pdf

Non-Taft Hartley Union Plans: http://cciio.cms.gov/resources/files/alw_non_taft_hartley_union_04012011.pdf

Health Insurance Issuers: http://cciio.cms.gov/resources/files/alw_issuer_04012011.pdf

State-Mandated Policies: http://cciio.cms.gov/resources/files/alw_state_04012011.pdf

Association Plans: http://cciio.cms.gov/resources/files/alw_association_04012011.pdf

Mr. ALEXANDER. You used the term "rate shock," so we are to assume some of those arguments were they couldn't afford the new health care bill?

Secretary SEBELIUS. It was that the benefits limits are so vastly below what is contemplated by a comprehensive insurance policy—what is in place is not necessarily an insurance policy. It is basically some kind of minimum coverage that to get from where they are to $750,000 in a period of months would not be affordable. So that was the provision that Congress wrote into the Affordable Care Act in this instance—and again, the waiver applies to just that one situation: Does your plan reach the $750,000 maximum limit this year? That is the only area where that language applies.

Mr. ALEXANDER. So there were no waivers, to your knowledge, granted just because one argued they couldn't afford it?

Secretary SEBELIUS. No, sir. It is really to deal with what their limit is now, where they are compared to—and again, what we found—and, Congressman, I am a former insurance commissioner and have looked at this data very carefully. There is very little data on these mini-med plans. Many of them are not even required

to be filed. So we are gathering data right now so we have a more comprehensive view. But it is a small slice of the insurance marketplace, but it is coverage that those folks have.

Mr. ALEXANDER. Thank you.

Secretary SEBELIUS. Thank you.

Mr. REHBERG. Louise Roybal-Allard.

CDDC CONSOLIDATION

Ms. ROYBAL-ALLARD. Thank you, Mr. Chairman, and welcome, Madam Secretary.

Let me just begin by associating myself with the comments that were made by my colleagues Rosa DeLauro and Congresswoman Nita Lowey, and I think they have pretty much highlighted the key issues.

I would just like to add a bit about the community clinics. If they are to be closed as a result of some of the policies by my Republican colleagues, it would absolutely be devastating not only to my district, but to communities throughout the country, minority communities and poor communities. And community clinics really play a very key role in helping to address many of the health disparities that exist in our country, so it would absolutely be devastating, as was stated before.

Madam Secretary, let me begin by commending you for your efforts to balance financial decisions with bringing focus to some of our most pressing health issues. But I do have some concerns regarding parts of your plan which impact prevention efforts at the State and the local level.

The CDC budget proposes a far-reaching or more reaching consolidation of birth defects and chronic disease centers than had been agreed upon by the House and the Senate last fall. Under that agreement a consolidation involved programs that impacted obesity. Your proposal goes beyond obesity and related programs, while at the same time decreasing the CDC budget by $588 million. So States and the constituents of CDC—the constituents CDC serves are concerned because the proposal collapses budget lines, which can result in States' inability to address their State-specific needs.

So in order to assure specific needs are met with fairness in the distribution of funds among States, will your proposal direct funding to be disbursed by formula, and will CDC's resources be allocated in a way that reflects input from the public health community? And finally, how will this committee and Congress be able to track how moneys are being used for a particular issue of interest?

Secretary SEBELIUS. Well, Congresswoman, I know there is some concern about the lack of specificity to disease groups. I think it is the view of Dr. Frieden at the CDC, and, frankly, based on conversations with a number of public health officials across the country, that since so many of the chronic disease conditions have these similar underlying causes, rather than having siloed funds, we really feel that this is a better approach to attacking chronic disease overall.

I met yesterday, just yesterday, with the leadership of the State public health associations, who are working very closely with CDC, and, in fact, the senior leadership of CDC was there. But we look

forward to working with Congress as this budget proposal moves forward. Money is anticipated being allocated in part through a formula so every State would have resources, and in part through competitive grants, but it is aimed at the notion that many of the chronic disease conditions have similar underlying causes, and that if States can actually direct these resources in a flexible fashion to their problem that is presenting in that particular State, this is a more effective source of the prevention efforts under way.

Ms. ROYBAL-ALLARD. You do understand the concern.

Secretary SEBELIUS. I do.

Ms. ROYBAL-ALLARD. Some diseases might be ignored. Also, as part of this consolidation, the budget also eliminates the REACH program, which for years has served as the cornerstone for CDC's efforts to eliminate racial and ethnic disparities in health.

So how does CDC intend to address racial and ethnic disparities without the very successful and popular program which has played a critical role, for example, in my district and so many other communities of color?

Secretary SEBELIUS. Well, I think again, Congresswoman, the Community Transformation Grants, I think, pick up the features of the REACH program and, in fact, expand their scope. So it isn't an effort to decrease the focus on health disparities or decrease the focus on health gaps, but really an effort to more strategically target these resources. So that is incorporated into the proposal in the 2012 budget for the Community Transformation Grants.

Ms. ROYBAL-ALLARD. You are going to have look at that very, very closely.

Secretary SEBELIUS. We look forward to working with you and your office. I know this is a great concern of yours, you have provided a lot of leadership over the years, and we would look forward to that.

Mr. REHBERG. Ms. Granger.

FDA REVIEW OF AVASTIN

Ms. GRANGER. Thank you.

I am concerned about the recent decision that the FDA made to restrict its label for Avastin for metastatic breast cancer, and I think your home State of Kansas required private insurance companies to cover off-label uses of cancer drugs. It is my understanding I think you served as the commissioner of insurance as well as Governor during that timeframe.

My question to you is, did you see cancer patients whose lives were saved because they had access to off-label drugs covered by private insurance? And I know that I haven't—I have heard from and talked personally to women in my district that they gave amazing stories of what had happened with their—literally their prognosis of their life span, and that they were still here because of drugs like that.

If Kansans with private insurance coverage can get Avastin for that type of cancer before they turn 65, shouldn't Medicare continue to guarantee that same coverage for our seniors?

Secretary SEBELIUS. Well, Congresswoman, as you know, the Avastin decision is still in the process of now receiving comments. The final decision has not been made yet. The data that was pre-

sented by the scientists and the vote of the scientific committee was pretty overwhelming in terms of the addition of Avastin to the cancer studies was done on an accelerated basis. So breast cancer was an added cancer that Avastin was designed to address, and the information back about that result of that protocol have not been encouraging. In fact, overwhelmingly the scientists felt that there was more harm than good. Now, that doesn't mean that individual cases don't have information about this being the kind of last chance, and it extended, but there is no very compelling data about not only not life extension, but some serious harm as a result of Avastin being used with metastatic breast cancer patients.

But that process is under way. Our decisions at the FDA are really guided by the scientific community. I think the vote was 11 to 1, and that was the recommendation that is out. But the input is coming in, and it is always, I think a very, very difficult balance of how you make a decision based on, but I can assure you that the scientists are looking at harm versus benefit, and what at least they found in these accelerated studies is that more harm was caused than benefit given.

Ms. GRANGER. I say again, I talked to women in my district, but I also talked to oncologists, because I said, you know, I am hearing about this, but I want to confirm it with my personal conversations, and that was certainly not the result I heard from any of them.

Secretary SEBELIUS. I would be glad to again follow up with your office, give you the information, and, as you know, no decision has been made about Medicare benefits. This process is still under way. So I want to clarify the fact that no beneficiary is now without Avastin at this point, and what will happen at the end of the day—but I would love to share the research, because it is heartbreaking, and I think we are looking for any lifesaving opportunity that exists.

CHILDREN'S GRADUATE MEDICAL EDUCATION

Ms. GRANGER. And if I have still time—I don't know where the timer is. Okay, I have got time.

The other question I had had to do with your budget and eliminating funding for the Children's Hospital Graduate Medical Education program. I am confirming that your budget does eliminate that. And it has just been a wonderful source for training funds for pediatricians and pediatrics, especially doctors that work in the Children's Hospitals. And success stories, if they are anywhere in health care, it is certainly in the Children's Hospitals. So I am concerned about that and would like you to address that about the long-term negative impact on that training.

Secretary SEBELIUS. Well, again, Congresswoman, I think that is one of the toughest budget cuts that we made in this 2012 proposal. The GME funding, the Graduate Medical Education funding, that goes to Children's Hospitals is somewhat different than the vast majority of GME funding in that it does not have to be used for training. It is kind of general funding that adds to the Children's Hospitals who are not eligible for Medicare GME. There are some other avenues for training pediatricians, both incentives for

primary care docs and incentives that are in—there is some GME funding in the Medicaid program.

But I share your concerns that having additional pediatricians and certainly the success of Children's Hospitals has been pretty substantial, and in a better budget time we would have never recommended that this be one of the budget proposals.

Ms. GRANGER. I understand certainly. Thank you.

Mr. REHBERG. Ms. Lee.

HEALTH DISPARITIES

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

Good morning. It is really a pleasure to see you again, Madam Secretary. I know you have a full plate moving forward as we implement the historic health reform law, but I am glad you are in charge of that effort because I know it is going to get done right.

A couple of things I want to ask you, which I am asking all of our Cabinet members, is the impact of eliminating earmarks and what your agency is doing to help compensate for that. For example, many communities, I mean of color especially, low-income communities, we ensure that they receive enough money to begin to fill the void where health services are needed. These community groups provide jobs and services to constituents that never would get these services or jobs. Also, earmarks allowed nonprofits to leverage millions of dollars to bring in money to ensure that these voids are filled.

Now with the elimination, I am very concerned about what is taking place in terms of the economic impact in communities and wonder if you have made any kind of analysis in terms of the impacts of the lack of now and the void that the lack of earmarks will create in low-income and minority communities, and do you have the capacity to make this analysis? That is my first question.

Secondly, just want to—I chair now the Congressional Asian Pacific American Caucus' Health Task Force, and so we are working with Mr. Honda, former Member of the subcommittee, and my colleagues in the Congressional Black, Hispanic and Asian Pacific American Caucus to put together oversight responsibilities for our caucuses to look at the implementation of the health disparities provision of the bill. And so I wanted to find out what initiatives that you are undertaking to make sure that this is implemented appropriately and, you know, how this issue is being addressed within your Department.

And then as it relates to HIV/AIDS, I am very pleased that you are following up to implement the President's National AIDS Strategy, and wanted to ask you a little bit more about that, and do you intend to provide an additional transfer of funds during the current fiscal year as we work through the budget?

Secretary SEBELIUS. Well, Congresswoman, let me start with the Asian American and Pacific Islander Caucus. We actually have gathered a sort of advisory group together of providers and organizational leaders, and I had the opportunity to meet with them recently to make sure our attention across agencies on health disparities are particularly applicable to this community where often the disparities are significantly wider. So we are paying very close attention.

My Assistant Secretary of Health is leading that group, and I would look forward to having Dr. Koh brief you about that activity. We are going to have a major report released on health disparities and action plan this spring, and we really want input from the API group as we move along.

In terms of the earmarks, what we have done, I would say, in our budget is to continue to make sure that as we leverage assets, we are looking very closely at where the most underserved areas are and where the biggest gaps are. So everything from the earlier conversation that we had about community health centers, making sure that we have the accurate mapping to where those providers are, but also, as you know, the Affordable Care Act has a number of streams of money for workforce training, and particularly for minority recruitment and workforce training, because I think having culturally competent, culturally sensitive providers often is a key to delivering health care; not just having a person there, but having a person who relates to the community.

So we are paying close attention to that, and I think in every agency from NIH through HRSA, and including all of our CMS with Medicare and Medicaid, we are trying to make sure the health-disparity issue is front and center. I think there is more focus and attention on that than there has ever been in our Department. I would say we have done a pretty good job of writing reports in the past, not a very good job of closing the gap.

But as you know, the Affordable Care Act, which anticipates having affordable health coverage available for all Americans, is probably going to be the most significant step in 2014 than has ever been taken to close that health-disparity gap.

TECHNICAL ASSISTANCE FOR UNDERSERVED COMMUNITIES

Ms. LEE. And, Madam Secretary, the other thing, just let me ask you on the organizations that really serve low-income and minority communities, now that they don't have earmarks, are you providing technical assistance or any kind of opportunities for them to understand how to and get involved in the Federal grant opportunities to help build capacity? Because there are many, many gaps now and holes that they are going to—that are out there and jobs that are being lost as a result of this.

Secretary SEBELIUS. We are eager to do that and have made, as I said, specific outreach through the Asian American and Pacific Islanders. I have met with the leadership of the African American health community on everything from research projects to leveraging assets. We have regular tribal consultations about what is happening or not happening on Indian tribes, and are providing outreach particularly to the lowest-income tribes, who often don't have the assets to access grants.

So we are trying to make sure we are paying close attention to the communities who have the greatest needs, who, you know, often don't have the resources to be applying for grants and aren't necessarily competitive. So that technical assistance is very much a part of what we are doing through our regional office network around the country.

Mr. REHBERG. I will point out to the committee we are getting somewhat conflicting reports on when our vote is. One notification

is 11 o'clock. Another one was somewhere between 11:45 and 12:15. So we will go as long as we possibly can. We are almost done with our first round.

Mr. Lewis.

HHS STAFF INCREASES

Mr. LEWIS. Thank you, Mr. Chairman.

Madam Secretary, thank you for being with us.

Secretary SEBELIUS. Sure.

Mr. LEWIS. In ancient times I had the chance to chair the committee for a short period. I got to know Dr. Zerhouni of NIH quite well. We discussed a lot about the fact that there is never enough money to go around.

What was NIH doing to evaluate those people who are contractors with them and otherwise doing great jobs versus those who maybe don't produce a lot? How do you eliminate people from the queue? It was a question they really hadn't ever considered before, and that led to some very interesting discussions and is the foundation for my own discussion with you about our budget.

Your budget includes what I understand to be a 315 percent increase in the Public Affairs Office, from some $4,800,000 to $19,200,000, growing the Office of Personnel from 24 to 46. Now, a cynic might suggest that increase in the Public Affairs Office might very well be designed for helping to put in place a public relations program regarding the Affordable Care Act. I am sure you wouldn't describe it that way, but I would like to know what you think about these increases and what you intend to do with them.

Secretary SEBELIUS. Well, Mr. Chairman, we think that certainly outreach to the public is important, and one of the things that is happening under the umbrella of the public affairs shop is the design and development of new Web tools to make it apparent to citizens across this country what is available to them, how to access it, how to get that information out. So that we now have a great Web site, I don't know if you have had a chance to visit it, healthcare.gov, which for the first time ever pulls together for people to see in an easy one-stop shop what is available to them in the private market with prices, with a percentage of how many people are eligible or not eligible; also what public programs are available, kind of a one-stop shop; as well as a timeline for implementation of health changes. And I would say that is a significant new feature of the Public Affairs Office as well as getting information out to seniors and others about what benefits are currently available, what kinds of opportunities there are, grant opportunities, moving along.

Mr. LEWIS. The budget presented contemplates adding some 4,700 new employees, including more than about 1,000 full-time positions, in the Medi-Cal/Medicaid arena. Can you tell me—tell us how many of the proposed positions are for implementing the new health care law, and how do you expect to sustain that budget over time? The budget could very well find a cliff out there, and to hire people for a year, that is one thing; if you are hiring them for 10, that is another, especially if there is going to be a cliff.

Secretary SEBELIUS. We currently, in terms of implementing the Affordable Care Act, have about 670 people who have been specifi-

cally added to focus on some of the new areas which weren't part of the Department's responsibility before and are paid for out of the Affordable Care Act implementation. Another, I think, about 350, Mr. Chairman, are working on various aspects of the act. So a total of about 1,000 people.

And just to put that that into perspective, in your home State of California, the insurance department has almost one-and-a-half times those people just in the State insurance department. So our 1,000 employees would, by comparison, be smaller than the largest States' insurances departments.

UNOBLIGATED FUNDS

Mr. LEWIS. The stimulus bill—speaking of that cliff I am concerned about—the stimulus bill of 2009 funded $21,920,000,000 for HHS programs. Can you give the committee information regarding—well, at least an update on the remaining unobligated funds that are involved in that reserve and what remains unobligated as we try to ourselves evaluate where we cut, squeeze and trim maybe, and maybe not cut, squeeze and trim?

Secretary SEBELIUS. Mr. Chairman, we have obligated about $118,000,000,000 of the $138,000,000,000 that was part of the HHS program funds. About 72 percent has been outlaid, and the obligation includes almost nearly 100 percent of our discretionary program funds. I would say the remaining funds are the Medicaid and Medicare health incentive payments, which are for health IT, that is about $20,000,000,000 in that category; the third year of a number of the grants that NIH has funded; and some ongoing construction funds which are not yet fully completed.

Mr. REHBERG. Mr. Jackson.

Mr. JACKSON. Thank you, Mr. Chairman.

I have a number of questions that I want to ask, and most of which, I think, I am probably going to save for the historic record and ask in a second round.

So I am going to use most of my 5 minutes to just rehash a little history. Let me first begin by saying today I turn 46.

Secretary SEBELIUS. Happy birthday. You are such a baby. I am sorry, Congressman.

Mr. JACKSON. That is fine, Madam Secretary.

Secretary SEBELIUS. I mean, wow.

Mr. JACKSON. I am such a baby when I look at my guys on the other side. And at this very hour my younger brother and his wife are expecting their son, and my brother called me yesterday and told me how disappointed he was that his son is likely to be born on my birthday.

My daughter's eleventh birthday is Sunday, and she has all of her girlfriends coming over. So I was late for the hearing this morning because I had to go buy cupcakes and attend parent-teacher conferences and things like that, things that took priority. My mother's birthday is Thursday.

Secretary SEBELIUS. Wow.

Mr. JACKSON. So this is an exciting week for me, and that history is very important to me because when I got on this committee in 1999, a very conservative chairman of the committee, Chairman Porter, wouldn't let me advance an earmark or advance funding in-

creases for any programs that I believed in unless it was based in good science. That is all Chairman Porter on this committee would do, and that was fund good science. And so I asked him to allow me to put report language in an appropriations bill so that I could adequately determine good science so that I might be able to fight for the programs that I believe in based on good science, not based on just budget priorities and budget commitments.

And I can say that I have been on this committee long enough to know that almost no one on the other side of the aisle was on this committee when I was first appointed to this committee. Mr. Flake wasn't on the committee. Chairwoman Granger was not on the committee. My colleague was not on the committee. Mr. Rehberg, in fact, the chairman of this committee, wasn't on the committee. He has the power, they have the numbers, but oftentimes with the power and the numbers doesn't necessarily come good science.

And so Mr. Porter had me put language into a bill that produced this report, "Unequal Treatment, the National Academies Press" and includes all medical doctors, literally hundreds of them, who determined what is necessary in order to close profound gaps in our health care system for all Americans at your Department and at the NIH. It includes community health centers, it includes health professions based upon the available infrastructure to help close profound gaps that exist in our system; and based upon the results of this report, this committee has set out a path for addressing many of the funding priorities that have been laid out.

And as I understand it—and I apologize for not being here on time for all the reasons that I have stated—many of the programs that I support and profoundly believe in as a result of this good science which has been systematically proven—approached structurally over the course of multiple appropriations bills, are under attack, and they are under attack without good science. They are under attack for political reasons. They are under attack for budget deficit reasons, and debt reduction reasons, and across-the-board cut reasons. But they are not based on good science, and the absence of that good science profoundly impacts and affects real people. Real people, profoundly affected by the strategic approach that we have undertaken on this committee to try and address these priorities.

So I didn't plan on coming down here today to kick a little tail, but I understand that a lot of the programs that I believe in have, quite frankly, been getting kicked around, and so let me, you know, be an equal opportunity kicker.

Let me first begin with the administration by expressing my disappointment in the collapse of the negotiations over the 10-year tax cut deal; that when State Senator Barack Obama was in the State senate and subsequently came to the U.S. Senate and then to the Presidency of the United States, we entered into in this Congress with the expectation in December that nearly $858,000,000,000 would be available to sustain these programs. The partisanship that you see on this committee and the partisanship that you see in trying to challenge some of these programs that are worthwhile and solidly proven programs, we were counting on that $858,000,000,000 to be here for the community health centers, to

be here for health professions, to help close profound gaps not only in this committee, but in committees across this Congress. And I am determined to not let anyone in this Congress forget that the negotiations, which did not include members of this committee, were terrible negotiations on the part of the administration that profoundly impacted the budget that you are presenting to this committee.

I realize that my time, Mr. Chairman, has expired.

And the ramifications of that, as I close, have implications for everything that we fundamentally believe in, and there are ramifications for this Congress and beyond.

And I will save my questions, Mr. Chairman, for the second round.

COMMUNITY HEALTH CENTERS

Mr. REHBERG. Thank you, Mr. Jackson.

And I thank Ranking Member DeLauro for giving my comments from prior Congresses about my support for community health centers, because I do support community health centers. I have always voted for them, and I will continue to support them, and I will do anything I possibly can to see that they are fully funded to the best of my ability.

So my question is if, at the end of the day—forget what is happening around us. If, at the end of the day, I am successful in this subcommittee of getting through the United States Congress and signed by the President from appropriated dollars and Obamacare dollars $2,176,000,000, are you committed to providing grants to the 127 community health centers that were either expanded or opened as a result of stimulus dollars?

Secretary SEBELIUS. I am sorry, Mr. Chairman, I don't—you are asking——

Mr. REHBERG. I am asking you if we fully fund——

Secretary SEBELIUS. The Affordable Care Act?

Mr. REHBERG. If we fully fund community health centers——

Secretary SEBELIUS. Right.

Mr. REHBERG [continuing]. The $2,176,000,000 total for the community health centers from the Congress, will you provide grants to the 127 centers that were either expanded or opened as a result of using stimulus grants to your grant?

Secretary SEBELIUS. Mr. Chairman, I can't answer that question. Some of those facilities are already funded; some are not. I don't——

Mr. REHBERG. But that is fully funding.

Secretary SEBELIUS. Mr. Chairman, I would be happy to answer in writing. I don't want to give an incorrect answer. I don't really even know what you are asking.

Mr. REHBERG. I think you do. I think you do. And the question is——

Secretary SEBELIUS. Mr. Chairman, I am trying to be responsive. I don't know what your question is.

Mr. REHBERG. In 2008, community health centers from the Federal Government received a little over $2,000,000,000 in fiscal 2008.

Secretary SEBELIUS. I wasn't here.

Mr. REHBERG. In fiscal 2009, a little over $2,000,000,000; in fiscal 2010, a little over $2,000,000,000. If in fiscal 2011 we are successful in carrying through fully funding a little over $2,000,000,000, the question becomes are you going to be willing then to provide grants to the 127 centers that opened as a result of the stimulus dollar grants that you gave?

Secretary SEBELIUS. Mr. Chairman, I think that if you are asking will we provide the services out of $1,000,000,000 fewer resources, we will have to pick and choose.

Mr. REHBERG. You are not going to have $1,000,000,000 fewer resources.

Mr. JACKSON. Would the chairman yield, because I am lacking clarity on your question as well.

Mr. REHBERG. Sure.

Mr. JACKSON. Now, I understand that this hearing is about the 2012 appropriations bill. If your question is about fully funding the 2012 appropriations bill, then I assume that the Secretary will fund community health centers at the same level that she has funded them in the past under that money.

Mr. REHBERG. Including the—taking my time back.

Mr. JACKSON. Can you offer some clarity to all of us, Mr. Chairman, on what moneys you are specifically talking about in the stimulus bill that need to be appropriated that have not been appropriated, if that is your concern?

Mr. REHBERG. Reclaiming my time, the question becomes if funding is provided in the fiscal 2011 continuing resolution and, we can suggest, fiscal 2012, fully funding, whether the source is from our appropriated dollars or from Obamacare if we are not successful in repealing, and you get the mandatory $1,000,000,000, the question becomes will you be able to provide the same grants to the 127 that were either expanded or opened as a result?

Ms. DELAURO. Would you yield, Mr. Chairman?

Mr. REHBERG. No.

Secretary SEBELIUS. Again, Mr. Chairman, I don't know—what I cannot do off the top of my head—I would be delighted to get this answer from HRSA—is to give you a specific answer about the same grants. I don't know what that means. I am not quite sure. I can tell you that the President's budget requests $2,118,000,000 for community health centers. House CR of fiscal year 2011 would reduce that number to $1,176,000,000. So there is a $1,000,000,000 gap between what the House CR is suggesting. Could we fully fund all of the centers that are currently——

Mr. REHBERG. What I am suggesting is, forget the billion. We will give it back. All right? You just got it back. You are going to get the $1,000,000,000 back.

Secretary SEBELIUS. Okay.

Mr. REHBERG. All right. You get your fiscal 2011 request, and you get your fiscal 2012 request. The problem is 127 centers received 2-year grants under the stimulus, and I am asking, are you going to continue to include them in the base then so that they are not going to close as a result of a continuation of the $2,000,000,000?

Secretary SEBELIUS. A number of those centers, Mr. Chairman—this is why I would like to get you a very specific answer. A num-

ber of those centers have added services. They are not new centers. They have added mental health centers. They have added dental chairs. They have added prenatal services. A number of our satellites help existing health centers which now provide additional care. There are some new start-ups.

I would be delighted to answer that very specifically, but we intend—I think the $2,118,000,000 would fund the expanded footprint and be able to take care of 23 million Americans.

Mr. REHBERG. Thank you.

Ms. DeLauro.

HEAD START

Ms. DELAURO. Well, I think we want to get the record that shows that, Madam Secretary, that we are going to get the $1,000,000,000 back, and that we are going to fund the money in the 2012 bill. I think it has been a good day on this committee. So I take it to the bank.

I am glad my colleague from Arizona came back in, because with regard to Head Start, Arizona would lose about—about 3,400 kids would lose services.

But I understand your point about the concerns about quality, and I think the Secretary talked about that as well, as we all do. And I am a very strong supporter, as you quoted my remarks, of Head Start.

But I also want to say to you with regard to that study that, again, in spite of the ups and downs in achievements, and the Secretary talked about how to try to strengthen Head Start programs, the long-term studies—I think it is important for you to know this—came to a conclusion that there have been significant improvements in educational life outcomes for kids who go through this process: increased high school graduation, fewer grade repetitions, fewer kids going to special ed, higher vocabulary, better emotional development, reduced mortality rates, long-term outcomes in adults who attended Head Start. These are not my words, but the Committee on Economic Development.

This is the business community essentially, about 200 business leaders and universities presidents. The president, a gentleman by the name of Charles Kolb, takes a strong stand over the past decade in support of early education development programs. Research shows that the programs are investments. There is no more effective investment than the focus on high-quality early learning, both short- and long-term investments in relation to economic development. He supports where we are going and where the budget is going.

Ben Bernanke—and I talked about him yesterday in the education hearing—says the most important fiscal issue is whether the public interest is served by the composition of the government's budget. Even though budget balance is important, pay-off to the early childhood programs are especially higher as a result of the beneficial returns to the overall economy.

Nobel Prize winner James Heckman: Early interventions produce broad-based benefits, reduce social and economic inequality. At the same time they promote productivity, economic efficiency, so they are both fair and efficient.

So the issue is, yes, we can correct where the difficulties are, and there are all kinds of efforts to do that, but I want to ask the Secretary, can you tell us what the 2012 budget would do specifically to support this very successful program?

In addition, I want you to comment on what happens if we have what H.R. 1 produced, which is that we cut the appropriation by $1,100,000,000 below the 2010 level? We haven't heard much in the way of a rationale behind the decision apart from the general need to balance the budget. If the majority is successful in this massive cut to Head Start, what is the effect?

Secretary SEBELIUS. Well, Congresswoman, it is our estimate that about 218,000 children who are currently served in the Head Start program would not have an opportunity to participate in those early learning opportunities. We do take the critiques very seriously about quality and about school readiness, and I think that while Congressman Flake mentioned the Department of Education testimony yesterday, I think there has been very positive collaboration where Head Start had some, I think, great practices in terms of parental involvement and social and emotional development, the educators had some considerable success in school readiness, and the collaboration around those efforts to make sure that not only every parent has some confidence that the placement for his or her child will lead them to school success, but also beginning to give some value rankings so parents have a better way to judge program quality.

So we are not only eager to have the President's approved recommended budget for Head Start, but also continue to work on the quality initiatives which I think will pay huge dividends in the long term.

CMS PROGRAM MANAGEMENT

Ms. DELAURO. For the second that I have left, probably, just cut to the chase. This is about the 13 percent cut in the majority's budget in regard to CMS and the Medicare program management. I am going to lay out the question, because I think it is important to know what that cut would do to CMS. Would it basically be forced into just paying whatever bills come in the door, or not being able to pay bills and to keep falling behind in processing, and what that may mean to the Medicare population in terms of that 13 percent cut.

My time is up, and maybe we are going to do another round.

Mr. REHBERG. Go ahead.

Ms. DELAURO. Thank you.

Secretary SEBELIUS. I think the Congresswoman is referring to a cut that, again, is in H.R. 1, $458,000,000,000 for—below the 2010 funding levels for the Medicare Administration, and, Mr. Chairman, we see this as very problematic. We anticipate between 2010 and 2012, we will—we know we will have the first of the baby boomers coming into Medicare this year. We think the enrollment will grow from 47 million to 50 million, and that basically $500,000,000 cut in the overhead will be at a time when the enrollment will have grown by 12 percent. So that cut means significant delays in claims processing, significant hampering of our ability to work on waste, fraud and abuse, as well as other areas.

Mr. REHBERG. Thank you.

Mrs. Lummis, welcome.

Mrs. LUMMIS. Thank you, Mr. Chairman. May I have 5 minutes?

Mr. REHBERG. You may.

MANDATORY SPENDING

Mrs. LUMMIS. Oh, fabulous. Thank you.

Hi, Secretary.

I want to focus on some of the mandatory appropriations in the new health care law and how they augment the administration's request for fiscal year 2012 discretionary funds. I see that your request is almost $800,000,000 less than fiscal year 2010 funding levels, but I also know that that excludes the mandatory spending that is augmenting discretionary programs that is in the new health care law.

So here is my question. In light of the significant amount of mandatory spending provided in the new health care law, because the budget does not provide a true reflection of the costs of discretionary programs since those augment discretionary funding, would you be willing to provide an addendum to your budget that shows how much by program, an actual breakdown, is going to be spent no matter what color the money, no matter what the source, so it includes all mandatory and discretionary funding sources, whether they came through the new health care law or your budget?

Secretary SEBELIUS. Well, Congresswoman, first of all, I think that is in the budget. The spending amounts that are included in the Affordable Care Act are reflected in the 2012 budget, and they are reflected every year. They will be reflected every year beyond that. So that currently is captured.

I would also suggest that the practice of including mandatory and discretionary funding in laws is not a practice that is unfamiliar to Congress. In fact, the Balanced Budget Act and the Deficit Reduction Act and certainly the CHIP Expansion Act all included mandatory funding. About $50,000,000,000 of the mandatory spending in the Affordable Care Act actually deals directly with CHIP, the early retiree plan and the high-risk plan, but those dollar amounts are currently in our 2012 budget.

CMS INNOVATION FUND

Mrs. LUMMIS. Madam Secretary, then let us talk about the CMS Innovation Fund, the $1,000,000,000 implementation fund. Can you provide me a breakdown and some information on that specifically?

Secretary SEBELIUS. I think it is $10,000,000,000 that is the total amount of the innovation fund, and I am sorry—

Mrs. LUMMIS. Could you break it down?

Secretary SEBELIUS. Well, the innovation fund has not yet released dollars for any of the grants. They have put out some proposals that States and health systems and others are about to come and present proposals on. But if you are asking for spending out of the innovation fund, that has not begun. The innovation fund just began in March of this year. It just sort of launched, but over the course of the 10 years, there will be a total of $10,000,000,000 available.

FY 2012 BUDGET PROPOSAL

Mrs. LUMMIS. Thank you.

Now can you tell me what the total amount of fiscal year 2012 spending is and the increase over fiscal year 2010 once you account for all the mandatory and discretionary funds on these historically discretionary programs?

Secretary SEBELIUS. Well, Congresswoman, that is a difficult question to answer. I can tell you what the President has proposed, and that is what our budget reflects. We don't have a 2011 budget. We are operating currently on 2010 spending levels, and so it is almost—I can tell you what is proposed, and, again, that is what is before you and before this committee, and it is all the spending that is recommended in those programs. That is what the budget is.

Mrs. LUMMIS. Mr. Chairman, I don't think I am making myself clear, so what I will do is submit a series of written questions.

Secretary SEBELIUS. Be delighted to answer those.

[The information follows:]

Mrs. LUMMIS. Thank you very much.

Mr. REHBERG. Thank you, Mrs. Lummis. As always you have the opportunity to submit your questions for the record.

I understand we are in the grace period. They said between 11:20 and 11:30 votes would occur, so we will do as many as we can, but not miss votes.

Mrs. Lowey.

Mrs. LOWEY. Thank you, Mr. Chairman, and I think I will take at least a minute to say happy birthday since he has brought us all cupcakes. Happy birthday. Did you bring for the audience, too?

Mr. JACKSON. I can't quite make it to the audience, but red velvet for Democrats and Republicans.

Mr. REHBERG. You didn't take these from your kids. You gave them some as well?

Secretary SEBELIUS. I know there is a daughter cupcake thing.

Mr. REHBERG. Can I give one to the Secretary, please?

BIOMEDICAL RESEARCH

Mrs. LOWEY. Let me just say we really do wish you a happy birthday, and I think I will segue to the NIH.

I referenced, Mr. Chairman, the NIH before, but we will try and follow the guidelines and eat healthily, but every once in a while we can have a cupcake. But we really do appreciate the important work that the NIH is doing, and I am very concerned, I referenced it before, that in H.R. 1, the House-passed continuing resolution—I hope we can correct it as the negotiations go on—the NIH spending is being cut by 5 percent.

Now, let me just say when you cut the NIH, it is not only putting some of those many proposals on the line that could be leading to all kinds of important research, it is loss of more than 17,000 jobs. And it includes more than 250 at just 2 New York hospitals, Mount Sinai, New York Presbyterian Medical Centers. And I am sure we can all say the same thing, because these hospitals, these institutions are very devoted to medical research.

Frankly, when President Obama talked about winning the future, Madam Secretary, to me there is nothing more important than investing in the National Institutes of Health. Not only is it the global leader in innovative, lifesaving biomedical research, it supports more than 350,000 high-paying research positions at more than 3,000 facilities across the country. So that is why I voted against the CR, Mr. Chair, because I am very concerned that it would cut 5 percent. That 5 percent would mean a loss of over, as I look at these numbers, $100,000,000 to universities and researchers.

So maybe you can share with us, what would that cut mean to biomedical research? What is the impact?

Secretary SEBELIUS. Well, Congresswoman, the NIH-recommended level in H.R. 1, I think, is particularly troubling. It not only reduces overall funding to below the 2008 level, which is enormously significant, but there also is a lot of direction in resolution of how those grants would have to be awarded, and it is our best view, based on Dr. Collins' analysis and the look by the leadership of NIH, that it would really require curtailing most of the large clinical studies under way, because we would be directed to put X amount of dollars to X amount of programs over the years. So about half of the 100 largest clinical studies, including those on cancer and Alzheimer's, would probably be cancelled at this point if that cut were to be enacted, and as you say, right now the average denominator is about a 7 to 1 for every dollar, and in research grants there are approximately 7 jobs created in those local communities. So this has a huge impact not only on the lifesaving science, but a huge job impact on communities throughout the country.

Mrs. LOWEY. Thank you.

Mr. REHBERG. Thank you.

HEAD START

Mr. Flake.

Mr. FLAKE. Thank you.

I just wanted to follow up on the Head Start thing. Just to clarify, the only study—and it was rereleased, done earlier, but just released by DHS—talking about the fact that the studies show that whatever gains are achieved, by and large those gains are gone by the end of the first grade. Yes or no, have there been any definitive studies, scientific studies, to refute those claims since that time, or is the fact that we say that programs are changing, we are doing better there now, is that just anecdotal?

Secretary SEBELIUS. That, I would say, Congressman, is the largest comprehensive study that has been done in the last decade. As I say, it is almost 5 years old, 6 years old, and there have been significant improvements. There hasn't been a similar comprehensive study. There have been smaller studies which actually show better results outcomes and ones that we are—but that study in and of itself does show that there are significant cognitive improvements in those children as they hit school.

And again, I know that while that improvement level may level out, the notion that we don't start 5-year-olds significantly behind

their peers, I think, is a major step forward for the low-income kids served by Head Start and Early Head Start.

Mr. FLAKE. You talked about the cost, and it will lead into my next question as well. Douglas Besharov of the University of Maryland estimates that it costs us $22,500 to keep one child in year-round Head Start. Now, typical preschools, that cost is about $9,500, so we are double the costs of a typical preschool for this very, very, very expensive program that seems to have results that, if anything, level off or disappear by the end of first grade. So I hope that that is cause for more alarm than we are seeing.

And then it just troubles me that now when we see the Department of Education now jumping into early childhood education to the tune of $350,000,000 is what they are proposing that we appropriate, I can tell you it is falling on skeptical ears here.

NIH PUBLICATIONS

But with regard to costs and what your agency is doing, I saw the other day that there is a press release, NIH News, National Institutes of Health is releasing a cookbook encouraging families to eat healthfully, a cookbook that is costing the taxpayers an estimated $150,000. What is NIH doing releasing a cookbook for $150,000, and why are we funding it?

Secretary SEBELIUS. Well, Mr. Chairman, there is a—I am sorry, Congressman.

Mr. REHBERG. He is not chairman yet.

Secretary SEBELIUS. Sorry, sorry. There is a directive to NIH as a component of a number of their programs to put the evidence-based science into the community vernacular and allow people to take advantage of it. In this particular incidence, it is science based on healthy eating and healthy diet. And so the cookbook is a way of translating what they know, the science, to produce into a vernacular that hopefully people can take advantage of.

Mr. FLAKE. I might suggest there are a lot of other people putting cookbooks out there. There is a congressional cookbook, for crying out loud.

Secretary SEBELIUS. Is it based on NIH science? I am not sure. If this is an example, I think we have a little problem.

Mr. REHBERG. Mr. Flake, if I might, we have about 7 minutes left in the vote. I would like to ask——

Mr. FLAKE. That is fine.

Mr. REHBERG. It started. And if anybody has a burning question you would like to ask, I would certainly grant you that opportunity. Otherwise you could submit it for the record.

Ms. Lee.

ADAP FUNDS TRANSFER

Ms. LEE. Thank you very much. I just wanted to go back to the question on HIV and AIDS as it relates to last year. The administration transferred about $25,000,000 in fiscal year 2010 funds for the ADAP program to help shore up the treatment programs for people living with AIDS. A number of States now have almost abandoned them. So I wanted to see if you had any plans to provide an additional transfer of funds during the current fiscal year as we work through this budget.

Secretary SEBELIUS. Well, Congresswoman, we are working very, very closely with States. As you know, it was $30,000,000, and it was specifically because State resources had dropped so precipitously, and we are monitoring this very carefully to make sure that we can adjust resources as we move along.

Ms. LEE. Thank you.

Mr. REHBERG. Mr. Jackson.

Mr. JACKSON. Mr. Chairman, let me enter, a unanimous consent, one letter for the record, if you don't mind, and I have two very quick questions.

Mr. JACKSON. Madam Secretary, I understand that the NIH Director plans on dismantling the NCRR, the National Center for Research Resources, to implement a new IC, institute center, on translation research, resulting in several NCRR programs needing to be moved to this new IC. Specifically, I am concerned about the IDeA, Institutional Development Award, and the RCMI, the Research Centers in Minority Institutions, programs currently at NCRR. I understand that RCMI will be housed at NIMHD, the National Institute for Minority Health and Health Disparities, but not at IDeA. If both programs are currently being administered by the same staff, and they work well together, for me it makes sense to keep both programs together.

Madam Secretary, I wish I could bring this to your attention so that you could please try your best, consistent with the plan that we have been following at least for the last 10 years in the committee, to ensure that this program is appropriately housed at NIMHD at the NIH—these alphabets are killing me.

And I would ask unanimous consent, Mr. Chairman, to again submit that letter for the record and to allow the Secretary an opportunity to take a hard look at this issue.

[The information follows:]

February 17, 2011

Dr. Lawrence Tabak, DDS Ph.D.
Senior Deputy Director, National Institutes of Health
Building 1 - Shannon Building, 126
1 Center Drive
Bethesda, MD 20892 (Courier zip code: 20817)

Dear Dr. Tabak:

We are writing on behalf of the Research Centers in Minority Institutions (RCMI) Program Directors Association (RCMI-PDA) and National IDeA PI Association (NAIPI). Your leadership and vision have led to the creation of the new National Center for Advancing Translational Sciences (NCATS). We look forward to its success, especially in drug discovery. While we understand the reasoning for moving the Clinical and Translational Science Awards (CTSAs) from the National Center for Research Resources (NCRR) to NCATS, we are concerned about the impacts of this move on the programs remaining in NCRR, the Institutional Development Award (IDeA) and RCMI programs in particular.

The NCRR has created and nurtured the IDeA and RCMI programs, whose missions are to develop research capacity and infrastructure as that they address minority and geographic disparities. Both programs have been enormously successful and have developed important synergies and not just within states that have both programs. RCMI through the RCMI Translational Research Network has reached out to IDeA programs outside their own states.

The IDeA and RCMI programs fit well with the overarching mission of NCRR to build infrastructure and provide crucial resources for biomedical research. Therefore, it would be of great benefit to our programs if NCRR is sustained as an independent Center retaining all current programs other than the CTSAs. However, if the IDeA and RCMI programs are to be moved out of NCRR, we ask that their mission, budgets, grant mechanisms and staff remain intact. If these programs are separated and the staff likewise divided, neither program will have sufficient support. Also, their awards should not be distributed over ICs.

Very importantly, we ask that if our programs are moved from NCRR that they be moved to the **National Institute of Minority Health and Health Disparities (NIMHD)**. RCMI is already shown to be in this institute in the straw model. IDeA will bring to NIMHD an enhanced focus on geographic disparities and special populations to add to the focus on minority health and health disparities. We feel that in NIMHD we will find support for our programs and preserve our existing synergies between RCMI and IDeA.

The NIMHD is an institute where our clinical as well as basic research programs would flourish. It is often overlooked that our programs have substantial translational components, including clinical trials.

Thank you for your consideration of our recommendations.

Sincerely,

Judith Van Houten
University Distinguished Professor
NAIPI President

Keith Norris
Professor
President, RCMI-PDA

Cc: Alan Guttmacher, MD

Secretary SEBELIUS. I will.

Mr. JACKSON. Very quickly, Mr. Chairman, my final question.

LIHEAP

Secretary Sebelius, this past year the LIHEAP program served 460,000 households in Illinois. Illinois is currently ranked the third highest recipient of LIHEAP funds, and my district continues to be the largest recipient of LIHEAP. Even at the current $5,100,000,000 funding level, these funds can only provide one in five eligible households in this country with heating and cooling assistance.

Could you explain to us what the cuts in H.R. 1 would do to the LIHEAP program for current low-income residents? And I'll submit the rest of my questions for the record.

Mr. REHBERG. Thank you.

You have 10 seconds, or you have got to give the cupcake back.

Secretary SEBELIUS. It would be very difficult, and it would turn—the budget returns LIHEAP to its historic levels, but there is no question it is a very significant cut.

Mr. JACKSON. Madam Secretary, thank you.

Mr. REHBERG. We thank you for being here today. Sorry for allowing you the opportunity to have 20 minutes off. We were looking forward to until noon, but thank you for taking the time to come up and be with us.

Secretary SEBELIUS. I will see you again April 1.

Mr. REHBERG. Yes you will.

Meeting is adjourned.

Questions for HHS Secretary Kathleen Sebelius
From Chairman Denny Rehberg

Madame Secretary, I have grave concerns about the potential for comparative effectiveness research to be misused by policy-makers in "one-size-fits-all" decisions that deny patients access to the treatments that best meet their needs. I was encouraged your statement last year that the purpose of such research "is to empower patients and providers with the best information on protocols, procedures, and other relevant issues, not to enable the federal government to dictate broad coverage decisions." At the same time, as I understand it, recent comparative effectiveness reports from the HHS Agency for Healthcare Research and Quality state that the reports may be used "as the basis for the development of clinical practice guidelines and other quality enhancement tools, or as a basis for reimbursement and coverage policies." I'm concerned that this language could be misunderstood as AHRQ and HHS supporting use of these reports to deny coverage to a test or treatment option that would be the best choice for some patients, even if it looks comparable based on average results. Will you work with me to ensure CER is used well by patients and providers, and not misused to impose blanket access restrictions?

Answer:
The Department of Health and Human Services (HHS) and the Agency for Healthcare Research and Quality (AHRQ) share your concerns that comparative effectiveness research (CER), also referred to as Patient-centered Outcomes Research (PCOR), findings be useful for clinicians and patients and used to make informed and transparent treatment decisions. Research findings and translational information are publicly available to enhance their use. Many medical societies use the information when creating clinical practice guidelines for their members. The Institute of Medicine, in a recent report on clinical practice guidelines, states: "Clinical Practice Guidelines (CPGs) are intended to provide a systematic aid to making such complex medical decisions. When rigorously developed using a transparent process that combines scientific evidence, clinician experiential knowledge and patient values, CPGs have the potential to improve many clinician and patient healthcare decisions, and enhance healthcare quality and outcomes." Thus, the purpose of CER/PCOR is to provide information for clinicians and patients to use in making the best treatment decisions based on patients' individual situations. PCOR guides are tools, not rules. HHS and AHRQ would be pleased to work with you to ensure the productive use of these findings by patients and their caregivers.

Excessive Use of Special Title 42 Pay Authority

The Health and Human Services Department (HHS) has limited special authority under Title 42 to allow HHS certain hiring and pay flexibilities. The special authority was created in the 1930's to provide for limited scientific appointments and not as an alternative compensation scheme. The authority allows HHS to avoid some normal Civil Service hiring rules and provide employees with higher salaries, recruitment bonuses, and retention bonuses. The authority covers limited Senior Biomedical Researches, such as the 27 National Institutes of Health Directors, special consultants, and a category of employees HHS identifies as Administrative Determined employees.

I was reviewing some of the initial summary data on the use of this authority of over the past couple years and was surprised that such a limited authority accounts for 14 percent of all HHS employees in FY 2010, not just new hires. I really would have expected a more limited use, such as 1, 2, or maybe 3 percent but not 14 percent.

In drilling further, it stood out that the National Institutes of Health has almost 26 percent of its employees hired under this authority or about 4,800 folks. Plus, the salary for some of these public servants seems to borders on excessive. Staying with the NIH as an example, according to the publicly available information from the Office of Personnel Management—one of the highest paid persons at NIH had a base salary of $350,000 and it does not seem that this person is even a Director of one of the 27 Institutes or Centers at NIH. Plus, in FY 2009, more than 530 individuals appear to have earned salaries of $200,000 a year or more, just at NIH. I need to note, that this is more than the FY 2011 basic salary for you, the Secretaries of Defense, State, Treasury and other Cabinet members as well as the Director of National Intelligence.

Moreover, every year the HHS budget request includes language to restrict the salary outside individual scientists can receive from HHS grants to less than $180,000. However, it does not seem this restriction is used to calculate the HHS employee salary cap. Plus, these title 42 employees are eligible for retention bonuses—over and above the excessive salary.

I appreciate that we may need to compensate a handful of key scientists, certainly not in the hundreds, a slightly higher salary. However, it is hard to justify, especially in these tough economic times, why HHS would pay so many employees such excessive salaries. In general, when we choose to enter into public service, we should make a fair living but realize that tax payers will not pay us the top salary in our field since we decided to serve the public.

a) Are you aware of this data and the over use of Title 42 authority?

Answer:
HHS is aware of all appointments made by the Department pursuant to 42 U.S.C. § 209(f) and 42 U.S.C. § 209(g). Title 42 of the United States Code section 209(f) and section 209(g) do not set a limit on the number of employees the Department can appoint under these two authorities. The Department takes great care to ensure that these authorities are not over-used. It is HHS policy that appointments are to be used for scientific positions and appointment under 42 U.S.C. §209 (f) only when recruitment or retention efforts under other available and applicable personnel systems have failed to yield candidates who possess the required scientific expertise. Additionally, the HHS Office of Human Resources conducts Departmental program reviews and evaluations to ensure that HHS Title 42 appointments are in compliance with applicable laws, regulation, and policy.

b) What is the statutory salary cap provided to HHS for this special title 42 hiring authority?

Answer:

Pursuant to 42 U.S.C. § 209(f), special consultants may be employed to assist and advise in the operations of the Service. Such consultants may be appointed without regard to the civil-service laws. Neither 42 U.S.C. § 209(f) nor 42 U.S.C. § 209(g) imposes a salary cap on the pay of individuals appointed pursuant to these authorities. As there is no statutory cap, pursuant to 42 C.F.R. § 22.3, "rates of compensation" for Title 42 appointees are fixed administratively by HHS.

c) We understand that HHS' interpretation is that there is no statutory cap and it is administratively determined by the Secretary. Is that correct?

Answer:
Neither 42 U.S.C. § 209(f) nor 42 U.S.C. § 209(g) imposes a salary cap on the pay of individuals appointed pursuant to these authorities. As there is no statutory cap, pursuant to 42 C.F.R. § 22.3, "rates of compensation" for these two appointment authorities is fixed administratively by HHS.

c) If that is correct, according to your interpretation, HHS could raise the salary cap to $1 million a year – hypothetically speaking?

Answer:
Neither 42 U.S.C. § 209(f) or 42 U.S.C. § 209(g) imposes a salary cap on the pay of individuals appointed pursuant to these authorities. As there is no statutory cap, pursuant to 42 C.F.R. § 22.3, "rates of compensation" for Title 42 appointees are fixed administratively by HHS. Compensation is fixed administratively taking into account factors such as appropriation levels as well as the employment marketplace for individuals with comparable skills and experiences.

d) What have you established as the Administrative Salary Cap for FY 2010 and for FY2011?

Answer:
According to HHS policy, the annual base salary for most appointments under Title 42 cannot exceed $250,000 unless a higher rate is approved by the Secretary. The annual base salary for Title 42 appointments may not exceed $350,000 per year for individuals appointed to the Food and Drug Administration, Centers for Disease Control and Prevention, or the National Institutes of Health.

e) Since this is more hiring and compensation authority than the President or anyone else in the government has been provided. Should Congress really provide any Cabinet Secretary this level of authority?

Answer:
Agency pay authorities generally are established by Congress through the authorization process. Neither 42 U.S.C. § 209(f) nor 42 U.S.C. § 209(g) imposes a salary cap on the pay of individuals appointed pursuant to these authorities giving the agency discretion to fix compensation administratively.

g) Given this unprecedented authority, what actions are in place to review and evaluate how the authority is used, specifically to ensure it is applied in a truly limited manner?

Answer:
Each Operating Division's Human Resources Office is responsible for reviewing all requests for appointments under Title 42 to ensure compliance with law, regulation and policy. According to HHS policy, appointments are to be used for scientific positions and appointment under 42 U.S.C. §209 (f) only when recruitment or retention efforts under other available and applicable personnel systems have failed to yield candidates who possess the required scientific expertise. Additionally, the Office of Human Resources conducts Departmental program reviews and evaluations to ensure that HHS Title 42 appointments are in compliance with applicable laws, regulation, and policy.

h) It does not seem reasonable to have any agency create an alternative compensation structure for 25 percent or even 10 percent of its employees. What would be the impact if the number of employees funded at these excessive salaries was on 1 or 2 percent?

Answer:
Title 42 of the United States Code section 209 contains a number of separate authorities that support the appointment of scientists and others for a variety of HHS mission-related purposes. For example, fellowships under 42 U.S.C. § 209(g) are essential to the creation and expansion of a well-trained corps of national and international clinical and research investigators and to the constant renewal and reinvigoration of the scientific community, at HHS and world-wide.

Pursuant to 42 U.S.C. § 209(f), HHS also may appoint special consultants, including highly talented, creative and visionary research investigators, clinicians, and scientific leaders who are essential to the accomplishment of HHS's mission. Such individuals, including the fundamental core of NIH's scientific staffing, are at the very top of their fields and can command top salaries in academia and at private entities.

Given the varied and essential benefits of Title 42 authority, the impact of such a limitation would be significant, resulting in incalculable damage to research programs-and the Department's mission.

i) What actions can you take to increase oversight and truly limit the use of this authority?

Answer:
As noted above, requests for appointment under Title 42 are reviewed by the Operating Division's Human Resources Office to ensure compliance with law, regulation, and policy. In addition, the HHS Office of Human Resources conducts periodic program reviews and evaluations to ensure that HHS Title 42 appointments are in compliance with applicable laws, regulation, and policy. The Office of Human Resources uses the findings of such reviews and evaluations to inform policy updates, as well as identify and implement corrective action as necessary.

j) Please provide a table that displays at the HHS Operating Division and Office of the Secretary levels the following factors for each FY from FY 2007 through FY 2012: Annual Total Number of FTE; Annual Total Number of FTE Employed Under Any Title 42 Authority; Annual Number of Title 42 FTE with an Annual Salary equal to or above the

Executive Level II for that FY; Annual Number of Title 42 Employees who received a Retention Bonus; Annual Number of Title 42 Employees who Received a Recruitment Bonus; Annual Number of Title 42 Employees who Received Both a Recruitment and Retention Bonus; Annual Salary Cap; Annual Maximum Recruitment Bonus; and the Annual Maximum Retention Bonus.

Answer:
The following table provides information from the Business Intelligence Information Systems (BIIS), which includes CapHR data and DFAS payroll data for FY 2007 through FY 2010. This level of detail is not available for fiscal years 2011 and 2012.

	Fiscal Year			
OPDIV	2007	2008	2009	2010
ACF				
Total FTE used	1,229	1,283	1,238	1,331
Total Title 42 FTE	-	-	-	-
Total # Title 42 Recruitment Bonus	-	-	-	-
Total # Title 42 Retention Bonus	-	-	-	-
AHRQ				
Total FTE used	295	297	288	312
Total Title 42 FTE	52	47	43	31
Total # Title 42 Recruitment Bonus	-	-	-	-
Total # Title 42 Retention Bonus	-	-	-	-
AoA				
Total FTE used	112	106	101	100
Total Title 42 FTE	-	-	-	-
Total # Title 42 Recruitment Bonus	-	-	-	-
Total # Title 42 Retention Bonus	-	-	-	-
CDC				
Total FTE used	8,569	8,944	9,567	10,179
Total Title 42 FTE	702	796	922	991
Total # Title 42 Recruitment Bonus	5	5	9	6

Total # Title 42 Retention Bonus	4	3	3	3

CMS

Total FTE used	4,526	4,483	4,381	4,537
Total Title 42 FTE	15	13	9	8
Total # Title 42 Recruitment Bonus	-	-	-	-
Total # Title 42 Retention Bonus	-	-	-	-

FDA

Total FTE used	9,618	9,909	11,310	12,522
Total Title 42 FTE	533	551	795	870
Total # Title 42 Recruitment Bonus	-	73	102	2
Total # Title 42 Retention Bonus	127	88	78	13

HRSA

Total FTE used	1,708	1,484	1,481	1,609
Total Title 42 FTE	3	3	4	4
Total # Title 42 Recruitment Bonus	-	-	-	2
Total # Title 42 Retention Bonus	-	-	-	-

IHS

Total FTE used	15,062	14,985	15,267	15,830
Total Title 42 FTE	2	2	1	4
Total # Title 42 Recruitment Bonus	-	-	-	-
Total # Title 42 Retention Bonus	-	-	-	-

NIH

Total FTE used	16,986	17,241	17,785	18,351
Total Title 42 FTE	4,234	4,348	4,537	4,766
Total # Title 42 Recruitment Bonus	59	59	53	45
Total # Title 42 Retention Bonus	71	66	53	25

OS

Total FTE used	3,850	4,069	4,118	4,706
Total Title 42 FTE	10	11	11	11
Total # Title 42 Recruitment Bonus	-	-	1	-
Total # Title 42 Retention Bonus	-	-	-	-

PSC

Total FTE used	1,126	1,132	1,199	985
Total Title 42 FTE	1	-	-	-
Total # Title 42 Recruitment Bonus	-	-	-	-
Total # Title 42 Retention Bonus	-	-	-	-

SAMHSA

Total FTE used	511	533	519	530
Total Title 42 FTE	10	11	7	6
Total # Title 42 Recruitment Bonus	-	-	-	-
Total # Title 42 Retention Bonus	-	-	-	-

Annual Number of Title 42 FTE with an Annual Salary equal or above the Executive Level II for the year	Fiscal Year			
	2007	2008	2009	2010
ACF	-	-	-	-
AHRQ	1	-	-	1
AoA	-	-	-	-
CDC	101	88	85	92
CMS	-	-	-	-
FDA	9	2	1	-
HRSA	-	-	-	-
IHS	-	-	-	-

NIH	564	677	732	773
OS	1	1	3	6
PSC	-	-	-	-
SAMHSA	-	-	-	-

Annual Number of Title 42 Employees who received both a Recruitment and Retention Bonus	Fiscal Year			
	2007	2008	2009	2010
ACF	-	-	-	-
AHRQ	-	-	-	-
AoA	-	-	-	-
CDC	-	-	-	-
CMS	-	-	-	-
FDA	-	-	-	-
HRSA	-	-	-	-
IHS	-	-	-	-
NIH	-	-	-	-
OS	-	-	-	-
PSC	-	-	-	-
SAMHSA	-	-	-	-

Annual Salary Cap	Fiscal Year			
	2007	2008	2009	2010
ACF, AHRQ, AoA, CMS, HRSA, IHS, OS, PSC, SAMHSA	$250,000	$250,000	$250,000	$250,000
CDC, FDA, NIH	$350,000	$350,000	$350,000	$350,000

Annual Maximum Recruitment Bonus	Fiscal Year			
	2007	2008	2009	2010
ACF				

	-	-	-	-
AHRQ	-	-	-	-
AoA	-	-	-	-
CDC	$67,500	$37,400	$36,366	$53,750
CMS	-	-	-	-
FDA	-	$33,750	$20,492	$40,000
HRSA	-	-	-	$44,750
IHS	-	-	-	-
NIH	$51,250	$57,250	$50,000	$50,000
OS	-	-	$29,231	-
PSC	-	-	-	-
SAMHSA	-	-	-	-

Annual Maximum Retention Bonus				Fiscal Year
	2007	2008	2009	2010
ACF	-	-	-	-
AHRQ	-	-	-	-
AoA	-	-	-	-
CDC	$31,519	$22,891	$18,664	$9,064
CMS	-	-	-	-
FDA	$17,549	$12,681	$13,784	$11,916
HRSA	-	-	-	-
IHS	-	-	-	-
NIH	$40,384	$38,462	$48,077	$28,218
OS	-	-	-	-
PSC	-	-	-	-
SAMHSA	-	-	-	-

Recovery Act New Jobs Created

The Stimulus provided the Department of Health and Human Services (HHS) with a one-time increase of $22 billion or a 31% supplement to the FY 2009 discretionary appropriation of $71 billion. These funds were spread across HHS to create jobs and stimulate the economy. The largest single amount of the funds, $10 billion was provided to the National Institutes of Health (NIH).

The President's Council of Economic Advisors (CEA) projected that it takes $92,000 of direct government spending to create one job. Although not a Department specific estimate, based on the CEA – the $21.9 billion provided to HHS should have created over 238,000 jobs.

Exactly how many jobs has the HHS stimulus funding created?

The Recovery Act provided HHS with an estimated total of $138 billion. Of this amount, HHS recipients report on direct jobs funded with $22 billion of discretionary funds under Division A. HHS does not have any information about direct jobs funded by the remaining $116 billion. Most of these discretionary funds ($20 billion) were available for obligation over two years with the remainder available through December 2012. These funds have expanded access to health care and provided child care and other social services to citizens affected by the recession, as well as providing longer term investments in health information technology and scientific research and are expected to be outlaid through 2015.

Each quarter, recipients of Division A HHS stimulus funding (including tribes and contractors receiving funds from the Indian Health Service) submit reports that include calculations of the number of jobs directly funded by Recovery Act dollars in the quarter, in compliance with Section 1512 of the American Recovery and Reinvestment Act. These jobs are calculated quarterly, not cumulatively, and cannot be added over time. Per OMB guidance M-10-14, this is the only data field that requires quarterly data.

Below is a chart containing recipient-reported estimates of direct jobs funded, along with reported non-cumulative outlays, in each quarter since the first recipient reporting period of October 2009.

	October 2009	January 2010	April 2010	July 2010	October 2010	January 2011
Quarterly Outlays Reported	$0.9 B	$1 B	$1.5 B	$1.9 B	$2.4 B	$1.2 B
Jobs Created/Retained	28,650[i]	31,247	44,268	57,558	72,754	53,198

How many of these are truly new jobs?

OMB guidance M-10-08 defines the "Number of Jobs" requirement in a Section 1512 report as an estimate combining the number of jobs created, defined by OMB as "a new position created

and filled, or an existing unfilled position that is filled, that is funded by the Recovery Act," and the number of jobs retained, defined by OMB as "an existing position that is now filled by the Recovery Act" in a particular quarter. Recipients provide a combined estimate and do not distinguish between jobs created and jobs retained that are funded by the Recovery Act.

Why do you believe the project number of new jobs expected by the President's CEA estimation was not realized?

HHS disagrees with the assertion that the number of jobs CEA expected was not realized.

CEA estimates the impact of the Recovery Act on the economy on a quarterly basis and the most recent report indicates that the Act has raised both GDP and employment substantially relative to what they otherwise would have been. As of the fourth quarter of 2010, the Recovery Act has raised employment relative to what it otherwise would have been by about three and a half million. A compilation of estimates from prominent private-sector and public-sector analysts across the ideological spectrum shows similar estimated impacts of the Recovery Act. The available direct job creation data provided by a fraction of Recovery Act fund recipients further corroborate the estimates of the overall impact of the Act.

The direct reporting from HHS recipients is consistent with CEA estimates of job creation. The jobs reported by HHS recipients are subject to recipient reporting requirements to report direct jobs on only the portion that has been spent to date, and do not measure all of the indirect and induced jobs captured in CEA's estimate of the total impact of Recovery Act spending and tax cuts, or the impact of the funds that will continue to create jobs in the following quarters. Recipient-reported job figures are also not designed to capture the impact of programs outside of Division A of the Recovery Act that are not subject to the requirements of Section 1512. In addition, there are lags between spending and the peak jobs impact, so the data do not perfectly align in a given quarter.

See "Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009" (http://www.whitehouse.gov/administration/eop/cea/Estimate-of-Job-Creation/) pages 2-7, "The Economic Impact of the American Recovery and Reinvestment Act of 2009 Second Quarterly Report" (http://www.whitehouse.gov/sites/default/files/microsites/100113-economic-impact-arra-second-quarterly-report.pdf) pages 26-31, and "The Economic Impact of the American Recovery and Reinvestment Act of 2009 Sixth Quarterly Report" (http://www.whitehouse.gov/sites/default/files/microsites/20110318-cea-arra-report.pdf) for more details.

Transparency in HHS Budget Request

The public and this Committee have a right to expect a complete and fully transparent budget request. The budget details in the request should include justification for the base, identified efficiencies, and how any efficiencies or program savings are being proposed to be applied. In these difficult economic times, no program should have a free ride to tax payer money.

Plus, this year we are surprised that the Administration and OMB sent forth a request that could be consider incomplete. For example, the request for the National Institutes of Health (NIH) includes a reference to a desire to reorganize by the end of this fiscal year in a way that will shift at least $1.3 billion and impact all 27 of its organizations. However, the FY 2012 request does not provide Congress or the public the respect and transparency of including the details or impact of the reorganization in the FY 2012 budget request document.

In fact, when asked, NIH and HHS noted that while the decision was made in early December and the Administration will support it later in the year with a budget amendment; however the details are not completed. It is hard to comprehend how the Administration or HHS can expect Congress to support or even review a proposal that does not yet exist. This committee and the public have a right to transparency. In the future, we would appreciate that any and all proposals; especially those decided months before the budget is released are included in the request with the appropriate level of details. Please help me understand how HHS develops its budget request.

1) **Does HHS build its budget from the bottom up or only based on new initiatives? Please explain.**

Answer:
The Department's budget formulation is a combination of bottom-up priorities proposed by the HHS Operating and Staff Divisions (OPDIVs and STAFFDIVs), layered in with top-down directions on general priorities and specific initiatives from the President and the Secretary. In the spring of each year, the Department provides the OPDIVs and STAFFDIVs general budget guidance and indications of planned initiatives and priorities for them to use in developing their budget submissions to the Secretary for the next fiscal year. At the same time, the OPDIVs and STAFFDIVs are invited to propose new initiatives of their own for the Secretary to consider when formulating the HHS budget she will submit to the Office of Management and Budget (OMB) for discussions and negotiations in the fall. Those discussions and negotiations with OMB usually follow a similar process of combining bottom-up and top-down initiatives and priorities. On rare occasions, depending on the priority of the issue, accommodations may be made to consider certain proposals marginally outside of the regular order which may affect their timing. This occurred with respect to the NIH proposal to establish a new National Center for Advancing Translational Sciences, and NIH is in the process of finalizing the budget details for transitioning to this new Center.

2) **Please describe how the request identifies productivity or program efficiencies to the base programs in this year's request? Please provide specific examples for each OpDiv?**

Answer:
As part of the FY 2012 Budget process, we identified ways to streamline our operations and target our investments more effectively. The Department is committed to continuing to review the Department's programs line by line and eliminating overlap and duplication wherever we find it. For FY 2012, the HHS discretionary budget is slightly below the FY 2010 level. The Department is contributing to deficit reduction and to meeting the President's freeze to non-security programs with over $5 billion in targeted reductions within the total. Examples of such cuts relating to eliminating duplication or ineffective programs include: discontinuing the $74

million HRSA State Health Access Grant program which has helped 13 states expand coverage, but is duplicative with work the Department is doing under the new health law to expand access to affordable care; discontinuing the $23 million Healthy Communities Program, the $39 million Racial and Ethnic Approaches to Community Health Program, the $3 million Built Environment Program, and the $100 million Preventive Health and Health Services Block Grant in CDC, which are duplicative of other Community Health and Public Health Infrastructure Programs; and discontinuing the $10 million Rural Community Facility Program in ACF, which is duplicative of efforts in EPA and USDA. In addition, the Budget proposes to reduce the HRSA Rural Hospital Flexibility Grants by $15 million since investments in Health Centers and Health Professions continue to support health access activities in rural communities.

Furthermore, about $44 million of decreases are proposed within CDC to eliminate duplicative or disease-specific funding in areas such as cross-cutting emerging infectious diseases; prion disease; climate change; genomics activities; and surveillance, epidemiology, informatics, and laboratory science activities. The President's Request also reduces $33 million from the Budget while consolidating existing asthma, healthy homes, and childhood lead poisoning prevention activities into one new comprehensive program that recognizes and mitigates an expanded range of home-based hazards. In FY 2012, CDC plans to consolidate activities from eight programs (Nutrition, Physical Activity, and Obesity; School Health; Health Promotion; Heart Disease and Stroke; Diabetes; Arthritis and Other Chronic Diseases; Cancer; and Prevention Research Centers) into a Comprehensive Chronic Disease Prevention Program that will focus on the top five leading chronic disease causes of death and disability, including heart disease, cancer, and diabetes. Similarly, the Budget consolidates over 23 birth defects, disability, and health projects into three comprehensive programs. Due to concerns about effectiveness, the Budget eliminates $23 million for the Agricultural, Forestry, and Fishing Sector of the National Occupational Research Agenda. In addition, the FY 2012 Budget for CDC includes a $100 million in administrative savings from FY 2010 by reducing travel and contracts.

Within SAMHSA, $25 million is proposed to be saved from efficiencies garnered from the consolidation of various public awareness activities and multiple performance systems. Within ASPR, $3 million is cut in the request to eliminate the International Early Warning Surveillance program since it is duplicative of activities supported elsewhere in the Department. Additionally, within ACF, less effective Developmental Disabilities programs addressing Voting Access and Projects of National Significance have been reduced by $23 million; and, because fewer than 40% of mentoring matches endure more than 12 months, the Mentoring Children of Prisoners Program has been cut by $24 million while modifications are made to improve its effectiveness. Also, $17 million is proposed to be cut to eliminate the Adolescent Family Life Program given the recent addition of the Pregnancy Assistance Fund.

Furthermore, NIH is proposing to create in FY 2012 a new organization, the National Center for Advancing Translational Sciences, and eliminate the existing National Center for Research Resources, following an assessment that drug development and other translational research activities could be more effectively organized across NIH.

3) **The budget identifies four focus areas for the 31.7 billion NIH budget. Please provide the amount of funds spend in each of the four focus areas (Advancing Translational Sciences, Accelerating Discovery Through Technology, Enhancing the Evidence Base**

for Health Care Delivery, and Encouraging New Investigators and New Ideas) for each of the following fiscal years: 2009, 2010, 2011, and 2012.

Answer:
The four priority areas discussed in the NIH Congressional Justification highlight particularly promising types of investment that NIH would like to encourage throughout the Institutes and Centers in FY 2012. NIH did not intend these areas to describe specific amounts within the budget request. As a result, they have not been defined at the level of detail necessary to identify total annual funding.

4) **If the Administration decides to submit an actual budget amendment to abolish the National Center for Research Resources and create the National Center for Advancing Translational Science that combined will likely realign at least $1.3 billion of resources and potentially impact all NIH Institutes and Centers (ICs), please ensure the budget amendment justification includes the following for each program moved or created by the proposed reorganizations:**
    a. **A matrix that compares features of the proposed programs created or moved to current activity and includes a column with a description of the rationale and/or comparison of each feature to support the move or creation and program purpose. Include in the matrix at least the following features:**
        i. **Authority,**
        ii. **Funding levels for FY 2010, FY 2011, FY 2012,**
        iii. **Eligibility,**
        iv. **Proposed Peer Review;**
        v. **Program overhead Costs,**
        vi. **Grant Selection;**
        vii. **Scope and Management of Award;**
        viii. **Non-Profit Involvement with Company;**
        ix. **Minimum and Maximum Award Amount;**
        x. **Award Limit Per Company or Non-Profit;**
        xi. **How many Awards per Year (new & projected Competing);**
        xii. **Valley of Death Asset Eligibility Requirements;**
        xiii. **Award Matching Amount;**
        xiv. **Maximum Project Time Limit;**
        xv. **Intellectual Property Protocol;**
        xvi. **Level of Patenting and Patent Costs Supported in Award;**
        xvii. **Level (if any) Clinical Trial Performance Support;**
        xviii. **Clinical Trial Oversight;**
        xix. **Clinical Trial Performance Sites (US only or Overseas allowed);**
        xx. **Payback Rules;**
        xxi. **Program Measurement of Success;**
        xxii. **Frequency of Performance Reports:**
        xxiii. **Indirect Costs;**
        xxiv. **Award Budgeting Rules;**
        xxv. **Availability of Cash Draws/Advances;**
        xxvi. **Projected Success Rate**
    b. **Describe for each program and the proposed new center the:**
        i. **Inter-relationship of the SBIR program funds across NIH;**

ii. How the new Center will provide oversight of the $6 billion of Translational Research activity already supported by NIH;
iii. How the new Center will provide oversight and span of management for the $3 billion of clinical trials annually supported by NIH;
iv. Describe the alignment and relationship of the NIH Governance Process to the proposed new structure;
v. Projected impact on NIH resources over next five years; and
vi. Breakout of the administration and overhead costs saved and created through the proposed reorganizations and program re-alignments.

c. Please specifically answer the following questions.
   i. The so called "Valley of Death" (VOD) is sometimes explained at the point NIH funded research ends as this research demonstrates a likelihood of success and the point where the research can prove success or failure in humans. Is this a fair description and is the target for the new Center?
   ii. Historically this VOD is bridged by venture capitalists, large pharmaceutical companies, and small bio companies. Is this correct?
   iii. Please explain how it is the federal government's responsibility to fund the proof of concept phase and bridge the VOD?
   iv. Please explain how the Administration plans to ensure the proposal does not interfere with the market or competition in the market?
   v. How far will NIH fund into the VOD concept?
   vi. Provide a summary of any analysis NIH or the SMRB has developed to examine the potential second and third order consequences of these proposal and programs on the economic model, drug development, drug financing, and pharmaceutical operations due to this proposal? Please provide and explain?
   vii. It seems possible that this proposal could shift the NIH focus away from basic and applied research that ensures a full pipeline of new discovery into a procurement agency or national drug development engine. Explain what safe guards are being made to NIH's governance model and the operational policy at NIH to ensure this does not occur and ensure the proposed changes do not drive short term resources decisions that move NIH away from its primary mission of basic and applied research?
   viii. How will NIH ensure the changes do not negatively impact the balance of resources used to support basic and applied science as compared to drug development and translational research?
   ix. Explain how NIH and the Administration ensure that non-profits and companies that accept a grant or contract related to the programs in the new Centers will not uses these or other resources to lobby the Administration or Congress to increase the NIH funding base?

d. Provide revised mechanism tables and justification for all impacted NIH ICs with an impact statement for each on the change to programs in the current budget request for FY 2012, including the proposed new center.

e. Explain the problem statement for each proposed organizational restructure or program move that includes a description of how the change addresses the problem.

f. **Please include measurable objectives to be used to measure and evaluate the success of the proposed new center of over the next five years with annual targets. Include the projected funding level for each program over the next five years—assuming flat budgets.**
g. **Describe the criteria NIH will use to select projects to de-risk and with specifically information on what net present value (NPV) calculation and range NIH will establish as a policy to determine for project consideration with detail on the why such as NPV range.**
h. **Please describe how these proposal address critics who state the real barrier to the financing risks that create the VOD is the FDA approval process or PTO rules that negatively impacted the capital markets. Specifically, describe how is this proposal the best solution? And, why should Congress move the federal government further into drug development or becoming financier for pahrma and bio companies that stand to gain financially from tax payer venture capitalist funding for drug development.**
i. **Please explain other options considered to creating this proposed new center and why they were not considered viable options, what criteria were used, and how the final determination was made.**
j. **Please provide the documents for each proposed reorganization or new organization creation that are required by law to be performed by the independent Scientific Management Review Board (SMRB) in advance of a proposal to reorganize.**

   P.L. 109-482 on SMRB responsibilities require the following: "For any proposal for organizational changes to which the Board gives significant consideration as a possible recommendation in such report—

   (I) analyzing the budgetary and operational consequences of the proposed changes;

   (II) taking into account historical funding and support for research activities at national research institutes and centers that have been established recently relative to national research institutes and centers that have been in existence for more than two decades;

   (III) estimating the level of resources needed to implement the proposed changes;

   (IV) assuming the proposed changes will be made and making a recommendation for the allocation of the resources of NIH among the national research institutes and national centers; and

   (V) analyzing the consequences for the progress of research in the areas affected by the proposed changes."
k. **Please explain the mechanisms envisioned for the proposed new center.**
l. **Explain how the mechanism NIH used to work with Pharma, Bio, and Venture Capitalist in the development and what mechanisms will be used for on-going operations to create a federal program that bridges VOD to pharmaceutical development.**
m. **Please explain the relationship and interplay of CAN and CTSA program and any planned changes to the CTSA policies and funding over the next five years.**
n. **Please explain the criteria used by the NIH Director and Secretary to evaluate the advance information legally required by the SMRB in advance of the**

decision to abolish NCRR. Also to create the proposed new center and other proposed organizational changes.

o. **Please identify the specific impact to FTE, contractor, extramural community, clinical center, and other programs by IC.**

p. **Please explain in detail how NIH will handle situations where a selected project for de-risking and if successfully de-risked but no company decides to produce the drug or medical product. Does the Administration believe that NIH has the legal authority to extending beyond the VOD into drug manufacturing business in any form and what is the policy included in this proposal?**

Answer:
We appreciate the Subcommittee's input which we will take into consideration. NIH is in the process of finalizing the budget details for transitioning to this new Center. We look forward to working with the Subcommittee to describe our plans for the future organization of NIH.

Centers for Medicare and Medicaid Cross Walk

The Centers for Medicare and Medicaid Services (CMS) has proposed to restructure its Program Management account, please provide a discretionary cross walk that

1) **Starts with the FY 2010 enacted structure at a non-comparable level**
2) **Shows the FY 2012 in both the current and proposed structure at the non-comparable FY 2010 1**
3) **Show the walk up in both structures for each initiative; please ensure health care reform activities not in FY 2010 CMS non-comparable base are identified separately to ensure transparency.**
4) **Please develop a similar table for all mandatory funds and finally, a table that combines total resources (mandatory and discretionary).**

Answer:
At present, a transition team is incorporating the new Center for Consumer Information and Insurance Oversight (CCIIO) into the overall CMS budget. This effort is progressing but is not completed at this time. Therefore we are unable to produce the crosswalk that you request. Once the transition team has completed its work, we can work with your office to provide a crosswalk.

Scientific Management Review Board (SMRB) Independence

I wanted to note a concern raised by a member of the independent Scientific Management Review Board (SMRB) that seems to question the true independence or at least indicates perception of a lack of independence for the SMRB. The NIH is responsible for providing the SMRB with sufficient resources to ensure the SMRB can conduct its statutorily required detailed analysis prior to any proposals to reorganize at the National Institute of Health (NIH). However, the comments in the February 22, 2011 posting by Dr. Berg (attached) highlight a potential perception or actual involvement by someone in the NIH Office of the Director and independence of the SMRB deliberative process. In the posting, Dr. Berg notes that he sent an e-mail to Chairman of the SMRP on December 4, 2010 and

on December 5, 2010 received a call from the Office of the NIH Director urging Dr. Berg not to pursue this approach with his concerns about issues within the SMRB deliberative process. In addition, I have heard members of the NIH Director's Advisory Council were informed about the decision to eliminate NCRR on or about December 15, 2010—long before the SMRB finished its deliberation. Please help me understand what is going on with the independence of the SMRB deliberative process, specifically as they relate to the proposed NIH reorganization. It is critical that the independence of this deliberative process be full conducted and with adequate independence. Are you aware of these concerns? If so have you directed or do you plan to direct an independent disinterested third party review (such as the IG) into this matter to ensure the SMRB is properly resourced, the SMRB has the full independence, is not unduly influenced by the NIH Office of the Director or other body, and in the recent reorganization proposals to abolish NCCR and create NCATS that the SMRP fully conducted and documented the comprehensive analysis envisioned and required by Public Law 109-482.

PublicComment_Berg
.pdf

Answer:

The NIH Scientific Management Review Board (SMRB), mandated by the NIH Reform Act of 2006, is a Federal advisory committee established to provide advice to the NIH Director and other appropriate agency officials on the use of relevant organizational authorities. Dr. Francis Collins, the NIH Director, considers the SMRB to be a valuable source of independent advice on the agency's organization and management. He has the utmost respect for and confidence in its deliberative process and is committed to upholding its independence.

In 2010, the NIH Director requested SMRB advice on (1) the attributes, activities, and functional capabilities of an effective translational medicine program for advancing therapeutics development; and (2) extant programs, networks, and centers for potential inclusion in an optimally organized network. In response to this charge, the Board convened the Translational Medicine and Therapeutics Working Group. This SMRB Working Group met five times and consulted with relevant stakeholders as it undertook an extensive analysis of this topic. The full Board also met in public session five times to discuss this topic and held a two-day stakeholder consultation with more than 20 invited experts across diverse sectors. Based upon its analyses of data and stakeholders' testimonies, the SMRB recommended that a new translational medicine and therapeutics center be created as described in its Report on Translational Medicine and Therapeutics (for an electronic copy, please see http://smrb.od.nih.gov/Reports/Report_TMAT.pdf). The Board approved the report and submitted its recommendation about the need for a new translational research center to the NIH Director on December 7, 2010. The ACD was informed of the SMRB's recommendation on December 9, 2010.

In its deliberations, the SMRB recognized the relevance of several NIH programs to the proposed new center's mission, including programs at the NCRR. The NCRR Director and NCRR staff briefed both the Working Group and the full SMRB. However, in addressing its charge, the SMRB was not asked to make recommendations about the organization of the NCRR and, in its final analysis, the Board recommended that NIH should "undertake a more extensive and detailed analysis through a transparent process to evaluate the impact of the new center on

other relevant extant programs at NIH, including NCRR." The Board requested and received an update on NIH's plans regarding NCRR and new the center.

The NIH Director considers each SMRB report carefully before deciding whether to accept or reject its recommendations. It is important to note, however, that the SMRB is advisory in nature and that the NIH is not required to seek its advice before exercising organizational authorities. Moreover, according to the Public Health Service Act (Section 401(f)(2)), the process outlined in the Act at Section 401(f)(1), which requires the agency to take certain steps upon receipt of SMRB recommendations, does not apply to the SMRB's recommendation regarding the formation of a center dedicated to translational science. Section 401(d)(2) of the Public Health Service Act authorizes the HHS Secretary to "establish in the [NIH] one or more additional national research institutes," "reorganize the functions of any national research institute," and "abolish any national research institute if the Secretary determines that the institute is no longer required." In House Report 99-158 of the Health Research Extension Act of 1985 (P.L. 99-185), the House Energy and Commerce Committee noted that "The needs, priorities and policies in biomedical science may change over time. For this reason, Section 401(c) maintains the Secretary of Health and Human Services' authority under current law to reorganize existing national research institutes and to establish one or more additional national research institutes as new needs and new research opportunities arise."

National Institutes of Health Clinical Trials

In 2010, the Institute of Medicine (IOM) released a report on NIH Clinical Trials, based on a review of the National Cancer Institute (NCI) program. The sub-committee staff discussed with NIH leadership last year the apparent applicability of concerns raised by the IOM report to all the NIH Institutes and Centers (ICs) that support clinical trials. The NIH agreed to conduct a trans-NIH review of the twelve IOM recommendations to improve the NIH-wide clinical trial activity as NIH spends over $3 billion a year on clinical trials. Please provide an update on the review. Specifically, are any new trans-NIH clinical trials guidelines being developed (such as consistency of accrual cost per case across NIH) and describe where NIH is on developing new measures to track, monitor, and improve the speed of initiation and completion, and funding prioritization process. In addition, please describe how much of the FY 2012 request is to support improvements based on this review and what specific actions are planned for FY 2012 implementation.

Answer:
NIH is currently reviewing the IOM recommendations on the NCI Cooperative Group Program and their applicability across NIH. While most of the recommendations focus on issues specific to the NCI Cooperative Group Program, five of them appear to address challenges that other Institutes and Centers (ICs) may also be encountering in their clinical research programs. Examples include the recommendation to streamline and harmonize government oversight and the recommendation to facilitate collaboration among stakeholders in clinical trials. The degree to which other ICs face these challenges will be better understood following further fact-finding, consultation, and analysis. We anticipate that a report of our findings will be completed by the end of FY 2011.

In the meantime, NCI has begun implementing changes in response to the IOM recommendations, and its efforts will help to inform trans-NIH enhancements to clinical trials processes. Specifically, NCI has embarked on a process to consolidate the Adult Cooperative Groups (from nine to four) to fulfill the need for complex, multidisciplinary trials with more sophisticated scientific capabilities, coupled with a streamlined administrative process. To speed up the clinical trials activation process, NCI has implemented a real-time internet-based "dashboard" that provides all parties involved in the clinical trials process information on the stage of development for the study, and whether the process is meeting its pre-defined deadlines. To harmonize government oversight, NCI has established a new collaboration with the FDA's Office of Oncology Drugs. To facilitate more extensive collaborations, NCI has developed standardized language for clinical trials agreements and new language to address intellectual property issues involved in biomarker development as part of the clinical trials process. Finally, to improve reimbursement to study sites, NCI has increased per case reimbursement from $2,000 to $5,000 for Group Phase II studies, with additional funding for select Phase III studies based on their complexity.

Clinical Center and Intramural Research (IR)

Please submit an updated Institutes and Centers (IC) and the overall NIH Mechanism Tables with a new non-add line (sub-line below the Intramural Research line) to display the funding provided to operate the NIH Clinical Center (referred to the line as the "Clinical Center Tap") to improve transparency. We would appreciate having this on new line on all future tables, to include operating plans, reprogrammings and other uses of NIH mechanism tables.

Answer:
The NIH Institutes and Centers currently fund the Clinical Center from their Intramural Research Program via the NIH Management Fund. Budget displays for the Clinical Center will be one of the issues considered as NIH addresses in the future the recommendations of the Scientific Management Review Board on the NIH Clinical Center. The table below provides the FY 2009 – FY 2012 Clinical Center budget funded by NIH Institutes and Centers (IC). The FY 2011 and FY 2012 figures reflect NIH's estimates as of the time the FY 2012 Congressional Justification was developed.

National Institutes of Health
Clinical Center Funding
FY 2009 - FY 2012
(Dollars in thousands)

Institute/Center	FY 2009	FY 2010	FY 2011*	FY 2012
NCI	98,063	103,559	108,523	112,067
NIAID	74,769	76,863	80,364	82,960
NHLBI	23,952	25,451	26,710	27,573
NIDDK	22,524	24,150	25,415	26,244
NIMH	24,416	26,305	27,402	28,277
NICHD	22,246	23,413	24,713	25,521
NINDS	20,134	21,251	22,217	22,943
NIEHS	18,006	19,550	20,527	21,212
NHGRI	13,527	14,150	14,830	15,319
NEI	9,137	9,557	10,033	10,367
NIA	7,182	7,895	8,289	8,565
NIDCR	8,145	8,704	9,112	9,403
NIAMS	6,986	7,496	7,853	8,111
NIAAA	6,517	6,972	7,171	7,406
NIDA	5,950	6,730	7,080	7,316
NIDCD	4,838	5,177	5,459	5,641
NIBIB	2,549	2,618	2,704	2,758
NCCAM	1,009	1,038	1,090	1,126
NINR	454	537	563	582
NIMHD	499	743	771	792
NIGMS	153	154	162	167
NCRR	168	-	-	-
FIC	51	46	46	46
OD	5,340	3,578	3,578	3,578
Outside Agencies	1,476	3,076	3,053	3,054
TOTAL	$ 378,093	$ 399,012	$ 417,663	$ 431,028

* Note: FY11 CJ amount reflects an estimate that exceeds the actual budget received.

Fiscal Management

What is the status of the National Institutes of Health's plan to implement improved financial fund controls, also referred to as hard funds controls that are designed to improve its ability to prevent violations of anti-deficiency, reprogramming, and acquisition rules? Please provide a timeline and identify how much NIH is spending in FY 2011 and planned within in the FY 2012 request. Please identify the fiscal management procedures used by HHS to actively manage the funds control activity and provide the funds control level implemented at each HHS Operating Division uses to ensure no violations of reprogramming, anti-deficiency, and acquisition rules.

Answer:
As part of NIH's overall effort to be compliant with government-wide accounting and management practices and to prevent potential violations of the Anti-Deficiency Act, hard funds control was implemented successfully in October 2010 for all transactions processed through the

NIH Business System (NBS). As a result, beginning in FY 2011, commitment accounting, funds checking, and funds reservation capability is being applied to the vast majority of NIH funding transactions, including grants. Hard funds control will be exercised at the allowance level so that potential obligations that would exceed the amounts provided in the allowance will not be processed by the NBS, automatically preventing obligations which might cause Anti-Deficiency Act violations. Additional reporting capabilities have been developed so that staff can monitor obligations against budget allocations. The Committee may be assured of NIH's commitment to continuous improvement of its financial management and reporting systems.

HHS is committed to managing taxpayer funds appropriately and in accordance with laws and their associated regulations. The Department's funds control processes includes all measures taken to control use of funding authorization and is an integral part of the Departmental accounting systems. Departmental funds control is managed throughout the systems transactional flows and the related accounting processes. Control is managed from the initial point of authorization through apportionment, allotment, obligation and disbursement for all funds. In addition, funds availability reports are produced from the accounting system and made available to allotment and allowance holders at appropriate intervals to ensure adequate monitoring of funds and financial management. We have also implemented a mandatory appropriation law training requirement for acquisition, budget, finance, and program personnel, and developed an on-line Appropriation Law course tailored to the HHS environment to fulfill this requirement. We also review the controls related to our funds management process annually as part of our Integrity Act Assessment.

Management Efficiencies

I understand that in spending the stimulus funds, some HHS organizations developed ways to achieve management efficiency. For example, NIH used a NIH-wide consolidate process to allow it to leverage funds to expand the amount of scientific equipment purchases with consolidated contracts and buys. Please explain how the consolidated purchasing program have been expanded to base appropriated funds and the projected value of the leveraging being generated in FY 2011 and FY 2012 and NIH and in each Operating Division. Please identify other management efficiency activities on-going or planned across each HHS Operating Division and identify the dollar value of leveraged activity for each activity. I urge HHS and NIH to expand their management efficiency activities, set program efficiency goals and track the level of participation.

Answer:
NIH seriously embraces its role as a steward of public funds, and in these times of economic constraint is aggressively exploring approaches to maximize the use of resources through management efficiencies. These efficiencies are a blend of both cost savings as well as cost avoidance strategies across the agency.

A key NIH management efficiency was submitted as part of the HHS proposals for the President's SAVE Award competition and is highlighted in the "Terminations, Reductions, and Savings" volume of the FY 2012 President's Budget. The NIH Center for Scientific Review (CSR) held over 1,700 review meetings in FY 2010 to review 88,000 applications using more

than 17,000 reviewers. Over 20% of these review meetings, more than 340, were conducted utilizing electronic platforms resulting in a cost avoidance of $33,419 per meeting on average, for a total estimated savings of over $11 million. These cost avoidances involve the conduct of meetings using various forms of electronic technology, resulting in productive meetings with lower review costs (travel, hotel, and honoraria). Even more critical, these electronic platforms ensure that CSR is able to recruit more expert reviewers who would otherwise not be able to serve due to an inability to travel or take time away from busy schedules.

Another management efficiency involves the NIH Technology Acquisition and Assessment Center (NITAAC). Through NITAAC, NIH continues to leverage the buying power of Government-Wide Acquisition Contracts (GWACs) in recognition of the need for management efficiencies and cost savings throughout the NIH in particular, and the Federal Government at large.

The NITAAC program GWACs, the Electronic Commodities Store (ECS) III for information technology (IT) products and services and the Chief Information Officer- Solutions and Partners 2 Innovations (CIO-SP2i) contract for IT services/solutions, enable administrative and scientific staff to procure a variety of information technology products, services and solutions from a cadre of highly qualified vendors at pre-competed, pre-negotiated and competitive prices. The GWAC prices cannot go up during the contract term, and can be negotiated lower as contract holders compete for individual task and delivery orders. Further, through a relatively new program for Consolidated Procurements, NIH officials will be able to consolidate product requirements for up to 12 months, and achieve even greater savings for anticipated needs.

As the NIH continues to look for ways to increase efficiencies through emerging technologies such as cloud computing, the NITAAC GWACs will continue to offer the community a proven, efficient and economical path to innovation.

As another example, as the NIH continues to pursue and improve the purchasing process for information technology equipment and services, some organizations are finding ways to improve their level of efficiency through consolidation of vendor maintenance contracts, implementing refresh strategies that seek to standardize operating environments and initiate purchases with product reusability in mind to improve interoperability and reduce support requirements.

NIH has leveraged a number of innovative energy conservation technologies in compliance with the Energy Independence and Security Act of 2007 and Executive Order 13514 (Federal Leadership in Environmental, Energy, and Economic Performance) of October 5, 2009. These projects include improved efficiencies at the Bethesda Central Utility Plant; Variable Speed Drives at Buildings 35 and 41; re-commissioning of Building 40; and enhanced Building Automation Systems throughout its Bethesda campus. These cost avoidance strategies have enabled NIH to counter the adverse impacts of an unanticipated price increase of $5.6 million annually for electricity services. Having implemented these energy conservation measures, NIH did not need to tap Institute/Center funds in order to address this unexpected program requirement, thus preserving the scientific programs.

HHS Sustainability Plan established Electronic Stewardship goals across OPDIVs for electronic devices including desktops, laptops, monitors, printers and other devices. Aggressive goals are established and progress is being tracked for 1) power management; 2) duplex printing; and

3) procurement of eligible Energy Star and Electronic Product Environmental Assessment Tool (EPEAT) compliant devices.

The NIH is pursuing savings by piloting the use of desktop-to-desktop video teleconferencing capabilities to replace the need for in-person face-to-face meetings and to enhance telework options. This technology is available to all staff and has the potential to eliminate the need for traditional landline phones. It also provides the capability for individuals to share their desktop environment with colleagues for collaboration and to facilitate remote technical support which can improve the time for resolving technical problems and enhance support for teleworkers.

Therapeutics for Rare and Neglected Diseases (TRND) Program

The Therapeutics for Rare and Neglected Diseases (TRND) program was initiated in the fiscal year 2009 appropriations to support four to five projects a year with the use of chemical genomics to further drug development for rare and neglected disease not traditionally focused on by industry and increase research on antibiotic resistance, an increasing public health concern. According to a briefing from NIH to the sub-committee staff, the FY 2012 budget request is to increase this trans-NIH funded program to up to $50 million; however, this is not apparent in the budget request. Recently, the NIH staff did verify that the request does not specifically describe its intended budget policy. The budget request is a policy document that should provide transparency and clearly outline what the Administration and agencies plan to do with the funds requested. Once a final bill is enacted, the funds should only support the policies in the final bill—normally a modification of the requested policies. Therefore, if the policy is not stated and NIH expects the TRND program to increase, we request a budget amendment with the appropriate justification. In addition, please provide an update on the on-going and planned activity since TRND began in 2009. Please include the annual funding provided to each projects, total obligations, and current status. Please explain the process and criteria used by NIH to select the project for de-risking and how NIH takes into account the impact on the future net present value to increase the likelihood that the project, if successful, will get taken to market. The original understanding was for an evaluation of the program's effectiveness to determine if should received future support would occur in FY 2011 or 2012--please provide an update on the evaluation and criteria NIH will use to evaluate the program. Please identify the overlap of this program with the proposed FY 2012 request for $100 million to support the Cures Acceleration Network (CAN). On the CAN, please include the specific measurable program objective, planned five year costs, and program evaluation criteria for this program.

Answer:
Since TRND began in May 2009, the program has focused on establishing both the operational and scientific elements necessary to build the framework for this innovative initiative to be successful. Operationally, this included scoping and selecting R&D and other contracts; determining or developing mechanisms, policies, and procedures to partner with public and private sector interests through dynamic, milestone-driven collaborations (including licensing and intellectual property management); exploring and establishing the governance structure for selection and review of projects; hiring staff, convening internal and external expert consultants,

acquiring and planning for laboratory and office space; and, conducting extensive outreach to potential partners from academe, for-profit, and not-for-profit sectors.

Scientifically, the program has focused on building capacities in medicinal chemistry, pharmacology, toxicology, pharmacokinetics/pharmacodynamics/drug metabolism, efficacy, compound formulation and scale-up, regulatory science and interactions with regulatory agencies, including FDA, and early stage human clinical trials in humans. TRND selected five pilot projects in late 2009 (Table 1). TRND expenditures for all activities totaled $24 million in both FY 2009 and FY 2010. In terms of R&D contracts for each specific project, the total is $12,783,093. The dollars are allocated as follows:

a. Sickle Cell Disease: $5,500,000
b. Hereditary Inclusion Body Myopathy: $4,500,000
c. Niemann-Pick C Disease: $1,300,000
d. Chronic Lymphocytic Leukemia: $1,000,000
e. Schistosomiasis: $483,093

Please note two things about these numbers. First, they are the funds obligated via R&D contracts to specific pilot projects only. They do not include the costs of the TRND personnel running them, or any of the other functions that make these projects possible (rent, administration, outreach, etc.), or any of the technology development projects (informatics, assay development, biomarker development, efficacy and ADME/Tox model technology development), which support all of these and future projects. These activities make up the balance of the $24 million TRND budget. Second, the amount of money spent is proportional to the project's chronological proximity to the clinic. Sickle Cell and HIBM will be in the clinic soonest and are thus, the more expensive projects.

All future scientific and operational activities will seek to leverage resources already acquired while providing for needed capabilities to meet program expectations.

Disease	Type	Pathology	Collaborators	Compound Type	Status
Schistosomiasis, Hookworm	Neglected	Infectious parasite	Extramural	NME	Lead optimization
Niemann-Pick C	Rare	CNS, liver/spleen	Disease Foundation, Extramural, Intramural	Repurposed approved drug	Preclinical Development
Hereditary Inclusion Body Myopathy (HIBM)	Rare	Muscle	Biotech, Intramural	Intermediate replacement	IND-enabling studies
Sickle Cell Disease	Rare	Blood	Intramural, Biotech	NME	IND-enabling studies & clinical trial

					design ongoing
Chronic Lymphocytic Leukemia (CLL)	Rare	Cancer	Disease Foundation, Extramural	Repurposed approved drug	IND-enabling studies ongoing

Table 1. Overview of TRND Pilot Projects

Projects selected to date include a diversity of studies across different developmental stages, types of diseases, and types of collaborators. Each has made excellent progress scientifically, with first-in-human studies already being planned for two of the projects (Sickle Cell Disease and Chronic Lymphocytic Leukemia).

Per NIH policy and as a component of the NIH Intramural Research Program, TRND will be subjected to regular reviews by highly qualified outside scientists with expertise appropriate to the projects underway. Reviews will be conducted under the auspices of the appropriate Board of Scientific Counselors and will consider the expectations for high-risk research conducted within the intramural environment and the TRND program in particular. Due to the early stage of the program's development (i.e., that it has been in operation for less than two years), enough time has not yet elapsed for a substantive evaluation of program progress and outcomes. The precise structure and form for such an evaluation will be determined based upon the organizational structures and operational parameters in place for TRND when an appropriate time interval has passed for a successful evaluation to be conducted.

Finally, you requested information about the relationship between the Cures Acceleration Network (CAN) and TRND. Both of these programs are slated to be a part of the proposed new National Center for Advancing Translational Sciences (NCATS). TRND is focused on rare and neglected diseases and the CAN authorization is focused on "high need cures." A "high need cure" is defined in the authorizing legislation as a drug, biological product, or medical device that in the determination of the NIH Director "is a priority to diagnose, mitigate, prevent, or treat harm from any disease or condition; and for which the incentives of the commercial market are unlikely to result in its adequate or timely development." NCATS will seek to catalyze major advances in the development of diagnostics and therapeutics for rare and neglected diseases and all other diseases by developing innovative new technologies and methods that will improve the pace and decrease the cost for therapeutics development. For example, the development of new systems for pre-clinical toxicity testing that are more predictive and less expensive than existing systems would likely be rapidly adopted by many and translate into a more efficient and effective therapeutics development pipeline. CAN's flexible authorities, TRND's scientific excellence and resources, and the aligned goals of the two programs make the fusion of these efforts into NCATS synergistic and enormously promising.

NIH Management Fund

The NIH request asks Congress to make appropriations adjustments to centralized programs like public access to research results and the National Center for Biotechnology Information (NCBI) in lieu of NIH using the existing NIH's Management Fund authority to

support transfers to support centralized programs. We assume all centralized programs, like NCBI, are created with a long-term business plan. Please describe the process to approve new centralized programs supported within the Management or Service and Supply Funds. Please provide more specific justification on why the current Management or Service and Supply Fund authorities cannot support these adjustments. Plus, identify steps to prevent or reduce future shifts in appropriation funding level adjustments for activities otherwise supported through the Management Fund or Service and Supply Fund.

Answer:
The NIH Service and Supply Fund (SSF) finances a variety of centralized research support services and administrative activities that are required for the efficient and effective operation of all NIH intramural programs and facilities. The SSF provides a single means for consolidating the financing and accounting of business-type operations, including the sales of services and commodities to customers. The services provided through the SSF include mainframe computing, enterprise IT software planning and development, facilities engineering, planning, and design, facility use and maintenance including leased buildings, printing, telecommunications, procurement, shipping and receiving, motor pool, research animals, fabrication and maintenance of scientific equipment, utilities and plant maintenance, finance and accounting operations, government-wide contracting for IT, biomedical engineering, security, consolidated human resources, and other administrative support services. In contrast, most of the benefits from the National Center for Biotechnology Information (NCBI) and Public Access activities are to the extramural programs or the public. These programs have never been a part of the NIH Management Fund (MF). Instead, they have been funded primarily as trans-NIH initiatives, in which the National Library of Medicine (NLM) executed intra-agency agreements within the NIH to provide NLM funds directly from the ICs. In the FY 2011 and FY 2012 President's Budgets, NIH has proposed that the NCBI and Public Access activities be budgeted directly in the NLM appropriation.

In general, items are brought into the central services (MF/SSF) when there is an apparent programmatic or cost benefit to the NIH ICs by centralizing an activity. In such cases, the programs are identified and the appropriate NIH governance committees review the details and make a recommendation to the NIH Director via the NIH Steering Committee. Based on the Director's final decision, the NIH ICs then pay into the central services (MF/SSF) for these programs. In such cases, the centralization of such activities are intended to result in better services at less cost than if every IC maintained and managed its own separate program. Items are removed from the Central Services and transferred to an IC management control under the same governance review process.

The NIH governance process through the NIH Steering Committee and the Management and Budget Workgroup (MBWG) reviews the budget and operations for each central service program financed by the MF and SSF each year. The NIH central services governance process is multi-tiered, involving strategic partner rate payers at all levels of the NIH Leadership. IC Directors, Deputy IC Directors, IC Scientific Directors, Executive Officers, and Budget Officers from different IC participate in the robust process.

Every central services activity has an operating/spend plan that is reviewed each and every year. These governance processes all culminate and operate under the umbrella of the NIH Steering Committee that then reports to the full set of NIH IC Directors and the NIH Director.

Prescriber Identifiers

In FY 2010, a HHS Office of Inspector General Report on prescriber identifiers noted a need for CMS to ensure claims are paid to only prescribers with valid identifiers to improve the effectiveness of program integrity activity. Please provide an update on CMS plans to implement the recommendations at CMS and with its contractors who serve as CMS's agent. Please identify what performance measures and portion of the FY 2012 request is being requested to ensure the recommendations are in place and planned to track improvement.

Answer:
Taking into account the OIG's recent findings, CMS believes that mandating the use of the NPI on all Part D claims is the best way to ensure that a valid prescriber identifier is present on all reports to CMS from plan sponsors with respect to Part D claims. In the proposed annual 2012 Call Letter issued on February 18, 2011, CMS notified plans that it is considering proposing a requirement through its next rulemaking that all Part D claims include a valid NPI. CMS would enforce this requirement by conducting system checks on claims-related data it receives from Medicare drug plans. To ensure that controlled substances are prescribed by authorized persons, we have finalized in the annual 2012 Call Letter, issued on April 4, 2011, a requirement that Part D plan sponsors confirm the validity of DEA numbers on all controlled substance claims or map NPIs on these claims to the prescriber's DEA number beginning January 1, 2012. Sponsors would also be required to confirm that the controlled substance is within the prescriber's scope of practice to prescribe. Sources of state and federal data on providers are available to support sponsor efforts to ensure a prescriber ID is valid and to verify that the drugs are within the prescriber's scope of practice. We do not anticipate that this approach will interrupt point-of-service receipt of medications by beneficiaries. We plan to closely monitor the NPI data reported to CMS to ensure that sponsors maintain high rates of valid prescriber ID submissions. No funding or performance measures for this specific initiative were included in the FY 2012 President's Budget, since this is a new workload and was not considered at the time of Budget formulation.

Healthcare-Associated Infections (HAI) Training

Is it true that while the CDC develops and recently revised Healthcare-Associated Infections (HAI) interpretative guidelines that the CMS State Survey and Certification program does not use the revised CDC guidelines to train all State inspectors on CDC's revised HAI interpretative guidelines. If accurate, please explain why the CDC guidelines are not used as the standard, what guidelines are being used and why. It seems with the increased frequency of inspections, surveyors must be equipped to detect evidence of HAIs or faulty procedures that could result in HAIs.

Answer:
The Centers for Medicare and Medicaid Services (CMS) Survey and Certification Group (SCG) writes guidance interpreting the science-based guidelines to provide surveyors

with the knowledge and tools to enforce provider or supplier regulations. These interpretive guidelines help surveyors enforce the minimum health and safety standards that must be met in order to comply with the regulations. Whenever possible, the interpretive guidelines developed by CMS SCG use CDC or other nationally recognized guidelines to help surveyors with their observations during surveys.

CDC guidelines are extremely valuable and can be used to determine what should be done to maintain infection control. Whenever possible the interpretive guidance and CDC guidelines are combined to assist the surveyors. CMS is incorporating CDC guideline recommendations into its health and safety standards, such as the Conditions of Participation. In addition, CDC and CMS are working closely together in the 1) refinement of tools, processes and methods to be used by surveyors to assess compliance with CDC prevention practices during facility inspections (including ambulatory, acute-care, long-term care, and dialysis settings); 2) training CMS staff and state surveyors; and 3) assisting in monitoring and analyzing data from facility inspections with respect to infection control practices.

Over the past two years, CMS SCG and CDC have had an interagency agreement to work together to improve infection control and prevention in multiple provider and supplier types. This collaboration resulted in the development and implementation of the ambulatory surgical center (ASC) infection control worksheet. CDC developed the worksheet and helped train the surveyors in its use.

With support from ARRA, inspection of ambulatory surgical centers is more frequent and now routinely incorporates a CDC-developed checklist, which was shown in a 2010 JAMA-published CDC-CMS study to have resulted in a 6-fold improvement in identifying infection control deficiencies.

CMS Information Technology

The FY 2012 budget request includes a significant level of funds for CMS Information Technology (IT) activity, around $1.4 billion. In the FY 2011 request, the Administration had a line within the CMS Program Management account called the Health Care Data Improvement Initiative. Plus, we understand CMS has or will spend health reform implementation funds on CMS data improvement activities related to this initiative. The current request does not include the Health Care Data Improvement Initiative line but appears to support the activity. Is the initiative continuing? If so, please provide a detailed plan with the projected five year costs of the initiative. Please identify how mush has already been spent on this activity or is projected to be in FY 2011, how much is requested for FY 2012 and how the activity relates to CMS overall strategic plan. Please identify how CMS expects to measure success of the IT initiative.

Answer:
The Health Care Data Improvement Initiative (HCDII) is not continuing as a discrete initiative; however CMS remains committed to advancing the key goals of HCDII through ongoing IT planning and development efforts. In part, CMS will utilize longstanding funding sources and activities to promote the goals of HCDII. Additionally, since the Affordable Care Act requires new payment methods and the linkage of payments to quality outcomes, CMS will need to

transform and modernize its methods of collecting, storing and analyzing data in order to implement key provisions of the Act. Many of the data improvement concepts central to HCDII significantly overlap with the IT planning for the Affordable Care Act, including Master Data Management, adoption of a standard Identity Management solution and certain common technical architectures. Towards this end, CMS is presently engaged in a detailed analysis of shared IT services and implementation costs related to the implementation of major Affordable Care Act projects.

Wasted CMS Resources

The Congress provides resources to enable HHS to increase its ability to prevent fraud, reducing improper payments and enhance its efforts to focus on paying claims right the first time. Please explain what specific steps CMS takes and when the process began to systematically cross feed information from the HCFAC program, RACs, CMS Contractor, and CMS program offices that can be used to prevent fraud, reduce waste, and reduce the improper payment error rate. Specifically, describe the FY 2011 and FY 2012 activities planned and being taken to enhance fraud prevention. In addition, last year HHS noted it was developing a working group with federal agencies, health care, and health insurance industry to improve federal and private sector health fraud prevention. These activities were expected to include sharing best practices, data, and other relevant information to decrease health care fraud. How is it going and are you planning or can you use this group to examine industry best practices to reduce the improper payment error rate?

Answer:
In April 2010, CMS realigned its internal organizational structure to consolidate most of the Medicare and Medicaid program integrity activities under the same roof for the first time through a new Center for Program Integrity (CPI). Through this reorganization, CMS has pursued a more strategic and coordinated approach with respect to all program integrity funding streams and policies related to Medicare, Medicaid, and CHIP; increased collaboration on anti-fraud initiatives with other Federal agencies, States, law enforcement partners, and the private sector; and refocused its strategic vision on prevention and innovation.

CMS systemically cross feeds information from its various program integrity activities. For example, CMS uses the findings from Recovery Auditors to identify areas where policy changes, systems changes, and provider education and outreach can help prevent future improper payments. CMS is also implementing edits to stop the payment of claims for services provided after a beneficiary's date of death, to stop payments for durable medical equipment while the beneficiary is receiving care in an inpatient setting, and to stop the payment for individual services that should have been bundled into another payment. In addition, the claim processing contractors have been able to implement local system edits to stop improper payments relating to durable medical equipment bundling (wheelchair and accessories and knee prosthetics) and drugs paid exceeding recommended dosages.

HHS also shares best practices Department-wide. In May 2010, the Secretary announced her Department-wide Program Integrity Initiative, the Council on Program Integrity, in which CMS is an active participant. The CMS CPI has shared its new and best program integrity practices, including best practices from CMS' National Fraud Prevention Program, with the Council and

has also updated the Council on the implementation of the Small Business Jobs Act predictive modeling requirements designed to target the greatest risks to CMS programs and to prevent the enrollment of bad actors and the payment of fraudulent claims.

Additionally, during the past year, CMS, along with its Federal partners, held Regional Health Care Fraud Prevention Summits across the country to bring together Federal, State, and local partners, beneficiaries, providers, and stakeholders to share best practices. Additional Regional Health Care Fraud Prevention Summits will be held throughout the year. CMS also promoted partnerships with the private sector to evaluate predictive analytics like those used by credit card companies in order to detect fraud in the Medicare program. Additionally, through the HEAT Task Force, HHS and DOJ are continuing to work together to develop opportunities for public-private partnerships.

The FY 2011 and FY 2012 President Budget requests reflect program integrity being a top priority of the Administration and display an increase in HCFAC discretionary funding to target resources to innovative activities that prevent fraud, reduce improper payments, generate savings to the Trust Funds, and help CMS successfully move away from a pay and chase model to a prevention-focused model.

These requests will allow CMS to deploy and expand many new and innovative efforts including: data analytic capabilities for both enrollment screening and pre-payment purposes; a case management system to test ways to refine feedback into analytic models, measure outcomes, and increase efficiency; and a compromised beneficiary numbers database to identify fraudulent providers. Additionally, increased funding supports the President's Executive Order on Improper Payments and his initiative to cut the Medicare fee-for-service improper payment rate in half by FY 2012 through aggressive pre-payment review; increased provider education on proper billing in high error areas; enhancements to a "Do Not Pay List;" and development of a national pre-payment edit module.

HCFAC discretionary funding requested in FY 2011 and FY 2012 also supports important Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiatives, such as expanding Medicare Strike Force cities; intensifying law enforcement focus on pharmaceutical fraud; increasing representation at administrative appeals; expanding the integrated data repository; and developing geospatial complaint maps to help target priorities and identify "hot spots."

NIH Clinical Center

The NIH budget request provides a narrative on page OA-13 of the Overview Volume that the NIH Clinical Center will become a national resource for clinical investigators. The subcommittee considers the NIH Clinical Center a world-class facility that is a national resource and treasure. The budget document does not provide any details on the level of investment or deficiencies the NIH leadership expects to address in the FY 2012 request for this initiative. Please provide the details on the planned activity and deficiencies to be addressed by the FY 2012 request for the NIH Clinical Center.

Answer:

The Clinical Center has always been a national treasure for patients that come from across the United States and around the world to participate in clinical research and benefit from medical discoveries.

The intent of the new vision is to open the doors of the Clinical Center to outside investigators who will be encouraged to utilize its specialized resources to enable their research. It is anticipated that new collaborations will be developed between internal NIH investigators and outside investigators spurring intellectual interactions that will foster the advancement of translational science.

This initiative is still in the planning stages and will not have an impact on the FY 2012 Budget request for the NIH Clinical Center. These planning activities will be a collaborative effort between the NIH community and outside entities.

Catheter Infections

Sec. Sebelius, you have spoken widely on initiatives to improve the quality of health care while reducing its cost. Medicare and Medicaid entitlements represent a growing portion of our federal budget and its deficit, and we must bring them under control. One way to accomplish this is to avert costly, and life-threatening, infections.

CDC has published guidelines for prevention of infections in patients with chemotherapy, bone marrow transplants, dialysis and other conditions requiring catheters. These guidelines state that patients managing their catheters at home must maintain their hygiene in order to avoid infections, but that they must use waterproof dressings to keep the catheters dry while they do so. What steps is CMS taking to ensure that patients have access to these cost-effective and life-saving dressings?

Answer:
CDC recommendations for *Catheter Site Dressings* are sterile gauze or sterile, transparent, semi-permeable dressings and an impermeable cover during showers to reduce the likelihood of introducing organisms into the catheter. Local coverage determinations on surgical dressings do allow for Medicare coverage of sterile transparent impermeable film dressings. These dressings support the Guideline recommendations.

Accountable Care Organizations (ACOs)

The financial incentives for providers to cut costs could create conflicts if patient care decisions are motivated solely by the desire to generate shared savings. What protections will be incorporated into ACO models to ensure decisions are not skewed by these new financial incentives? How will you ensure continued patient access to appropriate care and innovative technology? What will beneficiaries be told about the implications of shared savings for the care they receive? How will you communicate these implications to beneficiaries?

Because of the ACO's incentives to generate cost savings, I am concerned that ACOs could result in stinting on patient care. Apart from the development of quality measures for ACOs, what safeguards are being planned to ensure that stinting is not taking place? Will independent monitors compare beneficiary experiences and outcomes both inside and outside of an ACO? Does CMS plan to compare and report on the care experience of patients inside and outsides of ACOs?

There are concerns that an ACO model that seeks to standardize care could limit the ability of physicians and patients to make individualized decisions about treatment options. What, if any, appeal mechanisms will be provided to patients and/or their physicians to address organizational decisions that may affect patient care and treatment outcomes?

Answer:
I am excited about the opportunities that exist in the Medicare Shared Savings Program to improve patient care while also reducing health care costs. This program will encourage teams of doctors, hospitals, and other healthcare providers to form Accountable Care Organizations (ACOs), which will help providers take responsibility for the health of patients. In return, if they can meet tough standards for health care quality, they will be able to share in any savings that may come with improving care coordination and health; but, in the event there are excess expenditures, they will be held accountable for losses. For example, as part of an ACO, a hospital that follows up with a patient to make sure she gets the right wound care can share in the savings that come when that patient has a successful recovery with no readmission. The doctor who calls her patient with diabetes once a week to help him manage his blood sugar can benefit when that patient stays out of the emergency room.

The proposed rule implementing this program includes a number of important protections for beneficiaries. More specifically, CMS is proposing to require healthcare providers participating in an ACO to notify beneficiaries at the time they seek services that the provider is participating in an ACO. The providers would offer beneficiaries information about the ACO, including how the ACO would improve the care that they receive, raising beneficiary awareness of the ACO's role. Providers in an ACO also would be required to post signs in their facilities indicating their participation in an ACO and to make available written information about the ACO to Medicare beneficiaries. In addition, a beneficiary may choose, at any time, to receive services from any provider that accepts Medicare, including a provider that is not part of the ACO.

Further, the proposed rule includes several patient-centeredness principles that should inform the care provided by an ACO. The first principle states that care should be individualized based on the person's unique needs, preferences, values, and priorities. Another principle states that beneficiaries should be encouraged to be partners in care and make choices regarding the care they receive, based on both the medical record and clinical knowledge provided by their ACO and the beneficiary's individual values. In addition, ACOs would be required to have in place processes to promote treatments and procedures based on the best medical evidence available in order to promote patient health.

The proposed rule also links the amount of shared savings an ACO may receive to its performance on quality standards. The rule proposes quality measures in five key areas that affect patient care: (1) patient/caregiver experience of care; (2) care coordination; (3) patient safety; (4) preventive health; and (5) at-risk population/frail elderly health. The proposed rule

sets out proposed performance standards for these measures and a proposed scoring methodology. In addition, the proposed rule includes proposals to prevent providers in ACOs from being penalized for treating patients with more complex conditions.

CMS will also conduct enhanced oversight and monitoring to protect beneficiaries. Providers that jeopardize patient safety and diminish patient and caregiver care experiences in an attempt to cut costs will score poorly on these proposed quality measures and would not be rewarded under the proposed ACO system. In addition to the ACO's reporting of patient outcomes, beneficiaries obtaining care from ACOs would be surveyed annually about their experience with the ACO's providers. ACOs will also be actively monitored for a number of undesired practices, including avoidance of at-risk beneficiaries. Finally, CMS will oversee ACO marketing activities and materials to ensure that communications and marketing by ACOs are used only for appropriate purposes.

The Shared Savings Program does not involve enrollment of a beneficiary in an ACO. The beneficiary is free to choose any provider at any time. Decisions about health care would be made by the beneficiary and the physician. The Shared Savings Program does not propose to change the current appeal mechanisms that apply to services furnished in the fee-for-service system.

Respiratory Syncytial Virus (RSV)

It is proven that investments in early childhood create success in later years. Therefore we must ensure that our policies match the latest research and that families are supported with what they need to take advantage of these scientific advances. There continues to be a need to identify and promote policies in a manner that is more than an afterthought.

As you may know, Respiratory Syncytial Virus (RSV) disease is the #1 cause of hospitalization in babies under a year of age in the U.S. I understand that the CDC intends to move forward on a cost effectiveness study of RSV Prophylaxis.

I am anxious about any government study that focuses exclusively on cost effectiveness especially one that lacks transparency and is done without any regard to multi-disciplinary cross-functional input. This could result in negative consequences for one of our most vulnerable populations. As you know, coverage determinations are often made on these unsubstantiated studies.

What, if any, is the CDC's Advisory Committee on Immunization Practices role in this analysis? What is the time line for this study? Who is taking lead at the CDC? What does the CDC intend to do with the final analysis? What is the impetus for such an analysis?

Answer:
CDC is aware of the substantial impact that RSV has on American children and on children throughout the world. CDC has played a key role in monitoring the disease and in documenting the burden of disease caused by RSV, including by collaborating with academic institutions in 3 US States to provide the most comprehensive assessment of how RSV affects children every

year in this country. CDC also provides critical data on seasonality of RSV that is used by State health departments and policy setting groups to guide use of RSV prophylaxis.

In the United States, Palivizumab is used to prevent RSV infections, and it is recommended for use in infants at highest risk for RSV during the annual RSV season. Clinical trials show that use of Palivizumab can prevent approximately 50% of hospitalizations for RSV among these high-risk infants. It is not known whether this product has any impact on the most severe outcomes, including death which is uncommon. Palivizumab is FDA approved for use in the United States, and the American Academy of Pediatrics has issued recommendations for its use.

Several years ago, a newer product for RSV prevention, Motavizumab, entered into clinical trials, and on the basis of those trials, the manufacturer applied for licensure through FDA. At that time, the Advisory Committee on Immunization Practices (ACIP) set up a work group to develop recommendations for use of this new product, anticipating that it could receive FDA licensure. However, in June 2010, an FDA panel reviewing the manufacturer's submission gave the product an unfavorable review. Based on this, the manufacturer later decided to discontinue the product's development. Because ACIP's mandate is restricted to FDA-licensed products, the committee elected to disband the work group.

Given the history described above to identify the best prevention methods for RSV, CDC RSV subject matter experts, with input from outside experts, are conducting an analysis to look at the costs of RSV prevention methods, the amount of disease prevented, and the savings that result from that prevention. CDC anticipates that the results of this analysis will be widely available to the scientific community through a peer-reviewed journal publication. At this point in time, there is no timeline for publication, though typically the results of such analyses are submitted within a year of completion. In addition, the CDC subject matter experts continue their usual collection of epidemiologic data on RSV to better understand the disease burden, risk factors for severe disease and the impact of current prevention methods and improved methods of RSV prevention including collaborations on vaccine development.

Page 71 of the budget request for the Centers for Disease Control and Prevention (CDC) indicates that CDC will transfer one percent of its HIV budget to HHS. Why it wasn't just put into that account in the first place? Will HHS also send over a reprogramming request in advance of shifting the funds or do you see the budget request as having met this requirement? Are there other accounts where the budget request includes mention of other similar transfers (HIV or otherwise)? If so, what are they?

Answer:
HHS proposes that up to one percent of discretionary funds be appropriated for domestic HIV/AIDS activities, or approximately $60 million, be provided to the Office of the Assistant Secretary for Health to foster collaborations across HHS agencies and finance high priority initiatives in support of the National HIV/AIDS Strategy. Such initiatives would focus on improving linkages between prevention and care, coordinating Federal resources within targeted high-risk populations, enhancing provider capacity to care for persons living with HIV/AIDS, and monitoring key Strategy targets.

The general provision would allow this work to use the same financial mechanism as are currently used for PHS Act Evaluation funds. Once specific projects were planned and agreed

upon, CDC would obligate its share of those costs in the same manner it obligates funds in its various programs to pay their share of PHS Evaluation costs.

This would not be a reprogramming. The Budget did not propose any specific advance reporting requirements. HHS currently provides advance reports on planned uses of the PHS evaluation authority for amounts not identified in law.

The only other new transfer proposed in the FY12 PB that we are aware of (and is new) is the following:

> General Provision - SEC. 221. Of discretionary funds appropriated for the current fiscal year for the Department of Health and Human Services, not to exceed $5,000,000 may be transferred to the Department of Housing and Urban Development to support an interagency neighborhood revitalization program.

Immunizations – CDC

What populations does CDC currently support through the immunization program that will be able to get immunizations as a result of the Affordable Care Act? How much was spent on these populations in fiscal year 2010 and how much was requested for them for fiscal year 2012?

Answer:
The Section 317 program is a discretionary Federal grant program that can provide any ACIP recommended vaccine to persons of any age. The program currently provides a safety net to provide vaccines to underinsured children and adolescents not eligible for the Vaccines for Children program. The program also provides vaccines to uninsured and underinsured adults. Grantees prioritize their Section 317 resources to meet the needs of their priority populations using public or private vaccination settings. Under the Section 317 program, States and grantees have broad decision-making ability as to which ages, life stages, high-risk groups, or diseases will be targeted. However, historically, the vast majority of funds are devoted to vaccinating children and adolescents.

The populations that CDC currently supports through the Section 317 program that are expected to have greater access to immunizations as a result of the ACA are underinsured children and adolescents and uninsured and underinsured adults. However, until ACA is fully implemented and all grandfathered plans expire, there will continue to be some underinsured children and adolescents and some uninsured and underinsured adults, and the full impact of the ACA reforms will be unknown.

In FY 2010, CDC spent approximately $561 million on the Section 317 Immunization Program, of which $262 million was for vaccine purchase: $204 million for pediatric vaccines, and $58 million for adult vaccines. In FY 2012, the President's Budget requests $562 million for the Section 317 Immunization Program, of which $62 million is from the Prevention and Public Health Fund. The FY 2012 Budget does not request a specific amount for vaccine purchase.

Child Care – HHS

Can you please provide a comprehensive list of the accounts in the Department of Health and Human Services that can be used for child care? Can you also tell us how much was spent on child care from these accounts in fiscal year 2010? Can you also please provide an estimate of how much of the budget request for these accounts in fiscal year 2012 will be used for child care?

Answer:
There are three major funding sources for child care within HHS: Child Care and Development Fund (including Child Care Development Block Grant and Child Care Entitlement), Temporary Assistance for Needy Families, and the Social Services Block Grant. The chart below provides the actual FY 2009 spending on child care from these sources as well as the current figures for FY 2010 and FY 2012. Actual data from TANF and SSBG expenditures for FY 2010 is not yet available.

HHS Sources of Child Care Funding
(Dollars in millions)

Child Care Development Fund	FY 09 Actual	FY 10 Actual	FY 12 PB Request
Appropriations			
Child Care Entitlement	2,917	2,917	3,417
Child Care Development Block Grant	2,127	2,127	2,927
ARRA	2,000	0	0
Total	7,044	5,044	6,344
Outlays			
Child Care Entitlement	2,952	2,724	3,469
Child Care Development Block Grant	2,143	1,969	2,822
ARRA	210	1,167	0
Total	5,306	5,860	6,291

Other Sources - *outlays*	FY 09 Actual	FY 10 Estimate	FY 12 Estimate
TANF direct spending*	1,787	1,787	1,787
Social Services Block Grant	391	391	391

*States also have the discretion to transfer up to 30 percent of their TANF funds to CCDBG. In FY 2009, $1.727 billion of TANF funds was transferred. The budget assumes the same amount will be transferred in FY 2012.

Global Health – CDC

How much of the global health program in CDC was spent on chronic disease in fiscal year 2010? How much is included in the fiscal year 2012 request for chronic disease?

Answer:
In FY 2010, CDC spent approximately $1.7 million to create a specialized track for epidemiological training related to chronic disease within the Field Epidemiology and Laboratory Training Program (FELTP). This specialized track is teaching core public health skills and techniques to assist partner Ministries of Health in preventing chronic disease, which are now the leading causes of death and disability worldwide and will cause over three quarters of all deaths by 2030. The FY 2012 President's Budget requests level funding at approximately $1.7 million in order to continue these important activities. Non-communicable work globally focuses not only on chronic disease, but also on motor vehicle injuries. Motor vehicle crashes kill more than 1 million people every year and are the leading cause of death among US travelers abroad.

Health Professions – HRSA

What accounts within the Bureau of Health Professions are structured to ensure that the funding provided will increase the availability of healthcare professionals within the United States – not just provide additional funding for health professions training? How much was provided to those accounts (to include ARRA dollars) in fiscal year 2010? What has been requested for those accounts in fiscal year 2012? What metrics are used to ensure that these accounts actually increase the number of "slots" available for health professions training as opposed to just providing federal funding to support "slots"?

Answer:
Funds from the Affordable Care Act's FY 2010 Prevention and Public Health Fund allocation will help to train 889 new primary care residents. Within this total, 500 of these new residents will have completed their training by 2015. Applicants for the $167 million primary care residency expansion program were required to demonstrate that the new residency training positions were over and above the number currently being trained, even if a program was already over its Centers for Medicare and Medicaid Services (CMS) authorized Graduate Medical Education (GME) cap. Also as a result of the Affordable Care Act, we are supporting new residency slots in Teaching Health Centers to increase training opportunities in community-based settings. In March, this year's medical school graduates were matched with residency programs. On the first Match Day activities since the passage of the Affordable Care Act, residency programs filled 223 new primary care residency slots funded by the Affordable Care Act's investment in expanding primary care, including 177 through the Primary Care Residency Expansion Program and 46 through the Teaching Health Center Graduate Medical Education Program. We intend to continue to track metrics related to new slots filled as a consequence of health professions program investments. The budget includes $20 million to develop reliable methodologies to analyze the Nation's health workforce and provide accurate data to inform both public and private policies and investments. To build on these activities and further grow the ranks of the primary care workforce, the President's FY 2012 budget request proposes to begin a five-year effort to fund the training of an additional 4,000 new primary care providers, including primary care physicians, nurse practitioners and physician assistants.

Mental Health Services and the Mental Health Parity Act – SAMHSA

What populations have received services through the Substance Abuse and Mental Health Services Administration (SAMHSA) that now have access to services through other sources as a result of the Mental Health Parity Act? How has this impacted the funding provided to these programs since the bill went into effect?

Answer:
The Mental Health Parity and Addiction Equity Act (MHPAEA) has little impact in FY 2011 on the individuals that are served under SAMHSA grant programs. Almost 60 percent of the individuals served by the State Substance Abuse systems that receive Block Grant funding are uninsured, 30 percent are insured through Medicaid. The remaining 10 percent are insured and may not have mental health or substance use disorder (MH/SUD) coverage. Similarly, almost 39 percent of individuals served by the State Mental Health systems that receive Block Grant funding are uninsured, and a significant portion are insured through Medicaid. MHPAEA does not apply to uninsured and regulations have not yet been developed for MHPAEA for Medicaid managed care organizations. In addition, MHPAEA does not require an employer to offer MH/SUD benefits if they did not do so in the past.

Program Administration Costs – AOA

The FY 2012 budget request includes assume the following new programs:
- SHIPS that was $45 million in FY 2010 at CMS and is proposed to transfer to AOA at $47 million
-SCSEP that was a $600 million base program in Department of Labor in FY 2010 and is proposed to transfer to AOA at $450 million

1. **On SHIPS and SCSEP, please provide a matrix that explains the key factors of the program under current authority and with the proposed transfer with a column for description/rational of program changes. The matrix should include factors such contract/grant, State Organization, use/relationship to Aging Network, FTEs, grantee/contractor average award, Grantee/contractor % admin cost, seniors severed, description of program, purpose, coordination with other federal agencies, efficiencies generated from the transfer, program enhancements, and measures of success/goals.**

Answer:
Please see attached for the requested matrix.

2. **The budget request notes on page 153 that neither the SHIPS nor SCSEP program administration costs are included in the Aging Services Administration costs are not included that increases by $4.5 million to $24.5 million. Please explain why these costs are not reflected in this activity area? In addition, please breakout the total administration costs and FTE level for each new program.**

Answer:
Funding for costs needed to administer the State Health Insurance Assistance Program (SHIPs) and for the Senior Community Service Employment Program (SCSEP) are proposed in FY 2012 within the program in order to ensure adequate funding for administration and to provide greater flexibility to address the funding needs of these programs. For FY 2012, AoA has maintained

the same approximate funding levels for program administration for SHIPs and SCSEP that were in effect at CMS and DoL in FY 2010. For SCSEP, the principle federal administration costs are grants administration and oversight. These costs are not reduced by virtue of providing less funding to each grantee. The $4.5 million increase in administration is not related to these programs, but rather:

$1,399,000 will be used to fund +10 new FTE to help AoA to meet the increased workload related to its expanding partnerships and increasing responsibilities, such as assisting States with oversight of federal funding. For example there is no AoA regional office in two regions of the country and a third has only a single staff person holding down the regional presence.

$1,025,000 will be used for higher costs of external services, joint funding agreements and for accounting systems upgrades,

$1,243,000 will be used to pay the General Services Administration for costs that it is required by law to incur to relocate AoA's Headquarters office to a new location, and

$900,000 will be used for tenant improvement/build-out costs related to the expiration of AoA's Headquarters lease in 2012.

Senior Medicare Patrol Program

The purpose of this program is support a national volunteer network to prevent and identify healthcare fraud and abuse. The program is funded by Health Care Fraud and Abuse funds and Administration on Aging discretionary funds, it total a $16 million FY 2012 request level. Please explain why this cannot be fully funded from the Health Care Fraud and Abuse account? Please explain the how the effectiveness of this program is measured? Please identify the last time this program was evaluated, the results of the evaluation, and the next scheduled evaluation?

Answer:
Senior Medicare Patrols (SMPs) are authorized under the Older Americans Act and thus administered by AoA and funded within AoA's budget, which provides a stable source of funding in the appropriate agency. AoA has long provided seniors with information and assistance in ensuring they are properly cared for and the SMP program is a logical extension of this work. The Department's HCFAC funds are available under the Social Security Act for specified activities against fraud and abuse. Any potential use of HCFAC funds for SMP-type activities would come at the expense of other activities currently planned to be funded through HCFAC.

The SMP program is evaluated in the HHS/OIG's Deputy Inspector General for Evaluation and Inspections annual performance report. While SMPs make numerous referrals of potential fraud to CMS program integrity contractors, there is no mechanism for tracking the actions (investigation, prosecution, collection) required to realize actual savings to the government as a result of these referrals. Therefore, it is not possible to directly track the outcome of most of the

cases reported and dollars recovered as a result of SMP program activities. Moreover, the impact of the SMP program's primary activities—education and empowerment of beneficiaries to prevent health care fraud and billing errors—is difficult to measure and impossible to quantify in dollars and cents. As HHS/OIG indicated in the May 2010 report:

> "We continue to emphasize that the number of beneficiaries who have learned from the Senior Medicare Patrol Projects to detect fraud, waste, and abuse and who subsequently call the OIG fraud hotline or other contacts cannot be tracked. Therefore, the projects may not be receiving full credit for savings attributable to their work. In addition, the projects are unable to track substantial savings derived from a sentinel effect, whereby fraud and errors are reduced in light of Medicare beneficiaries' scrutiny of their bills."

AoA recognizes the importance of measuring the value of the SMP program impact to the fullest reasonable extent. Toward that end, AoA has awarded a contract to design a program evaluation that will assess the adequacy of current SMP performance measures, and seek to determine the most appropriate measures of SMP program value (benefits, results and impact), including return on investment.

Despite the factors that have limited AoA's ability to quantify the full value of the SMP program in preventing, identifying and reporting health care fraud, it must be noted that the OIG has documented over $105.9 million in savings attributable to the program as a result of beneficiary complaints since its inception in 1997.

CMS Federal Administration Costs

We understand that as of the January 2011, CMS had hired about 400 FTE to support ACA actions and the OCIIO had hired about 250 FTE. Please provide a breakout of the FTE within the CMS total expected to support ACA actions in FY 2011 and FY 2012 with the source and amount of funds for these FTEs each year. In addition, please provide a breakout of how many of the increased FTE related to ACA in FY 2011 make up the requested FTE increase of 641 FTE ($86 million) in the FY 2012 request. Finally, please provide detailed explanation of the $60.1 million request for "Administrative Contracts and Intra-Agency Agreements" within the Federal Administrative cost line of the request, as it is a $40 million increase.

Answer:
The FTE that CMS and OCIIO have hired as of January 1, 2011 are funded out of direct appropriations in the Affordable Care Act, including the Health Insurance Reform Implementation Fund (HIRIF). Page 12 of the CMS FY 2012 Congressional Justification (CJ) lists the discretionary and mandatory FTE funding sources for FY 2011 and FY 2012, including mandatory appropriations from the Affordable Care Act (http://www.cms.gov/PerformanceBudget/Downloads/CMSFY12CJ.pdf). The 641 FTE to which you refer represent staff funded from annual appropriations. FTEs may work on a variety of activities that overlap, but do not solely implement the Affordable Care Act. Therefore, a clear split of FTE is not feasible. However, as indicated on page 257 of CMS's FY 2012 CJ, the Center for Consumer Information and Insurance Oversight (CCIIO) will have 272 FTE. Finally, the $60.1 million request for Administrative Contracts and Intra-Agency Agreements is needed

to preserve ongoing support contracts for activities necessary to operate Medicare and to finance facility expenses such as background investigations, guard services, and telecommunication and transportation costs.

Mental and Behavioral Health – HRSA

The budget request includes an increase of $15,000,000 for this program. What programs within section 756(a)1-4 of the Public Health Service Act does the Department intend to fund? At what amount? How many grants will be awarded for each program?

Answer:
The FY 2012 President's budget will fund the new Mental and Behavioral Health Education and Training Program and the Graduate Psychology Program. It includes $2,945,000 to support 19 grants under the Graduate Psychology Program and $15,000,000 to support 45 grants under the Mental and Behavioral Health Education and Training Program.

HHS FY12 Budget Request Hearing

The Honorable Nita M. Lowey
Appropriations Subcommittee on the Department of Labor, Health and Human Services and Education and Related Agencies Hearing
March 11, 2011

QUESTIONS SUBMITTED FOR THE RECORD FOR SECRETARY SEBELIUS

Title X Family Planning
The CDC has cited family planning as one of the ten great public health achievements of the 20th century. "Smaller families and longer birth intervals have contributed to the better health of infants, children, and women, and have improved the social and economic role of women... Publicly supported family planning services prevent an estimated 1.3 million unintended pregnancies annually." The ability to access family planning services is necessary for promoting healthy pregnancies and preventing unintended pregnancy. Research shows that promoting access to contraceptive services and supplies leads to better birth outcomes and overall improved reproductive health practices among women.

- **What role do you see Title X playing in improving public health, particularly at a time when fewer people have access to health care?**

Answer:
The Title X Family Planning program is the only federal grant program dedicated solely to providing individuals with comprehensive family planning and related preventive health services. For many, Title X is the entry point into the health care system, and more than half report it to be their usual source of continuing health care and/or health education. In the absence of Title X, rates of unintended pregnancy, infertility and related morbidity, and abortion would be considerably higher. The Title X program also supports three key functions aimed at assisting clinics in responding to clients' needs: (1) training for family planning clinic personnel

through ten regional general training programs and three national training programs; (2) information dissemination and community-based education and outreach activities; and (3) data collection and research to improve the delivery of family planning services.

Planned Parenthood
As you know, the deeply flawed, House-passed FY11 continuing resolution would prohibit Planned Parenthood from receiving any federal funds, despite the fact that federal law already prohibits federal funding for abortion. Planned Parenthood operates 575 health centers across the country that receive Title X funds to provide non-abortion-related care like pap smears, birth control, and cancer screenings.

- **What would be the impact on women and families across the country should Planned Parenthood be barred from receiving federal funding?**

Answer:
More than 800 Planned Parenthood clinics receive some portion of their funding through a variety of federally-funded public health programs, including Title X and Medicaid. Medicaid is by far the largest source of funding. For some beneficiaries of these public health programs, Planned Parenthood serves as a critical source of services and supplies to prevent unplanned pregnancy, screen for cervical and breast cancer, and obtain pelvic exams and patient education and counseling. Barring federal funding to Planned Parenthood agencies could create barriers to these services, many of which are critical to women's health. Planned Parenthood estimates that it serves 1.8 million clients with federal funds, and provides nearly 4 million sexually transmitted infections (STIs) tests and more than 900,000 cervical cancer screening tests. Without access to these basic services, rates of STIs, unplanned pregnancy, and abortion would likely increase.

LIHEAP
Your FY12 budget request proposes cutting funding for LIHEAP from $5.1 billion to just $2.57 billion. The Administration's rationale is that Congress sharply increased LIHEAP in FY09 in response to an energy price spike in 2008, and that the proposed cut merely returns LIHEAP to historic levels.

However, funding for LIHEAP in 2007 and 2008 had fallen behind increases in energy prices, making the 2008 level a poor benchmark for 2012. While the Administration has correctly noted that energy prices are lower now than the 2008 spike, the prices that matter are those in the winter heating season. The Department of Energy forecasts that prices next winter will be higher than any other winter heating season from 2000 to 2010.

- **Why is the Administration proposing a 50% cut when energy costs are expected to increase?**

Answer:
LIHEAP funding doubled in FY 2009 and our budget returns funding to the FY 2008 level. This is not a cut we would have proposed in a better fiscal environment. During this period of tough budget choices, the President's FY 2012 budget provides $2.57 billion for LIHEAP to help struggling families make ends meet by offsetting a portion of their home heating and cooling

costs. The Administration will continue to monitor energy prices going forward and will be willing to revisit program needs if there are significant price increases.

CDC Consolidation

In the proposed budget for the Chronic Disease Center at the CDC, there is a fairly sweeping proposal to consolidate many existing budget line items and programs into a new comprehensive state chronic disease program that totals $750 million. In FY10, $214.9 million was appropriated for breast and cervical cancer screening as a categorical program, which is now proposed for consolidation.

- **Does the new proposal protect and retain the essential capacity for breast and cervical cancer screening and cancer registries, and how much are you proposing to spend on breast and cervical cancer screenings in FY12?**

Answer:

The Budget includes $705 million, an increase of $72 million above FY 2010, for the Coordinated Chronic Disease Prevention and Health Promotion Grant Program. This program consolidates disease-specific chronic disease funding into a comprehensive program to address the leading chronic disease causes of death and disability, including heart disease, cancer, and diabetes. The FY 2012 Budget gradually transitions the Breast and Cervical Cancer Program from direct payment of cancer screening services to other prevention activities as CDC consolidates this program into the comprehensive program. The comprehensive program will allow CDC to maximize the reach and impact of every dollar invested by CDC aimed at preventing chronic disease.

CDC will complete the transition by 2014 so that health departments will have the best organizational structure, tools, and resources to deliver the populations and health care system interventions when the Affordable Care Act provisions related to expanded insurance coverage take effect. The transitional activities include outreach to:

- Populations to build demand for, and use of, a variety of chronic disease related clinical preventive and other services; and
- Health plans, providers, and provider groups to ensure delivery of quality services.

Through the Coordinated Chronic Disease Prevention and Health Promotion Grant Program, CDC, working with states, may continue some existing programs, such as the National Program of Cancer Registries, as currently structured, expand others, redirect resources to more effective activities, change the scope of existing activities based on effectiveness and need, and if appropriate, use existing program resources to start new activities or end some existing programs.

Diabetes

I know that you share my concern that 26 million Americans have diabetes and 79 million have prediabetes. Unless we address the situation now, diabetes costs will spiral out of control.

Few efforts better fit your vision for the Prevention and Public Health Fund than the National Diabetes Prevention Program, which has been found to dramatically reduce the risk of developing type 2 diabetes. Recognizing its success and value, insurers are actually paying for prevention.

- **Given that the diabetes program mirrors the stated goals of the fund, why wasn't the National Diabetes Prevention Program included in your proposed budget for FY12, and can we count on your support for it going forward?**

Answer:
As a leading cause of death and disability in the United States, diabetes is an important public health priority. The National Diabetes Prevention Program (NDPP) is an effective program to prevent or delay the onset of type 2 diabetes, which accounts for 90-95% of all diabetes cases. With funding from CDC or the United Health Group, the NDPP is currently offered in 34 locations in select communities across 23 states and the District of Columbia.

CDC is working to ensure quality and integrity of the NDPP through the planning and development of a Diabetes Prevention Recognition Program (DPRP). Implementation of the DPRP will help assure the highest level of fidelity to the evidence-based lifestyle interventions, lead to reimbursement by insurers for the lifestyle intervention and allow CDC to develop a registry of programs that will provide information to people at high risk of type 2 diabetes, their health care providers, and health payers on the performance of local, community-based diabetes prevention programs. As the recognition program is implemented, more organizations will become involved in delivering the program intervention.

The FY 2012 President's Budget offers two potential opportunities to continue and expand the NDPP. The Coordinated Chronic Disease Prevention and Health Promotion (CCDPP) grant program includes a competitive component for states to establish core activities that could include the prevention of diabetes. Additionally, under the Community Transformation Grant program funded grantees could chose to implement the Diabetes Prevention Program as part of their plan to efforts to promote healthy living and reduce disparities.

Obesity
As you know, obesity and other chronic diseases are costly and pose serious health threats. Addressing the root causes of these diseases will require changes in multiple sectors – where people live, work and play. These efforts need to be coordinated.

- **How will funding provided for the National Prevention Strategy be used to better align obesity and chronic disease prevention efforts between HHS and other departments, such as USDA and the Department of Education?**

Answer:
The resources provided support the National Prevention Council's activities to develop the National Prevention Strategy and to identify priorities, recommendations and actions that focus and align federal and partner efforts to prevent disease, disability and death. The Council is made up of heads of 17 Federal Departments, including USDA and the Department of Education. By identifying common priorities and specific recommendations that Federal departments and

agencies and others should take to address obesity and chronic disease, the National Prevention Council's work will better align these efforts. The resources support analysis of epidemiologic data and evidence-based policies and programs to identify priorities and effective prevention activities, a robust stakeholder input process, development of measures to track progress, drafting of the National Prevention Strategy and Annual Status Report and other Council activities.

Children's Hospital Graduate Medical Education
Children's hospitals that treat complex health conditions are safety net providers that serve a large number of Medicaid and uninsured patients. Children's Hospital Graduate Medical Education supports 55 children's hospitals that train approximately 35% of all pediatricians, 43% of all pediatric specialists, and many researchers and physicians who require pediatric training. Yet, the budget proposal would eliminate funding for CHGME.

- **What is the rationale for this cut?**

Answer:
While the FY 2012 proposed budget required difficult choices, it includes a strong focus on responding to the health care workforce shortage by investing in the training and development of primary care providers. A challenging budget environment required proposing spending reductions that we may not have made under different circumstances. Within the constrained budget environment, the FY 2012 proposed budget prioritizes competitive and targeted activities that will support the training of new primary care providers, including general pediatricians. Strengthening and growing the primary care workforce is a critical component of reforming the nation's health care system. Increasing access to primary care providers can help prevent disease and illness and help ensure that all Americans – regardless of where they live – have access to high quality care.

Empowering Women Against HIV/AIDS
With NIH and USAID leadership, proof of concept has been established that an anti-retroviral based microbicide can prevent HIV infection in women. NIH and NIAID are to be congratulated for this historic scientific breakthrough, which could help to reverse the HIV/AIDS epidemic over time.

Going forward, given the urgency of the HIV/AIDS epidemic and limited funding, NIH will need to coordinate with USAID, the State Department, federal agencies and global donors to prioritize and expedite microbicide development efforts, with the goal of enabling regulatory approval of the first effective microbicide, and providing support for efficacy trials of new and complementary ARV-based microbicides.

- **Can you provide this committee with the specific HHS-wide plan with regard to microbicide research over the next three years?**

- **What microbicide products and clinical trials are you prioritizing for NIH support?**

- **How are you working with PEPFAR and USAID to move this research forward and make microbicides a reality for women around the globe?**

Answer:
The NIH Office of AIDS Research (OAR) develops an annual Trans-NIH Plan for HIV-Related Research, which includes the strategic plan for microbicide research and development. The Plan guides a comprehensive research approach that includes research on microbicides and other products that will help women and girls protect themselves from HIV. This comprehensive document establishes research objectives and priorities for basic, pre-clinical, clinical, behavioral, and translational research for the development and testing of microbicides.

To develop the plan each year, OAR utilizes a unique and inclusive process, which includes scientists from each of the NIH Institutes and Centers that conduct microbicide research, representation from the Centers for Disease Control and Prevention (CDC), the Food and Drug Administration (FDA), the Office of the Global AIDS Coordinator (OGAC), and USAID, as well as non-government U.S. and international experts from academia, community and advocacy organizations, and foundations such as the Bill and Melinda Gates Foundation, the International Partnership for Microbicides, CONRAD, and the Population Council. The plan seeks to obtain broad scientific consensus on the highest priorities for microbicide research. The plan for FY2011 can be found on the OAR website:
http://www.oar.nih.gov/strategicplan/fy2011/pdf/FY2011ByPassPlan_05_Plan.pdf. The FY 2012 Plan will be finalized shortly, and the FY 2013 planning process is currently underway.

NIH will continue its strong support of research to identify and develop safe, effective, and acceptable microbicides through a highly collaborative and comprehensive program. For example, NIH is working with CDC, the International Partnership for Microbicides (IPM), and CONRAD to coordinate a number of projects supported by the National Institute of Allergy and Infectious Diseases (NIAID)'s Integrated Preclinical-Clinical Program for HIV Topical Microbicides (IPCP-HTM) and Microbicide Innovation Program (MIP). These two programs support the development path of promising products to advance to clinical trials through the Microbicide Trials Network (MTN). The MTN, supported by NIAID, the Eunice Kennedy Shriver National Institute of Child Health and Human Development (NICHD), and the National Institute of Mental Health (NIMH), collaborates with USAID, IPM, and CONRAD to test promising microbicides for safety and effectiveness. In addition, NIH supports research training and capacity building that facilitates the evaluation of microbicide candidates through such programs as the Fogarty International Center's AIDS International Training and Research Program (AITRP). For example, the USAID-supported researchers who conducted the recent CAPRISA 004 microbicide trial also were the recipients of NIH funds through the NIH Comprehensive International Program of Research on AIDS (CIPRA) and an FIC AITRP award that provided critical research training and infrastructure support.

Currently, through the MTN, NIAID is supporting the ongoing Vaginal and Oral Interventions to Control the Epidemic (VOICE) study. VOICE is a Phase IIb microbicide study examining daily use of tenofovir vaginal gel to prevent HIV transmission. In addition, VOICE is testing daily use of oral ARV tablets, tenofovir alone, and tenofovir plus emtricitibine (Truvada®) for prevention of sexual transmission of HIV. The study is expected to enroll 5,000 women in Africa. In addition to VOICE, the MTN is advancing an intense effort to evaluate the safety of tenofovir gel during pregnancy, in adolescents, and in other applications. The results of these studies will

build on the results of CAPRISA 004 to provide evidence to support licensure of tenofovir gel and significantly extend the safety data available on tenofovir gel.

In addition, NIAID continues to collaborate with academia, industry, and foundations to identify and explore new and existing compounds that may warrant further study as potential microbicidal agents. Specifically, collaborative efforts are underway to develop dapivirine, a promising antiretroviral compound, as a gel and an intravaginal ring, as well as a combination ring of dapivirine and maraviroc, another antiretroviral drug, with IPM. NIH is also working with large pharmaceutical companies to identify and evaluate compounds with existing preclinical and/or clinical data for their use as microbicides. NIH will continue to support microbicide research by evaluating the potential of additional products for use as microbicides, determining the best predictors of microbicide safety and efficacy, developing microbicide formulations that are easy to use, and investigating different methods to deliver microbicides.

The NIH Office of AIDS Research (OAR) coordinates microbicide research activities across the Federal government, including PEPFAR and USAID, through a number of activities. In addition to the strategic planning activities described above, OAR has established and convenes the Trans-Governmental Microbicide coordinating committee, comprised of representatives from NIH institutes, CDC, FDA, the Department of Defense, the Department of Veterans Affairs, USAID, and PEPFAR to facilitate coordination and collaboration on microbicide research. OAR has also established the Microbicides Research Working Group, an independent non-governmental panel of experts in the field, to provide ongoing advice to NIH and the other government and non-government entities that support microbicide research and development. OAR recently convened a meeting of U.S.-based microbicide research donors that included governmental and nongovernmental organizations to ensure collaboration, reduce duplication of effort, limit research gaps, and ensure that the microbicide research priorities meet the needs of the field. In addition to NIH, USAID and PEPFAR participated in this meeting. OAR is planning a Microbicide Research Think Tank later this year to bring together all of these experts to outline the critical scientific questions that must be answered to move the field forward.

As a result of these activities, there is an unprecedented level of trans-governmental collaboration around this area of AIDS research. Nonetheless, it is important to note that there are differences in the way that the federal agencies solicit, review, and fund biomedical research. Recently, NIH facilitated a review by an NIH scientific peer-review group and by NIH bioethicists of a proposal submitted to USAID for a study to follow-up the findings of the USAID-supported CAPRISA 004 study in South Africa. NIH has provided the findings of that review to colleagues at USAID.

Avastin

I am concerned that a recent FDA decision on the drug Avastin could reduce or halt access to treatment for those women data and experience suggest the drug is effective. As the FDA is moving forward, the National Comprehensive Cancer Network has recommended continued coverage for Avastin for metastatic breast cancer. I understand that there must be an extremely thorough FDA process to determine safety, but I think we all agree that we shouldn't restrict access to medications that are safely helping breast cancer patients.

- **If women in states like Kansas that require private insurers to cover off-label uses of cancer drugs can get Avastin for metastatic cancer before they turn 65, do you believe they should continue to receive it once they become eligible for Medicare?**

Answer:
At this time, CMS is not making any changes to its coverage or reimbursement policies for Avastin and is waiting until the resolution of the FDA process before deciding whether to make any changes. While we do periodically consider new evidence about Medicare-covered drugs or treatments to evaluate whether changes in coverage decisions are warranted, it would be premature to speculate on possible changes in Medicare coverage of Avastin, if any, that may be made in response to future FDA actions. I would note, however, that, generally, Medicare coverage of adrug that is used as part of anticancer chemotherapeutic regimen is contingent upon that drug having FDA approval for at least one use.

I cannot comment on coverage decisions made by other insurance providers.

Committee on Appropriations
Labor, Health and Human Services, and Education Subcommittee Hearing
Department of Health and Human Services Fiscal Year 2012 Budget
March 11, 2011

Administration Witness: Secretary of Health and Human Services Kathleen Sebelius

Questions for the Record From Rep. Cynthia Lummis

The Administration's discretionary request for the Department of Health and Human Services is $72.4 billion, which is $799 million less than the FY2010 level. However, the discretionary funding request excludes mandatory spending that is directly augmenting discretionary programs. There are several mandatory appropriations in the Affordable Care Act that augment what are historically discretionary programs. Examples include:

> ***$1.2 billion* – Community Health Centers ($2.1 billion in base discretionary funds, a $120 million decrease from FY10)**
>
> ***$295 million* – National Health Service Corps ($24.7 million in base discretionary funds, $16.3 million below FY10)**
>
> ***$1 billion* – Prevention and Public Health Fund (appears to be used in several different prevention and public health program areas)**

In addition, the Affordable Care Act provided $1 billion in mandatory funding for the health reform implementation fund and $10 billion in mandatory funding for the Centers for Medicare and Medicaid Services Innovation fund. The request does not adequately reflect the extent to which discretionary programs may be receiving support through these funding streams.

Answer:
The HHS budget includes a variety of funding sources for discretionary, mandatory, and entitlement programs. All budget materials, including the President's Budget Volumes, HHS Budget in Brief (BIB), and Congressional Justifications, reflect all of these funding sources. In particular, pages 9-12 of the HHS BIB reflect all of HHS's funding.

For example, the All Purpose Table on page 29 of the Centers for Disease Control and Prevention (CDC) FY 2012 Congressional Justification displays all funding sources for CDC, including discretionary, mandatory, user fees, and PHS Evaluation transfers.

Please see attached table on Sections of ACA with funding. The data included in the table is from the Budget as found in the HHS section of the President's Budget Appendix.

The Affordable Care Act created the Community Living Assistance Services and Supports (CLASS) program, a voluntary, government-administered long-term care insurance program for adults. The Administration's Fiscal Year 2012 budget requests $120 million in administrative funding for CLASS implementation at the Administration on Aging (AOA).

The authorizing language from the CLASS Act identifies the program as self-financed from the premiums paid by program participants. The request of $120 million for FY2012 indicates that it is not yet able to self-finance, which makes sense because the program does not yet have any participants. However, the new health law included a mandatory, $1 billion implementation fund for programs in the Affordable Care Act.

a) **Madame Secretary, why are you requesting bridge funding for the CLASS Act if you have a $1 billion fund for Obama Care implementation at your disposal?**

Answer:
The initial installment of funding for implementation of the Affordable Care Act is being used to implement provisions like the CLASS Act through FY 2011. Many of the expenses are initial start-up costs, such as new IT systems. The Budget assumes HHS and other agencies implementing the Act will use the majority of these funds in FY 2011 and carry an estimated $82 million into FY 2012. The FY 2012 President's Budget requests funding to continue the establishment of this program, prior to the initial enrollments. This funding will be used to establish a solid benefit plan, develop an IT system to help consumers enroll, and implement a marketing plan to ensure participation and fiscal sustainability.

b) **How much has been spent, or is projected to be spent, on the CLASS Act through FY 2011?**

Answer:
CLASS has been fully funded by the Health Reform Implementation Fund for FY 2010 and FY 2011. As of December 31st, 2010, $560,000 was obligated by the CLASS program. The amount of funding that will be spent in FY 2011 is contingent on programmatic decisions and on the timing of contracts that will be made in FY 2011.

c) **As for your FY2012 request, how long will it take, and how much will it cost, to build this bridge fund before the program can self-finance?**

Answer:
As required by statute, the Secretary will announce the benefit plan by the deadline of October 1, 2012. The discretionary request will finance the start up costs associated with establishing the CLASS program. This bridge funding will enable the program to begin enrolling individuals and collecting premiums.

Labor-HHS Subcommittee Hearing
March 11, 2011
Secretary Sebelius - FY12 Budget

Questions from Hon. Jack Kingston

DASH
Concerns have been raised to me from those in the public health sector regarding the proposed elimination of the CDC's Division of Adolescents and School Health (DASH). DASH has worked with our nation's schools during the past two decades to prevent a wide range of health problems among schoolchildren. While, the Director of the CDC's National Center for Chronic Disease Prevention and Health Promotion has released a memo of rationale regarding the elimination of the program, I am concerned that the dissolution of DASH has not been proposed as a cost cutting measure.

Question:
In light of the recent GAO Report on the fragmentation and duplication within and among federal agencies, how does the CDC plan to assist schools address multiple health problems if the Division of Adolescent and School Health is eliminated?

Answer:
The President's FY 2012 budget recommends that HIV/STD prevention activities from the current Division of Adolescent Health (DASH) be relocated from the National Center for Chronic Disease Prevention and Health Promotion to CDC's National Center for HIV/AIDS, Viral Hepatitis, STD, and TB Prevention. The transfer is intended to improve coordination between HIV school health and CDC's other HIV and STD prevention programs, and to optimize support for achieving the goals of the National HIV/AIDS Strategy.

The President's 2012 Budget also proposes to consolidate eight separate disease-specific budget lines—Heart Disease and Stroke, Diabetes, Cancer, Arthritis and other Conditions, Nutrition, Health Promotion, Prevention Centers, and non-HIV/AIDS DASH activities including Coordinated School Health—into a single comprehensive grant program, the Coordinated Chronic Disease Prevention and Health Promotion Grant Program. This consolidation is intended to provide integrated services to state and local health departments by maximizing the reach and impact of every dollar invested by CDC to prevent chronic diseases and promote health in a variety of environments, including schools.

CDC remains committed to monitoring and tracking key health risk behaviors among adolescents, translating research into guidelines for school health practitioners, and providing training and technical assistance to funded partners through public health and education agencies at the state and local level. CDC will continue to facilitate communication and partnerships between educational agencies and health departments that result in improved coordination of health promotion activities for the nation's students. In addition, CDC will continue to partner with Federal Agencies such as the Department of Education and the US Department of Agriculture to ensure that the critical health needs of children and adolescents in school settings are complementary and science-based.

Questions from Representative Kay Granger

Questions for the Record – Sebelius

1. Madame Secretary, during one of its meetings last year, the Advisory Committee on Immunization Practices (ACIP) said that there would be no further additions to the pediatric schedule for infant vaccines - at least in the foreseeable future. Without a routine or permissive recommendation by ACIP, a childhood vaccine will not be covered by either a public program or private insurance, so even parents that want to give their infant a vaccine could be denied that opportunity. Is it true that the ACIP may recommend against a safe and effective vaccine as approved by the FDA - even for permissive use?

Answer:
CDC is not aware of any formal statement by the ACIP that it will not consider any new FDA-licensed pediatric vaccines. CDC is not aware of any newly-licensed pediatric vaccines that have not been considered by the ACIP; while there are several new infant vaccines in the development process, it is difficult to predict which vaccines will be licensed by the FDA in the near future. However, if and when the FDA licenses a new pediatric vaccine, the ACIP will consider it for inclusion in the pediatric vaccine schedule. ACIP makes its recommendations based on scientific evidence including information related to disease burden, severity and complications; vaccine immunogenicity, safety, and efficacy; cost-effectiveness analyses; programmatic feasibility; and supply. Based on this comprehensive analysis, it is possible that ACIP could decide not to recommend an FDA licensed pediatric vaccine for routine use. However, a physician would still be able to administer the FDA-approved vaccine even without an ACIP recommendation.

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2. What is the status of the Department's efforts to reduce the number of seniors in Medicare with undiagnosed diabetes and prediabetes, a figure that amounts to over 20 million seniors? Why is the utilization rate for existing Medicare diabetes screening benefit so low, at slightly over 11 percent, when the scope of the problem in Medicare so enormous, with 30 percent of the Medicare population having diabetes?

Answer:
The Affordable Care Act provides Medicare beneficiaries with enhanced benefits and lower out-of-pocket costs for many recommended preventive services. While Medicare already covers a comprehensive package of preventive benefits as well as a one-time "Welcome to Medicare"

exam for new beneficiaries, before the enactment of the Affordable Care Act, Medicare did not cover annual check-ups for beneficiaries. Beginning this year, Medicare covers an annual "wellness visit" often at no cost to the beneficiary, so beneficiaries can work with their physicians to develop and update a personalized prevention plan. This new benefit will provide an ongoing focus on prevention that can be adapted as a beneficiary's health needs change over time and will provide an opportunity for physicians to regularly discuss needed tests and screenings, including diabetes screenings, with their patients.

In the past, many screening and preventive services were underutilized by Medicare beneficiaries in part because out-of-pocket costs presented a financial barrier. As a result of the Affordable Care Act, beginning in 2011, all preventive benefits covered by Medicare that are recommended with an A or B rating by the U.S. Preventive Services Task Force are available to beneficiaries without having to pay coinsurance or apply the Part B deductible. These important benefits include tests and procedures that may either prevent chronic illnesses and diseases or detect them at an early stage when treatment is likely to work best, such as screenings for diabetes, cardiovascular disease, and osteoporosis, as well as breast, cervical, and colorectal cancers.

CMS and HHS have a responsibility to educate beneficiaries about their Medicare benefits and what coverage options are available to them. To help educate beneficiaries about these new benefits, CMS will take a multi-pronged education and outreach approach, using advertising, news releases, public service announcements, local town hall meetings, and health fairs to reach beneficiaries. The new benefits and cost-sharing changes were explained in the 2011 Medicare & You Handbook, which also highlights Medicare's existing preventive benefits, including diabetes screening and other services for those living with diabetes. The new coverage for preventive services and screening, coupled with increased education and outreach efforts, will better ensure that beneficiaries receive the appropriate preventive tests and screenings to improve their health care.

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3. While I support the concept of competitive bidding and efforts to eliminate fraud and abuse, I am troubled that poor implementation of the Durable Medical Equipment competitive bidding program by the Centers for Medicare and Medicaid Services (CMS) is pushing legitimate businesses in my District out of Medicare participation. Can you tell me what CMS is doing to prevent false bids and other problems that are pervasive throughout the Durable Medical Equipment competitive bidding program?

Answer:
It is important for the competitive bidding program to support access to high quality equipment and suppliers and complement our broader efforts to fight fraud and abuse. The many features of the program, including quality and financial standards, patient and small supplier protections, and our oversight and monitoring efforts, were designed to achieve this result.

As part of the bid evaluation and contract supplier selection process, CMS evaluated and checked for supplier compliance in a broad range of areas including enrollment standards, licensure requirements, capacity standards, financial standards, quality standards and accreditation requirements. CMS considered a number of approaches through the rulemaking process and incorporated various mechanisms to guard against negative outcomes. To determine whether a bid was genuine, CMS screened abnormally low bids to ensure that the supplier would

be able to furnish the item at the price they bid. In many cases, CMS followed up with suppliers and asked them to present manufacturer or wholesale invoices and other information to document that their bid price was realistic and bona fide, and eliminated bids that were not bona fide from the competition. Additionally, winning suppliers must be accredited and meet quality standards, which are vigilantly monitored via beneficiary surveys and an extensive complaint monitoring process; contracts will be terminated if the supplier does not provide quality items and services.

Suppliers not awarded contracts may continue furnishing rented equipment as grandfathered suppliers under the program. Suppliers electing to become grandfathered suppliers must continue to furnish all rented DME to all beneficiaries who choose to continue receiving the items from them.

We are pleased to report that implementation of the program is going very smoothly. We continue to deploy a wide array of resources across all of the competitive bidding areas to address any concerns that may arise. These resources include local State Health Insurance and Assistance Program (SHIP) offices, specially trained customer service representatives at 1-800-MEDICARE, and caseworkers in Medicare's regional offices who all stand ready to assist beneficiaries who may have questions about the program. In addition, there is a complaint and inquiry process for beneficiaries, caregivers, doctors, referral agents and suppliers to use for reporting concerns about a contract supplier or other competitive bidding implementation issues. This process is designed to ensure that all complaints are correctly routed, investigated, resolved, tracked and reported. Additionally, CMS is conducting active claims surveillance to identify trends in utilization, monitor beneficiary access and quality, address aberrancies in services, and monitor program implementation. Further, there is a Competitive Acquisition Ombudsman who will respond to complaints and inquiries from suppliers and others about the application of the program and issue an annual Report to Congress. Consistent with our many efforts to refine and improve this program over the past two years, we will continue to consider whether additional changes are appropriate for future rounds.

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4. I have been a longstanding supporter of community health centers during my time in Congress and currently serve as a co-chair of the bipartisan Community Health Center Caucus in the House. I would like to say that while I strongly support the marker we laid down in H.R. 1, which accomplishes our goal of cutting $100 billion in spending, I look forward to working with my colleagues as the appropriations process continues to see if we can restore funding for health centers. Community health centers deliver cost-effective and high-quality care to underserved patients in my District and across the country. I have seen the great work of community health centers firsthand, particularly as an alternative to receiving treatment in the emergency room. Madam Secretary, can you elaborate on the overall benefits of the health center model and just how it is that health centers are able to save money?

Answer:
For more than 40 years, health centers have delivered comprehensive, high-quality primary health care to patients regardless of their ability to pay. Today, more than 1,100 health centers operate more than 7,800 service delivery sites that provide care to nearly 20 million patients in every U.S. State, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and the Pacific

Basin. Research continues to highlight health centers' success in increasing access to care, improving health outcomes for patients, reducing health disparities, and containing health care costs.

Health centers increase access to health care through an innovative model of community-based, comprehensive primary health care that focus on outreach, disease prevention, and patient education activities. Recognizing that barriers to care take various forms, health centers also include a variety of supportive and enabling services that promote access and quality of care such as translation/interpretation, case management, community outreach, nutrition, and transportation.

Despite serving sicker and more at risk patients than seen nationally, health centers continue to demonstrate a strong track record in delivering high quality care and reducing health disparities. Increasing access and reducing disparities in health care requires quality providers who can deliver culturally-competent, accessible, and integrated care.

The health center model of care has been shown to reduce the use of costlier providers of care, such as emergency departments and hospitals. Not only do health centers provided critical, high quality primary care in the Nation's neediest areas, they have and continue to serve as essential sources of employment and economic growth in their communities.

Questions for the Record for Secretary Kathleen Sebelius
Submitted by Rep. Lucille Roybal-Allard

Children's Hospital Graduate Medical Education

The Children's Hospital Graduate Medical Education program has been on the chopping block before and it has always been restored by Congress. It plays a critical role in training our nation's pediatric workforce in children's hospitals that are not supported by Medicare. THe FY12 budget again seeks to eliminate this program, giving as its justification the need to grow our primary care workforce, and suggesting that Medicaid GME can serve as an alternative source of funding.

Questions:

a) **In California, our seven Children's Hospitals train the majority of the state's pediatricians each year, and 60% of these pediatricians go into pediatric primary care. Furthermore, our Children's Hospitals also provide pediatric rotations for a large number of other primary care physicians. Why does this not qualify as "growing our primary care workforce"?**

Answer:
Strengthening and growing the primary care workforce is a critical component of reforming the nation's health care system and is an important goal for HHS. For FY 2012, the President's budget request focuses on competitive discretionary programs to expand the primary care workforce, which, as you note, includes general pediatricians. Children's hospitals would continue to be able to compete for funding through the competitive medical education and training grant programs for which they are eligible.

b) How does this Administration expect Medicaid GME to be the replacement for CHGME when every state's program is different, and not all states provide a Medicaid GME?

Answer:
Medicaid is a possible source for GME payments. In 2009, State Medicaid programs in 41 States and DC contributed nearly $3.8 billion to the training of physicians. Some of these funds go to children's hospitals. Though not a requirement, many States include GME as part of their hospital payment methodologies. There is a great deal of flexibility in determining the distribution and payment methodologies between various hospital types. In addition, for those States that would want to now include or expand GME within its Medicaid program, CMS is available to provide technical assistance on reimbursement methodology approaches.

c) In states that do provide Medicaid GME payments, the amounts available are only a small fraction of the Medicare GME and Children's Hospital GME funds and therefore serve only to supplement these sources. How will it be possible for Medicaid GME to supplant Children's Hospital GME?

Answer:
Although support for Medicaid GME varies considerably across States, the national total in 2009, of over $3 billion, is a significant amount. Ultimately, States must weigh how best to meet its needs in ensuring adequate access to all covered services within available resources.

Questions for the Record for Secretary Kathleen Sebelius
Submitted by Rep. Lucille Roybal-Allard

Community Health Centers

The Health Services and Resources Administration has indicated its intention to award grants for new access points, made possible by both provisions in the health reform law and the President's funding request.

Questions:
a) How many applications for new health centers HRSA has received?

Answer:
Over 800 applications have been received for the FY 2011 New Access Point funding opportunity.

b) How many awards does HRSA intend to fund?

Answer:
HRSA intends to make approximately 350 awards for Health Center New Access Points through Affordable Care Act funding in FY 2011, assuming a level FY 2011 Health Center Program appropriation.

c) How many awards would HRSA make if H.R.1 is enacted?

Answer:
Under H.R.1, there would be no new funding available to support Health Center New Access Points in FY 2011.

Questions for the Record for Secretary Kathleen Sebelius
Submitted by Rep. Lucille Roybal-Allard

Preterm Birth

According to the Centers for Disease Control and Prevention, the United States ranked 29th in the world in infant mortality in 2004 with more than 28,000 deaths annually to children under one year of age. Preterm birth is a significant factor on the infant mortality rate. It is estimated that in 2005, nearly 70 percent of all infant deaths occurred to preterm infants. Prematurity is also a dramatic cost driver to our healthcare system. The Institute of Medicine estimates that preterm birth costs the United States more than $26 billion annually.

Questions:

a) **What actions are being taken by the Department of Health and Human Services to address and prevent preterm birth?**

Answer:
HHS supports research, direct services, and surveillance activities within HRSA, CDC, and NIH to address and prevent preterm births.

Health Resources and Services Administration (HRSA): Several HRSA programs are addressing the factors associated with preterm birth. One of the goals of the Title V Maternal and Child Health (MCH) Services Block Grant Program is to create Federal/State partnerships to develop service systems to meet MCH challenges, such as to provide and assure mothers and children (in particular those with low income or with limited availability of health services) access to quality maternal and child health services and reduce infant mortality and promote the health of mothers and infants by providing prenatal, delivery, and postpartum care for low income, at-risk pregnant women. Decreasing the rate of infant mortality has been and continues to be one of the primary focuses of the Title V MCH Block Grant program. The Program remains committed to improvement in this area and coordinates technical assistance opportunities for the States to assist in their efforts to reduce rates of infant mortality, preterm birth and low birth weight.

States and jurisdictions are required to submit annual reports and to develop State Performance Measures to address their identified priorities and unique needs. Beyond the establishment of a specific State Performance Measure that targets preterm birth, State Title V MCH programs support activities that address the causes and risk factors associated with infant mortality and disparities in birth outcomes. For example, California's Black Infant Health program strives to reduce African American infant mortality through case management and group interventions. Strategies utilized to prevent prematurity and to reduce low birth weight include culturally

competent approaches that include increasing timely and adequate use of prenatal care, educating women to modify behaviors that may promote preterm labor, smoking cessation and educating women on recognition of the signs of preterm labor.

The Healthy Start program provides intensive services tailored to the needs of high risk pregnant women, infants and mothers in geographically, racially, ethnically, and linguistically diverse low income communities with exceptionally high rates of infant mortality. The Healthy Start program works with individual communities to build upon their resources (outreach, health education, case management, utilization of prenatal/postnatal care) to improve the quality of and access to healthcare for women and infants at both service and system levels. Fourteen Healthy Start communities report no infant deaths among program participants for the past three years, an additional eight communities reported no infant deaths over the last two years, and several Healthy Start projects have identified reducing preterm birth as an objective of their project. Each Healthy Start site submits an annual progress report and information relative to national performance, outcomes, and health indicators.

The First-time Motherhood/New Parents Initiative (FTM/NPI) is a national social-marketing State grant program directed to provide States to address the essential need for increased awareness of existing preconception/interconception, prenatal care, and parenting services/programs among first time mothers. In the two and a half years that it has been funded, FTM/NPI has been successful in expanding outreach efforts to expectant mothers and new parents by promoting maternal and child health resources that concurrently address the relationship between such services and health/birth outcomes and a healthy first year of life. Currently, 11 States are receiving a FTM/NPI grant; many of these grants include activities to reduce the risk of preterm birth.

The Community-based First Time Motherhood Doula (Doula) Demonstration is a grant program which identifies and trains indigenous community workers to mentor pregnant women during the months of pregnancy, birth and the immediate post-partum period. A doula is a trained and experienced woman who provides continuous physical, emotional, and informational support to a woman before, during, and following childbirth. Doulas provide culturally sensitive pregnancy and childbirth education, early linkage to health care and social services, labor coaching, breastfeeding education and counseling and parenting skills while fostering parental attachment. The use of doulas is an innovative option to address complex health problems during pregnancy (e.g., preterm labor, low birth weight, and postpartum depression) that have multiple contributing etiologies beyond biological factors (Low Lisa, Moffat, & Brennan, 2006).

Centers for Disease Control and Prevention (CDC): CDC's work addresses preterm birth by monitoring trends, sponsoring and conducting research and sponsoring programs, all of which attempt to address the social and biomedical factors that affect preterm risk. CDC achieves this through two basic mechanisms: surveillance and research.

CDC Surveillance: CDC's National Center for Health Statistics (NCHS) collects national statistics on prematurity rates using birth certificates and death certificates. This data allows CDC to follow trends, monitor risk factors, and identify variations in rates of preterm births at the state and county levels. When birth certificate information is linked to information on death certificates, CDC is able to look at causes of death for those babies who died during their first year of life. Using data from this linked file, we were able to demonstrate the strong relationship

between preterm birth and infant mortality. Each year, CDC's National Center for Health Statistics reports in detail on preterm birth rates across the country and on "preterm-related" infant mortality.

CDC's PRAMS – the Pregnancy Risk Assessment Monitoring System – surveillance system is an ongoing, state-specific, population-based surveillance system designed to identify and monitor selected maternal behaviors and experiences before, during, and after pregnancy. Through this system, we have been able to better understand issues such as prenatal care, folic acid to prevent birth defects, obesity, pregnancy weight gain, stressful life events, and physical abuse. For example, an analysis of PRAMS data showed that stressful life events were associated with increased risk of preterm delivery. PRAMS has served to expand the capacity of 37 states and New York City to define and address their health needs and this unique surveillance system is now representative of approximately 75 percent of all births in the United States. It has provided vital information to program managers and decision-makers for development of policy and programs in maternal and infant health.

CDC Research: A complex array of factors interferes with healthy pregnancy outcomes and racial disparities. CDC is investigating changes in healthcare practices that may have caused this increase and the short and long-term consequences of late preterm births. Beyond research, CDC has begun to provide for the prevention of adverse birth outcomes by encouraging tobacco cessation during (and ideally, prior to) pregnancy. Tobacco use remains a significant preventable cause of low birth weight, preterm birth and of some major birth defects. CDC has responded by working with state health departments to assist with smoking cessation programs during pregnancy.

National Institutes of Health (NIH): The *Eunice Kennedy Shriver* National Institute of Child Health and Human Development (NICHD), at the National Institutes of Health, supports a large portfolio of research on preterm birth. A number of investigator-initiated studies are underway, but larger-scale clinical research is often conducted through the NICHD-funded Maternal Fetal Medicine Units (MFMU) Network. The MFMUs target research to prevent low birth weight and prematurity, and to improve treatment for medical problems associated with preterm birth, including preeclampsia, gestational diabetes, and placenta previa. Moreover, the NICHD supports studies that evaluate programs and treatments to improve the care and outcomes for newborns, including infants born preterm and at low, very low, and extremely low birth weights. Many of these studies are conducted through the NICHD's Neonatal Research Network. Specific areas of focus include sepsis, intraventricular hemorrhage, chronic lung disease, pulmonary hypertension, acute perinatal asphyxia, and nutrition.

Future research efforts will concentrate on discovering the causes for the overall, longer-term increase in preterm birth rates and evaluating different subgroups of these births. For example, a major study is now underway to enhance the understanding of preterm birth in first-time mothers, a group with a high and growing rate of preterm births.

Thus far, preterm labor and birth have proven to be a public health challenge largely resistant to solution. However, the NICHD, through the MFMUs and other research activities, continue to increase our knowledge base that will eventually lead to prevention and treatment for this condition.

b) What major causes of preterm birth have been identified? What, if any, interventions are available to address the causes of preterm birth?

Answer:
In February 2010, one extramural study funded by the NIH revealed genetic traits in mothers and fetuses that appear to boost the risk of premature labor and delivery. In January 2010, the NICHD funded the Nulliparous Pregnancy Outcomes Study through the Maternal Fetal Medicine Units to study women whose current pregnancy will lead to their first delivery; the goal is to collect clinical data from a cohort of racially, ethnically, and geographically diverse population that will allow researchers to better understand the underlying mechanisms, and predict the women at highest risk for preterm birth and related outcomes.

The NICHD also has funded a second network of researchers related to preterm birth. The Genomics and Proteomics Network for Preterm Birth Research was designed to provide clinical expertise and recruit subjects that would allow researchers to collect specimens and use bioinformatics to identify possible genetic links to preterm birth. A center within the network has focused on overall gene-environment interactions in human parturition. In addition, the large collection of biological specimens collected by the network will be deposited in a NICHD biobank, and access to these specimens will be made available to researchers around the country by 2012, greatly expanding the numbers of scientists who are able to conduct research on gene-environment links to preterm birth.

c) Infant mortality rates for minorities are well-above the national average. What factors have been identified that contribute to this disparity?

Answer:
Over the last two decades, the Nation's infant mortality rate has dropped by over half, in part due to research supported by the National Institute of Child Health and Human Development (NICHD) showing that placing babies on their backs to sleep greatly reduced the risk of Sudden Infant Death Syndrome (SIDS). Nonetheless, infant mortality rates continue to be higher among racial and ethnic minority groups, and further research and health education efforts are continuing to address these issues head-on.

Using studies of SIDS outreach and education, the NICHD discovered that responses to safe sleep messages differ among various communities and ethnicities. Consequently, tailored health education messages have been created, including extensive materials available in Spanish, specially designed materials about SIDS for African American families and communities, and outreach summits designed to train individuals from many communities in SIDS reduction techniques, so that they could go back into their communities to educate other health care providers and families.

The SIDS rate among American Indians is the highest of any population group in the U.S. and overall is slightly more than double that of whites. The NICHD collaborated with the CDC, the Indian Health Service, and the Aberdeen Area Tribal Chairman's Health Board to study infant mortality among American Indians and to identify prenatal and postnatal modifiable risk factors that would reduce SIDS risk. This project revealed that even one visit by a public health nurse during pregnancy or after birth reduced the infant death rate due to SIDS by one-fifth compared to homes never visited. A mother's binge drinking during the first trimester of pregnancy was

associated with an eight-fold increase in her infant dying of SIDS, and infants wearing two or more layers of clothing at night were six times more likely to die.

The HRSA Healthy Start program, has overall been notably successful in reducing infant mortality and other adverse perinatal outcomes in the Nation's highest risk populations for adverse outcomes (African-Americans, American Indians/Native Americans). In contrast to the overall national infant mortality rate of 6.7 in 2006, the infant mortality rate for Healthy Start participants was 5.7. In 2007, the national infant mortality rate rose slightly to 6.75 while the infant mortality rate for Healthy Start participants dropped to 5.1.

d) Geography also factors heavily into infant mortality rates. Twenty four states exceed the national average for preterm birth, and twenty three states are responsible for eighty percent of all pre-term births in the United States. What factors have been identified by HHS to explain geographic disparities?

Answer:
Geographic disparities can be explained in part by the densities of different population groups within a geographic location. As factors for racial and ethnic disparities are elucidated so, too, will some of the geographic disparities. Scientists agree that people who live in areas with polluted air tend to have more health issues, and areas with higher air pollution also tend to have high population densities, low income levels, and high crime rates, all of which could negatively affect health. Children may be more vulnerable to some environmental pollutants than are adults due to their size and growth. National Institute of Child Health and Human Development (NICHD) supported researchers showed a causal link between some types of air pollution and changes in infant death rates, suggesting that babies who live in areas with clean air have a greater chance of living until their first birthday.

e) What interventions have been successful in reducing the rate of preterm birth?

Answer:
In 2003, results from an important Maternal Fetal Medicine Units study were published in the *New England Journal of Medicine* that showed that injections of 17 alpha-hydroxyprogesterone caproate (17-P) in women who had had a previous preterm birth, reduced the chances of preterm birth by one-third. To date, this is the only proven intervention. Further studies involving 17-P in other subgroups have not yet shown it to be effective for those groups; for example, combining Omega-3 supplementation with 17-P (as was being recommended by some clinicians) did not prove to be effective in reducing preterm birth.

To help ensure that as new research findings become available, they are disseminated quickly through the health care provider community, the NICHD launched the National Child and Maternal Health Education Program with 32 partners in 2009 to provide a forum for reviewing and conveying new information. The program's first focus area is late preterm birth; recently, a Continuing Education program, entitled *Raising Awareness: Late Preterm Birth and Non-Medically Indicated Inductions Prior to 39 Weeks,* was published to help inform the practice of providers.

f) What research is being conducted on preterm birth and infant mortality? What is HHS learning from that research?

Answer:
HHS supports a broad range of research activities that are leading to evidence which help inform prevention of factors associated with preterm births. The *Eunice Kennedy Shriver* National Institute of Child Health and Human Development (NICHD), at National Institutes of Health, supports a large portfolio of research on preterm birth. A number of investigator-initiated studies are underway, but larger-scale clinical research is often conducted through the NICHD-funded Maternal Fetal Medicine Units Network. Recent findings include:

- An investigation into whether a continuous positive airway pressure machine is as effective for preterm infants as a ventilator showed that a lower target range of oxygenation resulted an increase in infant mortality, although it substantially decreased severe retinopathy among survivors. This information is valuable in making treatment decisions, since lower target range of oxygen saturation is increasingly being advocated to prevent retinopathy of prematurity.
- Researchers have identified DNA variants in mothers and fetuses that appear to increase the risk for preterm labor and delivery. This evidence shows that individual genetic variation may help account for why preterm labor occurs in some pregnancies and not in others, and possibly lead to new strategies to identify those at risk for preterm birth.
- Omega-3 supplementation was found to offer no additional benefit in reducing preterm birth among women who were already receiving injections of 17 alpha-hydroxyprogesterone because of their history of previous preterm birth. The MFMU Network is now conducting a study to look at whether 17-P is effective in preventing preterm birth in women with shortened cervices, a common condition thought to make preterm birth more likely.

The Centers for Disease Control and Prevention supports research on factors that may interfere with healthy pregnancy outcomes and consequences of late preterm births. Examples of projects CDC is working on include:

- A multi-year study to discover the extent to which non-medically-indicated cesarean deliveries or labor inductions contribute to rising preterm birth rates and the impact of non-medically-indicated preterm delivery on neonatal and maternal morbidity.

- CDC conducts studies of the epidemiology and sequelae of late preterm birth using the Massachusetts Pregnancy to Early Life Longitudinally Linked database (PELL). Research on short- and long-term morbidity among late preterm infants is limited and this work will contribute to better understanding of sequelae associated with late preterm births. The following analyses and manuscripts are planned or underway using PELL data:
    - Assess association between late preterm birth and the use of early intervention services.
    - Examine the principal causes of post neonatal morbidity among late preterm infants compared to term infants.

- CDC is funding the American College of Obstetricians and Gynecologists (ACOG) to survey provider knowledge, attitudes, and practices of gestational age dating and late preterm birth. In this partnership, ACOG will conduct a national survey of obstetricians regarding knowledge, attitudes, and practices related to gestational age dating and delivery of late preterm infants. The survey will assess perceived barriers to early and

accurate gestational age dating, decision-making strategies for timing delivery, management of spontaneous late preterm labor and delivery, and immediate postpartum management of neonates delivered late preterm. Information collected from this survey will help guide policy efforts and strategies aimed at preventing the rising incidence of late preterm birth.

The Health Resources and Services Administration Title V Maternal and Child Health Services Block Grant Program is partnering with State programs, CDC, and the Association of Maternal and Child Health Programs to assess influential factors in providing risk-appropriate care for very low-birth weight (VLBW) infants. These efforts led to an article published in the December 22, 2010 issue of the Maternal and Child Health Journal which examined State measures of risk-appropriate care for VLBW infants and identified potential areas for improvement. State regionalization models and measures of risk-appropriate care were found to vary greatly. Mechanisms identified for better measurement of risk-appropriate care included regulation of regionalization programs, data surveillance, review of adverse events, and consideration of geography and demographics. Specific State actions included antenatal or neonatal transfer arrangements, telemedicine networks, acquisition of funding, provision of financial incentives, and patient education.

In addition, a recent study conducted by the Cecil G. Sheps Center and supported by HRSA's MCHB examined the trends in the rate of very low birth weight deliveries in an appropriate hospital and explored reasons that States give for change in this marker. States report that systems exist for coordinating care among multiple providers, but the extent to which regionalized perinatal care systems are regulated and prescribed varies considerably. States are examining where very low birth weight births occur and why some do not occur in facilities for high-risk deliveries. Understanding if health care systems factors have played a role in a poor outcome and identifying which factors could potentially be modified would be an important contribution to improving this indicator. Surveillance of very low birth weight births is necessary for the quality improvement initiatives that are frequently cited by States as processes by which they hope to improve neonatal health and health care.

Questions for the Record for Secretary Kathleen Sebelius
Submitted by Rep. Lucille Roybal-Allard

SAMHSA Funding

SAMHSA's proposal to create a Substance Abuse State Prevention Grant program is dependent on securing, through the appropriations process, a one-year Congressional waiver of the statutory requirement for the 20 percent prevention set-aside of the SAPT Block Grant. As SAMHSA works to build a consistent and reliable funding source for substance use/abuse prevention, how will the agency fund multi-year grants to states based on a waiver that needs to be renewed annually through the appropriations process ?

Answer:
All multi-year grant programs that are funded through the discretionary appropriations process are subject to annual action by Congress. We will work with the appropriations committees and other stakeholders to ensure that the new prevention program is a reliable funding source for

substance use/abuse prevention.

The FY 2012 Budget Proposal includes a number of SAMHSA-wide initiatives, which include: 1) a Military Families Initiative, 2) a Health IT Demonstration Project and 3) Primary and Behavioral Health Care Integration.

Questions:

a) Where would these initiatives be housed and how would they be managed?

Answer:

The new SAMHSA-wide initiatives will draw upon expertise from staff throughout SAMHSA, and will not be housed within a single organizational unit within SAMHSA. These initiatives were created in recognition of the evolving effort to facilitate the exploration of innovative ideas and emerging strategies to address behavioral health. SAMHSA's Strategic Initiative leads will lead the initiatives in collaboration with SAMHSA Center and Office Director Leadership and other staff assigned to the effort.

b) How would these new initiatives include addiction and substance abuse prevention? For instance, would addiction treatment centers be eligible for and receive an equal/fair share of the Primary and Behavioral Health Care Integration grants?

Answer:

The SAMHSA FY 2012 Budget request includes a changed budget structure and policy focus that emphasize meeting the behavioral health needs of people rather than focusing on the specific conditions that affect them. Using comprehensive approaches across multiple systems and at every stage of development, the rates of substance abuse, mental illness, and suicide among America's youth can be reduced. These new initiatives include addiction and substance abuse prevention by focusing on the behavioral health needs in a cohesive and holistic fashion. The funding in FY 2012 for the Primary and Behavioral Health Care Integration program would support all continuations of existing grantees which are focused on integrating behavioral health and physical health services in one setting. Addiction treatment centers that meet the eligibility criteria for Grants for Primary and Behavioral Health Care Integration will be objectively reviewed.

The newly proposed Innovation and Emerging Issues budget line item in SAMHSA's FY 12 Budget Proposal totals $747 million, yet only $69 million of this total would be allocated to Substance Abuse Prevention.

Questions:

a) At this proposed funding level how will SAMHSA have adequate resources to deal with new and emerging substance use/abuse prevention issues?

Answer:

The FY 2012 Budget includes:

- $395 million for the Substance Abuse – State Prevention Grant program, which will provide prevention funding for all States and Territories to bring evidence-based practices to scale with a focus on comprehensive multi-strategy substance abuse prevention in high-risk communities;

- $69 million for Substance Abuse Prevention Innovation and Emerging Issues programs;
- $50 million for a new Behavioral Health Tribal Prevention Grant program that will enable Federally-recognized Tribes to implement strategies to prevent alcohol and substance abuse and prevent suicide in Tribal communities; and
- $10 million for an agency-wide Military families initiative to support the behavioral health of America's service men and women, which will include prevention-related aspects.

a) Will this budget allow SAMHSA to develop innovations for substance abuse prevention?

Answer:
Yes. The combination of discretionary grants funded from the new Innovation and Emerging Issues budget line along with the State, Tribal and Community Prevention Grants will allow SAMHSA to continue its long history of innovations in substance abuse prevention and take the effective evidenced based Strategic Prevention Framework (SPF) to scale nationwide. The Innovation and Emerging Issues budget line was created in recognition of the evolving effort to facilitate the exploration of innovative ideas and emerging strategies to address behavioral health.

The FY 2012 SAMHSA Budget Proposal collapses the three Program of Regional and National Significance (PRNS) that were established in statute for each of the three SAMHSA Centers for Substance Abuse Treatment, Substance Abuse Prevention and Mental Health Services, into one Budget authority. How will programs be funded under the Budget line?

Answer:
The existing programs continued in the FY 2012 request will be managed by existing program staff. SAMHSA is committed to ensuring that promising programming is continued and proven strategies are brought to scale.

a) How would this restructuring impact programs currently being funded under the PRNS lines?

Answer:
The restructured Innovation and Emerging Issues budget line was created to facilitate the exploration of innovative ideas and emerging strategies to address behavioral health.

b) Would programs continue to be funded as they are currently or does SAMHSA intend to make changes to programs under PRNS such as Criminal Justice Activities and Children and Family Programs?

Answer:
SAMHSA supports a robust competitive grant portfolio to test and refine proven practices. The FY 2012 Budget restructures SAMHSA's programs to move proven practices, often funded through competitive SAMHSA grants, to scale in every State and territory, not just in a few communities. In lieu of making new awards in a number of fully tested programs, SAMHSA proposes to invest those resources in the validation of promising practices and in bolstering

nationwide efforts to implement and sustain already evidence-based strategies such as recovery support, systems of care, strategic prevention framework, and LAUNCH (Linking Actions for Unmet Needs in Children's Health), among others. Rather than a few communities benefitting from what is known to work, SAMHSA wants to use Medicaid, Medicare, private insurance, Block Grants, formula grants and other funding streams to implement strategies that work Nationwide so that all can benefit.

Questions for the Record for Secretary Kathleen Sebelius
Submitted by Rep. Lucille Roybal-Allard

CDC and Asthma Programs

The CDC budget proposes to consolidate Asthma with Healthy Homes/Childhood Lead Poisoning and then to cut the funding for these programs by half. Asthma is the leading cause of missed days of school for children.

Questions:

1) **What effect will these consolidations and cuts have on asthma programs administered by CDC?**
2) **What affect will this have on minority health disparities?**

Answer:
The Budget integrates these programs into a new comprehensive program that mitigates an expanded range of home based hazards, such as lead poisoning, secondhand smoke, asthma triggers, radon, and mold. The new program reflects Community Preventive Services Task Force's recommendation to implement home-based multi-trigger, multi-component interventions, which are effective in improving quality of life and reducing health care costs.

The FY 2012 request of $33 million, a decrease of $33 million from FY 2010, eliminates duplicative activities and reflects efficiencies gained from consolidating activities. Specifically, with the consolidation, CDC will achieve savings of 42 percent through the consolidation of the Healthy Homes programs. CDC will maintain collection and analysis of asthma surveillance. Given the consolidation, in FY 2012, CDC will reduce National Asthma Control Program funded states from 36 to 15 or fewer and will reduce Healthy Homes recipients from 40 to 34.

The programs funded in FY 2012 will continue to address health disparities. CDC funded State asthma programs collect and analyze data to identify disparate populations, the first step in addressing minority disparities. States use this data to see who needs most help in getting their asthma under control and target interventions to those groups. Funds also support statewide asthma coalitions that bring together people from community-based organizations, healthcare, education, and local public health. The coalitions plan, implement and evaluate interventions to reduce asthma disparities throughout the state.

Questions for the Record for Secretary Kathleen Sebelius
Submitted by Rep. Lucille Roybal-Allard

REACH

For years the REACH (Racial and Ethnic Approaches to Community Health) program has served as the cornerstone for CDC's efforts to eliminate racial and ethnic disparities in health. The budget proposal eliminates this program that has been critical in my district and so many other communities of color.

Questions:

1. **Does CDC intend to replicate the REACH initiatives in some other program, and if so, how will this be accomplished?**
2. **How will CDC continue to foster the strong community partnerships that were created because of the REACH grant program?**

Answer:
In FY 2012, CDC proposes to integrate the goals and activities of the REACH program into the new Community Transformation Grants program, as part of the Affordable Care Act's Prevention and Public Health Fund. The integration of REACH activities into the Community Transformation Grants will assist CDC to have a comprehensive community portfolio, reduce redundancies, and increase efficiency among the various community programs. This will help CDC and communities increase accountability and ensure implementation of effective evidence- and practice-based policies and programs.

The Community Transformation Grant program will include a focus on reducing health disparities, and provides us with an opportunity to bring to scale many of the lessons learned from the REACH program and our other community health programs. As this process moves forward, CDC will continue to focus our efforts on addressing health disparities.

The Community Transformation Grant program will place a greater emphasis on establishing community partnerships in each community to actively participate in the planning and implementation of the program. With the integration of the goals and activities of the REACH program into the Community Transformation Grant program, CDC expects many of these strong, established community partnerships will have an opportunity to participate in the process.

In addition, many of the current REACH grantees will be eligible entities for the Community Transformation Grant program. As stated in the Affordable Care Act and highlighted in the President's Budget proposal, this program will fund state and local governmental agencies, Indian tribes or tribal organizations, territories, national networks of community based organizations, and state and local non-profit organizations to implement policy, environmental, programmatic, and infrastructure changes to promote healthy living and reduce health disparities. CDC will continue to work with community partners to improve health across the U.S. population, including among racial and ethnic minority groups.

Questions for the Record for Secretary Kathleen Sebelius
Submitted by Rep. Lucille Roybal-Allard

NIOSH ERCs

The budget proposes to eliminate the CDC NIOSH Education Research Centers Program.

Question:

1) **Given that neither OSHA nor private industry has ever funded or otherwise engaged in training occupational epidemiologists, how does the Administration expect training of these essential public health professionals to take place?**

Answer:
These Education and Research Centers were created in the mid-1970s to provide seed money for academic institutions to develop or expand occupational health and safety training programs for specialists currently practicing in the field. The original programmatic plan was to provide money for five years for institutions to develop and/or expand existing occupational health and safety training programs and for the grantees to become self-sustaining over time. This original goal has been met. In addition, The ERCs overlap activities offered by the Department of Labor's Occupational Safety and Health Bureau through their Outreach Training Program, Resource Center Loan Program, and Training Institute Education Centers. All of the ERC grants are jointly funded by CDC and the Academic Center grantee. CDC contributions cannot exceed 50 percent of individual faculty and professional staff total salaries and fringe benefits. The budget request only eliminates the CDC portion. The non-federal portion of the ERCs could still be continued and the private sector could also increase funds for these activities.

Congresswoman Barbara Lee
FY12 HHS Budget Hearing with Secretary Sebelius
Questions for the Record
3/11/11

Earmarks

I want to talk to you about the issue of earmarks. I know that may not be a popular word around Washington these days – but back in my district and in communities throughout the country Congressionally directed earmarks provide a vital source of support.

The reality is that communities who are most in need of help – whether because they face high rates of poverty, or a lack of economic opportunity – are also the least well equipped to apply and compete for federal grant opportunities.

These are communities that I know the President supports and that he wants to reach out to with federal assistance to help empower them and provide a pathway out of poverty into prosperity.

In my opinion, these economically disadvantaged communities are the ones who can benefit the most from Congressionally directed earmarks, and over the years I have made it my mission to address their needs through the annual appropriations process.

By eliminating all earmarks, the most vulnerable communities in our country will suffer disproportionately, as they always do, losing a critical source of support that has helped many local organizations in my district leverage additional private dollars.

I'd like to know if your Department has done an analysis of the economic impact of eliminating earmarks and what the particular impacts will be to poor, low-income and minority communities? Does HHS have the capacity to do such an analysis? Can you also quantify how the loss of earmarks will affect efforts to leverage funding from other sources to do work in these communities?

Answer:
In preparing the FY 2012 President's Budget, careful consideration was given to every program within the Department to ensure that we leverage assets, close where the biggest gaps are, and make targeted investments today to enable us to have a stronger, healthier and more competitive America tomorrow. The budget supports workforce diversity programs that help students from disadvantaged backgrounds achieve their dreams of becoming health professionals; it includes additional proposals to strengthen Medicare and Medicaid by improving program integrity, promoting lower medicine costs and investing in the health-information technology; and it makes quality, culturally competent affordable care available to millions more Americans across the country.

Because of the Affordable Care Act, children are no longer denied coverage due to their preexisting health conditions, families have new protections with the Patient's Bill of Rights, and seniors have lower-cost access to prescription drugs and preventive care.

We are paying attention to communities with the greatest needs by providing technical assistance through our regional office network around the country to provide services to people who often do not have the resources to apply for grants. The Department is strengthening outreach, capacity building, and technical assistance activities to assist vulnerable communities access and leverage resources. We also provided specific outreach through Asian American and Pacific Islanders organizations, met with leadership of the African American health communities, and have regular tribal consultations concerning Indian tribes.

How will HHS ensure that organizations who serve low income communities will be able to compete for federal grant opportunities? Will HHS be able to provide direct technical assistance?

Answer:
We are paying attention to communities with the greatest needs by providing technical assistance through our regional office network around the country to provide services to people who often do not have the resources to apply for grants. The Department is strengthening outreach, capacity building, and technical assistance activities to ensure all potential applicants are aware of available funding opportunities and understand the process of how to apply for funding.

We also provided specific outreach through Asian American and Pacific Islanders organizations, met with leadership of the African American health communities, and have regular tribal consultations concerning Indian tribes.

Additionally, HHS utilizes several public websites to alert communities on the types of funding available through our financial assistance programs to include, Catalog of Federal Domestic Assistance (CFDA), HHS Grants Forecast Tool, and Grants.gov. HHS houses all of grant

programs on the CFDA website at www.cfda.gov . The website serves as a government-wide compendium of Federal programs, projects, services, and activities that provide assistance or benefits to the American public. It assists users in identifying programs that meet specific objectives of the potential applicant, and to obtain general information on Federal assistance programs.

We also utilize the HHS Grants Forecast Tool which is a public website, http://www.acf.hhs.gov/hhsgrantsforecast/ to alert the public of the Department's upcoming competitive funding opportunity announcements. This website allows the user to search for upcoming grant opportunities by category or key word (among other designations) in order to better refine the portfolio of funding announcements specific to a potential grantee's need.

Lastly, HHS also utilizes www.grants.gov as the central location where all constituencies can search, find and apply for federal grant opportunities. Grants.gov includes a variety of mechanisms which facilitate the prospective grantee's ability to locate the funding opportunity that best suits their needs such as a subscription to receive electronic notifications of new grant opportunity postings based on category of need, funding instrument type, and/or applicant eligibility.

Racial and Ethnic Health Disparities

As the new Chair of the Congressional Asian Pacific American Caucus Health Taskforce I have been working with Mr. Honda, a former member of this Subcommittee, and my colleagues in the Black and Hispanic Caucuses to help address racial and ethnic health disparities.

Actually we will be putting together a health disparities forum in Oakland later in the fall with the Tri-caucus and I'd love for you to be a part of it.

As you know the health reform law included a number of provisions that will help address health disparities from basics like improved data collection, diversity in the health workforce, expansion of community health centers, free preventive care etc.

I'd like you to elaborate if you can on what the Department is currently doing and what new initiatives you will be undertaking to address this important issue.

In particular, how does the FY12 budget request:

a) **Support the goal of increasing diversity in the health professions through recruitment and training programs?**

Answer:
The Department strongly supports the goal of increasing diversity in the health professions workforce and has identified this issue as a priority area for the Health Resources and Services Administration's Bureau of Health Professions in the FY 2012 budget request. We recognize that increasing the diversity of the health professions workforce is key to reducing health disparities. We will continue to focus on diversity through investments in Title VII and Title

VIII programs, such as Centers of Excellence Program, Health Careers Opportunities Program, Scholarships for Disadvantaged Students, and the Nursing Workforce Diversity Program. These programs are designed to help prepare, recruit, train, and retain individuals from disadvantaged backgrounds, including racial and ethnic minorities underrepresented in the health professions workforce.

b) increasing diversity in NIH institutions and researchers?;

Answer:
Diversity of the scientific workforce produces a number of important benefits, including a) enhancing the overall capacity to address health disparities; b) improving patient satisfaction in ways that enhance participation in clinical trials; and c) creating a culturally competent workforce that enhances communication. As examples, NIH's Research Supplements to Promote Diversity in Health-Related Research program supports additional funding to existing NIH-funded institutions to provide research experiences for students from disadvantaged backgrounds, including racial and ethnic minorities, throughout the continuum from high school to the faculty level in order to increase the diversity of scientists participating in biomedical research. In addition, NIH's Bridges to the Baccalaureate Degree and Bridges to the Doctorate Programs are special initiatives co-sponsored by the National Institute of General Medical Sciences and the National Institute on Minority Health and Health Disparities that are designed to increase the number of students from disadvantaged backgrounds, including racial and ethnic minorities who are underrepresented in the field of biomedical and behavioral research. The programs promote effective cross-institutional partnerships to improve the quality and quantity of underrepresented racial and ethnic minority students being trained as the next generation of scientists.

c) ensuring racial and ethnic minorities benefit from new and innovative health research at the NIH?;

Answer:
In FY 2012, HHS will be working to implement the HHS Strategic Action Plan to Reduce Racial and Ethnic Health Disparities Plan. One of the Action Plan's goals is to conduct research to inform initiatives that seek to modify gaps in the health, longevity, and quality of life among racial and ethnic minorities. Specific planned activities include: a) developing and implementing strategies to increase access to information, tools, and resources to conduct collaborative health disparities research across Federal Departments; b) developing and testing strategies to increase the adoption and dissemination of interventions based on patient-centered outcomes research among racial and ethnic minority populations -- primary targeted health conditions will include diabetes; cardiovascular disease, such as stroke and hypertension; asthma; and arthritis; and c) promoting community-based participatory research approaches to increase cancer awareness, prevention, and control to reduce cancer health disparities, and training new investigators in such approaches.

In FY 2012, NIH particularly is also continuing specific activities focused on four fundamental areas to ensure that racial and ethnic minorities have access to the clinical benefits of NIH research, including: a) Accelerating the pace of translation of biomedical discoveries into clinical and community practice through the development of specialized research centers such as the Institutional Clinical and Translational Science Award (CTSA) program; b) supporting cutting-

edge, innovative research projects that develop new medical technologies aimed at reducing disparities in healthcare access and health outcomes, such as the Development and Translation of Medical Technologies that Reduce Health Disparities Initiative, a joint project between the National Institute on Minority Health and Health Disparities and the National Institute of Biomedical Imaging and Bioengineering; c) enhancing the recruitment and retention of racial and ethnic minorities in clinical trials and rebuilding their trust in the medical research system; and d) increasing outreach and information dissemination activities, such as targeted public health information campaigns, to ensure racial and ethnic populations have equal access to NIH research discoveries.

d) provide direct support for the nation's minority medical colleges and institutions?, and

Answer:
The Department supports many programs that assist Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities, and other institutions. For example, the FY 2012 request for the Office of Minority Health includes support for Central State University, Stone Child College, Tennessee State University, Morehouse College, and other institutions. The Office of Minority Health also provides support in collaboration with the National Institute on Minority Health and Health Disparities, to Charles Drew University of Medicine and Science, Meharry Medical College, and Morehouse School of Medicine. Through the Centers of Excellence Program, we provide direct support to HBCUs, Hispanic centers of excellence, and Native American centers of excellence. In addition to being eligible for our diversity programs, these institutions can apply for a variety of other funding opportunities under Title VII and VIII programs which are designed to increase and strengthen the health care workforce.

Within the field of medical research, the increasing demand for life-altering medical therapies requires robust biomedical research. Support of institutions participating in NIH's Building Research Infrastructure and Capacity (BRIC) and Research Centers in Minority Institutions (RCMI) programs expands the national research capability in the health sciences. These institutions are uniquely positioned to engage minority populations in research and in the translation of research advances into culturally appropriate, measurable and sustained improvements in health outcomes. The primary goals of these programs are to: (1) develop research infrastructure to enhance institutional biomedical research capacity; and (2) enable investigators to become more successful in the conduct of biomedical and/or behavioral research, particularly on diseases that disproportionately impact minority populations.

e) provide targeted support to help reduce and eliminate these disparities while addressing communities with the greatest need?

Answer:
HHS supports a number of programs that support the reduction of health disparities. In FY 2012, these programs will focus on communities with the greatest needs and include: community-level demonstration programs; access to quality health care for vulnerable populations; increasing the pipeline, diversity, and cultural competency of the health workforce; integration of research and establishment of networks that connect institutions, researchers, and the community; improving the participation of racial and ethnic minorities in clinical trials; improving data collection and reporting on health disparities at the national and state levels; increasing access to and

implementation of health information technology; improving health literacy; providing technical assistance; and building capacity to address gaps in services.

I understand that the Office of Minority Health, has led the development of a plan to end health disparities. Where does that plan stand now?

What resources will HHS will be devoting to implementing the plan - particularly in circumstances where OMH/HHS may have little direct control over implementation without additional budgetary incentives?

Answer:
We appreciate your interest and support for HHS programs focused on eliminating health disparities. The Office of Minority Health has led the development of the National Stakeholder Strategy for Achieving Health Equity (National Stakeholder Strategy) in collaboration with representatives of 11 other Federal departments and agencies. The strategy incorporates ideas and comments from thousands of individuals and organizations that were received through Regional Conversation meetings in the 10 HHS regions, focused stakeholder meetings, and national public comments on the initial draft of the strategy. In response to the National Stakeholder Strategy, the Department has developed the HHS Action Plan to Reduce Racial and Ethnic Disparities in health. The HHS Action Plan will be used by its agencies to assess the impact of policies and programs on racial and ethnic health disparities and promote integrated approaches, evidence-based programs and best practices to reduce these disparities. Both plans were released in April 2011.

National AIDS Strategy

I was pleased by the release of the President's National AIDS Strategy last July and by the thoughtfulness that went into the Agency Operational Plans (which were released in February) to implement it.

I also appreciate that the Administration has requested an additional $219 million for our domestic HIV/AIDS programs this year to help implement the Strategy.

An $80 million increase for the AIDS Drug Assistance Program is especially necessary right now. However as you know, there is a persistent and ongoing need for additional funding for ADAP now.

Last summer the Administration transferred $25 million in FY10 funds into the ADAP program to help shore up treatment programs for people living with AIDS.

Does the Administration have plans to provide an additional transfer of funds during the current fiscal year as we work through the budget for 2012?

Answer:
Congress is currently working on a budget for FY 2011, which would provide funding for AIDS drug assistance.

I wanted to also ask you about the AIDS Strategy and the 12 cities initiative that is intended to focus our response to the AIDS epidemic in those communities most in need.

How do you plan to work with State and local governments within these 12 cities to really drive better coordination and systems change?

Answer:
In September 2010, CDC funded 12 city, state, and territorial health department grantees for one year to work with the 12 cities or metropolitan statistical areas (MSAs) most affected by AIDS. The focus is for each grantee to develop an Enhanced Comprehensive HIV Prevention Plan (ECHPP) and begin implementation of these plans during the first year. These plans were intended to enhance existing jurisdictional plans by focusing on aligning resources to meet the goals of the National HIV/AIDS Strategy (NHAS): reducing new HIV infections, increasing access to care and improving health outcomes for people living with HIV, reducing HIV-related disparities and health inequities. The plans will address NHAS goals by intensifying HIV prevention efforts in communities where HIV is most heavily concentrated.

The NHAS makes clear that national goals will only be accomplished with better coordination in the response to the HIV epidemic, thus substantial cross-agency collaboration as well as consideration of CDC and non-CDC resources is expected as part of this project. The goal is for each jurisdiction to implement an Enhanced Plan that provides for the improved, coordinated implementation of HIV prevention, care, and treatment services using the best mix of interventions, intervention targets, and intervention scale to optimize the impact on new HIV infections. To achieve this goal, effective and focused coordination of joint efforts, data systems, and multiple funding streams are essential.

CDC's project officers will coordinate federal technical assistance to ECHPP jurisdictions in ways that help to diminish program "silos" and, instead, improve local systems for HIV prevention, care, and treatment. This focus on systems integration aims to have the greatest impact in the local area – at the individual, population, and community level – based on the local profile of the epidemic and by assessing and identifying current gaps in HIV prevention portfolios.

HHS' 12 Cities Project builds upon the strong platform created by the ECHPP project with broader goals, scope and collaborative oversight, and substantially includes other federal partners who are essential to the success of NHAS, moving beyond prevention to include the continuum of HIV treatment and care.

Can the Department provide additional technical assistance and support to local planning councils that will be the focus of this initiative?

I'm concerned because as you know California is in a huge budget crisis and we lost virtually all of our State and local AIDS prevention and education dollars – so we need all the support we can get at the local level.

Answer:

CDC is providing intense and multi-focal technical assistance and support for the enhanced planning that is being led locally by state or local health department grantees. Programmatic, scientific, and technical expertise has been provided to all grantees as they have engaged in the planning process. In addition, representatives from the Health Resources and Services Administration (HRSA's HIV/AIDS Bureau and the Bureau of Primary Health Care), the Substance Abuse and Mental Health Services Administration, the National Institutes of Health and the Indian Health Service also are actively engaged in discussions about ECHPP activities. The feedback they have provided on the Enhanced Plans has been beneficial to both the grantees in their plan development, and to the CDC project team to optimize the efforts to reduce HIV infection. The ECHPP health department grantees are working with local planning groups in a variety of ways to obtain input regarding the Enhanced Plans, and how they can best be implemented for each jurisdiction. CDC has communicated to all grantees that it is committed to providing the types of support they would find most useful in developing and implementing their Enhanced Plans. In addition, HHS' 12 Cities Project will also review the Enhanced Plans with representatives from the participating federal agencies to identify additional support that can be provided to grantees. At these reviews, local grantees will be included in the conversations with HHS and the other federal agencies.

Elimination of Children's Hospital Graduate Medical Education Program

Madam Secretary I'm very concerned by the Administration proposed elimination of the Children's Hospital Graduate Medical Education program from your budget.

In your testimony you justify the elimination of this program by saying that the budget will focus "instead on targeted investments to increase the primary care workforce."

Yet that's precisely what the CHGME does.

According to the website for the program: "The CHGME Payment Program currently supports 56 freestanding children's hospitals – they train about a third of the Nation's pediatricians and about half of pediatric sub-specialists. The CHGME Payment Program supported the training of 5,631 resident physicians in 2009."

Are you suggesting that pediatricians are not part of the primary care workforce?

I'm worried that children's hospitals – many of which are already facing tight budgets – will take another hit by the elimination of this program.

Can you better explain the rationale behind this decision? Does the Department have a plan for ensuring that children's hospitals don't completely lose out on federal support for primary care workforce training funds?

If this is an issue about ensuring that CHGME funds are being used to train doctors, can't you just tighten the program guidance to reflect that goal?

Answer:

Children's hospitals would continue to be able to compete for funding through the competitive grant programs for which they are eligible. The Primary Care Training and Enhancement Program provide support for Pediatric residencies, faculty development, residency training, and predoctoral training in primary care. In addition, the President's FY 2012 budget includes a proposed initiative that will begin to expand the primary care workforce by 4,000 providers over five years through investments in competitive grant programs.

Strengthening and growing the primary care workforce is a critical component of reforming the nation's health care system and is an important goal for HHS.

- The FY 2012 Budget focuses on competitive discretionary programs to expand the primary care workforce, which, as you note, includes general pediatricians. Children's hospitals would continue to be able to compete for funding through the competitive medical education and training grant programs for which they are eligible.
    - Primary Care Training and Enhancement supports the development of primary care physician training programs—including those in general pediatrics;

- In FY 2010, the Department allocated $250 million from the Prevention and Public Health Fund to health professions training. Within this total, $167 million was made available for a new primary care residency expansion program. Through this competitive program, 15 pediatric medicine residency programs received funding to support the training of an estimated 175 pediatric residents over a five-year period.

Multiple Sclerosis and Support for Adult Day Programs

Last week I introduced legislation to strengthen our nation's adult day to help address the needs of younger adults with neurological disease or conditions like Multiple Sclerosis, Parkinson's disease, or traumatic brain injury.

As you know these disorders can also affect younger adults - sometimes resulting in disability at a much earlier age than we would expect. Adult day programs are a cost effective way to provide care and help relieve the stress on family caregivers who assist their loved ones with the activities of daily living.

Has the Department looked at this issue more closely since I brought it up last year? Is there a way to ensure that as we implement health reform – we also look into a better utilization of existing adult day services and programs?

Answer:
The Administration on Aging (AoA) supports the integration of younger adult populations into Adult Day Centers and knows that such populations have been integrated into Day Centers in many areas across the country. While there are often programmatic considerations when integrating new populations with different needs into a Day Center setting, these are not insurmountable. From our conversations with Lifespan Respite Coalitions, we also know that they are in favor of the integration of new populations into Day Centers as another means of expanding respite opportunities. At the state and community levels, we believe that many Day Programs currently utilize a number of funding streams to allow them to serve a mix of populations through a single setting.

With regard to the Centers for Medicare & Medicaid Services (CMS), many States are using authorities under Sections 1915(c) and 1915(i) of the Social Security Act related to Home and Community Based Services to cover adult day programs for a variety of populations. The Department believes that family caregivers can be a crucial source of support and assistance for individuals with disabilities and supports State flexibility to address the needs of these vulnerable populations.

Questions for the Record - Rep. Jesse L. Jackson, Jr.
U.S. Department of Health and Human Services - Sec. Kathleen Sebelius
March 11, 2011

Health Professions:
Madam Secretary, as you know, I am a strong proponent of the Title VII health professions training programs administered by the Health Resources and Services Administration (HRSA). These programs are vital to the production of diversified, primary care professionals that are committed to serving the underserved. I understand your budget chooses to level fund these programs. One of the recommendations of the IOM report, "Unequal Treatment," states that increasing the resources for Title VII programs could go a long way to ending health disparities in this country.

> **If we truly want to end health disparities in this country, why are these programs not given a higher funding priority?**

Answer:
Increasing diversity among our nation's health care workforce is a top priority for the Department, and we support a range of programs to help recruit, train, and prepare individuals from disadvantaged backgrounds, including racial and ethnic minorities, who are underrepresented in the health professionals workforce. Title VII and VIII programs help to build diversity among health professionals in order to reduce health disparities and strengthen cultural competence among health providers. In the FY 2012 budget request, $60 million is requested for the Scholarships for Disadvantaged Students Program, an increase of $10.8 million over the FY 2010 actual level. The FY 2012 request for the Nursing Workforce Diversity Program is $20 million, an increase of $3.9 million above the FY 2010 actual level. As we grow these programs and continue our investments in other key diversity programs, the Department also recognizes the need to devote resources to directly improving access to quality health care services. Investments in programs like the National Health Service Corps will help to quickly place new primary care providers in areas of greatest need to help respond to the needs of the underserved.

Children's Hospital Graduate Medical Education:
Madame Secretary, as you know, the Children's Hospital Graduate Medical Education (CHGME) program has been a major success and has enjoyed broad bipartisan support. The program has reversed declines in pediatric training programs in the 1990s that threatened the stability of the pediatric workforce. The small class of hospitals that receive this funding – about 1% of hospitals nationwide – train approximately 40% of all

pediatricians, 43% of all pediatric specialists, and the majority of pediatric researchers. Eliminating this program would have a major negative impact on access to primary care, and a devastating impact on access to specialty care for children.

> **Very simply, who will treat the next generation if we do not invest in these doctors today? How can the Administration propose terminating this program? Pediatric residencies would have declined if it were not for CHGME?**

Answer:
We recognize the vital role that children's hospitals and pediatric providers play in providing quality health care to our Nation's children. Within the context of a budget that requires tough choices, we put forth a proposal to discontinue these general subsidies. Even in an HHS budget that declines overall, we do invest in increasing the supply of healthcare providers across the Nation. The budget includes other investments that will begin to expand our Nation's capacity to train over 4,000 new primary care providers over five years, including pediatricians.

Diabetes:
Secretary Sebelius, the President's FY 2012 budget proposal includes a consolidation of the chronic disease programs at the state and national level through the Coordinated Chronic Disease Prevention and Health Promotion Grant Program at the CDC. I believe that people with, and at risk for, diabetes would be better served if the CDC's chronic disease programs were better coordinated, where it is appropriate.

> **Can you elaborate on the details of the consolidation program that was included in the FY 2012 budget proposal and how the resources at the state and national level will be maximized to improve and enhance prevention efforts and meet the needs of individuals with, or at risk for, diabetes or other chronic diseases?**

Answer:
Chronic diseases – such as heart disease, stroke, cancer, diabetes, and arthritis – are among the most common, costly, and preventable of all health problems in the U.S. Historically, CDC has funded categorical programs in state health departments to address these diseases as well as their common risk factors of obesity, poor nutrition and/or inadequate physical activity. Under the current structure, not all states are funded for these programs.

Because of the inter-relatedness of chronic diseases and their risk factors, the Coordinated Chronic Disease Prevention and Health Promotion Grant Program (CCDGP) will support essential public health functions at the state level including epidemiology, evaluation, policy, communications and program management. Such an approach will strengthen state based coordination and therefore improve program efficiencies, provide leadership and support for cross-cutting activities and enhance the effectiveness of chronic disease prevention and risk factor reduction efforts across the included categorical programs.

Through the CCDGP, states will be expected to: achieve population level change in the specified chronic disease program areas; identify populations disproportionately affected by chronic the conditions being addressed, and; implement strategies to narrow gaps in health status between these special populations and the populations as a whole. Diabetes is one of the targeted areas

and grantees will be expected to reduce the age-adjusted annual rate per 100,000 population of diabetes-related deaths. States will have the flexibility to determine how they will work within their state to achieve these outcomes.

Pediatric Cancer Research:
Madame Secretary, I want to call your attention to the ongoing need for greater support of pediatric cancer research at the National Cancer Institute. Each year this Committee appropriates over $5 billion to the NCI. And each year NCI dedicates less than 5% of that funding to pediatric cancer research. This is an unacceptably low figure given that childhood cancer is the leading cause of death in kids under 14. Unlike adult oncology, the pharmaceutical industry plays virtually no role in supporting pediatric research due to a lack of market incentives. Consequently, NCI represents the only source of significant support for researchers seeking to develop better treatments and a cure.

Simply said, we need to do better by children and families who are bravely battling cancer right now.

> **Madame Secretary, will you join me and other Members in this cause by working with NCI Director Varmus to expand opportunities for pediatric cancer research at NCI?**

Answer:
The National Cancer Institute (NCI) has to give full attention to the clinical consequences of every cancer type, and must also be responsive to the opportunities and ideas that seem likely to offer the best chances of making discoveries that bring us closer to understanding all cancers. While much of its research, especially its clinical and translational research, is focused on specific cancers, NCI does not apportion a set amount of funding to be used for any specific type of cancer, including pediatric cancers. Funding levels are dependent on the number of research project grant applications and the quality of those proposals, as determined by rigorous peer review. NCI's data shows that success rates (defined as the number of grant applications selected for award divided by the total number of grant applications received) for research proposals relevant to pediatric cancer are comparable to – and sometimes outpace - success rates for all cancer research project proposals.

In recent history, about 4% of the NCI's total funding has been invested in pediatric cancer research efforts across the nation. In FY 2009, NCI provided $192.8 million and an additional $47.2 million from its American Recovery and Reinvestment Act (ARRA) allotment. In FY 2010, NCI funded this research at $199.8 million level with an additional $13.2 million from ARRA funds.

Pediatric cancer research is a very high priority for the NCI, and is featured prominently in its most innovative and high-profile research efforts. The Childhood Cancer Therapeutically Applicable Research to Generate Effective Treatment (TARGET) Initiative is a public/private partnership harnessing the power of modern genomics technology to rapidly identify in pediatric tumors molecular targets that may be exploited to diagnose and treat childhood cancers more precisely, effectively, and safely than ever before. NCI identified TARGET as a promising use of ARRA funds and used those dollars to significantly expand the program to include additional

diseases and increase the DNA sequencing capacity. The Pediatric Preclinical Testing Program (PPTP), an NCI-supported research contract begun in 2005 and recently extended, systematically evaluates new therapeutic agents and generates pre-clinical data that informs decisions about prioritizing promising new agents and combinations of agents for study against specific types of childhood cancers.

NCI supports several consortia of institutions to perform clinical trials of novel agents and treatments, thereby allowing pre-clinical discoveries to move rapidly to the clinic and be studied by experienced pediatric oncology investigators. The Children's Oncology Group (COG) is an NCI-supported cooperative group which develops and coordinates pediatric cancer clinical trials that are available at over 200 member institutions, including cancer centers at major universities and teaching hospitals throughout the United States and Canada as well as sites in Europe and Australia. COG has a strong commitment to accelerate research for pediatric cancer at the basic science level as well as the clinical level in the form of phase 2, phase 3 and pilot clinical trials.

The Pediatric Oncology Branch (POB), a part of NCI's intramural program located at the NIH Clinical Research Center, conducts an intensive translational research program focused on tumor biology, drug development, genetics and genomics, immunology and immunotherapy, metastases biology, neuro-oncology, and psychosocial support. The POB has partnered with the Eunice Kennedy Shriver National Institute of Child Health and Human Development and several academic institutions to stand up a multidisciplinary clinic to study the rare pediatric cancer, Gastrointestinal Stromal Tumor (GIST). The GIST clinic may serve as a paradigm in the investigation of rare diseases.

Finally, an important feature of the NCI research program is its work addressing the special issues faced by childhood cancer survivors. NCI is supporting the Childhood Cancer Survivor Study (CCSS), a collaboration of 27 institutions working to learn more about the late effects of childhood cancer treatment. The CCSS research team assembled a cohort of over 20,000 childhood cancer survivors diagnosed between 1970 and 1986, and recently began recruiting an additional 14,000 individuals treated for cancer as children between 1987 and 1999 to allow for the evaluation of late effects of the newer types of cancer treatment.

It is important to note that these projects represent a far from exhaustive list of the entire NCI research effort related to pediatric cancers. Also, basic research on cancer mechanisms supported by NCI contributes heavily to the understanding of all cancer mechanisms including those relevant to pediatric cancers. That research and the dollars spent on it are not reflected in the above-mentioned programs that are specific to pediatric cancers.

Although the Best Pharmaceuticals for Children Act and Orphan Drug Act provide certain market incentives for pediatric research and development of pediatric drugs for cancer and other illnesses, NCI recognizes the challenges associated with bringing to the marketplace therapeutic agents that target relatively rare diseases such as childhood cancers, and is actively engaging in collaborative efforts to facilitate that process. For example, an important discovery announced by COG in 2009 is that immunotherapy with the chimeric antibody 14.18(ch14.18), as part of a specific multi-modality treatment strategy, improves event-free survival and overall survival for children with high-risk neuroblastoma. The NCI manufactured ch14.18 so that COG could definitively evaluate this neuroblastoma-targeted agent, and NCI has continued to manufacture ch14.18 so that children with neuroblastoma can have access to this agent until a pharmaceutical

collaborator has established its manufacturing capabilities. ch14.18 is the first monoclonal antibody that has been shown to be clinically beneficial in children with cancer prior to a demonstration of efficacy in adults with cancer. NCI has identified a pharmaceutical collaborator that will take responsibility for continuing to manufacture ch14.18, for submitting a Biologics License Application to FDA, and for ensuring its long-term availability as a licensed product.

More than 12 million cancer survivors are alive in the United States, at least 270,000 of who were originally diagnosed when they were under the age of 21. Although there has been some increase in the incidence of all forms of invasive pediatric cancer over the past 20 years, from 11.5 cases per 100,000 children in 1975 to 14.8 per 100,000 children in 2004, death rates have declined dramatically and five-year survival rates have increased for most childhood cancers during this same time. Advances in cancer treatment have meant that today, over 80 percent of children diagnosed with cancer are alive at least five years after diagnosis, compared to about 58 percent in the 1970s. These advances have averted an estimated 38,000 childhood cancer deaths in the U.S. between 1974 and 2006. This improvement in survival rates is due to significant advances in treatment, resulting in a cure or long-term remission for the majority of children with cancer.

Nevertheless, we have more work to do for those children for whom current treatments are not adequate, and NCI is committed to investing wisely in research opportunities that bring us closer to a future in which no parent will endure the grief of losing a child to cancer.

Prevention

As you know, obesity and other chronic diseases are costly and pose serious health threats. There is a great deal we can do both in the clinical setting and within communities to prevent these diseases by addressing them at their origins. Solving the problem will require changes in every part of people's daily lives. These efforts need to be coordinated.

> **How will funding provided for the National Prevention Strategy be used to better align obesity and chronic disease prevention efforts between HHS and other departments, such as USDA and the Department of Education?**

Answer:

The resources provided support the National Prevention Council's activities to develop the National Prevention Strategy and to identify priorities, recommendations and actions that focus and align federal and partner efforts to prevent disease, disability and death. The Council is made up of heads of 17 Federal Departments, including USDA and the Department of Education. By identifying common priorities and specific recommendations that Federal departments and agencies and others should take to address obesity and chronic disease, the National Prevention Council's work will better align these efforts. The resources support analysis of epidemiologic data and evidence-based policies and programs to identify priorities and effective prevention activities, a robust stakeholder input process, development of measures to track progress, drafting of the National Prevention Strategy and Annual Status Report and other Council activities.

The budget proposes consolidating various chronic disease prevention programs at the CDC. Could you explain the benefits of the proposed Coordinated Chronic Disease State Grants, and what additional flexibility states would receive with the adoption of this approach? Will each state receive a mix of core and competitive funding? Would this proposal increase or decrease the amount of chronic disease funding that states received, as compared to FY 10?

Answer:
Because many inter-related chronic disease conditions share common risk factors, the new programs will improve health outcomes by coordinating the interventions that can reduce the burden of disease and disability. In addition, the comprehensive program will provide health departments with the flexibility to address the critical public health challenges in their communities. Through the CCDGP, States will be expected to: achieve population level change in the specified chronic disease program areas; identify populations disproportionately affected by the conditions being addressed, and; implement strategies to narrow gaps in health status between these special populations and the populations as a whole. States will have the flexibility to determine how they will work within their state to achieve these outcomes.

Within the CCDGP, health departments will be eligible to apply for competitive awards to strengthen coordination of chronic disease prevention programs and implement evidence-based prevention strategies. Additionally, CDC will competitively award competitive $116 million of the $528 million available for grants, which are intended to support all State health departments, territories, and some Tribes to establish or strengthen leadership, expertise, coordination of chronic disease prevention programming, surveillance and evaluation.

The FY 2012 President's Budget represents a significant shift in program implementation from FY 2010. As a result, it is difficult to do a comparison of specific State funding levels between FY 2010 and FY 2012. For example, under the FY 2012 President's Budget, CDC intends that each state, territorial and some tribal health department will receive funding to establish or strengthen leadership, expertise, coordination of chronic disease prevention programming, surveillance and evaluation. This component represents a new activity that was not previously supported in FY 2010. The remaining balance of funding will be awarded competitively to support prevention, health promotion and disease management programs for a number of chronic diseases. Overall, the programs consolidated in the new CCDGP represent an increase of $72 million above the FY 2010 Enacted level, a substantial increase that would be allocated to States, and likely increase chronic disease funding in most States for these same programs.

The budget also proposes funding for Community Transformation Grants. Can you provide more information on how these grants will better address the roots of chronic diseases in our communities?

Answer:
The purpose of the Community Transformation Grants program is to create healthier communities through the implementation of broad, evidence and practice-based policy, environmental, programmatic, and infrastructure changes in states, communities, tribes and territories, with the goal of reducing the leading causes of death, associated risk factors, and health disparities.

This program aligns with the draft National Prevention Strategy, incorporating evidence and practice-based policy, environmental, programmatic, and infrastructure changes to impact health are among the most cost effective to implement – they have broad reach across communities and they are often sustainable (meaning that they will continue after Federal funding has come to a natural end).

CDC will build on major accomplishments from communities funded through the American Recovery and Reinvestment Act (Recovery Act) and the Affordable Care Act. These communities are providing a platform for testing wide-scale application of a focused set of evidence-based policy, environmental, and systems strategies. Best practices and lessons learned from these communities will serve to inform grantees funded through the Community Transformation Grant initiative.

The reach of the Community Transformation Grants will be more comprehensive than prior investments; 20% of the grants are to be directed to rural and frontier areas. In addition, funds will support many types of organizations – not just state and local health departments are able to apply. That, coupled with the potential for longer term investments than prior grants, will allow communities across the nation to better address the leading causes of death and health disparities.

Minority Health Disparities

I have a longstanding interest in and commitment to improving the health of all Americans. The research activities at NIH play a critical role in this issue. I understand that the new National Institute on Minority Health and Health Disparities at NIH has a budget of approximately $200 million which is miniscule in comparison to other ICs. What can I do to express to the Administration that if fighting health disparities is a national priority, we should increase the budget of the Institute to fulfill this mission?

In the last strategic plan, $2.5 billion was planned for minority health and health disparities at various ICs. Where does the NIH stand in terms of funding that is allotted to minority health and health disparities, how much is currently being spent, and in what ways will you ensure that NIMHD is the coordinating entity at NIH for these issues in accordance with new health laws.

Answer:

NIH minority health and health disparities efforts are spelled out in the 5-year *NIH Health Disparities Strategic Research Plan and Budget* and are coordinated under the leadership of the National Institute on Minority Health and Health Disparities (NIMHD), formerly the National Center on Minority Health and Health Disparities (NCMHD). In FY 2010, NIH spent over $2.8 billion to fund research and related activities focused on minority health and health disparities; this included $2.5 billion from the regular FY 2010 appropriation and $312 million from Recovery Act funds.

In March 2010, the Affordable Care Act (Public Law 111-148) re-designated the NCMHD to an Institute with authority to plan, review, coordinate, and evaluate the minority health and health disparities research and related activities of the other NIH Institutes and Centers, consistent with its authorizing legislation. The Act reaffirms the authority of the NIMHD Director as the primary Federal official with responsibility for coordinating such activities. The next strategic

plan, *NIH Health Disparities Strategic Research Plan and Budget, Fiscal Years 2009-2013*, will reflect an integrated agenda of priorities that will guide the NIH Institutes, Centers, and Offices as they move forward with the range of programs and initiatives aimed at overcoming health disparities.

Title VII health programs, housed at the HRSA, are vital to the production of primary care health professionals that are committed to providing care for the underserved. Why are these programs not given a higher funding priority? In what ways would committing to a higher funding priority contribute to diversity in the health profession?

Answer:
The Department shares your belief that a well-trained health care workforce is critical to reforming our nation's health care system. As you know, we made a $250 million investment in expanding the primary care workforce through the Affordable Care Act's Prevention and Public Health Fund. These targeted investments in Title VII and Title VIII programs will fully train 500 new primary care residents, 600 new physician assistants, and 600 new nurse practitioners and nurse midwives by 2015. In addition, we have continued our commitment to the primary care workforce through a new initiative in the FY 2012 budget request that aims to begin to train an additional 4,000 new primary care providers over five years. At the same time, we continue to focus on strengthening the diversity of our health care workforce through our Title VII and VIII programs, such as Centers of Excellence Program, Scholarships for Disadvantaged Students, Health Careers Opportunities Program and the Nursing Workforce Diversity Program. These programs are designed to help prepare, recruit, train and retain individuals from disadvantaged backgrounds, including racial and ethnic minorities, who are underrepresented in the health professions workforce. Increasing the diversity of health professionals is a key strategy in eliminating health disparities and strengthening cultural competence throughout the health care system.

The NIH has issued two plans since Congress enacted the legislation requiring it. What is the status of the next strategic plan?

Answer:
The National Institute on Minority Health and Health Disparities (NIMHD) has worked with the Institutes, Centers and Offices at the NIH to develop the third iteration of the strategic plan. The plan is currently under development within NIH. NIH expects that the final plan will be made available on the NIMHD website this summer.

Microbicides and HIV/AIDS

With NIH and USAID leadership, proof of concept has been established that an anti-retroviral based microbicide can prevent HIV infection in women. NIH and USAID are to be congratulated for this historic scientific breakthrough, which could help to reverse the HIV/AIDS epidemic over time.

Going forward, given the urgency of the HIV/AIDS epidemic and limited funding, NIH will need to coordinate with USAID, the State Department, federal agencies and global donors to prioritize and expedite microbicide development efforts, with the goal of enabling

regulatory approval of the first effective microbicide, and providing support for efficacy trials of new and complementary ARV-based microbicides.

Can you provide this committee with the specific department-wide plan with regard to microbicide research over the next three years?

What microbicide products and clinical trials are you prioritizing for NIH support?

How are you working with PEPFAR and USAID to move this research forward?

Answer:
The NIH Office of AIDS Research (OAR) develops an annual Trans-NIH Plan for HIV-Related Research, which includes the strategic plan for microbicide research and development. The Plan guides a comprehensive research approach that includes research on microbicides and other products that will help women and girls protect themselves from HIV. This comprehensive document establishes research objectives and priorities for basic, pre-clinical, clinical, behavioral, and translational research for the development and testing of microbicides.

To develop the plan each year, OAR utilizes a unique and inclusive process, which includes scientists from each of the NIH Institutes and Centers that conduct microbicide research, representation from the Centers for Disease Control and Prevention (CDC), the Food and Drug Administration (FDA), the Office of the Global AIDS Coordinator (OGAC), and USAID, as well as non-government U.S. and international experts from academia, community and advocacy organizations, and foundations such as the Bill and Melinda Gates Foundation, the International Partnership for Microbicides, CONRAD, and the Population Council. The plan seeks to obtain broad scientific consensus on the highest priorities for microbicide research. The plan for FY2011 can be found on the OAR website:
http://www.oar.nih.gov/strategicplan/fy2011/pdf/FY2011ByPassPlan_05_Plan.pdf. The FY 2012 Plan will be finalized shortly, and the FY 2013 planning process is currently underway.

NIH will continue its strong support of research to identify and develop safe, effective, and acceptable microbicides through a highly collaborative and comprehensive program. For example, NIH is working with CDC, the International Partnership for Microbicides (IPM), and CONRAD to coordinate a number of projects supported by the National Institute of Allergy and Infectious Diseases (NIAID)'s Integrated Preclinical-Clinical Program for HIV Topical Microbicides (IPCP-HTM) and Microbicide Innovation Program (MIP). These two programs support the development path of promising products to advance to clinical trials through the Microbicide Trials Network (MTN). The MTN, supported by NIAID, the Eunice Kennedy Shriver National Institute of Child Health and Human Development (NICHD), and the National Institute of Mental Health (NIMH), collaborates with USAID, IPM, and CONRAD to test promising microbicides for safety and effectiveness. In addition, NIH supports research training and capacity building that facilitates the evaluation of microbicide candidates through such programs as the Fogarty International Center's AIDS International Training and Research Program (AITRP). For example, the USAID-supported researchers who conducted the recent CAPRISA 004 microbicide trial also were the recipients of NIH funds through the NIH Comprehensive International Program of Research on AIDS (CIPRA) and an FIC AITRP award that provided critical research training and infrastructure support.

Currently, through the MTN, NIAID is supporting the ongoing Vaginal and Oral Interventions to Control the Epidemic (VOICE) study. VOICE is a Phase IIb microbicide study examining daily use of tenofovir vaginal gel to prevent HIV transmission. In addition, VOICE is testing daily use of oral ARV tablets, tenofovir alone, and tenofovir plus emtricitibine (Truvada®) for prevention of sexual transmission of HIV. The study is expected to enroll 5,000 women in Africa. In addition to VOICE, the MTN is advancing an intense effort to evaluate the safety of tenofovir gel during pregnancy, in adolescents, and in other applications. The results of these studies will build on the results of CAPRISA 004 to provide evidence to support licensure of tenofovir gel and significantly extend the safety data available on tenofovir gel.
In addition, NIAID continues to collaborate with academia, industry, and foundations to identify and explore new and existing compounds that may warrant further study as potential microbicidal agents. Specifically, collaborative efforts are underway to develop dapivirine, a promising antiretroviral compound, as a gel and an intravaginal ring, as well as a combination ring of dapivirine and maraviroc, another antiretroviral drug, with IPM. NIH is also working with large pharmaceutical companies to identify and evaluate compounds with existing preclinical and/or clinical data for their use as microbicides. NIH will continue to support microbicide research by evaluating the potential of additional products for use as microbicides, determining the best predictors of microbicide safety and efficacy, developing microbicide formulations that are easy to use, and investigating different methods to deliver microbicides.

The NIH Office of AIDS Research (OAR) coordinates microbicide research activities across the Federal government, including PEPFAR and USAID, through a number of activities. In addition to the strategic planning activities described above, OAR has established and convenes the Trans-Governmental Microbicide coordinating committee, comprised of representatives from NIH institutes, CDC, FDA, the Department of Defense, the Department of Veterans Affairs, USAID, and PEPFAR to facilitate coordination and collaboration on microbicide research. OAR has also established the Microbicides Research Working Group, an independent non-governmental panel of experts in the field, to provide ongoing advice to NIH and the other government and non-government entities that support microbicide research and development. OAR recently convened a meeting of U.S.-based microbicide research donors that included governmental and nongovernmental organizations to ensure collaboration, reduce duplication of effort, limit research gaps, and ensure that the microbicide research priorities meet the needs of the field. In addition to NIH, USAID and PEPFAR participated in this meeting. OAR is planning a Microbicide Research Think Tank later this year to bring together all of these experts to outline the critical scientific questions that must be answered to move the field forward.

As a result of these activities, there is an unprecedented level of trans-governmental collaboration around this area of AIDS research. Nonetheless, it is important to note that there are differences in the way that the federal agencies solicit, review, and fund biomedical research. Recently, NIH facilitated a review by an NIH scientific peer-review group and by NIH bioethicists of a proposal submitted to USAID for a study to follow-up the findings of the USAID-supported CAPRISA 004 study in South Africa. NIH has provided the findings of that review to colleagues at USAID.

Questions from Rep. Flake
Cookbooks

It has come to my attention that NIH has published more than one cookbook in the past few months. I understand that NIH publication number 10-7531 dated Dec 2010 is a cookbook that in March this year was being sold in a cafeteria on the NIH campus, as compared to the book I referred to that was provided free to the public. I do not want to get into the merits or need for public outreach and do feel other HHS Operating Divisions (OpDivs) are better suited than NIH in this matter; however, I would like answers to the following questions:

1) **Please identify how many cookbooks, and other such items were developed by NIH over the past four years (FY 2011, FY2010, FY2009, and FY 2008). Please provide the total cost of development, production, distribution and mailings for each NIH institute or center by year for these items.**
2) **Also identify if these items are provided free or sold?**
3) **On the cookbook being sold in the NIH cafeteria in March 2011:**
    a. **What is the policy and criteria used to determine if a cookbook is sold or provided to the public for free?**
    b. **What treasury account are these funds deposited in and how much was collected from sales?**
    c. **What is the cost to sell such item (employee salary, marketing, etc)?**
    d. **Please identify the specific authority to allow NIH to publish and sell books?**
    e. **Please identify and describe the authority related to the use of any proceeds made from the sale of items like this cookbook?**
    f. **How do the other OpDivs distribute their cookbooks they produce, are they sold or provided free.**

Answer:
The NHLBI has developed two new items since the start of FY 2008 ("Keep the Beat: Deliciously Healthy Dinners" and "Keep the Beat: Deliciously Healthy Family Meals") and revised two others ("Heart Healthy Home Cooking African American Style," which was originally produced in 1997, and "Delicious Heart Healthy Latino Recipes," originally produced in 1996).

The total costs of development, production and mailing for the four NHLBI items in FY 2011, FY 2010, FY 2009, and FY 2008 were $452,782, $392,245, $174,368, and $29,181, respectively.

In conformance with a cost-recovery policy implemented by the National Heart, Lung, and Blood Institute (NHLBI) in 1997, the cookbooks were sold to the public by a contractor at a price that reflected the cost required to print and distribute each one. That practice was discontinued October 1, 2010, and since that time they have been free. The current NHLBI policy is to provide all NHLBI-printed copies of cookbooks for free in limited quantities and to make them available for free downloading from its website.

In July 2010, the Compass Group had contacted the NHLBI to request a copy of an electronic file that it could use to print the cookbook and, with its own funding, the Compass Group printed, distributed, and marketed the cookbook as part of its efforts to provide nutritional information and recipes for its customers. The U.S. government was not involved in any receipt of funds related to the cookbook sold in the NIH cafeteria in March 2011 and the NHLBI was not involved in the sale of the cookbook in the NIH cafeteria in March 2011.

A provision of the Public Health Service Act (42 U.S.C. 285b-2) that has been essentially in its present form since 1972 directs the NHLBI "... to collect, identify, analyze, and disseminate on a timely basis, through publications and other appropriate means, to patients, families of patients, physicians and other health professionals, and the general public, information on research, prevention, diagnosis, and treatment of heart, blood vessel, lung, and blood diseases, the maintenance of health to reduce the incidence of such diseases." The NHLBI is not and will not be selling items like the cookbook that was sold in the NIH cafeteria in March 2011.

NCI and NIDDK also published cookbooks during this time period. NCI developed a cookbook, "Down Home Healthy," several years ago and updated and reproduced it in 2005 as part of efforts to disseminate the evidence-based program, Body and Soul. For the fiscal years 2008-2011:

- NCI reprinted 22,422 copies of the Down Home Healthy cookbook in June 2008, at a cost of $36,400.
- NCI reprinted 6,377 copies of the Down Home Healthy cookbook in 2010, at a cost of $18,000.
- The publications were provided free to the public as well as participants of Body and Soul activities conducted by church coordinators across the country.

In September 2008, the "Tasty Recipes for People with Diabetes and Their Families" cookbook was published by CDC under the CDC/NIH National Diabetes Education Program. Distribution is available through NIDDK's National Diabetes Information Clearinghouse. The booklet contains recipes in Spanish and English. Single copies are free. Individuals can order up to 3 copies, but the 2nd and 3rd copies are $1 each to cover shipping and handling.

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[i] This estimate of jobs created or retained contains Head Start jobs associated with funds provided under the Recovery Act for Cost of Living Adjustment (COLA), which were not counted in subsequent reporting periods due to OMB guidance.

Department of Health and Human Services
Sections of ACA with Funding

OPDIV	TAFS Title	ACA Activity	Fiscal Year 2012 Appendix Account	Fiscal Year 2012 Appendix Program Activity	Obligation Amount reflected in the FY 2012 President's Budget FY 2010	FY 2011	FY 2012
ACF	Promoting Safe and Stable Families	Abstinence Education.	[Promoting Safe and Stable Families] Supporting Healthy Families and Adolescent Development	Abstinence Education	35,000,000	50,000,000	50,000,000
ACF	Social Services Block Grant	Demonstration project to address health professions workforce needs	Social Services Block Grant	Healthcare Workforce Demonstration Projects	79,000,000	80,000,000	80,000,000
ACF	Social Services Block Grant	Demonstration project to develop training & certification programs for personal or home care aides	Social Services Block Grant	Healthcare Workforce Demonstration Projects	5,000,000	5,000,000	5,000,000
ACF	Promoting Safe and Stable Families	Personal Responsibility Education	[Promoting Safe and Stable Families] Supporting Healthy Families and Adolescent Development	PREP	56,000,000	93,000,000	75,000,000
AoA	Aging Services Programs	State aging and disability resource centers	Aging Services Programs	Aging and Disability Resource Centers (ADRC)	10,000,000	10,000,000	10,000,000
AoA	Aging Services Programs	HCR - Area Agencies on Aging	Aging Services Programs	Medicare Improvements for Patients and Providers Act	15,000,000	------	------
AoA	Aging Services Programs	HCR - Aging and Disability Resource Centers	Aging Services Programs	Medicare Improvements for Patients and Providers Act	10,000,000	------	------
AoA	Aging Services Programs	HCR - Nat'l Ctr for Benefits and Outreach Enrollment	Aging Services Programs	Medicare Improvements for Patients and Providers Act	5,000,000	------	------
CDC/ATSDR	Disease Control, Research, and Training	Childhood obesity demonstration project	Disease Control, Research and Training	National Center for Chronic Disease Prevention and Health Promotions		10,000,000	11,000,000
CDC/ATSDR	Agency for Toxic Substance Disease Registry	Grants for early detection of certain medical conditions related to environmental health hazards	Agency for Toxic Substances and Disease Registry Toxic Substances and Environmental Public Health	Agency for Toxic Substances & Disease Registry		3,000,000	9,000,000
CMS	State Grants and Demonstrations	Increase CHIP outreach and enrollment funding	State Grants and Demonstrations	State Grants and Demonstrations	-	-	-
CMS	State Grants and Demonstrations	Medicaid Emergency Psychiatric Demonstration	State Grants and Demonstrations	State Grants and Demonstrations	-	15,000,000	15,000,000
CMS	Patient Protection and Affordable Care Program Management	Pilot prog for indiv. Residing in emergency declaration areas (envir. Exp.)	CMS Program Management	Research	300,000	2,750,000	4,000,000
CMS	State Grants and Demonstrations	Extend National Clearinghouse for LTC Information	State Grants and Demonstrations		-	3,000,000	3,000,000
CMS	Patient Protection and Affordable Care Program Management	Development of adult health quality measures for adults eligible for benefits under Medicaid	CMS Program Management	Medicaid Adult and Quality Measure Program	220,000	65,358,000	65,358,000
CMS	Patient Protection and Affordable Care Program Management	Nationwide Program for National and State background checks on LTC employees	CMS Program Management	Survey & Certification	20,399,000	121,645,000	17,000,000
CMS	Patient Protection and Affordable Care Program Management	Provider Screening/Program Integrity (user fee)	CMS Program Management	N/A	-	-	-
CMS	Patient Protection and Affordable Care Program Management	Graduate Nurse Education Demonstration	CMS Program Management	Research	-	-	50,000,000
CMS	Program Management	Quality Measurement	CMS Program Management	Program Operations	194,000	39,806,000	20,000,000
CMS	Program Management	Medicare Independence at Home Demonstration	CMS Program Management	Research	786,000	9,214,000	5,000,000
CMS	Program Management	Community-Based Care Transitions Program	CMS Program Management	Research	-	500,000,000	-
CMS	Program Management	Extension of DRA Gainsharing Demonstration	CMS Program Management	Research	1,600,000	-	-
CMS	Program Management	Diagnostic lab tests	CMS Program Management	Research	498,000	4,502,000	-
CMS	Program Management	Additional funding for State Health Insurance Programs (SHIPs)	CMS Program Management	Program Operations	15,000,000	-	-
CMS	Program Management	Evaluation of community prevention and wellness programs	CMS Program Management	Research	-	50,000,000	-
CMS	State Grants and Demonstrations	Extension of Money Follows the Person Demonstration	State Grants and Demonstrations	State Grants and Demonstrations	-	-	251,100,000
CMS	State Grants and Demonstrations	Incentive Grants to States for Prevention of Chronic Disease in Medicaid	State Grants and Demonstrations	State Grants and Demonstrations	-	20,000,000	20,000,000
CMS	Centers for Medicare and Medicaid Innovation	Centers for Medicare and Medicaid Innovation	Centers for Medicare and Medicaid Innovation	Centers for Medicare and Medicaid Innovation	-	813,000	1,012,000,000
CMS	Medicare Prescription Drug Account	"Donut Hole" Payments to beneficiaries	Medicare Prescription Drug	Medicare Prescription Drug	438,999,000	1,859,000,000	-

Department of Health and Human Services
Sections of ACA with Funding

OPDIV	TAFS Title	ACA Activity	Fiscal Year 2012 Appendix Account	Fiscal Year 2012 Appendix Program Activity	Obligation Amount reflected in the FY 2012 President's Budget FY 2010	FY 2011	FY 2012
CMS	Health Care Fraud & Abuse Control	Health Care Fraud & Abuse Control	HCFAC	HCFAC		10,000,000	10,000,000
CMS		Additional funding for Health Care Fraud & Abuse Control	HCFAC	HCFAC		95,000,000	55,000,000
CMS	State Grants and Demonstrations	Index current funding for the Medicaid Integrity Program to inflation beginning FY 2011	State Grants and Demonstrations	Medicaid Integrity Program		1,275,000	2,190,000
CMS		Payments to hospitals in low cost areas					
HRSA	Health Resources and Services	Health Care Facility	Health Resources and Services	Infrastructure to Expand Access to Care		100,000,000	
HRSA	Primary Health Care Access	Payments to teaching health centers that operate GME programs	Health Resources and Services	GME Payments Teaching Health Centers		6,500,000	23,300,000
HRSA	Maternal, Infant, and Early Childhood Home Visiting Programs	Maternal, Infant, and Early Childhood Home Visiting Programs	Maternal, Infant, and Early Childhood Home Visiting Programs	Maternal, Infant, and Early Childhood Home Visiting Programs	100,000,000	250,000,000	350,000,000
HRSA	Health Resources and Services	Extension of Family-to-Family Health Info Ctrs	Health Resources and Services	Family to Family Health Information Centers	5,000,000	5,000,000	5,000,000
HRSA	Primary Health Care Access	School-based health centers	Primary Health Care Access	School-based health centers		100,000,000	50,000,000
CMS	Consumer Operated and Oriented Plan (CO-OP) Program Account	Consumer Operated and Oriented Plan (CO-OP) Program Account	Consumer Operated and Oriented Plan (CO-OP) Program Account	Direct loan subsidy and Administrative expenses	------	10,000,000	388,000,000
CMS	Grants to States for premium review	Grants to States for premium review	Grants to States for premium review	Direct Program Activity (Grants to States for premium review)	46,000,000	56,000,000	51,000,000
CMS	American Health Benefit Exchange Program	American Health Benefit Exchange Program	American Health Benefit Exchange Program	Direct Program Activity (American Health Benefit Exchange Program)	49,000,000	201,000,000	400,000,000
OS	Prevention and Public Health Fund	Prevention and Public Health Fund	Prevention and Public Health Fund	Direct Program Activity (Prevention and Public Health Fund)	500,000,000	750,000,000	1,000,000,000
OS	Pregnancy Assistance Fund	Pregnancy Assistance Fund	Pregnancy Assistance Fund	Direct Program Activity (Pregnancy Assistance Fund)	25,000,000	25,000,000	25,000,000
CMS	Health Insurance Consumer Information	Health Insurance Consumer Information	CMS Program Management	Consumer Assistance Grants	519,000	29,481,000	-
CMS	Temporary High Risk Health Insurance Pool Program	Pre-Existing Condition Insurance Plan (PCIP) Program	Temporary High Risk Health Insurance Pool Program	PCIP Program	222,000,000	1,471,000,000	1,683,000,000
CMS	Temporary Reinsurance Program	Temporary Reinsurance Program	Temporary Reinsurance Program	Direct Program Activity (Temporary Reinsurance Program)	626,000,000	3,568,000,000	1,376,000,000
OS	Health Insurance Reform Implementation Fund	Health Insurance Reform Implementation Fund	Health Insurance Reform Implementation Fund	Direct Program Activity (Health Insurance Reform Implementation Fund)	128,000,000	790,000,000	82,000,000
OS	Community Health Center Fund	Community Health Center (and National Health Service Corps) Fund	Primary Health Care Access	Health Center & National Health Service Corps		1,290,000,000	1,495,000,000
OS		Community Health Center Construction	Primary Health Care Access	Health Centers Construction		1,491,000,000	4,000,000
OS	HHS Transfers from Patient-Centered Outcomes Research Trust Fund	HHS Transfers from Patient-Centered Outcomes Research Trust Fund	HHS Transfers from Patient-Centered Outcomes Research Trust Fund	AHRQ and Office of the Secretary		10,000,000	30,000,000
CMS	Consumer Operated and Oriented Plan (CO-OP) Financing Account	Consumer Operated and Oriented Plan (CO-OP) Financing Account	Consumer Operated and Oriented Plan (CO-OP) Financing Account	Direct loan obligations and Payment of interest to Treasury			597,000,000

State Health Insurance Assistance Programs (SHIPs)

Matrix Factor	Current	Proposed	Description/Rationale for Changes
Description of Program	Program provides grants to states to support local programs to provide personalized one-on-one counseling assistance and outreach to Medicare beneficiaries and their families on questions related to Medicare, Medigap, MA, MSPs, Medicaid issues, LTC insurance and other health insurance issues.	No Change	
Purpose	To provide objective information to help beneficiaries make informed health care choices around health care insurance coverage.	No Change	
State Organization	State Governor designates agency to receive funding - historically Departments of Aging or Insurance	No Change	
Use/Relationship to Aging Network	Two-thirds of the SHIPs are located in the aging network. Those in Insurance partner with the aging network where feasible	No Change	
Grantee/Contractor Average Award	FY 2010: $43 million+ for grants and $2m for contracts - Average Basic Grant was $770,807 with a range of $34,440-$3,598,004; average contract $867,705.	FY 2012 request includes $45 million for program grants and contracts. Breakdown will be similar to the 2010 breakdown for grants and contracts. FY 2011 appropriation has not passed at time of writing.	
Grantee/Contractor % Admin Cost	Information not readily available.	Information not readily available.	
Seniors Served	In FY 2010, approximately 4.7 million beneficiaries served including seniors and those with disabilities through outreach events and one-on-one counseling	No Change expected from FY10.	
Coordination with Other Federal Agencies	HHS Operating Divisions, Social Security Administration (SSA), HUD, and VA.	HHS Operating Divisions, SSA, HUD, Veterans Administration (VA), Departments of Labor and Transportation	AoA has existing partnerships and grant programs with other Federal Agencies. The SHIP program is a natural extension to the other services provided through these programs to better streamline and leverage resources.
Efficiencies Generated due to Transfer	The transfer is intended to strengthen the natural synergies that already exist between the SHIP programs and the national aging network. At the community level, many SHIPs are either housed in or create local partnerships with Area Agencies on Aging. Further, almost 50% of the SHIPs are co-located with the Senior Medicare Patrol, which is administered by AoA. SHIPs provide a natural extension of programs already administered by AoA including Information & Referral/Assistance (I&R/A), Aging and Disability Resource Centers (ADRCs - No Wrong Door Approach) , Senior Medicare Patrol and Benefits counseling.		

Program Enhancements	SHIP grants to states will continue personalized one-on-one counseling and outreach and it is anticipated there will be opportunities for increased community outreach in public forums to include disabled, elderly, and pre-retirees to raise awareness of long-term care related topics. SHIP topics will be part of the broader Long Term Supportive Services message and new referrals for personalized counseling will be generated.		
Measures of Success/Goals	Client Contacts, Individual Counseling, presentations/events and unduplicated enrollments to all Medicare beneficiaries with focus on diverse ethnic and racial populations, low income and the disabled.	In addition to the CMS measures listed to the left, AoA intends to collect additional data on client contacts such as whether the Medicare beneficiary is under or over 65 and whether they are reaching AoA through the no-wrong door approach.	Additional information will enable better targeting of program resources.
FTE's	CMS currently has roughly 9 FTE supporting this activity.	5 FTE in FY12 are projected for this activity comprised of 10 individuals contributing time. Of these, 3 (1.5 FTE in FY12) will staff the National Program Office, 2 (1 FTE in FY12) will provide budget, grants, evaluation and acquisition support, with the remaining 5 (2.5 FTE in FY12) staff spread across AoA's 10 regional offices.	

Senior Community Service Employment Program (SCSEP)

Matrix Factor	Current	Proposed	Description/Rationale for Changes
Description of Program	Community service and work-based training program for unemployed, low-income persons 55 and older with poor employment prospects. Maximum family income: 125% of poverty level	No Change	Purpose and description of program are statutory.
Purpose	To foster individual economic self-sufficiency and promote useful opportunities in community service activities (which shall include community service employment) for unemployed low-income persons who are age 55 or older and to increase the number of persons who may enjoy the benefits of unsubsidized employment in both the public and private sectors.	No Change	
Grants	Grants are awarded to 50 states and 6 territories plus 18 competitively-awarded national grantees	Our intent is not to change this structure, though it is dependent upon the outcome of the next regularly scheduled competitive grant process, which will be consistent with DOL's award process.	
State Organization	State grants are issued to governor to assign to appropriate state agency. Majority are assigned to agencies related to aging or health and human services.	No Change	
Use/Relationship to Aging Network	AoA reviews state plans. Local SCSEP program offices interact regularly with the aging network. Forty of the fifty-six State grants are in the State aging component.	No Change	
Grantee Average Award	Grant awards are based on statutory formula and equitably distributed based on population.	No Change, other than pursuant to total funding level.	
Grantee % Admin Cost	13.5% with an option to 15%	No Change	
Contracts	Contracts for evaluation, performance and related technical assistance. Total of $3.9 M in 2010	No Change Expected	
Contractor Average Award	Grant awards are based on statutory formula and equitably distributed based on population. National Contractors allotments viz the States are defined in the Older Americans Act. A competitive grant process is used to determine award amounts between National Contractors.	No Change, other than pursuant to total funding level.	
Contractor % Admin Cost	13.5% with an option to 15%	No Change	
Seniors Served	Approximately 90,000 each year	No Intent to Change number of seniors served per million dollars of funding.	

Coordination with Other Federal Agencies	AoA and DOL have long coordinated on the SCSEP program. Most recently we have made joint presentations and hosted joint listening sessions, particularly around reauthorization of OAA. Grantees coordinate activities with the Corporation for National and Community Service (CNCS) to provide appropriate services to participants.	AoA and DoL will continue to coordinate on SCSEP activities. With SCSEP in the Department of Health and Human Services, AoA will have opportunities to coordinate with partner HHS agencies around both the community service and work force aspects of SCSEP. AoA will continue to encourage and expand coordination with CNCS.	Enhance integration with other supports and services.
Efficiencies Generated due to Transfer	Title V of the Older Americans Act, SCSEP, is currently the only Title of the legislation that is not administered by the Administration on Aging. Transferring SCSEP, a program designed to assist older adults to increase their economic independence, to AoA places the program in an Agency with a mission to help older Americans maintain their independence, including economic independence. This transfer is also intended to enhance AoA's ability to create efficiencies within the Aging Network particularly with respect to the community services aspect of the program. AoA, in cooperation with the Aging Network, will explore creative ways to highlight the community services aspect of SCSEP that will increase the opportunities for older workers to serve their communities and other older adults.		
Program Enhancements	In addition to the enhancements noted above under "Efficiencies Generated", with a transfer of SCSEP to AoA we anticipate that there will be increased opportunities to ensure that older SCSEP workers have access to the array of public benefits, services and supports available to assist them, including to increase their economic independence.		
Measures of Success/Goals	Annual goal setting for each grantee on six core measures: Entered Employment, Retention in Employment, Community Service, Average Earnings, Service Level, and Service to Most-in-Need.	No Change	
FTE's	22 FTE. Of these, the national program office has 4 FTE, and the remainder are in the regional offices.	8 FTE (16 Staff contributing time and brought on over the course of the year). Of these, only 1.5 FTE (3 staff contributing time in FY12) are projected in the National Program Office,1.5 FTE (3 staff contributing time in FY12) will provide budget, grants, evaluation and acquisition support, with the remaining 5 FTE (10 staff contributing time in FY12) spread across AoA's 10 regional offices.	

TUESDAY, MARCH 15, 2011.

PELL GRANTS

WITNESS

MARTHA KANTER, UNDER SECRETARY, DEPARTMENT OF EDUCATION

OPENING REMARKS BY MR. REHBERG

Mr. REHBERG. Good morning and thank you all for coming this morning. This begins a series of oversight hearings we will have on various issues of interest to the three departments that we are responsible for, plus related agencies.

And you just get to be the first. We welcome you.

I don't think I need to describe too much the situation we find ourselves in. In an attempt to help as many students, long-term students and middle-income, fulfill the dream of going to college and bettering themselves in the career market, a number of changes have been made over the course of the years that has made the program more expensive for the Federal Government.

But that is not necessarily always a bad thing, unless of course a deficit is run and then decisions have to be made of either having to find the difference between what was appropriate and what was desired, what was used and what we can afford. And unfortunately, we find ourselves in that situation.

So, in an attempt to at least identify some of the possible solutions, we asked Ms. Kanter to come in and give us some testimony and discuss and answer our questions. And maybe you could enlighten us as to what the Administration is working on, how Congress fits into that, and ultimately, we can come to the conclusion of how to make up the difference between the financial shortfall that seems to be existing in a semi-mandatory program.

So, without further ado, I will call upon our ranking member, Ms. DeLauro.

OPENING REMARKS BY MS. DELAURO

Ms. DELAURO. Thank you so much, Mr. Chairman.

And I want to say thank you to Secretary Kanter, for joining with us today. And Mr. Skelly, it is always good to see you here at the table.

Pell Grants are the foundation of our student aid system, which seeks to make sure that students with low and moderate incomes can afford a college education. And right now, Pell Grants are helping more than 9 million people go to college.

INCREASING COST OF THE PELL GRANT PROGRAM AND INCREASE IN THE NUMBER OF ELIGIBLE RECIPIENTS

There is no doubt that the cost of the Pell Grant Program has been rising rapidly. As I understand it, the single most important factor has been growth in the number of eligible students. Between 2008 and now the number of students receiving Pell Grants has increased by more than 3 million. The Great Recession that started in 2008 was a major factor contributing to this growth. People who have lost their jobs and incomes are going back to college to acquire new skills for the economic recovery. That is exactly what we would hope that people would do; take advantage of the opportunity to retool their skills for the jobs of the 21st century.

The question for our subcommittee and the Congress is, do we say to these new students we cannot afford Pell Grants for you? Do we cut Pell Grants for everyone to try to offset the growth in the number of students eligible?

CUTS TO PELL GRANTS IN H.R. 1

That is the approach the majority took in H.R. 1, which passed the House last month. The legislation cuts the Pell Grant by $845 for almost every student in the program. That cut is particularly serious because Pell Grants have barely kept up with the cost of going to college, even with the increase enacted a couple of years ago in the Recovery Act.

At last Thursday's hearing, I asked Secretary Duncan and his budget director what H.R. 1 would mean for the average percentage of college costs covered by Pell Grants. They replied that the percentage would fall to its lowest level in 38 years.

PRESIDENT'S BUDGET PROPOSAL FOR PELL GRANTS

I hope that the House will change its mind about cutting Pell Grants and that we can find ways to keep this commitment to students. The President's budget rightly places a high priority on maintaining this foundation of college student aid but proposes some changes to other student aid programs to produce savings that could be applied to Pell. It also proposes a change to the Pell program to eliminate the year-round Pell option that has turned out to be much more expensive than originally expected. And I look forward to learning more about the proposals.

IMPORTANCE OF PELL GRANTS

Fundamentally, we need everyone in this country to be able to afford to go to college if they have the gumption and the talent to do so and if they are willing to work hard at their studies. College cannot be just for people whose families have enough money to afford the cost. Broad access to college is important for raising people's job prospects and income. It is vital to the future of our economy since the industries that will keep us competitive require people with high knowledge and skills. It is crucial for the continuing functioning and flourishing of our democracy.

Remember, it was not that long ago that education was only the purview of the rich. We in the Congress have worked hard to change this. And that is the fundamental power of this institution;

to help make opportunity possible for middle class and working families. By doing so, we have further expanded the middle class in this country.

According to the U.S. Census, the average college graduate makes almost $22,000 more a year than the average worker with only a high school degree. Over the course of a lifetime, that adds up to close to $1,000,000 in earnings.

Senator Claiborne Pell understood the importance of education to maintaining American prosperity. And as he said, and I quote, the strength of the United States is not the gold at Fort Knox or the weapons of mass destruction that we have but the sum total of the education and the character of our people.

That is what is at stake here, the very strength of our Nation. We do not hear China or our other international competitors saying, oh, we are spending too much on higher education; we need to cut back. Neither should we. We should find a way to keep our commitment to Pell strong so that millions of students can continue to take their futures in their own hands.

I thank you.

And I thank you, Mr. Chairman.

Mr. REHBERG. Thank you.

Ms. Kanter.

OPENING REMARKS BY UNDER SECRETARY MARTHA KANTER

Ms. KANTER. Mr. Chairman and members of the committee, I appreciate the opportunity to testify this morning on the Pell Grant program.

To increase our Nation's economic prosperity and security we want American workers to out-educate, out-innovate and out-compete the rest of the world. Today Americans with college degrees earn 40 percent more than high school graduates and are twice as likely to be employed. Community college graduates earn 29 percent more than those with high school diplomas. And looking ahead, at the new jobs in our Nation, almost half of them are going to require some postsecondary education.

Given these realities and the administration's commitment to a $1,000,000,000,000 deficit reduction over the next decade, President Obama has set a national goal for the U.S. to once again have the highest proportion of college graduates in the world.

NEED TO INCREASE NUMBER OF WORKERS WITH A COLLEGE DEGREE

Today only 42 percent of American workers under age 35 have a college degree. And that places us ninth in the world in terms of college attainment. By contrast, countries such as Canada and South Korea, more than 55 percent of young adults have degrees, have college degrees. So to get back to first in the world, between now and 2020 we need to increase by 50 percent the number of graduates with degrees. That means 8 million more students above the expected growth due to population in our graduates.

So, for four decades, the administration and Congress have supported expanding higher education opportunity for low-income Americans through the Pell Grant Program. In the past 2 years alone the number of students, as was said, who received Pell

Grants, grew from 6.2 million to 9.4 million Americans; a 52 percent increase. In large part, due to the growing student demand and an increase in the maximum Pell Grant award to help students pay for college, the cost of the Pell Grant Program has grown significantly, as you said.

PELL GRANT FUNDING AND MAXIMUM AWARD

If no changes are made in the program funding would need to increase by more than $20,000,000,000 from 2011 to 2012. This is for three reasons: First, because costs have been rising as notably more students go to college; second, between 2009 and 2011, funding needs were partially addressed outside of the regular appropriations bills; and third, shortfalls accumulating to $11,000,000,000 going into 2011 also must be addressed in 2012.

The fiscal year 2011 continuing resolution passed by the House, H.R. 1, would address these funding challenges in the wrong way, in our opinion. It would cut the maximum grant by $845 in 2011. And if these cuts were extended into next year with no further action, the maximum award would be cut by more than half.

The administration has proposed a balanced approach that makes tough choices needed to protect the $5,550 Pell Grant. We have a commitment to several principles: First, as I said, to protect the maximum award at $5,550; second, funding Pell within the framework of the 5-year freeze on discretionary spending and without forcing cuts in other priority investments; and third, putting Pell Grants on a sound financial footing for future years.

The President's 2012 budget request for Pell Grants in the amount of $28,600,000,000 supports these goals. We urge the Appropriations Committee to provide these funds as part of a coordinated solution to protect millions of students from large cuts in the maximum Pell Grants.

PELL GRANT PROTECTION ACT

We proposed a series of steps in the Pell Grant Protection Act which will require involvement by the Committee on Education in the Workforce. The single largest step is eliminating the ability of students to get two Pell Grants in one year, a policy that costs far more than we expected, without delivering clear evidence that it is meaningfully advancing college completion.

Because our proposal is effective for the 2011/2012 academic year and families are planning right now, I urge Congress to move quickly. And I hope we will have an opportunity to talk more about this policy today. In addition, the act would eliminate student loan subsidies for graduate and professional students. Today the Federal Government pays the interest on these loans while the students are in school. But because many students will be able to repay their loans easily, we believe that the Pell Grant program is a higher priority.

These are tough cuts. Moreover, the Income-Based Repayment Plan enacted by Congress in 2007 and expanded last year is available to help borrowers who struggle to afford their loans, who are seeking and receive graduate degrees.

We have also proposed reforms to the loan programs to give students more choices and free up resources for the Pell Grant program.

COLLEGE COMPLETION INCENTIVE GRANTS

In addition to helping students and families pay for college, our 2012 request includes targeted investments to help economically disadvantaged students enroll in and complete college, which helps to meet the 2020 goal. This includes the College Completion Incentive Grants, which is a program that would reward States and colleges that increase their number of graduates with a college degree or certificate.

FEDERAL ROLE IN STUDENT AID

By requesting both authorizing and appropriation legislation, the administration recognizes that there is a shared responsibility for protecting the $5,550 Pell Grant.

More than ever, our Nation's students depend on Federal aid to enroll in and complete higher education. Just 5 years ago, two out of five full-time students had a Pell Grant, a loan or both. Today it is nearly four out of five. Protecting the $5,550 Pell Grant for all students will require a coordinated effort, as I said, and we look forward to working with the Appropriations Committee and the authorizing committees on this important issue.

In closing, let me just add that this administration is deeply committed to deficit reduction, but not at the expense of education. To accomplish our goals, we are cutting where we can so that we can invest where we must. I am available to answer any questions you will have.

And thank you for the opportunity to prepare this overview.

[Prepared statement of Under Secretary Martha Kantor follows:]

DEPARTMENT OF EDUCATION

Statement by

Martha Kanter
Under Secretary of Education

on

The Federal Pell Grant Program

Mr. Chairman and Members of the Committee:

Thank you for inviting me to testify on the future of the Federal Pell Grant program. As you know, President Obama's FY 2012 Budget proposal will further the President's ambitious goal of having the highest proportion of college graduates in the world by 2020 so that the United States can have a workforce with the necessary skills to meet the demands of the 21st century.

In order to continue investments in higher education that are critical to America's future, while also choosing to maintain fiscal discipline, the Administration is committed to an approach to the Pell Grant Program that will do three things:

- Maintain recent increases in the maximum award to $5,550;
- Pay for those increases within the framework of a 5-year freeze on discretionary spending, and without forcing cuts in other priority investments; and,
- Put Pell Grants on a sound financial footing for future years.

The needed discretionary appropriations for the Pell Grant program will be higher in 2012 and thereafter than in prior years due to rising program costs and because, in past years, one-time funding was used as a temporary solution and shortfalls have accumulated. If no changes are made in the program, funding would need to increase by more than $20 billion from 2011 to 2012. This is because costs have been rising as notably more students attend college, 2009-2011 funding needs were partially addressed outside of regular appropriations bills, and shortfalls cumulating to $8.5 billion also must be addressed in 2012. The FY 2012 Budget, including the proposed Pell Grant Protection Act, continues the commitment to invest in higher education while making the choice to maintain fiscal discipline by generating mandatory and discretionary savings for Pell Grants by a total of $100 billion, taking administrative actions to reduce errors in Pell Grant awards, and providing discretionary budget authority that is adequate to fully fund the Federal Pell Grant program for not only this year but projected costs over the next 10 years as well.

The Importance of Pell Grants

As we speak this morning, our economy is at a pivotal point. Last month, the unemployment rate fell to its lowest level in nearly 2 years. Our economy has now added 1.5 million private sector jobs over the last year. But we need to keep building on that momentum and build an economy that is based on shared prosperity and a strong middle class. If we are to reach these goals, then we have to make a larger investment in education.

Students pursuing postsecondary education today face a different national landscape than the one they would have seen just a few decades ago. College, or other postsecondary training, has never been more important to finding meaningful and substantial employment. Over the past decade, individuals with only a high school diploma have been twice as likely to be unemployed as individuals with college degrees. In the current economy, individuals who may be having trouble finding a job, or see their income stagnating, may be returning to school for new or additional training. The demand for more education is a welcome development, but it has resulted in exceptional challenges to postsecondary education in general, and to the Federal Pell Grant program in particular. Today, almost half of Pell Grant recipients are over the age of 23 and, among older students, 84 percent have an annual income under $30,000.

The Federal Pell Grant program, with its estimated 9.6 million recipients in award year 2012-2013, remains the foundation upon which Federal student aid under Title IV of the Higher Education Act of 1965 (HEA) rests. Most state student assistance programs also regard the Federal Pell Grant as the starting point in assembling a needy undergraduate student's aid package. Research confirms what we know from experience – the availability of financial aid makes a meaningful difference in students' decision to enroll and complete college.

The Challenge of Funding Pell Grants

Overall, the number of Federal Pell Grant recipients has grown from 6.2 million in award year 2008-2009 to an estimated 9.4 million in 2011-2012. In addition, this 52 percent increase is concentrated in the lowest income categories of students, who are eligible for the largest awards. While the economy has been the largest factor in the increasing the costs of Pell Grants, other causes include:

- The statutory increase of the maximum award to $5,550, which has helped students' ability to pay for college;
- Changes to the Federal Pell Grant program, including the statutory provision that allows eligible students to receive more than one Pell Grant in an award year; and,
- Statutory changes to the need analysis formula, which expanded the number of students who qualify for the maximum award, and allowed other students to qualify for larger awards.

The FY 2011 Continuing Resolution passed by the House (H.R. 1) would deal with these cuts in a way that would hurt students, make college more expensive, and make it harder for the country to have the educated workforce it needs to thrive in the years ahead. By cutting the maximum grant by $845, H.R. 1 would make college more expensive for nearly 10 million

students, and if these cuts were extended into next year with no further action, it would cut the maximum award by more than half. The Administration has proposed a balanced approach that makes the tough choices needed to protect the $5,550 Pell Grant.

President's Budget Proposals

In 2012 and thereafter, the needed discretionary appropriations for the Pell Grant program will be higher than in prior years due to rising program costs and because, in past years, one-time funding was used as a temporary solution and shortfalls have accumulated. If no changes are made in the program, funding would need to increase by more than $20 billion from 2011 to 2012. This is because costs have been rising as notably more students attend college, 2009-2011 funding needs were partially addressed outside of regular appropriations bills, and shortfalls cumulating to $8.5 billion also must be addressed in 2012. To do nothing would reduce the maximum grant by $2,650.

The Administration is committed to an approach to the Federal Pell Grant program that will maintain the maximum award at $5,550; fund it within a framework of a 5-year freeze on discretionary spending, and without forcing cuts in other priority investments; and put Pell Grants on a sound financial footing for future years.

The 2012 Budget request for Pell Grants in the amount of $28.6 billion, in combination with other policy changes proposed, supports these goals. We urge the Appropriations Committee to provide these funds as part of a coordinated solution to protect students from large cuts in the maximum Pell Grant.

We have also proposed changes to the Higher Education Act to maintain the current Pell Grant. This Pell Grant Protection Act, which would require action by the authorizing committees, would:

- Eliminate the current provision of "two Pells" saving $8 billion in 2012, and $49 billion over 10 years. Created by the Higher Education Opportunity Act of 2008, the provision allows students to receive up to two Pell Grants in one award year, and was designed so students would be able to accelerate progress towards completion of a postsecondary credential. However, the fiscal impact of the "two Pells" provision is more than 10 times higher per year than expected. After having seen the provision implemented for a year – and the costs resulting from it - there are serious questions about whether it is achieving its goal of meaningfully accelerating students' degree completion. Because we propose eliminating the second Pell grant in the 2011-12 award year, which begins on July 1, we urge Congress to enact the Pell Grant Protection Act by June.

- Eliminate poorly-targeted student loan interest subsidies for graduate and professional students, which would save $1 billion in 2012 and $29 billion over 10 years. There is little evidence the subsidy influences students' ability to enroll in graduate school, which school they attend, or whether they graduate. It is also a poorly targeted subsidy; for instance, among all education levels, those who have completed graduate education have the highest

median incomes. Congress and the Administration have already expanded income-based repayment to help students, including graduate and professional students, who struggle to afford their loans.

- Provide borrowers with "split loans"– those with at least one loan held by the Department of Education and at least one FFEL loan held by lenders – an opportunity to simplify their repayment process by combining their repayment obligations into a single schedule of repayment to the Department. This easier repayment process reduces the risk of default, will reduce the cost of loans for students, and is expected to save $2 billion in 2012.

- Expand the Perkins Loan program by increasing loan volume to nearly $8.5 billion a year – eight and a half times the current Perkins volume, saving nearly $600 million in 2012 and more than $7 billion over 10 years. This expansion would increase the number of students receiving loans to over 3 million and reach as many as 2,700 additional postsecondary education institutions.

- Reward schools for successful outcomes with low-income students, through the College Completion Incentive Grants program, to help our investment in Pell Grants go further. This program would provide $50 million in 2012 and $1.3 billion over 10 years to schools to achieve better results and successful employment for their students by providing funds linked to the school's graduation of more low-income students.

- Rationalize programs for aspiring teachers, estimated to cost approximately $175 million in 2012, and nearly $400 million over 10 years. Seventy-five percent of students receiving TEACH Grants fail to complete the required service commitment, resulting in the conversion of their grants into loans. The new Presidential Teaching Fellows program will address this flaw, recruit exceptional candidates into teaching, and provide an incentive to States to improve their teacher preparation and retention programs.

The Administration is also taking administrative action to reduce the costs of the Federal Pell Grant program. The Department of Education will greatly expand the use of IRS data for financial aid eligibility, encourage more students to use IRS data when they apply online, and require colleges verifying applicants' income to use IRS data whenever possible. These actions will reduce the burden on students, families, and colleges and save almost $350 million in 2012 by preventing Pell Grant overpayments.

Conclusion

More students than ever are relying on Federal aid, and if we are to reach our goal of out-innovating, out-educating and out-building the rest of the world, we need to continue our investment in these students. Protecting the $5,550 Pell Grant will require coordinated effort. The 2012 Budget requests $28.6 billion for the Pell Grant program, a funding level that – in combination with the Pell Grant Protection Act and the steps the Administration is taking to increase the accuracy of Pell awards – would be sufficient to maintain the $5,550 maximum Pell Grant award.

The Administration looks forward to working with the Appropriations Committee and the authorizing committees on this important piece of legislation which will control Pell Grant costs but also maintain the Administration and Congressional commitment to the Federal Pell Grant Program.

I would be happy to answer any questions you might have. Thank you.

Martha Kanter

Biography

Martha J. Kanter was nominated by President Barack Obama on April 29, 2009 to be the under secretary of education and was confirmed by the Senate on June 19, 2009. Kanter reports to Secretary of Education Arne Duncan and oversees policies, programs, and activities related to postsecondary education, adult and career--technical education, federal student aid, and five White House Initiatives on Asian Americans and Pacific Islanders, Educational Excellence for Hispanics, Historically Black Colleges and Universities, Tribal Colleges and Universities, and Faith-Based and Neighborhood Partnerships. To spur education, economic growth and social prosperity, Kanter is charged with planning and policy responsibilities to implement President Obama's goal for the U.S. to have "the best educated, most competitive workforce in the world by 2020" as measured by the proportion of college graduates over the next decade. Under Secretary Kanter and her team are keenly focused on improving college access, affordability, quality, and completion to implement President Obama's American Graduation Initiative.

In her first two years as under secretary, the successful implementation of the Direct Student Loan program resulted in a 50-percent increase in college enrollment, growing from 6 to 9 million students today who are Pell Grant recipients. Kanter and her team are working closely with postsecondary partners from across the nation to boost American innovation and competitiveness with an ambitious college completion agenda, teacher quality reforms, adult education program improvements, modernization of career-technical education, and a new partnership with the U.S. Department of Labor that has announced the first $500 million of a $2 billion federal investment to increase quality, graduation, and employment opportunities for community college students.

From 2003 to 2009, Kanter served as chancellor of the Foothill-De Anza Community College District, one of the largest community college districts in the nation, serving more than 45,000 students with a total budget of approximately $400 million. She is the first community college leader to serve in the under secretary position. In 1977, after serving as an alternative high school teacher in Massachusetts and New York, she established the first program for students with learning disabilities at San Jose City College (Calif.). She then served as a director, dean and subsequently vice chancellor for policy and research for the California Community Colleges Chancellor's Office in Sacramento. In 1990, she returned to San Jose City College as vice president of instruction and student services until she was named president of De Anza College in 1993, serving in this position for a decade until her appointment as chancellor.

Under Secretary Kanter holds a doctorate in organization and leadership from the University of San Francisco. Her dissertation addressed demographic, institutional, and assessment factors affecting access to higher education for underrepresented students in California's community colleges. In 1994, she opened the first Advanced Technology Center in California's community college system and promoted local and state policies to advance Foothill-De Anza's legacy of excellence and opportunity for California's expanding and increasingly diverse student population. She received her master's degree in education with a concentration in clinical psychology and public practice from Harvard University, and a bachelor's degree in sociology from Brandeis University. Kanter holds honorary degrees from Palo Alto University, Chatham University, Lakes Region Community College, Moraine Valley Community College and the Alamo Colleges.

PELL GRANT ELIGIBILITY

Mr. REHBERG. Thank you, Ms. Kanter.

One of the things I learned as I was getting to know Pell Grant authorizing legislation and the appropriation shortfall better, both for this hearing and in preparation for chairing this subcommittee, was that an individual can go to school for as long as 9 years on Pell Grants without the necessity to complete a degree. Has there been conversation within the Administration of trying to address that issue?

Because the taxpayer, the hardworking middle class taxpayer who is out there but didn't get a chance to go to college and perhaps didn't want to go to college, became a productive member of society and is out paying taxes to fund this program. And when they find this out—and I have asked the question in town hall meetings all over Montana—I say, do you realize that, up until July 1st of 2008, there was no limit to the number of Pell Grants one could get. And first of all, my question is, can those people that were on Pell Grants that are still on Pell Grants prior to July 1 of 2008 remain on Pell Grants indefinitely for life, even without the requirement of getting a degree.

Ms. KANTER. Well, first, Congress authorized the Pell Grant to be available for 18 semesters, so that equates to 9 years, as you said.

Mr. REHBERG. Without necessity of getting a degree? You don't have to get a degree during the 9 years?

Mr. SKELLY. You have to be enrolled in a degree program to get Pell in the first place.

Mr. REHBERG. Right. But there is no completion requirement; you don't actually have to get a college degree. You can be getting Pell Grants for a period of 9 years without getting a degree.

Ms. KANTER. You could. But frankly, 99 percent of students are getting Pell Grants for 6 years; 75 percent of the students are getting Pell Grants for the first 2 years. So less than 1 percent of students, it trails out to a very small number of students.

Mr. REHBERG. My first question was about those that were on Pell Grants prior to July 1 of 2008, there is no lifetime cap?

Mr. SKELLY. No. The cap was implemented starting in 2008. We looked it up, and there were only 700 some students we thought were getting a Pell Grant for more than 18 semesters back then, so it is not a huge number. It is less than 1/10th of 1 percent.

Mr. REHBERG. In our discussions then with the Administration to try to make changes to save Pell Grants, which is what the authorizing changes that you are suggesting, would it behoove us to set either a yearly limit to try and move students through quicker and/or require a degree, and if not, then after a period of time—not ding them the minute they quit college, but after a period of time—have a loan repayment on the grant because they did not complete the work with the funds they used and availed themselves of?

PROPOSED PELL GRANT PROTECTION ACT

Ms. KANTER. I think you will see in the President's proposal two performance-based opportunities. One is called First in the World,

which would make grants specifically to institutions of higher education to increase college completion and productivity. So those would be, the focus on graduation, completing college, maintaining quality, is a focus there.

Mr. REHBERG. Is that in addition to a Pell?

Ms. KANTER. Yes.

Mr. REHBERG. In addition. So why not make it——

Ms. KANTER. This is for all students.

And the second one is grants to States to improve completion.

Mr. REHBERG. Okay. Then I am not following you. I thought that was an additional program. You are not suggesting——

Ms. KANTER. Those are within the Pell Grant Protection Act.

Mr. REHBERG. No, within the Pell Grant——

Ms. KANTER. Right, right. You get a Pell Grant, but institutions will be incentivized.

Mr. REHBERG. I guess that is my problem with the program, is now you are telling colleges what they are supposed to be doing, and that is graduating students. I am looking at it from a different perspective. I am looking at the 9.6 million students that are going to be on Pell Grants, that are availing themselves of the opportunity for funds but then not completing the work.

Ms. KANTER. Well, many of them are leaving because of financial hardship. So many of them are part time. They are raising families. They are working a job. In community colleges, over two-thirds of the students have jobs.

Mr. REHBERG. So the Administration is not seriously considering any kind of an authorization change to require some kind of repayment if they do not complete the work?

Ms. KANTER. We are looking at all performance-based mechanisms, but we have proposed several that we think will dramatically increase college completion, maintain quality and allow the Pell Grant program to be available for part-time students.

Mr. REHBERG. So you would seriously consider some kind of a recommendation to require a grant repayment through a loan if they do not complete the work after 9 years?

Ms. KANTER. We are really not looking at that opportunity right now. It is something that we could look at in the future. But we think that our proposals are going to incentivize States and institutions to increase the number of students completing college.

We don't want to shut out the part-time students. And those students are predominantly, if you look at the numbers, are the ones that have to go part time because they have got many responsibilities. Texas did a study of students who left college, and their goal was to bring those students back. And they found that the students who left predominantly left because of financial reasons.

Mr. REHBERG. Ms. DeLauro.

CHARACTERISTICS OF PELL GRANT RECIPIENTS

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

Just a couple of points. So for a full time 4-year program, 6 years could be the longest maximum time frame a school could use, is that right, for the Pell Grant?

Mr. SKELLY. Eighteen semesters.

Ms. DELAURO. Right. But the part-time folks are what you are talking about. And let me just ask you, because of your own community school background. The youngsters who are going to our community schools—or that are not youngsters, they are older, the average age is—I have talked to folks in community colleges—from 19 years old to 58 years old. Now, are they mostly part time?

Ms. KANTER. Many are part time returning to college for a second career. Actually, almost half of the Pell Grant recipients are age 23 or higher. And many have been displaced by the economic downturn, as you know; 84 percent of the students of that group have incomes less than $30,000.

Ms. DELAURO. And so was that the rationale in terms of allowing for this part-time population, if you will, when Congress talked about the number of semesters involved, to allow folks to be able to complete it under this kind of a basis, was a consideration the part-time nature?

Ms. KANTER. Yes.

RAPID INCREASE IN THE NUMBER OF PELL GRANT RECIPIENTS

Ms. DELAURO. Okay. I want to get to a bunch of questions about the number; why the rapid increase in Pell recipients? Why is it increasing so rapidly? Do you have estimates of how much of the increase is due to unemployed people? Do we have numbers that say people are going back for new skills? How much is due to reduced incomes and assets as a result of the financial crisis, the resulting recession? Is the growth largest in particular kinds of institutions, such as community colleges? How about for a particular group of students: older students, part time students, students with families of their own? What are the kind of demographics here, if you will?

Ms. KANTER. The growth in the number of eligible students has been 40 percent. The weak economy has driven more students with financial need back to college. And I think the focus on the fact that we are not first in the world anymore, the fact that the new jobs, about half of them are going to require postsecondary education or training, is drawing lots of people back to college. These are older students. I went to Warren, Michigan. I saw people laid off from the assembly line. They were training for a health career. So people are having to go back and choose a second career or even to move up in the career they have or change jobs completely. So these are some of the reasons that students are coming back in droves.

Ms. DELAURO. I think it is important to reiterate again that today the average earnings of a college-educated person is $43,000 while someone with just a high school diploma averages about $27,000. So the need for the skills and the training to be able to move forward I think is pressing.

RISING COSTS OF POSTSECONDARY EDUCATION

In tuition and fees at colleges and universities, I would expect that we would be seeing significant increases, especially at public colleges and universities as State budget shortfalls lead to less State support. Has that been the case?

Ms. KANTER. Tuition has gone up, but I think there is a lot of confusion about tuition. And the total cost of attending college varies greatly. There is a sticker price. So, for a private 4-year institution, a sticker price averages $27,000. The net price actually is $11,320. Room and board is $9,700. So the total net for a private 4-year is $21,000. A public 4-year is $10,080. And a public 2-year school is $6,590.

A lot of people confuse the cost, the total cost of education with tuition. Tuition is often used as a shorthand for the total cost of attendance. So three-quarters of students attend public colleges where the tuitions are, as I said, and after financial aid, net tuition at a public college is affordable. But room and board cost more. So the Pell Grant allows students to pay for the full cost of college, and it really is essential.

Ms. DELAURO. How have Pell Grants been doing keeping up with college costs? And we know that Pell Grant amounts do not increase automatically. The amount is set in the annual appropriations bill. It has been increased from time to time. But how have the Pell Grants been keeping up with college costs? Where do we stand now in terms of the percentage of costs of college attendance covered by Pell Grants relative to where it was 10 or 20 years ago?

Ms. KANTER. I looked at the cost of Pell Grant escalation over 32 years, and 38 years since the program started. Three decades ago, Pell Grants covered two-thirds of the cost of college education at a public institution. Today it is covering one-third.

Ms. DELAURO. So we would go back 38 years if we implemented this?

Ms. KANTER. Yes.

Ms. DELAURO. Thank you.

Thank you, Mr. Chairman.

Mr. REHBERG. Mr. Flake.

Mr. FLAKE. Thank you, Mr. Chairman.

PELL GRANT PROPOSAL

I apologize for missing the first part, so if the question has been asked, forgive me. Your budget, the Pell Grant, assumes that the authorizing committees are going to make certain changes. As the chairman has pointed out before, that may not happen. If it doesn't, what are the plans? Where is the administration going to go here? It could mean that taxpayers are on the hook for an additional $8 billion beyond the budget proposal. What are your plans if the cuts aren't made to the programs as the administration has advocated?

Mr. SKELLY. The budget does propose legislative changes, and we hope they will be made by Congress. It would be the Appropriations Committee and the authorizers. It has to be a collective effort. The process from Congress is up to the Congress to do.

If you don't enact the kinds of changes, such as the elimination of the two Pell this year, you are going to have a shortfall. We suspect, by 2012, you actually have a shortfall of about $20 billion. The President has requested additional funds for Pell of $5.4 billion. He is hoping to have changes, such as the two Pell elimination, that will save about $7.6 billion, and the other changes in mandatory programs that offset these proposals save another

roughly $7.7 billion. If you don't make those kinds of changes, all you have is the same amount of money that we have in the current continuing resolution, $23.2 billion; you would have to have a very drastic cut of over half the Pell Grant in 2012.

Ms. KANTER. Let me just add that all 9 million students will see a reduction in their grant. And as Mr. Skelly said, next year the Pell Grant would be cut in half. So it would devastate the ability of these students who are financially needy to go to college. If Pell Grants are funded at the $17.5 billion that the House proposes and reduced to a $4,705 maximum grant in 2011, at that funding level the maximum grant is going to plunge to $2,220 in 2012, which is an unprecedented 60 percent reduction. That is why we are so concerned about this.

We are taking steps on our own to look at the expenditures and save a projected $4 billion over 10 years. We will improve the accuracy of the student aid award. So we have a whole menu of things that we are accomplishing in our budget proposal for the Pell Grant Protection Act.

STUDIES RE IMPACT OF PELL GRANTS ON HIGHER EDUCATION COSTS

Mr. FLAKE. Shifting gears for a second.

Under Secretary, there are some studies, the Cato Institute has done a few, which seem to indicate that Pell Grants aren't necessarily responding to the cost in higher education; they are driving it. Do you put stock in such reports? To what extent is the increase in Pell Grants and Federal assistance in general, what kind of a driver is that for the cost of higher education rather than a response to it?

Ms. KANTER. We had a 2001 report from the National Center for Education Statistics, NCES, which found that there is no association between Federal student aid and changes in tuition. This is particularly true with Pell, which, unlike student loans, are not award to all students. Moreover, the size of an individual's Pell Grant is a function of the maximum grant size and the out-of-pocket ability to pay for college, how much the family has or the student has, not the cost of attendance.

Mr. FLAKE. 2001, 10 years ago, we have seen a significant increase in Federal assistance since that time. Would the same hold true today, do you suppose, if a study were to be done today?

Ms. KANTER. I have no reason to think that wouldn't be accurate today. In fact, I talked with Mike McPherson from the Spencer Foundation about this, and I am sure there is other data to say that tuition and Pell Grants really are not related or not driving up the cost.

Mr. FLAKE. Thank you.

Mr. REHBERG. Ms. Lee.

Ms. LEE. Thank you, Mr. Chairman.

Good morning. Let me first commend yourself, Secretary Duncan, and President Obama, for the work that you are doing to ensure that higher ed opportunities for students of all ages and all backgrounds are affordable.

SECOND PELL GRANTS

The funding made available through the Pell Grant Program continues to provide a real cornerstone of opportunity for many students who might not otherwise be able to afford to go to college, technical institution or community college.

In my district, for example, student populations are older; they are year-round students. The maximum Pell Grant was $5,550. The provision though in H.R. 1 will reduce it by $850, which would be extremely detrimental.

Also, in the budget request, the provision that limits Pell Grants to one award per year, this, again, is going to present a unique hardship for nontraditional students, older students, persons seeking to fast-track completion of their degree work, and they may not be able any longer as a result of this to obtain two grants in a year. So what is your perspective on that in terms of the potential adverse impact of these subpopulations of students, as it relates to their studies, say during the spring or summer sessions? That is one question.

The second one is I understand, and I wanted to see what your perspective is and if this is accurate, that low-income and minority students, especially at 2-year and technical skills preparing institutions, fail to apply for Pell Grants. I don't know if this problem is prevalent. What are the implications for this if that is the case?

Ms. KANTER. Let me take the first one. We don't have all the data we need yet on the characteristics of students who receive a second Pell Grant. But we do know that they are less likely to attend public 2-year schools; 27 percent of second Pell aid versus 34 percent overall. And we know that students for whom the policy was intended to benefit, that is who we tried to benefit for the second Pell. We know that the summer enrollment grew only 1 percent. So the whole idea was to accelerate the time to degree, to shorten the time to degree, accelerate graduation, and we weren't seeing that in the initial data set that we looked at.

We made some really tough choices. And our highest priority was to protect the $5,550 Pell for everyone. The other thing I would probably add is that the second Pell Grant, while great, escalated costs so much more than we had originally estimated, which was $300 million; now it is in the billions, and we couldn't afford that. We didn't see that it was accelerating for school.

The other thing that I think is important to is that part-time students can go and use their Pell Grant to go to summer school. That was not clear from a lot of the media reports. So if you are a part-time student and you are on your Pell Grant, you can go in the summer. That was another factor that we looked at.

GRANTS FOR MINORITY STUDENTS

Ms. LEE. Let me ask the second question as it relates to minority students. Is that accurate, do you know if in fact low-income and minority students fail in larger percentages to apply for Pell Grants?

Ms. KANTER. Well, we have a huge outreach effort for low-income minority students. We know that about 40—when I looked at the Pell numbers—about 49 percent of all Pell recipients are Caucasian

students and about 45 percent are Hispanic or African-American students. However, there are more students that are eligible for Pell that are not yet in the pipeline. So we have several things that we are doing.

One is the college access challenge grants that were made available to every State. It was $150,000,000 every year for 5 years to increase opportunity and outreach for low-income students. States have sent us lots of creative ways that they are looking at doing that outreach.

The other big program we have is the GEAR UP program, which is focused specifically on middle school and high school students to get that pipeline ready for college.

Ms. LEE. Thank you very much.

Mr. REHBERG. Thank you.

Mrs. Lummis.

Mrs. LUMMIS. Thank you, Mr. Chairman.

First, I would like to say, Dr. Kanter, it is so nice to see a community college gal here in Washington. And in my home State of Wyoming, the community college system is so augmenting to the single University of Wyoming, our only a 4-year degree granting institution. And without our community colleges, we wouldn't have that full complement of education opportunities for a broad spectrum of people. And so I am just delighted to see a community college person at the helm.

TEACH GRANTS VS. PRESIDENTIAL TEACHING FELLOWS

A few questions, could you walk me through, I don't quite think I am there, in understanding the discrepancy in the budget authority between the old and the new programs, meaning the TEACH grant versus the Presidential Teaching Fellows? As I look at it, the new program would cost $185 million; the old program, fiscal year 2010, $27 million; fiscal year 2011, $22 million. It looks like a huge increase to me, but I understand there is some scoring issue that I may not be completely aware of.

Ms. KANTER. Right. Our intent was to convert the existing program to a new program that would incentivize students in their senior year who were far more likely to actually enter the teaching profession than incentivizing them in the freshman and sophomore years, where students are just being introduced to whether they really are committed to a teaching job, and then to give back over 3 years after graduation in the teaching profession and to reward high-performing institutions that States would designate as high-performing to get those TEACH grants.

So I think the whole effort was to take existing funds and refocus them in this new way to reward the high performers to actually help the not-as-high-performing institutions move toward that level of excellence and then to shut down the poor performers. Actually, historically, when you look at the program today, only certain States designated only 38 institutions as poor performers. And that was a concern in the breadth of the numbers. We have 1 million teachers to get those million teaching jobs over the next 5 to 10 years. So we have got to incentivize the full range of students to be competitive for those jobs.

And this program rewards high performers, and it was taking existing funds and moving them into this new method.

Do you want to add anything, Tom?

Mr. SKELLY. I would just add the one technicality was that the TEACH grant program is one where if students don't persist in teaching, that the grant becomes a loan. And under the Credit Reform Act, loans sometimes have savings to the Federal Government. So, for example, in 2010, there was a $153,000 downward adjustment to the cost of the program. If you take into account that downward sort of adjustment, the receipts that we get under the Credit Reform Act, the cost of the new program is about the same as the cost of the existing TEACH grant program.

Mrs. LUMMIS. It would be helpful if you could put something in writing that explains that to me. I didn't quite—that didn't quite connect with me when I read this. And in spite of the merits of that proposal and the goals of it, why is that not a State function? Why is that a Federal function?

[The information follows:]

COSTS UNDER THE TEACH GRANT PROGRAM

The TEACH program awards annual "grants" of up to $4,000 to eligible undergraduate and graduate students who agree to serve as a full-time mathematics, science, foreign language, bilingual education, special education, or reading teacher at a high-need school for not less than 4 years within 8 years of graduation. For students who fail to fulfill this service requirement, grants are converted to Direct Unsubsidized Stafford Loans with interest accrued from the date the grants were awarded. It is currently estimated up to 75 percent of recipients will not complete their service requirement, and thus see their grants converted to loans.

Because of this provision—where grants are converted to loans—TEACH is operated as a loan program and uses the rules established in the Credit Reform Act of 1990. Budget authority reflects the estimated net present value of all future non-administrative Federal costs associated with awards made in a given fiscal year. The estimated costs of outstanding loans are evaluated annually, through the re-estimate process, to reflect updated assumptions and actual experience. The total change in costs for all outstanding loans in the TEACH program at the end of FY2010 is depicted in the 2011 re-estimate. The net re-estimate (the aggregate of the upward and downward adjustments) is $5.5 million. This means the estimated Federal cost of prior loan cohorts (2008 through 2010) is now lower by $5.5 million.

Ms. KANTER. Well, the idea is to use precious Federal resources to identify models of high-performing programs. So we are giving money to States to do the rewards for designating the excellent performers, but it takes existing funds and we think uses them far more effectively and efficiently.

Mrs. LUMMIS. More effectively and efficiently than State funds or than just the way the Federal funds are being——

Ms. KANTER. No, no, no. The existing funds. In other words, we are spending a lot of time reforming the existing Federal dollars that we have to be put toward performance-oriented programs like

you see in the TEACH grant. That is what we are trying to do, is take existing funds and use them in better ways.

Mrs. LUMMIS. I am looking at the fact that your budget increase request is 12 percent, and it is actually even a 34 percent increase if you don't get the authorizing committee changes that are proposed. That is a whopping increase at a time when we are spending money we don't have. So I am just curious about why the emphasis on spending more at the Federal level when education is really a State responsibility.

Ms. KANTER. Well, we see it as a partnership between States, local institutions and K–12 schools and the Federal Government. So this is our portion, our effort to really incentivize excellence, to reward the high performers and to invest in education, as the President has said, so that we can really create the kind of American prosperity and security that we all want for this country.

Mr. REHBERG. Ms. Roybal-Allard.

We are completing our first round, so you came in under the wire.

INCOME-BASED REPAYMENT PROGRAM OUTREACH

Ms. ROYBAL-ALLARD. Well, I apologize for being late, but I had another hearing at the same time. I would like to talk a little bit about the income-based repayment program, which was created to ensure that students who invest in their college education do not find themselves in insurmountable debt. And since last fall, only 200,000 students have enrolled in the program. Since we know that there are millions of students that can benefit from this affordable loan payment, what is the department doing to reach out to borrowers to increase participation?

Ms. KANTER. Well, we have a number of outreach efforts, not only through Federal student aid, and you will see us displaying a lot of information about the income-based repayment plan on our Federal aid Web site. But as I mentioned before, the college access challenge grants are given to every State to really do the kind of outreach for students, not only who are coming up into the pipeline of college but who are in the college pipeline. So our largest program, TRIO, is focusing on students who are in college and ways to help them over the 4 years to however long that they are in if they are a part-time student get the education they need and use the availability of the income-based repayment (IBR) to plan their future. Whether they are going to finish college or go on to graduate school, the IBR is available to them.

So we have to do a lot more outreach. We have a lot of plans under way in Federal aid to continue to do that. And frankly, the outreach happens at the institutions. The outreach happens because the Federal aid staff are reaching out to students when they are converting. We have servicers, many contractors, private contractors that we are using to actually provide guarantees on the back end and do the education of students who are actually taking loans, they are consolidating loans, they are figuring out how to pay for college. And so, in those programs, we are incentivizing those contractors to make sure that IBR is something that they can discuss with students on the back end.

Ms. ROYBAL-ALLARD. And if you have the written information, don't forget Members of Congress. We are out there talking to students, going to our universities and our schools, and we could also be a resource and be able to distribute some of that information as well.

Ms. KANTER. We would be glad to get that information to you.

SECOND PELL GRANT

Ms. ROYBAL-ALLARD. I would like to ask you another question. I know that you have already touched on the year-round program, but the popularity of this program indicates it is filling a real need, especially among older and nontraditional students who are trying to complete their degree faster.

And the Administration has said that the year-round Pell program has not accelerated graduation rates. And it seems to me that this evaluation is really premature given that the program has been in place for only 18 months. Last week Secretary Arne Duncan told this committee that there were about 2 million jobs waiting for skilled American workers to fill them. And wouldn't it serve our economy better to encourage students to finish their degrees than to enter the work force as soon as possible?

Ms. KANTER. This is an example of where we had to make a really tough choice. And because the cost escalated so much and because we knew that part-time students could continue their education in the summer, we chose to propose that the reduction in the summer Pell, suspending it or eliminating it at this point, is a choice that we had to make. It would be fantastic if we could continue it, but we just didn't feel we could afford it. Our highest priority was to maintain the $5,550 maximum award for students and to help the full-time students, who wouldn't have a second Pell, be able to continue their education if they decided to go to summer school. We did only find a 1 percent increase in summer school enrollment. So that was also part of our consideration.

Ms. ROYBAL-ALLARD. Okay. So if this program is being eliminated; have you explored other options to help students who are making good-faith efforts to graduate ahead of schedule and to accelerate their studies? Are there other avenues that you are looking at?

EFFORTS TO INCREASE COLLEGE COMPLETION

Ms. KANTER. The two proposals that we have made for the College Completion Incentive Grants to States on the one hand and reforming of the FIPSE program, and on the other hand, to give money directly to institutions to accelerate degree completion and increase productivity; those are sort of the two centerpieces of that fund, would actually be producing higher levels of completion, which means they would have reforms in place to do better outreach internally for existing students to keep them on track. We looked, and we are going to be issuing some information to you hopefully very soon, on college completion strategies that we have studied across the country.

But I was saying earlier, Texas went after every student that went to college but didn't finish their degree, had an outreach plan for every institution of higher education over several years, and ac-

tually, half of the students returned and graduated. So it is models like that that we have looked at across the country to see what can we do with a small amount of incentive funding to actually increase those completion rates.

Mr. REHBERG. Thank you.

STIMULUS SPENDING FOR PELL

It is no secret in this committee that I am particularly critical of the stimulus because it didn't stimulate the economy, which is what it was intended to do. That is what it was advertised as. It was going to be timely. It was going to be targeted, and it was going to be temporary. And one of the temporary issues, even though I think that many of the things that money was spent on the stimulus are good programs, good social programs and are worthy of our consideration in the Appropriations Committee for spending, it didn't stimulate the economy. It was spending, not building an asset for the immediate jump starting of the economy.

Your area is one of those areas, because while I can justify perhaps backfilling money to fulfill a shortfall in Pell funding because of unanticipated costs because of new eligible students, the difficulty is in my mind that then somehow this becomes permanent. What kind of a policy decision was made within the Department to suggest that $619 increase in Pell Grants as a result of the stimulus dollars would then become the de facto base to be built then into an ongoing grant expenditure, thereby exacerbating our problem of trying to find a way to pay for it? Because two other programs I support—Title I and IDEA—were specifically told, don't make this permanent. IDEA was specifically told, don't make this permanent; spend it on things that are a one-time expenditure. But somehow, in the Pell Grants, we made a determination that the new base as a result of the stimulus becomes the new de facto maximum grant.

Ms. KANTER. I think in general our goal is to educate as many students as we can so that they can get the jobs and, as I mentioned, they will earn 40 percent more if they graduate from college. So it was a stimulus going forward to actually have the Pell Grant keep pace with inflation and move the country forward in the larger sense.

Mr. REHBERG. So, in fact, then, it was not temporary. It became then in the minds and the eyes of the Administration the new de facto base?

Mr. SKELLY. It also became the base in the appropriations statute that the Appropriations Committee each year sets as the maximum level for discretionary funding.

Mr. REHBERG. The last Congress, the last majority.

Mr. SKELLY. The only Congress we had last year.

Mr. REHBERG. Which also made the promise that this was temporary; it was going to be stimulative; the economy was going to turn around. And again, where are the jobs? So it was spending and not stimulative.

And then the Administration made the determination it is more important to increase the base in Pell than continue the ongoing expense of the same temporary spending for IDEA in Title I. So

you have decided that college kids are more important than our disabled and our low-income Title I students, is that correct?

Ms. KANTER. I don't think so. I think we look at every program and what we need for the country, so that when I look at the people who are 23 years and older who are earning less than $30,000, who receive Pell Grants, 84 percent have less than an annual income of $30,000, that $619 means that they could take one to three classes. That is what it translates down to, or it means $619. When I was a community college president, it was $400 for the people to become emergency medical technicians, paramedics.

Mr. REHBERG. Which then, unfortunately, creates an additional problem for us because of the higher grant level and the changes in eligibility.

And going back to Ms. DeLauro's comment about one of the problems is the higher number of eligible students, we are probably, if we do not get the authorization legislation through, going to have to come up with an additional $20 billion that can't be spent then on Title I and IDEA. We have created a problem where we are pitting groups against each other.

And it doesn't seem fair at a time where that was the second highest increase, I think in the history of Pell, a one-time shot. I think the last one was back in the 1970s when I might have been able to take advantage of the Pell. It was the second highest level. It became the new floor. And unfortunately, then it is pitting group against group within the Labor/HHS/ED budget. And somehow we are going to have to come up with an additional $20 billion because of our desire to use temporary money to then create a new floor.

PELL GRANT PROTECTION ACT PROPOSAL

Ms. KANTER. Well, as I said in my remarks, we have prepared a set of solutions that when taken together would close the $20 billion shortfall and allow us to fund the Pell program; you know, the direct lending, putting that in place saved the government—$6.8 billion a year going forward. This set of solutions, suspending the second Pell Grant and the other proposals that we are making in the Pell Grant Protection Act, would actually cover that $20 billion shortfall and not affect the lives of more than 9 million people to not be able to continue their education and get into the workforce to become taxpayers.

I mean, that is our dream; that we can get every American getting as much education as they can to be able to get into the economy and move the country forward.

Mr. REHBERG. Ms. DeLauro.

Ms. DELAURO. Thank you, Mr. Chairman.

Let me also, Mr. Chairman, welcome, a number of students who are in the audience here. I think they may be Pell Grant recipients and probably SEOG recipients, et cetera, and are counting on, are truly as they should, counting on the opportunity to be able to access funds in order to be able to complete their education so that in fact they are not unemployed and have to collect an unemployment check, but rather that they can go to school, they can get a degree, and they become, you know, a taxpayer. So listen carefully to the debate, listen very carefully, I might add, to know where your fate lies in this instance.

ECONOMIC STIMULUS

Let me also just say in terms of the $619 increase, there is a question of stimulus; what stimulates the economy? Getting kids and older adults to school so that they can make a living, spend the money and continue that multiplier effect that access to education has. It is extraordinarily stimulative. If you talk to any economist about what stimulates the economy, it isn't the tax cuts for the richest 2 percent of the people in this Nation that stimulates the economy—and those who have constructed these cuts in these various areas are the same group of people who would like to see those tax cuts continued permanently. And what do people at that level do with their money? They take it and they put it in the bank and they collect interest on it, rather than allowing young people to be able to go to school to take that $619 and to be able to usefully apply it to their future education, and it stimulates everything after that.

IMPACT OF H.R. 1 ON EDUCATION

I will just make one more comment. If we are talking about education and pitting groups against one another, just take a look at H.R. 1 with the full-scale assault on education. As to whether or not it is preschool and Head Start, special ed, whether it is K-through-12 education or whether it is higher education, we seem to be dealing with planned obsolescence coming out of H.R. 1 and what the future of education is in this Nation. And it is only a goal in recent years that education for middle class families like the one that I came from have an opportunity to send their kids to school so that they can realize their dreams and aspirations and, yes, become economically viable.

SAFEGUARDS TO PREVENT STUDENT AID ABUSE

Let me move to the issue of strengthening the rules and the safeguards to keep proprietary schools from abusing student aid programs with their students. Can you provide us with an update on those efforts and what you are trying to accomplish with them?

I am going to deal with a follow-up as well so you have a chance to answer it. H.R. 1, passed by the House last month, includes a rider that would prohibit the Department from finalizing the rules it is still working on and from implementing some of the rules it has completed.

What precisely would that rider prevent you from doing? Am I correct that it would completely shut down all efforts to establish a process for excluding from Pell Grants and other student aid those institutions with the worst records in terms of loan repayment rates and debt-to-income ratios? Not only could you not implement the rule you are working on, but you couldn't develop or propose alternative rules on the subject?

I don't know if I am correct that the rider would prevent the Department from enforcing a new rule that requires certain schools to give prospective students information on tuition charges, completion and placement rates, median levels of student debt for the program the student is considering entering. I always thought disclosure would be something that we would all want to see in these

areas. We need to deal with reducing fraud and abuse in Federal programs, which is part of the content of this hearing. And wouldn't I be right in saying that the Department is trying to do this in the area of student aid and proprietary colleges? Yet the majority responds with a rider to shut down these efforts.

Ms. KANTER. Our priority in proposing the gainful employment rule is doing the right thing for students and taxpayers. Consumer protection is driving our rulemaking. The current law includes the gainful employment provision, which has never been defined. We are now defining this provision so that students and taxpayers would have a minimum standard of expectation, especially in these difficult economic times. You will see us already publishing the 3-year default rate and the graduation rates. And if you go out to the Federal aid website and you are a student and you want to go to different colleges, you can, in the interest of open government and transparency, you can put in the school you want to go to and see how much it cost, what the graduation rates are, what the default rates are and so forth. So there is a whole list of information about every single institution that is helpful.

It is unacceptable, we believe, to burden students with a debt that they can't afford in exchange for degrees that they won't be able to use in the labor market. That is the sort of principle. It is especially problematic when we impose this kind of burden on low-income students who overwhelmingly have taken part in these programs and can least afford the debt.

We have received over 90,000 comments. We have read every single comment. We have listened very carefully. And we think when we propose the rule, we will have incorporated the meaningful feedback and the improvements from all people that we have heard from, and it has been many. We think we are proposing a reasonable rule, and we look forward to that.

Ms. DELAURO. So we need your rule in order to cut back on waste, fraud and abuse in this system.

Thank you.

Mr. REHBERG. Mrs. Lowey.

Mrs. LOWEY. Thank you.

And I apologize. There are three hearings going on at the same time, maybe more.

And I appreciate your appearing before our committee.

IMPACT OF H.R. 1

Let me make it clear that in my view the deeply flawed House-passed 7-month continuing resolution would slash Pell Grants by more than $3,000,000,000, which would cause more than 9 million students to face a reduction in the amount of assistance they receive. I am very pleased that the administration proposed to increase funding for Pell. This is a perfect example of contrasting priorities.

While one side is seeking to slash the most important student financial aid program, the other is prioritizing initiatives to further educate students.

Now, I want to also make it very clear, we all agree on the need for fiscal restraint, but we cannot win the next century by slashing the programs that matter most. I am particularly concerned of the

impact of reducing Pell when the cost of a college education keeps going up. Tuition at 4-year public schools has risen 40 percent since 2001. Borrowers typically graduate with more than $17,500 in debt. So the students and families in my district and throughout the country desperately need help.

So if you could share with us whether the Department of Education has an estimate on the number of Pell recipients who could not attend college without financial aid?

Ms. KANTER. Our numbers are, if this H.R. 1 were to go through, that 10,000 students would be shut out completely. But all 9-plus million students would be dramatically affected. And our concern is, as I said in the beginning, if nothing is done, next year all of the Pell Grants would be cut in half. I did look State by State at each one of your States and each one of your districts to see how many thousands of students would be affected. We hope that you will consider this in a conversation with the other committees, so that we can come to a solution that would make sense.

In terms of tuition rising, the number one driver is the stagnation of State funding for higher education. So what we hope to do is really incentivize States and use our Federal funding wisely to bring back support in States for higher education and K–12. The demand for public and private post-secondary education is at an all-time high, as I said. And I talked about higher graduation rates and higher employment rates once students come out. And we need those students in Pell. We have got 49 percent of students are Caucasian, as I said, and 45 percent are Hispanic or black. So we have got driving huge numbers of students who are going to be the future of California receiving those Pell Grants, and we want to do, as we said before, more outreach and more support so that we can have those graduates reflect the country's population going forward.

Mrs. LOWEY. I really appreciate your comments.

And Mr. Chairman, I do hope we can work in a bipartisan way to resolve this. I know I have visited a school like Westchester Community College. Many of these kids are first generation going to school. And if they get less than $845, that can make the difference for them.

And what was interesting to me at both Westchester Community or Manhattanville College or many—I have many colleges in the district—these kids are working two or three jobs. They are just struggling.

And I remember talking to Joe Hankin at Westchester Community College, they can't even pay for the books. So getting them books, helping them pay tuition. They can't go back and say, hey mom, hey dad, can you help me?

So I thank you, Mr. Chairman, for giving me some time. And I do look forward to working together on a budget that cuts out unnecessary spending. I think we all want to do that. But we have got to help our young people get that education they need and go to college. I worry that, because they are all working, they don't even have enough time to study.

So, thank you, Mr. Chairman.

Mr. REHBERG. Mrs. Lummis.

Mrs. LUMMIS. Thank you, Mr. Chairman.

COLLEGE COMPLETION RATE FOR PELL GRANT RECIPIENTS

Sort of continuing along the lines of that discussion, an adjunct question about Pell Grants. Do you have any data demonstrating that college completion rates for Pell Grant recipients have increased as Pell Grants have increased?

Ms. KANTER. Nationally we have been stagnant, as Secretary Duncan has said, for decades. So, right now, about half of the students who are enrolled are graduating from college. And for Pell Grants, it is close to that. Pell-eligible students are in college somewhere around 45 percent, rather than 50 percent, so that we don't have this huge gap. The country itself, all of our higher education institutions, in partnership with States, in partnership with the Federal Government, have got to increase college completion while continuing to maintain quality. We want students to get a first-class education. Everyone in this room, more than everyone in this room, is probably getting or got a first-class education, and we want those students to have that available to them.

Now, I mean, what is difficult is that college completion has remained stagnant, and we have got to find those incentives that are going to get us the result that we want.

Mrs. LUMMIS. And I have an adjunct question there, since you brought up that point. Have you looked at alternative ways to incentivize college completion for Pell Grant recipients besides the amount of the grant?

COLLEGE COMPLETION INCENTIVES

Ms. KANTER. Yes. We have two proposals that would be paid for within the Pell Grant Protection Act. As I mentioned before, I don't want to be repetitive, but one is the College Completion Incentive Grants that would be given to States to give to institutions that are high performers in terms of completion and have the productivity results and the innovation, which is what we want, to drive more students to completion and jobs.

The other grant fund is called First in the World; we can get you more information on that. But those are grants directly that would be competitive nationally directly to colleges and universities to showcase what they can do to increase dramatically the number of students getting a college degree at a 2-year or 4-year institution.

Mr. REHBERG. Will the gentlewoman yield for a moment?

Mrs. LUMMIS. Yes, Mr. Chairman.

Mr. REHBERG. The point was made earlier, while that is interesting, those two new programs, money going to the States and the colleges, it is paying colleges to do what they are supposed to be doing already. I think your question was, is there incentives for the individual to finish their college degree, as opposed to paying colleges more money to do what they are supposed to be doing in the first place?

Mrs. LUMMIS. A great point, Mr. Chairman.

I am curious about whether there are nonfinancial incentives, mostly out of my concern that since we are spending money we don't have, we have to be more creative than we used to be, instead of just trying to use financial incentives. It seems to me that when

you don't have any money, you find other means than money to incentivize. And so that was really the nature of my question.

Ms. KANTER. I mean, we have some programs in place that include mentoring and tutoring. The TRIO program is a great example, or GEAR UP for younger people to be able to stay on track to actually get into college. So those are programs where students are getting mentors. They are working in communities. We have got a lot of those incentives.

But financial reasons are the greatest hardship and the greatest reason why students leave college. And so we know that the Pell Grant has been an incentive to keep them in and keep them moving toward their degrees.

Mrs. LUMMIS. Do we know if TRIO participants have a higher graduation rate than non-TRIO?

Ms. KANTER. I don't have that research, but I would have to come back to you with that information.

[The information follows:]

STUDIES SHOWING THE RESULTS OF THE TRIO PROGRAMS

Numerous studies have been performed examining the outcomes of TRIO program participants. These studies have shown a consistent association between participation in TRIO programs and improved outcomes for these participants. For instance, a January 2009 study of a random sample of Upward Bound participants found while Upward Bound had no detectable effect on the rate of overall postsecondary enrollment, the type of postsecondary institution attended, or the likelihood of earning a bachelor's or associate's degree, it did increase the likelihood of earning a postsecondary certificate or license. Additionally, it showed the longer a student participated in the program the more likely they were to enroll in and graduate from a postsecondary institution. This applied particularly to certain subgroups of students, including those who did not expect to complete a bachelor's degree program. Upward Bound was able to increase the rate of postsecondary enrollment by 6% and completion by 12 percent. A separate study, released in February 2009, studied Upward Bound Math-Science program, and found an association between students that participated and an increase in enrollment in more selective four-year institutions, and in degree completion overall.

Studies examining other programs within TRIO have found similar results. For instance, a study released just this month showed, when measured with analytic models that account for differences in the level of services and type of supplemental services offered to students, positive and statistically significant impacts on persistence in higher education and degree completion were produced by the Student Support Services program. Finally, in the Ronald E. McNair Postbaccalaureate Achievement program, a study from March 2008 displayed for every 100 participants, 98 completed a bachelor's degree program, 44 received an M.A. as their highest degree, 14.4 earned a doctorate, and 12.1 earned their first professional degree.

FEDERAL EDUCATION BUDGET PRIORITIES

Mrs. LUMMIS. Another question if I might, Mr. Chairman.

Does the Department of Education prioritize within the Department of Education budget on expenditures? You know, my personal bias at the Federal level is for higher-ed spending than for K-through-12 because I see K-through-12 spending as being a State responsibility. Do you make those kinds of determinations, whether they are different from my conclusions? Do you make those kinds of judgment calls within the Department?

Ms. KANTER. We have gone through every single program, which ones we can reform, which ones we have eliminated, proposing consolidating 38 programs. We have made some really tough decisions to suspend the second Pell Grant. We have the financials behind

each one of those decisions that we can share with you at a later time if you would like to see the process we are going through.

But somebody said, everything is on the table. And for us, we are scrutinizing program by program, can we get more out of it? Someone said, can you get more orange juice out of the orange? And so how much productivity can we get? How much do we have to invest? I think the overall message is invest in education and make the cuts that we have to make that we wish we didn't to move things forward.

Mrs. LUMMIS. Thank you, Dr. Kanter.

Thank you, Mr. Chairman.

Mr. REHBERG. Ms. Lee.

Ms. LEE. Thank you very much.

MINORITY ACCESS AND OUTREACH TO PELL GRANTS

Following up on what I had asked with regard to low-income students, minority students, applying for Pell Grants, looking at this "Apply to Succeed" by the Advisory Committee on Student Financial Assistance, one point they made is that it says the problem is disadvantaged students often do not use the Web, especially of the Latino population having difficulty with the Web, and that is a growing population. There is still a digital divide, I know, in communities of color. And are Pell Grant applications, are they only Web-based, or can people apply for them in a variety of ways?

Ms. KANTER. You can fill out a paper copy. It is really much easier to facilitate Web-enabled delivery. But that is available. Federal student aid offices, I ran one for 16 years as a community college president, it was open all the time. So students who couldn't get into the Web, they had the Web right there, so they could help the students get that assistance.

But frankly, we need a lot more outreach, and so the GEAR UP program has been one where we have actually demonstrated—Secretary Arne Duncan and I went to one of the high schools here to look at how Web-enabled were they and how many students could actually get in and understand that this was going to apply.

One of the things we have done is in the Web-enabled FAFSA, we have not only cut out many questions that the government already had the information for, but we also made it easier to port in, in our relationship with Social Security and the Treasury and the IRS, tax information from the prior year. So we are trying to simplify what is done. We are actually going to have a pilot where we are looking at a really limited number of questions. You know, how to make it really easy for students to get that application finished, and that is a high priority for us.

PROPRIETARY INSTITUTIONS

Ms. LEE. Let me ask you about these proprietary institutions, because oftentimes they paint very rosy pictures as relates to training in the culinary arts, health sciences, technology. Oftentimes, though, they promise employment after graduation or certification, but what we found, and I think you know this, is that, in many instances, students are securing Pell Grants and loans without even obtaining a degree or certificate, that sometimes they are very misleading in terms of the types of programs leading to a job, find-

ing now that many for-profit institutions, I think it has grown by 160 percent in the past, but only 10 percent of students consume 25 percent of Pell Grants and 21 percent of all Federal loan dollars.

So what is going on with these proprietary institutions, also for the for-profit institutions, given that their graduation rate—what is it 20 percent for a bachelor's degree and 60 percent for programs of 2 years or less and 40 percent of these loans go into default—so can you kind of give us an understanding of what is taking place with the for-profit institutions, the proprietary institutions and Pell Grants and students getting a job at the end of the program?

Ms. KANTER. Well, I think when you look at the entire sector of higher education, for-profits are educating about 10 percent of students in higher education. We have 6,000 institutions across the country. They have dramatically grown over the last decade. They specifically have had a spike in the number of 4-year baccalaureate programs. That has grown dramatically. And our agenda is to do the right thing for students and for taxpayers.

So we are proposing a gainful employment rule to define a provision so that we would have a minimum standard of expectation that, on the one hand, would serve over time to reduce the high default rates and, on the other hand, like we are doing for all of higher education, increase the number of graduates that are getting through with high quality programs. So that is pretty much all I would say.

Ms. LEE. Do you require these programs to have a correlation or a match with, say, Department of Labor statistics showing which sectors are employing people or can they provide any type of training they so desire just to get the money in?

Ms. KANTER. Well, I think all of higher education is providing programs to meet the needs of industry. So we look at health care, we look at the IT sector, or we look at any number of fast-growing sectors, bioscience, you know, half of all new jobs will require some or more postsecondary education. We will have program data to show how these programs are doing. And it is helpful that over time, those programs will be targeting the high-performing students that will be graduating and getting the jobs that are available, but we have a lot more to do on the basis of protecting taxpayers and students from waste, fraud and abuse.

Mr. REHBERG. Mr. Kingston.

Mr. KINGSTON. Thank you, Mr. Chairman.

IMPACT OF PELL GRANTS ON COLLEGE COSTS

Madam Under Secretary, one of the things that I have seen as the son of a college professor raised or reared in Athens, Georgia, that when the HOPE scholarship came along, there was a lot of tuition inflation. And it was a great thing for those students that had the HOPE scholarship, but for those who did not, their tuition went up, and universities in general spend more money. And I was wondering if you studied that effect in terms of Pell scholarships on campuses where a substantial portion of the student population is on Pell?

Ms. KANTER. I gave a little while before you came a description of the cost of tuition, and I cited a study from the College Board that showed there was no correlation between the Pell Grant and

college tuition. I can tell you that I think a lot of confusion is because of the sticker price of college. And I will just use another example. I used private before. I will use public 4-year institutions this time. The sticker price is $7,610. The net with the Pell Grant is $1,540. Room and board is $8,540. The total net is $10,080. So, you know, we have a big escalation; people talk about a cost of college being $50,000 a year. That really is not the case. When you remove the sticker price, you look at the Federal and State aid and then you look at also the opportunity for many of the students who receive Pell to have work study as well to help offset.

One of the biggest factors is the growth in the price of books. I know this from my personal experience. I was mentoring a student. I always mentored a student when I was college president, and one student didn't come back, and it was because he couldn't afford the books. He was too ashamed to tell me. So we have a whole spectrum of cost of college, and we don't see any correlation. We know that there are some other studies maybe done some years back. And I was asked a question, is there a more recent study? And we will try to ask the experts to get as many of the recent studies as we can to look at the effect.

Mr. KINGSTON. How old was your study?

Ms. KANTER. This study was in 2001, and it was done by NCES, the National Center for Education Statistics. It was a large Federal study.

FREE APPLICATION FOR STUDENT AND FORM

Mr. KINGSTON. I want to get to Ms. Lee's question a little bit in terms of the student forms. I know that you are—I believe you are looking at making changes to the Free Application For Student Aid Form. What are you doing to that?

Ms. KANTER. My dream is no form at all. My dream is, could we do for everyone in this country what we do for people who receive Social Security? You qualify or you don't. So that is kind of driving the philosophy. We want to simplify the Pell form. We want to simplify the access for students. Technology is a digital divide still in this country. That is why the broadband going to the rural areas in the country, I have been at a lot of broadband meetings about 6 months to a year ago to see, can we get this technology to everyone? Can we get the application available that is easy to fill out?

In the first year, we cut half the questions, almost half the questions, out of the form. We already had the information reporting over with the IRS prior-year tax information to help, again, further simplify. We want to make it easier for students to get in. And then the focus there is, once they are in, we want them to finish.

Mr. KINGSTON. I am not sure that philosophy is something I would accept and embrace readily. I am not sure it is wrong either. But I do like the idea that you have to do something to earn somebody else's hard-earned tax dollars going for your tuition. And filling out an application isn't that bad.

But my interest in it is, I can't stand some of these repetitive questions on applications, and I think they can be very helpful. But I think there is a certain amount of screening that, you know, listen, you are getting a tax, somebody else's hard-earned tax dollars

paying your way to go to college, and filling out a form isn't that bad. It kind of removes some sense of entitlement on it.

But will it save some money doing this, save some administrative costs.

Ms. KANTER. We have an income verification program that we have proposed as one of our parts of the Pell Grant Protection Act, so that we would be there doing a much better job in verifying eligibility using the technology that is available to us with the IRS to identify people that qualify and people who don't. So there are cost savings there.

Mr. SKELLY. Several hundred million dollars. We do have some overpayments and underpayments actually in the Pell Grant program. By allowing students to pre-populate their form with IRS information, we think it will actually save us quite a bit of money.

Mr. KINGSTON. Thank you.

I yield back.

Mr. REHBERG. Thank you.

Ms. Roybal-Allard.

YEAR-ROUND PELL GRANTS

Ms. ROYBAL-ALLARD. I just want to go back for just one second to the year-round Pell Grants and just make one point, because it is very difficult for me to understand how the elimination of this program is really going to make a difference to the bottom line, because you mention that the cost of the program escalated at a greater rate than had been expected. And while I understand that cost is a concern, the fact is that, as I understand it, all students are restricted to a total number of nine, restricted to nine total number of Pell Grants. So, over the course of the student's education, the cost remains the same. I mean, it becomes neutral.

So given the importance and the number of people that want to expedite their education, the importance of getting people into the workforce that are educated that can take jobs, it just doesn't make sense that this program is being eliminated.

But let me just go on to, first of all, to associate myself with the comments that have been made by my Democratic colleagues about the importance of Pell Grants and how they truly are the cornerstone of financial aid that make college available and the completion of college a reality for so many students, in the millions.

And again, I think we also need to look at the broader picture. This isn't just about students being able to fulfill their dream; this is also about the future of our country. Expert after expert, economists are telling us, and we know that we fall far behind the rest of the world in STEM programs, that we don't have enough engineers. Businesses are telling us that we need to graduate more people. They are asking us to bring in foreign students to take high-paying American jobs because they can't find Americans who have the qualifications and can fill those jobs.

HISPANIC SERVING INSTITUTIONS

So the last place we should be looking to cut would be in education, which brings me to H.R. 1 and the $100,000,000 proposed cuts in funding to Hispanic institutions. Now, this money is used again to enhance the academic quality and fiscal stability of these

institutions, which are already underfunded. And this is a very important component of our efforts to increase access and improve academic outcomes for our Nation's largest minority, the Hispanic community.

So like Pell Grants and other Federal financial aid programs, these universities are important to giving that access to college for minority students. So, in your opinion, what impact will this $100,000,000 cut to Hispanic-serving institutions have on students?

Ms. KANTER. Well, I actually did some research on the growth of Hispanic-serving institutions in the Nation. And I went back to in the year 2000, we had 230 institutions; in 2008, we had 281; and we have 176 emerging Hispanic-serving institutions on the horizon. So I did a quick calculation; it has been a 22 percent increase since 2000 in the number of institutions that are serving predominantly Hispanic students. So it is the fastest-growing population in the country.

These grant funds, obviously, are directed to college completion, ways that we can get students into the pipeline and actually using those grant funds to showcase what works so that as these predominantly Hispanic-serving institutions become fully Hispanic-serving institutions, they can apply those strategies and ways to increase student success.

I mean, it is all about, how can we have these fast-growing populations be the leaders in the future as we go forward in this country? And what can we do now with Pell Grants, with college completion, with these access grants and success grants to really allow that to happen? So this is about innovation. And I think my first remark was, we have got to out-educate to out-innovate to really out-build so the Nation will be strong going forward. And it really is about our economic prosperity and our national security.

Mr. REHBERG. I think we probably have time for one more round, if that is okay with the committee. Those of you that want to stick around, I will stay here until everybody has had an opportunity.

REMEDIAL COURSES

I sometimes suggest that I made the top half of the class possible. If it hadn't been for me, there would have been no top half. So I know what bonehead math is.

Ms. KANTER. You graduated.

Mr. REHBERG. I did graduate. I know what bonehead math is in college. They have now come up with the term remedial, because I took it, it was 001. Can you get a Pell Grant for remedial coursework in college?

Ms. KANTER. Yes, you can. And what is very exciting is we see a lot of innovation in the country. I will point to CUNY, the City University of New York, just established a new community college. It is focused on having students go full time and do their remedial in an accelerated amount of time to get a jump start. Now, we know many students can't go full time.

Mr. REHBERG. How many do you think, what is the percentage in the number of students that are taking a remedial course under a Pell Grant?

Ms. KANTER. Well, nationally we have got about 40 percent of students come into higher education needing one or more remedial

courses. It is mostly math or English and some science, and that is what they need. So Pell Grants are comparable. It is not predominantly more. It is about the same number. Students are lower-income. They might have gone to not as good schools as students coming from high-performing middle class communities. We have got to take that into account.

But frankly, what we want is all students to get their remediation done as quickly as possible. We have a lot of partnerships with K–12. It starts in early learning, frankly; 30 percent of children aren't ready for kindergarten.

COLLEGE COMPLETION AND GAINFUL EMPLOYMENT STANDARDS

Mr. REHBERG. Let me ask you a question, and I spoke on the House floor about the gainful employment issue. If this were applied university-wide, not just for proprietary schools, would the administration support legislation that suggests the same standards of gainful employment for all universities, not just proprietary?

Ms. KANTER. Some elements we have already done for all institutions. We are actually publishing graduation rates and default rates.

Mr. REHBERG. I am suggesting anything that is applied to a proprietary school is applied to every other school equally. There is no difference between a proprietary and a nonproprietary school in my mind. If we truly want to solve the issue of gainful employment, it needs to be across the board. We can't pick and choose segments of our society who we want to apply the standard of gainful employment to without applying it across the board. So the Administration would support that kind of legislation?

Ms. KANTER. No.

Mr. REHBERG. Across the board.

Ms. KANTER. No, we would not.

Mr. REHBERG. Why not?

Ms. KANTER. I think we need more study, obviously, about this. But there are differences in the foundation of why these schools were created.

Mr. REHBERG. But the problem is if they are not turning out the kind of student we are asking them to turn out; somehow because they are for-profit or nonprofit, there is a difference? I thought it was about the kids. I thought it was about the education. I thought it was about putting out a productive member of society. And all of a sudden, we are making the determination it doesn't matter how they get there.

Ms. KANTER. Congress focused on proprietary schools.

Mr. REHBERG. The new Congress has made a change in the appropriation bill, H.R. 1, saying, wait a minute, slow down, if it is good for one, shouldn't it be good for all.

Ms. KANTER. Right. If all institutions did not have profit motives as the mission, some schools——

Mr. REHBERG. So profit is what determines whether somebody gets an education or not correctly or appropriately? Where have we made the determination that the institution of the university is different or better if it doesn't turn out the same product or a good product?

Ms. KANTER. Some schools are predominantly focused on training students, proprietary schools, training students for specific careers. That really is the gainful employment legislation. That was one of the 14 program integrity rules that we looked at. So we are focusing narrowly on that rule. And we looked at the spikes, as I said before, in default rates and low graduation rates, and we think we are going to be proposing a rule that is reasonable.

Mr. REHBERG. But if you are going to make a determination that it is the degree that counts or the education that counts, then there shouldn't be any difference whether it is for-profit or nonprofit. Frankly, it is appalling that anybody would consider there to be a difference or a problem that ultimately it is about the kids or the adults or the education, not necessarily how they get there. So you are now creating a wedge of how they get there without necessarily looking at the other side and saying, maybe an institution that is nonprofit is not producing what we want in our society, and that is an educated workforce.

Ms. KANTER. Well, we have programs in place, as I said, and I think the two new ones that are part of the Pell Grant Protection Act to look at college completion and graduation in the macro sense. We are publishing graduation rates and default rates for all institutions of higher education. This particular sector focused on proprietary schools to graduate students in specific careers with especially high default rates and lower graduation rates has been the focus of our rulemaking.

Mr. REHBERG. Mrs. Lummis.

Mrs. LUMMIS. Thank you, Mr. Chairman.

Mr. REHBERG. I am sorry, no.

Ms. DeLauro.

Mr. REHBERG. I am sorry, I apologize.

GAO REPORT ON FOR PROFIT INSTITUTIONS

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

I just would add a point on this that I think it is important to note, that reports are that the for-profit institutions represent 11 percent of higher education students, 26 percent of the student loans, and 43 percent of loan defaulters, which is probably why we are taking a hard look at that.

But I don't want to go into detail, but I will just commend, and maybe we should have a copy of this for everyone, that for-profit colleges, GAO's, and we support the GAO efforts here and their testimony, undercover testing finds colleges encouraged fraud and engaged in deceptive and questionable marketing practices. I suspect that is one of the reasons why we are taking a very hard look at what they do and what those outcomes are, which makes enormous sense if we are going to be investigatory and have oversight as to where some of our Federal dollars are going and how it is being used.

FINANCIAL IMPACT OF CUTS TO PELL GRANTS

If Pell Grants are cut, the result is students and families will borrow more. I have been told that Pell Grant recipients already take out loans. They have higher levels of debt than other college graduates; is that correct?

Ms. KANTER. Yes.

Ms. DELAURO. And what would be the consequence of more borrowing to compensate for less Pell Grant assistance?

Ms. KANTER. Well, we don't want—we want students to borrow as little money as they have to. So one of the things that we want, I saw a number of reports that 50 percent of students are borrowing, undergraduates, are borrowing from high-cost service providers and also using credit cards. So one of the things we are doing is making Perkins Federal loans available to more students in this proposal that we are offering so that students would have lower interest rates so that they wouldn't be hopefully having the high cost at the back end to follow. We are not requiring them, but it would be made on a voluntary basis.

The bottom line is we have got to educate students not to use credit cards in community colleges. The report I saw was over 90 percent of students are using credit cards and high-cost loans that they could have used their Stafford capability. So we have a high priority to really look at this and get better outreach to students, better financial literacy. We have a contract with the State of Tennessee now to get us a good curriculum that can be used all over the country on financial literacy. We are looking forward to that.

IMPACT OF H.R. 1 CUTS TO PELL GRANTS

Ms. DELAURO. Because my time is running out, I have a couple of things I want to try to cover. The disruption caused by a cut in Pell Grants for the upcoming academic year: what would happen if Congress was to enact the cut in Pell Grants made in H.R. 1, because the Higher Education Act requires that we publish by February 1st information on Federal student aid amounts for the upcoming academic year? So with that, information has gone out with regard to the financial aid packages for the fall semester so that students and families can make their plans. What would happen if that cut would take effect for the fall semester? Wouldn't that——

Ms. KANTER. I mean, 9.4 million students would be affected. It creates tremendous uncertainty on the part of individual students who are independent and the dependent ones, their families, on what they can count on. So can they go full time? Can't they go full time? Is that Pell Grant going to be there for them or not? And we know that when things are unstable, students walk away, and we don't want that to happen.

Ms. DELAURO. The point I want to make is that cutting the Pell Grant funding, and I have the citation here, will reduce the number of low-income students receiving bachelors degrees each year by about 61,000. What would be the effect of H.R. 1 on the mandatory supplement to the Pell, what would happen in the mandatory part of the Pell Grant in 2014 if the cut proposed by H.R. 1 were to be enacted and left in place for the following 2 years? Would we end up cutting the maximum Pell Grant not just by $845 but by more than $1,500 when the effect of the mandatory piece is considered?

Mr. SKELLY. Yes, you would. That is the way the formula, the law works.

Ms. DELAURO. That is the way the formula works. So, in essence, we could almost be eliminating the funding or actually the mandatory piece would get primarily eliminated.

Mr. SKELLY. If you maintain funding at $17 billion in 2011 into 2012 and actually into 2014, there is a rippling effect on the mandatory contribution that comes from the SAFRA or legislation, and it would also be cut.

Ms. DELAURO. Just if I can, Mr. Chairman, this is Evamarie Trimachi, a 41-year-old single mother and third-generation welfare recipient, earning an associate's degree at Gateway Community College, moved onto a bachelor's and is eyeing a master's. Federal education grants were essential for her move from a tax burden—these are her words—to a taxpayer. And that is what she said at Gateway Community College not three weeks ago. That is what the value of this program is all about. Thank you.

Mr. REHBERG. Mrs. Lummis.

Mrs. LUMMIS. Thank you, Mr. Chairman.

EDUCATION BUDGET PRIORITIES

Dr. Kanter, I know you are here to defend the Department's budget and the President's budget, and I am here to say that I come from the point of view that we can't afford the President's budget. So as a member of the Appropriations Committee, part of my job is to find where to reduce the President's proposed budget. And if I want to look at the silo of the Department of Education, in other words not pit education, the education budget against other budgets, do you prioritize the full funding of the Pell Grants as the highest priority in the Department of Education budget? Is full funding of the Pell Grants the number one request of the Department of Education?

Ms. KANTER. Well, because it is such a large portion of our revenue and our budgetary authority, without the full funding of the Pell Grant, we would see massive cuts, not only to students but in the Department of Education. Our goal is to maintain Pell at $5,550. That is our top priority for higher education. But again, we have proposals that Secretary Duncan talked about for K–12. We have an early learning proposal, and we look at this as a pipeline. We can't look at one part without looking at the other parts of our program.

And with Pell, we have proposed a way to cover the $20 billion shortfall for the next decade. So we think we have been reasonable. We have made some really tough choices. The second Pell is a very tough choice for us. We didn't have all the data. We would rather have not cut that second Pell as a request. We are working with servicers on the back end in the Direct Loan program so that students can be provided the kind of loan counseling that we talked about. We have a variety of ways that we have reduced spending. And for overall, within Pell, we figured out a proposal to pay for it, do our best, and hopefully, it can be part of the other proposals.

Mrs. LUMMIS. Excuse me, Dr. Kanter.

It is unclear whether the administration's proposals will pass, that will initiate the cost savings that you want to put into the Pell. So if the administration's legislative proposals don't pass, then maintaining a maximum Pell Grant will cost $44,000,000,000. Do

you have a fallback position in case the President's proposals for changes in other programs don't pass?

Ms. KANTER. Well, we look at this as a coordinated program that you would be working with the other committees to really come up with a solution, because we think within the Pell proposal, we have come up with a series of proposals in the Pell Grant Protection Act that are going to maintain Pell availability.

Mrs. LUMMIS. So that is your way to saying we don't have a fallback position, right, no fallback.

Ms. KANTER. Well, we will deal with reality, but we hope to make our case today that this is a top priority of the administration and that we don't want to see 9.4 million students coming away from college at the time when we need them to get into the economy through higher education.

Mrs. LUMMIS. Thank you, Mr. Chairman.

I yield back.

Mr. REHBERG. Mrs. Lowey.

Mrs. LOWEY. Thank you, Mr. Chairman.

And I want to thank you again for your presentation and the leadership.

I am not sure about Wyoming or Montana, Mr. Chairman, but I know how critical this program is. And meeting with these kids, visiting the colleges, as I often do, I said it before, but I want to say it again, that these kids are not, they don't have a hand out. I mean they are working two, three jobs. And I meet with them on a regular basis.

And if you look historically, I was just reviewing the chart, there was only one time that the Pell Grant was ever reduced, and it was only reduced $100. So, again, if you meet with these youngsters, the $845 cut will prevent many of them from getting that opportunity. Now, I don't know that every one of them is going to be a Member of Congress or a lawyer or a doctor or engineer, but if we want to create jobs, if we believe that education has some role in creating jobs, which I do, then I would not want to be the Congress, again only one other Congress went down $100. But for us to reduce it by $845 is really a shame and embarrassment.

We can think of many other places, I am sure you can, many other subsidies, many other places where we can find the money. And I am with you on finding the money and reducing the budget. Just look at the oil industry. I filled up my car this week, $62, and they are getting, what is it, $40,000,000,000 in subsidies, help from this Congress and from past Congresses. And yet the average worker is filling up a car, $62. The agricultural sector. We can keep looking.

So I just want to appeal again that, maybe you can share with us, when was the last time the maximum award was under $3,000, and how have tuition and other fees changed since that time? While you are looking—oh, you have the answer, okay.

Mr. SKELLY. The last time the maximum grant was under $3,000 was 1997.

Mrs. LOWEY. And how has tuition increased and other fees decreased since that time?

Mr. SKELLY. Well, they have gone up. In 1997, that maximum grant paid approximately 37 percent of the cost of attending a 4-

year public school. The $5,550, that is in the President's budget this year would provide about 31 percent of the cost.

Mrs. LOWEY. Well, I would just say to my colleagues that to me, the most important thing is helping our young people get that education. And many of our kids have been very fortunate. My district is very diverse. There are some that can pay for it very easily, and others, frankly, would be dropping out without that $845. So, again, I think we can repeat, since we are still on the green light, for the average Pell recipient and her family, maybe you can tell us the average income of the Pell recipient?

Ms. KANTER. Well, I can tell you that for students 23 or over, which represents almost half of the Pell recipients, their income is $30,000 or less.

Mrs. LOWEY. Or less. And where would they get the financing? If we want them to stay in school, and my colleagues respectfully asked the questions, what else should they turn to, where would they get the financing? We know they are working. They are working two or three jobs. They have parents who are struggling; they can't get the money from their parents. Where would they go? Who would they turn to if we signed off on these cuts?

Ms. KANTER. A lot of them will leave, especially next year, if the Pell were to be reduced to below $3,000, which would take us back decades. But absent that, their only other hope is to get more loans. And we are trying to not burden people so that they can go into the economy with the least amount of debt possible.

Mrs. LOWEY. So I don't know how we can achieve the goal of leading the world in college completion by 2020, and my time is up so I won't ask the question, if the cuts to the Pell program in H.R. 1 were to become law.

And I thank you, Mr. Chairman.

Ms. DELAURO. Mr. Chairman, if I might just ask for unanimous consent to enter into the record the testimonies of these youngsters who were at this forum on the value of Pell.

[The information follows:]

Dr Dorsey Kendrick, Honorable Rosa Delauro, and every one gathered here today,

My name is Sam Osei and I am honored to be here this morning to share my testimony on why cutting funding for the Community College is not a good idea.

I can easily relate Congresswoman Rosa Delauro's story to mine as an immigrant from Ghana. My road to nursing began in Ghana when I took care of my sick father. After I cared for him, I realized that I wanted to make a difference in the lives of other individuals during their time of need. When I first entered into the United States, I found education readily available to me so I took advantage of that. After I completed my GED, I enrolled in the Community College System to become a Registered Nurse. I successfully graduated from that program in 2006 with an Associate of Science degree in Nursing. From there, I passed the national licensure exam for Registered Nurse and gained full-time employment at Gaylord Hospital in Wallingford, CT.

Today, I am proud to say that I am a Registered Nurse from Gateway Community College! I am a productive member in the community working at Gaylord Hospital helping people with spinal cord injuries, traumatic brain injuries and respiratory problems. I have continued my education and received a bachelor's degree and am now enrolled in Master's program in Nursing. I would not be where I am today if I was not afforded those beginning opportunities at Gateway Community College. This opportunity also provided a better quality of life for me in a profession that allows for greater financial ability and stability.

It was not easy working multiple jobs so that you can help the families you left behind and also seek to educate yourself at the same time. The Community College helped me to balance education and family because that was all I could afford compared to a four year institution. I would not be the professional I am today if the Community College was not readily available to meet my needs. I believe there are many people out there like me who are taking advantage of the help available to them to better their lives in so many different ways.

Rosa, I wonder how many people will be left behind should the cuts go forward who would have been proud to share their stories like me to encourage others to move on in life. Probably thousands as you mentioned in your speech.

I want you to know that your work for us as citizens of Connecticut is well appreciated. I hope you will continue to fight not only for us in Connecticut but for every one who is a citizen of this great country. Thank you for listening.

Sam Osei

Graduate of Gateway Community College

Class of 2006

Associate of Science degree in Nursing

February, 2011

Congresswoman Delauro:

I'd like to thank you for coming to Gateway; the Long Wharf campus is the hidden step child of Yale, and this provides us with an opportunity to be heard.

I am here today because I want to support my classmates in voicing our objections to educational funding cuts. I am also here because I'm curious, curious as to how this current crisis came to fruition. One day we attended classes, and the next we were told that this upcoming semester could pose grave financial burdens for each one of us.

At most community colleges, like Gateway, students are often juggling full and part time jobs, parenting, and "tough" social living conditions. Although it is our responsibility to actively participate in the direction and conditions of State policy and social environment, we are not left with much time *to* focus on the complex choices and paths that are needed to secure an abundant future.

Que Politicians. It is their job to hold the magnifying glass to current events and ensure they don't transform into obstacles. We place *our* power in their hands so they can make the smart choices we haven't time to develop; looking back at the past ten years it doesn't appear like they did a good job with this task. Even worse, reflecting on the past month, I feel like now they have down right failed us. Not only have they misrepresented the peoples concerns, but they have steered our country into having to scramble to cover up, mix up, and attempt to fix up HUGE mistakes: environmental, political, and economical.

Gateway likes to reinforce that the "future is ours." But without financial support, that education really isn't ours. It's being handed over to the politicians. And although some of them obviously need it, it isn't theirs to take. This is our money, and they aren't making the right choices with it.

This education isn't just the whims of individuals looking to better themselves, this is the livelihood of families, the foundation towards giving people the skills and knowledge they need to pull themselves from the whirlpool of societies dark side.

Not only do they depend on the financial aid and affordable education standards to help them reach their goals, but they depend on it for their future. Each one of us is here because we chose to be. This education IS literally our "Gateway" to pursuing aspirations.

To take this money from us is directly and full knowingly brushing us aside as lesser, as a people whose education isn't as important as, say: funding more non-renewable energy sources. I could only hope **you** believe that educating people and giving them the knowledge they need to develop a sustainable planet and successful future is the better investment.

Students would be forced to buy loans or fade into a jobless economy, further perpetuating the economic collapse and already problematic lack of education plaguing this country. Neither seem like viable options in such an advanced 21st century to me.

Continuing, the ones who chose education are now conceding to accepting and pushing themselves further into debt, systematically and conveniently freeing the government from having to correct it's own mistakes...instead, this financial weight shall be placed upon ourselves, while the independent banks and government, once again begin to profit on the actions we're *forced* to take. This all seems so incorrect to me. I don't stand here blaming you. We appreciate our voices being heard and hope that you ave the intention of passionately representing us in passing along these messages. However, my question still stands, and that is: how, and where did we as a state, and country, go **so** wrong?

Shane Feyers

I am indebted to Gateway. I will graduate from Yale in 2012 with a BA in the History of Medicine, but Gateway will always be my alma mater.

When I entered Gateway in 2009, I was not looking for a school with stellar resources, research facilities and published professors--I was looking for confidence.

I am honest when I say that if I had not spent two years at Gateway prior to going to Yale, I would turn into a trembling at the thought of delivering a presentation to 50 people, I would stumble over my words when speaking to a professor of repute and I would forever scour the stacks of the Yale's great sterling library not having the confidence to ask somebody for help.

Yale is tough and hugely competitive, as it should be. It fills a different yet wonderfully complementary role to that of the Community College system. I hope more students take advantage of this path.

The teaching staff at Gateway nudged my academics up to a standard that enabled me to enter a Yale classroom without feeling hopelessly lost, and they instilled a confidence which enabled me to keep motivated when there (unfortunately) were such moments.

Gateway should be proud of the wonderful new campus that it will soon call home, and the wonderful new resources that the college will be able to offer students. But at the end of the day, resources, the color of the walls, and the state of the bathroom tiles, were the least important thing.....many of us who come through these doors do so because need to figure out where and how we fit into the community around us. And then once we know the HOW of our future plans, we need the confidence to follow through and carry out these plans. Direction and confidence, these are the two things that Gateway provided me with.

I am now able to concentrate on my academics at one of the finest institutions in the country now that I know where I am going and am confident I will get there.

Helen Macgregor
Eli Whitney Student
Timothy Dwight College
Yale University Class of 2012

I want to thank Rosa Delauro for reading my letter and I humbly ask those who are present for their attention.

My name is Lila Tullock. I live in New Haven, CT. This is my third year as a student at Gateway Community College and I will be there at least another 3 years. I am not special. I am a single mother. I can only attend part time because I have to work two jobs in order to provide for my daughter a safe home, healthy food and other basic necessities. I am fully funded by financial aid but I still have had to take out school loans in order to supplement my income at times when I couldn't find a second job. I do not have a fancy home or a fancy car. I live in a modest one bedroom apartment in what I like to refer to as "an up and coming neighborhood" on the outskirts of New Haven. It's nice during the day.

I drive a 98 base model Subaru Forester with a crack in the windshield that needs new tires and CV boots. I qualify for food stamps, Wic and at times Welfare but I refuse to be on them. Don't get me wrong! There is a need real need for these programs for my mother and all her sisters were on them at some point as well as my grandmother. I am so glad they available for I might not be here if such support systems did not exist.

But I want change. Although it's a struggle, I can work and so I choose to do so. I will be the first of my family to receive a college education. Education will allow me to contribute to my family and to society. I want my daughter to not have to go though this or what my mother went though. I want to pay for her college education and her wedding, help her purchase her first house. I want to purchase a house for myself. Is this not the American dream?

Lua Elena, my amazing daughter, for whom I live for, attends the Early Learning Center (a head start preschool program located on campus).

She receives a School-Readiness grant so I only have to pay a small percentage of the tuition that I wouldn't otherwise be able to pay. Making it possible for me to attend college. I can't even begin to tell you how much the teachers and other staff in the Early Learning Center have gone above and beyond their job descriptions in helping me deal with my seemingly endless struggles. Such little things as hand me down clothes help me cut down on my stress so much. As the first in my family to receive a full college education I do not have any assistance or support from my family on how to succeed in a academic setting but Gateway has also provided a great support system that is teaching me those life skills. I have a 3.79 GPA.

This college is my support system. Don't take this away from me!

With the educational cuts that are threatening my grants, the financial aid for my education, for my daughters education, for my future and for my daughters future, my hopes and dreams let alone mine and my daughter's survival are threatened! If my aid is touched I can't go to school! If my daughter's grant is touched I can't go to school! I would be forced to use what little money I make to pay for the difference in financial aid for my education and for my daughter's school but I will not have enough funds to take care of my daughter or myself left. I would be forced to seek assistance from other sources.

Don't send me to welfare! It is unacceptable! Let me be a contribution to society not a drain. Help me stop this cycle! This country needs to invest in the education of its masses. This is an investment in the future strength

of our country. By not providing the education necessary for our success as a nation you will be un-educating our masses. This is unacceptable! I believe that with education comes the knowledge that brings the power to make this nation better. I want to make this nation better.

I can't tell you numbers or talk the history of the political system to state why we are in the trillion dollar mess we are in today. Although I try I am not that well informed, unfortunately I don't have time. Honestly does it matter how or who? Let just fix it.

I do understand that we have to make cuts in order to crawl out of the hole we are in but I do not think education is the one of the places we begin. It should be the last place cuts are made. Education is one of the answers not one of the problems. So why are we cutting education? As I said I am not special, there are so many like me with such similar stories. I am one among so many.

Members of the legislative board I implore you! You have the power we have appointed you with to either build up this country or tear it down. I hope you make the right choice.

Thank you again for this opportunity.

Sincerely,

Lila Tullock

Hello my name is Jasmine Carson and I am a student at Gateway Community College. I have been here for 2 years and will be for another year to obtain my associates degree. The only reason I am able to attend Gateway is because of the financial aid if the services such as the Pell grant are gotten rid of I will not be able to attend Gateway anymore due to lack of money. When I was a young child my father was shot and killed, so because of this tragedy my mother had to take on two jobs to be able to support us. Seeing her cry every night wondering where the next pay check was coming from was very depressing. When I saw this I set it in my mind that I did not want to have to go through that so I would go to school to be a Lawyer. Recently my mother was diagnosed with paranoia schizophrenia, which is a disorder that makes the patients thing someone is after them due to this fact she had to leave work because she could not deal with it. So now I am working to make money to support myself to follow my dreams. My mother is however working again but it is still not enough to put me and my sister who will one day attend college. Without the Pell Grant I would be out somewhere flipping burgers.

Mr. REHBERG. Without objection.

We are going to then go to Ms. Lee. And if there are any additional questions that the committee would like to have submitted for the record, we will entertain that as well.

Ms. Lee.

PELL GRANT ELIGIBILITY FOR FELONS

Ms. LEE. Thank you very much. Could you explain this lifetime ban as it relates to formerly incarcerated individuals? I know for drug felonies, there is a lifetime ban. Is that for all formerly incarcerated individuals convicted of a felony? What is the status of that at this point? I know we have to go back to the drawing board in terms of the law. Chairman Frank and others, we have worked on this for years. But can you kind of clarify and explain where we are on this?

Ms. KANTER. At this point, I would have to get back to you on that. I am really sorry, but I don't have all that data available.

Do you have that, Tom?

Mr. SKELLY. Some of the laws have changed on drug convictions. You have to be engaged in selling or doing business in dealing drugs.

Ms. LEE. Right. But I mean, after you get out, once you have done your time and paid the price and coming back out to become gainfully employed to become a productive member of this society, what do you do?

Mr. SKELLY. You certainly can get education and hopefully be rehabilitated, but we will have to get back to you.

Ms. LEE. But can you get a Pell Grant now?

Mr. SKELLY. I don't think you can qualify.

Ms. LEE. That is still a lifetime ban. Is it a lifetime ban for only those convictions relating to drugs, selling?

Ms. KANTER. We would have to get back to you, and we will.

Ms. LEE. Okay. Could you kind of get back to us and explain the entire policy, the entire law, what the bans are, what convictions this applies to, if it is for all formerly incarcerated individuals, for all convictions, or what it is?

Mr. SKELLY. Students who are in jail in either a Federal or State institution are ineligible.

Ms. LEE. I know that. I am talking about when you complete your time, you do your time, you get out, just like with food stamps. I have worked with the ranking member for years on this. You know, there is a lifetime ban in terms of eligibility for food stamps for those who had been convicted of a drug felony. If it were armed robbery, you could apply for food stamps, but a drug felony, you can't. And just so everyone knows, this disproportionately affects African-American men, and it really is a barrier to moving forward in terms of becoming productive members of society, and many end up back in jail because they just don't have that pathway out.

Ms. KANTER. Right. We have a group in the Office of Vocational and Adult Education working on corrections with several agencies. So we will bring you the latest status of the report. We can give it to all members of the committee if you would like.

Ms. LEE. Okay. Thank you very much.

Mr. REHBERG. Thank you, Dr. Kanter.

We appreciate your being here.

Mr. Skelly, once again, we will probably see you again and again and again, but we thank you for your time today.

Meeting adjourned.

[The following questions were submitted to be answered for the record:]

2011-2012 PELL GRANT AWARD

Mr. Rehberg: Ms. Kanter, as you know, the cost of the Pell Grant program is continuing to spiral out of control. According to your budget documents, the Pell grant program is estimated to cost $43.9 billion next year. You are proposing, as part of your budget request, several changes within the authorizing committee's jurisdiction that you estimate will save $15.3 billion, and you assume those savings in your budget request to this Subcommittee.

As we discussed with the Secretary last week, however, some of these changes may never be made, and even if they are, most of that savings will not come to our Subcommittee. What we have to work with are discretionary dollars, and you have requested $28.6 billion of those from us for Pell next year.

What do you estimate the maximum grant would be next year if we provide funding at your requested level of $28.6 billion, assuming that the authorizing committees do not enact any of your savings proposals?

Ms. Kanter: If the Pell Grant program is funded at the requested $28.6 billion level, and none of the policy proposals are enacted, the maximum grant a student could receive in the 2011-2012 award year is $3,570. Of this, $2,880 would be funded through the discretionary appropriation, and $690 is the mandatory add-on.

YEAR-ROUND PELL POLICY

Mr. Rehberg: One of your policy proposals to achieve some budget savings is the elimination of "two Pells," sometimes called "year round" Pell. I understand this allows students to receive two Pell Grants at the same time so they can expedite their studies through the summer.

Is that how "year round" Pell works?

Ms. Kanter: "Two Pells," or year-round Pell, is available to students who are studying toward a certificate, associate's degree, or bachelor's degree, and have already received a Pell Grant in the current award year. In order to receive the second Pell award, the student must be enrolled at least half-time. If a student receives a second award, it is in the same amount as their first award.

Mr. Rehberg: Can you give us the history and policy rationale behind allowing this change?

Ms. Kanter: At the time of its enactment, it was believed this change would recognize the importance of college completion by giving students the opportunity to accelerate their work through year-round enrollment.

Mr. Rehberg: How long has year round Pell been allowed?

Ms. Kanter: Eligible students first started receiving a second Pell Grant in award year 2009-2010.

TRENDS IN YEAR-ROUND PELL

Mr. Rehberg: What trends you are seeing in the use of year round Pell; and, what sort of students are using this option? How do they differ from traditional college students or traditional Pell grant recipients, if at all?

Ms. Kanter: The tables provided below illustrate information about participating schools in the "Two Pells" program for award year 2009-2010.

The following table breaks out, by school type, how much aid is disbursed for "Two Pells," and is compared to the same figure for the total Pell Grant program. It shows students at private and public 2-year schools are using the second Pell Grant in much smaller numbers than the regular program. Proprietary schools receive the greatest amount of year-round Pell aid (approximately $545 million), whereas in the total program, public 2-year schools receive the most total aid (at $10.2 billion).

"TWO PELLS" TOTAL COMPARED TO TOTAL PELL GRANTS

	Year-Round Pell		**Total Program**	
School Type	**Aid ($millions)**	**% of Total**	**Aid ($millions)**	**% of Total**
Private	157	9.3%	3,860	12.87%
Proprietary	545	32.15%	7,595	25.32%
Public 2-Year	455	26.84%	10,157	33.86%
Public 4-Year	538	31.71%	8,381	27.94%
Total	1,695	100%	29,993	100%

In comparison, the following table lists the number of participating schools, by type, in both year-round and the total Pell Grant program. It shows that of schools participating in the Pell Grant program in general, public 4-year and proprietary 4-year schools participate in the year-round Pell program with the greatest frequency. Private 2-year schools are the smallest in both number and percentage of schools participating in the year-round program.

NUMBER OF SCHOOLS PARTICIPATING "TWO PELLS"

	Private 2-Year	Private 4-Year	Proprietary 2-Year	Proprietary 4-Year	Public 2-Year	Public 4-Year	Total
Year-Round Participating	91	876	1,285	177	1,017	528	3,974
Total Participating	223	1,248	1,667	190	1,243	548	5,119
Percent Participating in Year-Round	41%	70%	77%	93%	82%	96%	78%

YEAR-ROUND PELL POLICY OBJECTIVES

Mr. Rehberg: How well do we think year round Pell is working in meeting its policy objectives? Do we think students will really graduate more quickly, and what will that mean for them and for the colleges they attend?

Ms. Kanter: Data on the participation and outcomes of year-round Pell is limited as the program has only been implemented for a short time. At this point, no increase in graduation rates has been seen.

Mr. Rehberg: What are the policy ramifications of eliminating this option?

Ms. Kanter: While a number of students will no longer receive a second Pell Grant, the benefits of preserving it do not outweigh the costs associated with eliminating the availability of the $5,550 maximum award for all students. The cost of "Two Pell" has far exceeded estimates, raising questions about whether it is achieving its goal of accelerating students' degree completion in a fiscally responsible way. Given the cost, the Department will eliminate this policy while continuing to explore more fiscally responsible alternatives for helping students complete their degrees more quickly.

Mr. Rehberg: What are the estimated savings from eliminating it?

Ms. Kanter: If "Two Pell" is eliminated before July 1, 2011 – in time for the 2011-2012 award year – an estimated $7.6 billion in discretionary funds will be saved. Eliminating the program before this date is critical as it is part of the larger strategy to maintain the $5,550 maximum award. If the program is eliminated after July 1, 2011 but before July 1, 2012, the savings is reduced to an estimated $4.2 billion.

Mr. Rehberg: Last week the Secretary told us that 900,000 students would be impacted by the elimination of year round Pell.

How many of these students would be unable to continue their studies without the extra Pell grant?

Ms. Kanter: That is a complex estimate to make, as it is difficult to predict how many students will find other sources of grant or student aid, (additional) employment, or some other resources to fund their education; or drop out entirely. Preliminary data have not been able to lead to any definitive conclusions about enrollment and the effect of the second Pell.

ACCELERATING DEGREE COMPLETION

Mr. Rehberg: What are some fiscally responsible alternatives to help students complete their degrees more quickly?

Ms. Kanter: Last week the Department presented the College Completion Tool Kit, which provides seven proven strategies that Governors should consider to raise college completion rates. It details specific examples from states that have implemented these practices already, as well as resources for information or data. Also, the College Completion Incentive Grants program, included in the Pell Grant Protection Act, provides financial incentives to States to set and meet goals for college completion, particularly focused on goals that assist low-income students.

GROWTH IN THE PELL GRANT PROGRAM

Mr. Rehberg: Do you see the growth in Pell costs slowing down any time soon assuming that no policy changes are made in the program? Why or why not?

Ms. Kanter: The Pell Grant program is currently experiencing a period of historical growth. This kind of growth cannot be sustained in the long-term, and future years will see growth closer to the historical average. For instance, in 2013-2014 the program is projected to grow by 2 percent, which is consistent with historical trends.

PROFILE OF PELL GRANT RECIPIENTS

Mr. Rehberg: Most of us understand that the type of person who received a Pell Grant 20 or 30 years ago may be very different from the sort of person who is using Pell Grants today.

What can you tell us about the average Pell Grant recipient, and how that has changed over time? What do we know about their age, income level, type of school they attend, what sort of degree they are pursuing, and how long it takes them to graduate?

Ms. Kanter: In the 2009-2010 award year, approximately half of the 8.1 million recipients were 24 years of age or older; this is a 7 percent shift toward that age group since 1997-1998. Also, in comparing the change from 1997-1998 to 2009-2010, the number of students attending either 2-year public or private institutions has decreased by 6 percent, while proprietary institutions increased their share of Pell recipients by 12 percent, and 2-year public institutions have remained level at 35 percent of the recipient population.

There were 5.5 million Pell Grant recipients in the 2007-2008 award year. Of these, 46 percent were seeking a bachelor's degree, 42 percent an associate's degree, 11 percent a professional certification, and 2 percent were not in a degree program. In comparison, non-Pell recipients in the same academic year were pursuing a similar mix of associate's and bachelor's degrees. Compared to the non-Pell students, Pell recipients were more likely to be pursuing a certificate and were less likely to not be enrolled in a degree program.

Graduating seniors in 2007-08 and who received a Pell Grant in that year took the following number of years to graduate: 32 percent graduated within four years; 19 percent graduated in 4-5 years; 13 percent graduated in 5-6 years; and 36 percent took more than 6 years to graduate.

Mr. Rehberg: How much other debt are they typically carrying and how much in other student financial aid do they typically receive?

Ms. Kanter: Among Pell Grant recipients who received grants in the 2007-2008 award year:

- 37 percent of these recipients did not borrow student loans in the 2007-2008 academic year. Of those who did borrow, the average total amount borrowed in 2007-2008 alone was $2,732.
- 29 percent of these recipients did not borrow prior to and including the 2007-2008 academic year. Of those who did borrow, the average cumulative amount borrowed through the 2007-2008 academic year was $7,064.

On average, Pell Grant recipients received total financial aid of $5,281, and of that $1,816 was grant aid.

Mr. Rehberg: What data do we have to demonstrate how much these students rely solely on Pell Grants to attend school?

Ms. Kanter: As indicated by the following data, while few students rely solely on Pell Grants to cover their cost of attendance, Pell Grants do make a significant contribution to a recipient's ability to afford postsecondary education. In 2007-08, on average, Pell Grants:

- Represented 36 percent of the total aid received by Pell Grant recipients. Only 13 percent of recipients received all of their aid from Pell Grants, while 38 percent received less than one-quarter of their total aid from Pell Grants.

- Accounted for 54 percent of tuition and fee charges for Pell Grant recipients. For 33 percent of recipients, the Pell Grant covered their entire tuition and fee charges, while 23 percent covered one-half or more, 20 percent covered one-quarter to one-half, and 24 percent covered less than one-quarter of their tuition and fees.

SAVINGS IN THE PELL GRANT PROGRAM

Mr. Rehberg: We have already discussed one of your budget savings options for Pell, that of eliminating the ability to receive Pell year round. I am sure that as part of putting together your budget this year, you had many internal discussions about various savings options, some of which you may have rejected.

What are some other policy options for achieving savings in the Pell Grant program; and, can you identify some of the main pros and cons of each of these?

Ms. Kanter: Choosing to cut the second Pell Grant was a tough choice, but, ultimately, it was necessary in order to do what was best for all students who benefit from the Pell Grant program. This decision helps ensure the program will be on a solid financial foundation for future years and protects the $5,550 maximum grant award. As earlier data described, Pell Grants are an important resource for students to pay for college. The Pell Grant program is the foundation of student aid and without students and families at least having confidence in the stability and maintenance of the $5,550 maximum award, students may not be able to remain in school or may seek other more expensive ways to pay for their education.

FAFSA SIMPLIFICATION

Mr. Rehberg: I understand that another part of your savings proposal is making changes to the Free Application for Federal Student Aid form, known as the FAFSA.

What changes are you proposing to this form?

Ms. Kanter: The FAFSA simplification proposal removes several data elements from the form and adjusts the Expected Family Contribution (EFC) formula accordingly.

Changes include the revision or removal of questions related to assets and savings, employment expense, and total income. Additionally, a cap of more than $250,000 in combined net assets for a dependent student and his or her parents would be set. It is believed that removing and revising the confusing elements on the form reduces the chance of error or fraud, while establishing a fairly high asset cap will result in a fairer – and clearer – calculation.

Mr. Rehberg: Why does changing the FAFSA save money?

Ms. Kanter: Each component of the simplification package has a different individual effect, producing a net impact of a small cost savings. For instance, the package includes the removal of many of the other types of income questions. Removing untaxed income items produces higher costs while removing exclusions from income produces savings.

DROPOUT RATE IN THE PELL GRANT PROGRAM

Mr. Rehberg: The original goal of the Pell Grant program was to help anyone, regardless of their income level, attain a college degree. Congress wanted to ensure that those who were able and wanted to go to college would have that opportunity.

It was a win-win situation. The individual student would benefit from being able to achieve their dream of a college education and a job in a field of their choosing, and the American taxpayer and country as a whole would benefit from a more highly-skilled and educated workforce, along with the higher wage jobs and increased tax revenue resulting from it.

I am wondering how well we are achieving those original policy objectives. I am especially concerned because I've heard that many students get a Pell grant, go to school for a few courses or a couple of years, but then drop out without ever completing a degree of any sort. And this results in a lose-lose situation. The student loses, because they leave school with no degree that will get them a better job (and they probably now also have some debt) and the taxpayer loses because they have invested thousands of dollars in a person who isn't going to be able to get that higher-paying, better job to fuel our economy.

What is the dropout rate in the Pell grant program?

Ms. Kanter: To determine dropouts, it is typical to look at a 6 year period of time. So for instance, among first-time freshman in 2003-04 who received a Pell Grant, 40 percent had left school by 2008-2009 without receiving a degree or certificate. Within this six-year period, approximately 20 percent had received a bachelor's degree, 10 percent an associate's degree, 16 percent a certificate, and 15 percent were still enrolled.

RETURN ON INVESTMENT OF THE PELL GRANT PROGRAM

Mr. Rehberg: How many more associate's and bachelor's degrees can we attribute to the increased growth in Pell grant recipients over the past decade?

Ms. Kanter: The growth in the Pell Grant program between 1999-2000 and 2009-2010 can be attributed, in part, to the increased number of freshman entering the program. Over that time period, over 2.3 million freshman received a Pell Grant. Based on the dropout data provided in the prior question, it is expected that these recipients alone would obtain a minimum of 460,000 bachelor's degrees and 230,000 associate's degrees.

Mr. Rehberg: What is the return on our investment in Pell grants?

Ms. Kanter: College Board's Education Pays, 2010 report illustrates that individuals expected lifetime earnings increase greatly with the level of education he or she is able to attain. Individuals with an associate's degree are able to earn 24 percent more during a 40-year working life than the typical high school graduate; those who earn a bachelor's degree earn approximately 66 percent more in their lifetime than a high school graduate. Annually, this translates to an after-tax income of around $42,700 for those with a bachelor's degree, $32,700 for those with an associate's degree, and only $26,700 for those with a high school diploma.

PELL GRANT REFORMS AND COLLEGE COMPLETION

Mr. Rehberg: What reforms could we make to the Pell grant program to encourage degree completion?

Ms. Kanter: Pell recipients may also be able to participate in some of the programs introduced in the President's Budget that specifically focus on college completion. These include the College Completion Incentive Grants, as mentioned earlier, or the First in the World Program, which would reward innovation and using what works to produce better outcomes in postsecondary education.

Mr. Rehberg: Would a proposal that requires students to pay back a grant after a certain number of years if a degree is not obtained provide such an incentive?

Ms. Kanter: We believe the current program provides sufficient support and incentive, in part by making college more accessible and the goal of a postsecondary education a reality. Any proposed changes to the program, particularly of that magnitude, would have to be accompanied by input from various stakeholders, as well as clear and consistent communication with students, to prevent detriment to them.

PELL GRANT PROTECTION ACT

Mr. Rehberg: When will you send Congress legislative language on the Pell Grant Protection Act that you have referenced this morning?

Ms. Kanter: The Pell Grant Protection Act was transmitted to Congress on Friday, March 18th.

PELL GRANT LIFETIME CAP

Mr. Rehberg: I understand there is a lifetime cap of 18 full-time semesters on receiving Pell grants, but that is a relatively new limitation and only applies to students who receive their first Pell grant on or after July 1, 2008.

Is that accurate?

Ms. Kanter: Yes. Students who receive their first Pell Grant on or after July 1, 2008 are only eligible to receive grants for a maximum of 18 semesters.

Mr. Rehberg: Can students who received Pell prior to this date continue to receive Pell on an unlimited basis for the rest of their lives, up to the point they complete their first bachelor's degree?

Ms. Kanter: Students who received a Pell Grant prior to this date are exempt. However, it was estimated in 2008 that approximately 700 students were receiving a Pell Grant for more than 18 semesters at that time.

Mr. Rehberg: How many students have already surpassed the 18 semester cap, and how much money does this translate into?

Ms. Kanter: Now that the cap has been established, no one is able to receive Pell Grants for more than 18 semesters. However, as mentioned, historically less than 1/10th of one percent of recipients have surpassed that cap.

PELL GRANTS AS THE FOUNDATION FOR ALL STUDENT AID

Mr. Rehberg: One interesting feature of the way the Pell grant program works is that Pell grants are determined without consideration of any other financial assistance a student may be eligible to receive. Pell is considered to be the foundation for all student aid, and other forms of aid, be they loans, college work study, other college grants or scholarships, are all built on top of what a student qualifies for in Pell.

What is the historical rationale for making the federal government – via the Pell grant program – the financial aid source of first resort for all students?

Ms. Kanter: The Higher Education Act of 1965, passed as part of President Johnson's "Great Society" initiative, aimed to do what the Title IV programs continue to strive for: to provide financial assistance and greater access to higher education for lower and middle class families, and additional resources to postsecondary institutions. The subsequent reauthorizations of this Act continue to improve upon those ideas and create more and better opportunities for students to find employment and elevate themselves into the middle class and beyond.

Mr. Rehberg: Do you believe this rationale is still valid today with the economic crisis facing our country?

Ms. Kanter: This rationale is more valid than ever today, as demonstrated by the growth in the Pell Grant program specifically, and in enrollment in postsecondary education in general, as a result of economic conditions. Many of those returning to school have realized that a postsecondary education is necessary to build knowledge and skills that will help them succeed in the 21st century economy.

COMPLEXITY OF THE PELL GRANT PROGRAM

Mr. Rehberg: Ms. Kanter, one of the reasons we wanted to have this hearing is simply so that Members could begin to understand some of the complexities of the Pell Grant program. Pell grants have become so complicated, especially in the past few years with expansions in eligibility, the creation of mandatory funding streams, and complex formulas for determining mandatory add-ons to the maximum Pell award in future years.

If it is this hard for us to understand how Pell works, I have to imagine that student aid administrators, financial aid advisors, students and parents are having a hard time keeping up with all these changes and nuances.

In fact, in general, I think we make things pretty complicated here in Washington D.C. and often the rules and formulas we spend so many hours crafting up here just don't make sense to folks back home. I think we could take a look at our entire student aid system to see how that might be simplified to deliver funds faster and better to students.

Do you agree that the complexity of Pell is becoming overwhelming for students and school financial aid advisors to understand?

Ms. Kanter: The Pell Grant program has largely been administered in the same fashion for decades, and is done so in a very transparent way. Financial aid offices faced more of a challenge in the transition to 100 percent Direct Loans than they do in their day-to-day administration of the Pell Grant program, and that transition went, by all accounts, very smoothly. The Department is happy to assist financial aid offices with any questions they may have.

Mr. Rehberg: Would you support efforts to simplify the student aid programs; and, will your Administration send us a proposal to simplify the Pell grant program?

Ms. Kanter: The Administration believes we have put forth a Budget proposal and accompanying Pell Grant Protection Act that not only simplifies a student's access to financial aid – particularly though the policy to simplify the FAFSA – but also provides students and their families comfort in knowing the availability of financial aid is stable – by providing a solid financial foundation to pay for Pell Grants in the current and future years.

EXPECTED FAMILY CONTRIBUTION (EFC)

Mr. Rehberg: I understand that part of the formula for calculating a student's Pell grant award is determining their "expected family contribution" – that is, the amount of money out of pocket that we have determined they should be able to pay themselves toward a higher education.

In some cases, however, a student will automatically be credited with a "zero" expected family contribution, meaning that we don't think they should have to contribute anything out of their own pockets toward the cost of their education.

Can you explain what the automatic zero expected family contribution is, and at what income levels and circumstances this would apply?

Ms. Kanter: To qualify for a zero EFC, students have to meet a special set of conditions. For the student or their family (whichever relevant) that qualify, when calculating the financial aid package it is assumed that the relevant party will not be able to pay any money out of pocket for the students' education.

In the 2010-2011 academic year, dependent students may automatically qualify for a zero EFC if the 2009 income of the students parents is $30,000 or less, and if at least one of the following is true: if anyone included in the parents' household size (as defined on the FAFSA form) received benefits during 2008 or 2009 from the SSI Program, the Food Stamp Program, the Free and Reduced Price School Lunch Program, the TANF Program, and WIC; or, the student's parents are either eligible to file a 2009 IRS Form 1040A or 1040EZ or not required to file any income tax return; or, the student's parent is a dislocated worker.

Independent students must meet similar conditions. These students – who may be married, were born before January 1, 1987, enrolled in a master's or doctoral degree program , or currently serving active duty in the U.S. Armed Forces, among other criteria – may be eligible for a zero EFC if they have dependents other than a spouse. To qualify, an independent student's (and spouse's, if applicable) 2009 income must be $30,000 or

less, and, at least one of the following must be true: either anyone included in the student's household size (as defined on the FAFSA form) received benefits during 2008 or 2009 from the SSI Program, the Food Stamp Program, the Free and Reduced Price School Lunch Program, the TANF Program, and WIC; or, the student (and student's spouse, if the student is married) are either eligible to file a 2009 IRS Form 1040A or 1040EZ or is not required to file an income tax return; or, the student (or student's spouse, if any) is a dislocated worker.

Mr. Rehberg: What is the policy rationale for this?

Ms. Kanter: In 2009, the median household income in the United States was just under $50,000 annually. Thus, students or families earning less than $30,000 per year are those with apparent need, and raising the threshold to this level gives these students who may have been shut out of postsecondary education prior to this the opportunity to earn a credential. Also, some families qualifying under the new $30,000 threshold may have several dependents attending college at the same time, and providing a higher auto-zero EFC ceiling helps mitigate the pressures of funding all of the students' educations.

Mr. Rehberg: How has this driven up costs in Pell?

Ms. Kanter: Approximately $400 million of the total $30 billion program cost in 2009-2010 can be attributed to changing the auto-zero income threshold from $20,000 to $30,000.

Mr. Rehberg: What percentage of Pell students get an automatic zero EFC and how has this figure changed over the past decade?

Ms. Kanter: In award year 2009-2010, it is estimated that 68 percent of Pell Grant recipients received a zero EFC, with 49 percent of those recipients receiving an auto-zero EFC. In 1997-98, the comparable percentages were 54 percent and 28 percent, respectively.

THE USE OF REMEDIAL COURSEWORK IN THE PELL GRANT PROGRAM

Mr. Rehberg: Ms. Kanter, I know that some students who receive a Pell grant and are accepted into school may not be academically prepared to do college level work right away.

What percentage and numbers of Pell recipients use their grants for remedial coursework?

Ms. Kanter: In 2007-08, an estimated 14.5 percent of Pell Grant recipients reported taking remedial coursework. Assuming this percentage has not changed, this

would mean that approximately 1.2 million Pell Grant recipients were taking remedial coursework in 2009-2010.

As with other Federal student aid programs, students are limited to the amount of remedial coursework they can take and still be eligible for Pell Grants. If a student is enrolled in an eligible program and takes remedial coursework within that program (even if that student is taking all remedial courses before any regular courses) the student is eligible for Federal financial aid. Up to one academic year of remedial coursework – 30 semester or trimester hours – can be counted toward a students' enrollment status for Federal aid.

Mr. Rehberg: How has this figure changed in the past decade?

Ms. Kanter: The percentage of Pell Grant recipients taking remedial coursework has increased in the past decade from 10.5 percent in 1995-1996 to the estimated 14.5 percent in 2007-2008.

Mr. Rehberg: How many of these students ultimately drop out of school and can you estimate the total cost that represents to the program?

Ms. Kanter: In examining first-time freshman in 2003-2004 who took remedial coursework and received a Pell Grant, a total of 42 percent dropped out by 2008-2009. Of the remaining Pell recipients who take remedial coursework, 19 percent had received a bachelor's degree, 10 percent an associate's degree, 9 percent a certificate, and 21 percent were still enrolled. When comparing these Pell recipients to freshman Pell recipients who do not take remedial courses, the dropout rates are very similar. This suggests that the costs of dropping out would not be affected by taking remedial coursework.

PELL GRANT RECIPIENTS IN UPPER INCOME BRACKETS

Mr. Rehberg: I understand there is no fixed upper income level in determining who qualifies for a Pell grant.

How much money is disbursed to families making more than $50,000 a year?

Ms. Kanter: In the 2009-2010 award year, approximately 460,000 recipients had total family incomes over $50,000 and received a total of $890 million. Of these recipients, 300,000 were dependent students and received $600 million. The average household size among this group is five and the average number in college is two.

PURCHASING POWER OF PELL GRANTS

Mr. Rehberg: My colleagues have spoken about the purchasing power of Pell and stated that it has lost purchasing power to cover tuition, fees, room and board since the

1970s. However if the analysis is limited to examining how much a Pell grant covers of average tuition and fees, my understanding is that Pell covers 79 percent of average in-state tuition and fees at four-year public institutions, and at two-year public institutions, the maximum Pell actually exceeds average tuition and fees ($5,550 vs. $2,544).

Is this accurate?

Ms. Kanter: In the 1970s and 1980s the maximum Pell grant covered up to 100 percent of the full cost of attendance at 2-year public schools, and between 70 and 80 percent of the costs of 4-year public schools. Today, the maximum award is able to pay for approximately 64 percent of the full cost of attendance at 2-year public schools, 34 percent at 4-year public schools, and 15 percent at 4-year private institutions.

Mr. Rehberg: Since so many nontraditional students are now taking advantage of Pell to attend community colleges, and since these students frequently commute to their campuses, isn't Pell doing a pretty good job of covering the cost of community colleges now?

Ms. Kanter: The National Center for Education Statistics (NCES) estimates that in the 2006-2007 academic year, the average full-time tuition and fees for community colleges were $2,017. However, only about a third of all Pell Grant recipients attend a public 2-year school.

USE OF PELL GRANTS TO FUND STUDIES FOR ONLINE COURSEWORK

Mr. Rehberg: Can an individual receive a living allowance with Pell funds if they are taking only online courses? What is the policy rationale behind that?

Ms. Kanter: Students taking online courses are attending school, and they are still responsible for tuition, fees, and other associated costs. Additionally, their choice to continue their education may preclude them from employment opportunities or other benefits, which may make a Pell Grant or other aid a necessity to continue their studies.

WEDNESDAY, MARCH 16, 2011.

FY 2012 BUDGET REQUEST FOR DEPARTMENT OF LABOR

WITNESS

HON. HILDA SOLIS, SECRETARY OF LABOR

INTRODUCTION OF WITNESS

Mr. REHBERG. [Presiding] Good morning. Welcome. It is nice to have you.

This is the third in our series of hearings. We try to keep it as much as we possibly can to the fiscal year 2012 discussion, although we seem to leak out to other issues. But we will do the best we can do keep it to the topic at hand.

And Secretary, we welcome you. I normally don't give an opening statement unless I feel compelled, and today, I don't. So I will turn it over to Ms. DeLauro.

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

And good morning, Madam Secretary. I want to welcome you here and say thank you to you, and that I am looking forward to having you testify in support of your budget this morning.

Let me begin by saying how much I support the good work that you are doing at the Department of Labor. And I would just say, on a personal note, I am excited for your being at the Department of Labor, but I think I would speak for my colleagues on both sides of the aisle that we miss you here in this august body. But it is great to see you in this position.

And I am delighted to see that America has a Secretary of Labor who clearly believes in her mission, whose stewardship clearly supports the goal of good jobs for everyone.

I want to thank you for what you and the President have put forward in this proposal. I know that this budget represents very difficult choices. And in some cases, I may have made different calls, but the budget stands in a sharp contrast to the plan outlined by the majority in H.R. 1, which includes radical spending cuts that will cost Americans jobs and jeopardize our prospects for economic recovery.

To cut the deficit, the majority could have ended $40,000,000,000 in subsidies to oil companies, $8,000,000,000 in agricultural subsidies to big businesses, $8,000,000,000 in giveaways to multinational corporations who send their jobs overseas, but instead, the majority wants to eviscerate spending for Workforce Investment Act programs.

This effectively terminates the Federal Government's role in the workforce development, something that did not occur under President Reagan's administration, not even under President Nixon. Eight million people could lose this vital job aid entirely.

In the past, members of both parties have understood the crucial role of Government in helping Americans help themselves through workforce development. They knew that unemployed and underemployed citizens rely on these services to find a job and to retrain.

WORKFORCE INVESTMENT ACT

In fact, the Workforce Investment Act supports job training programs all across the country with proven results. WIA programs have seen a 233 percent increase in participation in recent years from 3.4 million workers served in 2008 to just over 8 million in 2010. And even in this tough economy, over half of the people seeking help, 4.3 million Americans nationwide, have found jobs with the help of these services, despite four job seekers for every available job.

I have visited several career centers in my district in recent weeks, have seen firsthand the difference that WIA makes. Case in point, Stratford, Connecticut. Ray Barbaresi, 31 years working for Sikorsky Aircraft, laid off. He used the good offices of the One-Stop center and is now reemployed in Milford, Connecticut, doing similar kinds of work that he was doing in the past.

There are 3,000 One-Stops in this country. And if the majority's budget gets enacted into law, millions of Americans will find a sign on these centers that reads "gone out of business." This is a huge loss to many of them who found employment through the One-Stops.

To take just one example, Elizabeth Strader of eastern Connecticut was able to move from bussing tables in a restaurant to working on a submarine project at Electric Boat, thanks to WIA-supported technical training. Stories like these happen all across America.

In Montana, Gina, a 31-year-old woman who had been laid off from her commercial door sales company, managed to pursue nurse training through WIA. She now works as a charge nurse and makes much more than she ever did before.

In Rock Springs, Wyoming, a dislocated worker named Justin was able through WIA training to get his CDL, his commercial driver's license. He now has a job as a truck driver and can support his family once again.

The jobless are not the only ones to benefit. Businesses also rely on these job training programs to fill vacant positions with qualified and skilled workers. These cuts will hurt them, too.

If they cannot find the workers right here, they will go elsewhere. We cannot allow that, not when we are trying to create and retain more good jobs in America.

WORKFORCE INNOVATION FUND

So I am glad to see that, unlike the spending plan outlined by the majority, this budget maintains funding for employment and training programs while promoting reform. It proposes a Workforce Innovation Fund to test new ideas and to replicate proven strategies for delivering both employment and education programs at a lower cost per worker. And there are efforts to pursue in the innovation fund making a reform of the system.

Last year, we recommended new funding for this proposal. This year, I see that you suggest that we redirect funding from some of the slower spending accounts within WIA to finance the proposal. In doing this, I am glad to see that the local resources used in One-Stop career centers are maintained.

This budget also maintains a commitment to the most vulnerable among us, including small increases for employment and training programs that target Native American communities, migrants, and seasonal farm workers, disadvantaged youth, and our veterans.

The majority claims they have walled off veterans services from cuts, but their budget does not include the additional resources that the Secretary had requested for returning military personnel and for homeless veterans. And it totally ignores the fact that 130,000 veterans get employment and training services through WIA.

I am also glad to see that, unlike the majority's proposal, this budget works to ensure that workplaces are safe. H.R. 1 would cut OSHA funding by 20 percent, meaning 800 less health and safety inspections. This budget, on the other hand, includes $6,000,000 to improve regulatory standards to protect workers, $6,000,000 for additional whistleblower investigations, and will enforce laws that protect those who face reprisal for reporting unsafe or illegal activities.

I hope that whatever differences that we have, we can all agree that workers who show up at their jobs every day, who perform the tasks that are assigned to them, should expect to get the wages and benefits they have earned. The increases here for worker protection agencies, such as the Wage and Hour Division or the Employee Benefits Security Administration, will ensure this happens.

There is so much I support in this budget request, particularly in contrast to the approach adopted by the majority. I look forward to discussing it in more detail.

No investment is more critical than investment in our human capital, and it is programs like this that are the essence of good government. They work to make opportunity real and benefit, above all, the families of working people who need help.

These are people who have played by the rules. I hope we will do what we can to see that we have the resources to continue putting America back to work.

I thank you, Madam Secretary.

And I thank you, Mr. Chairman.

Secretary SOLIS. Thank you.

Mr. REHBERG. Thank you.

And we must continue to remind ourselves that one of the reasons that we passed H.R. 1, which is no longer in effect because it was voted down in the Senate, is because the Democrats did not complete their work in 2011.

I apologize for that because it would have been nice if we could have just focused on fiscal year 2012. But since they did not get their work done, we continually find ourselves having to deal with continuing resolutions.

So, hopefully, under new management, we will have an opportunity to work together with you. Once we complete their work on fiscal year 2011, we will continue on with the work of fiscal year 2012. And I look forward to hearing your testimony.

OPENING STATEMENT

Secretary SOLIS. Thank you very much.

Well, first of all, thank you very much for inviting me to present today, Chairman Rehberg and also Ranking Member DeLauro and Members of the subcommittee. It is a delight to be here and, I think, a good opportunity to be before you to testify today.

Since I came before you last year, there have been a lot of changes. But what has not changed is the desire of the American people for us to work together, and I think that is something that we all remember and know that we have to keep working on.

Undoubtedly, we will not agree on every issue or every investment, but I hope that we can agree on many and that we can also agree on the end goal. And that is to continue to bring our country out of this recession with a stronger economy, better opportunities for all working Americans.

In the President's 2012 budget, it reflects difficult choices that we have had to make, striking a balance that will put our Nation on a sustainable fiscal path while also investing in programs and activities that will fuel economic growth and prepare our Nation to succeed in the 21st century. For the Department of Labor, that means ensuring that everyone has or can compete for a good and a safe job.

As the President has said, to win the future, we must out-educate, out-innovate, and out-build our global competitors. I am proud that our employment and training programs are preparing our workers for jobs in growing industries, and I am also proud that our budget reflects our commitment to innovation.

For example, the Workforce Innovation Fund, which we will administer jointly with the Department of Education, is designed to support efforts to make the public workforce investment system efficient, streamlined, and targeted to serve our growing customer base. But it is also an example of where we made tough choices in the budget.

Last year, our workforce innovation proposal largely consisted of new money. But recognizing the need to reduce spending, the current budget redirects funding from the slower spending State-wide set-aside to create this competitive grant fund.

GREEN JOBS

We take the President's goal of deficit reduction very seriously. We are working very hard at the Department of Labor to strike the right balance between reducing spending and making strategic investments that will support American workers and businesses in our economy.

A critical piece of the 21st century economy will be renewable energy. We can't cede this playing field to our competitors abroad, and American businesses get this. That is why we have had an incredible demand by employers for resources to help support more training in green job sectors, especially during the Recovery Act grant competitions.

In response to the demand, the budget requests $60.0 million for the Green Jobs Innovation Fund to provide opportunities for nearly 10,000 workers to gain industry-recognized skills through training programs which partner with local employers. And I have to underscore that because, many times, people do not understand what

these partnerships do require, I would say, on almost 100 percent basis, that they are coupled with an employer.

Our budget maintains our commitment to helping vulnerable communities and our veterans to be productive members of our Nation's labor force. We included targeted investments in the workforce programs that serve Native Americans, migrant farm workers, and, of course, our Nation's veterans, including $2.0 million additional to help veterans successfully transition to civilian employment and an additional $3.0 million for homeless veterans. In each case, we have also targeted women veterans and their military families.

The ability of our young people to qualify for jobs of the future is threatened by the challenges that they face today, including high levels of unemployment, and that also reflects the fact that many of our veterans are finding it very difficult to obtain employment.

JOB CORPS

To help them compete in the 21st century, we need to get them into good jobs now. Therefore, the President's budget requests additional funds for the YouthBuild program and for Job Corps operations.

But again, we make this request in a responsible manner. We made a tough choice by reducing Job Corps construction funds by $27 million to cover higher costs for operating the Job Corps centers. As you will hear tomorrow, I know you will be hearing more about proposals to strengthen the integrity of the Unemployment Insurance program, and we look forward to working with the Congress on these initiatives.

At the Department of Labor, we also take seriously our obligation to both protect workers and to protect those businesses that play by the rules and provide their workers with safe and fair workplaces. No worker should have to worry about whether they are going to come home safely at the end of a shift or to get paid for the work that they do.

And no employer should have to compete against companies that cut corners on safety or evade the law. In fiscal year 2012, the budget builds on recent gains for worker protection agencies by proposing increases of $132.0 million over the fiscal year 2010 appropriation.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

Some of the highlights of our worker protection request include the following: the Occupational Safety and Health Administration, which must ensure that all employers live up to their obligation to provide a safe workplace. And the 2012 budget provides resources we believe are necessary to help us meet that challenge.

The request includes additional resources for OSHA staff to ensure that everyone is playing by the rules. It maintains and expands our commitment to compliance assistance programs, including the Voluntary Protection Program and the free On-Site Consultation Program that focuses exclusively on small businesses.

It includes an increase of $6.4 million to expand the agency's regulatory program to meet the complex safety and health threats in today's workplaces and respond to the President's executive order

that we review, revise, and update our regulations that are already on the books.

Lastly, the Congress has greatly expanded whistleblower protections throughout new industries. So our request is a $6.0 million increase for OSHA to meet that challenge.

Last April you may recall the Upper Big Branch mine disaster, resulted in the needless loss of 29 miners, and that was the worst mining disaster since the creation of the Mine Safety and Health Administration, MSHA. In light of the tragedy, the budget request includes additional resources to ensure that MSHA has the tools that are necessary to protect our miners.

This request is detailed in my testimony, but I wanted to point out that it includes funding to continue to reduce the backlog of contested citations at the Federal Mine Safety and Health Review Commission. We must tackle the backlog to ensure that we are holding accountable mine operators who fail to meet their legal and moral responsibility to operate safe mines.

EMPLOYEE BENEFITS SECURITY ADMINISTRATION

I also wanted to highlight a few other priority areas at DOL. The budget request also contains a program increase of $41.4 million for the Employee Benefits Security Administration, known as EBSA, which protects employee benefits for more than 149 million people by safeguarding integrity of 718,000 pension plans and 2.6 million health plans.

Our request for the Wage and Hour Division includes a new multi-agency initiative to prevent misclassification, which is when an employer treats workers as independent contractors in order to avoid their legal obligation to pay taxes or to follow employment laws. We support the use of legitimate independent contractors, but we do not support denying workers the protections they are entitled to, denying taxpayers the revenue they are entitled to, or employers who do not play by the rules.

Before closing, I want to emphasize that we strongly support evaluation and efficiency at the Department of Labor. We are constantly scrutinizing ourselves and looking for opportunities to work better and smarter.

We have adopted a rigorous self-evaluation program——

Mr. REHBERG. We have to move on quickly here.

Secretary SOLIS. Okay. Well, with that, I will conclude my oral testimony. More details can be found in my written statement submitted for the record.

[The information follows:]

STATEMENT OF HILDA L. SOLIS
SECRETARY OF LABOR
BEFORE THE
SUBCOMMITTEE ON LABOR,
HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES

March 16, 2011

Chairman Rehberg, Ranking Member DeLauro, and members of the Subcommittee, thank you for the invitation to testify today. I appreciate the opportunity to discuss the Fiscal Year (FY) 2012 budget request for the Department of Labor.

There is broad agreement that the Federal government has to start living within its means, and the President's 2012 budget represents a good first step toward our shared long-term goal of reducing the Federal deficit. The President has put forward a plan to rebuild our economy and win the future by out-innovating, out-educating, and out-building our global competitors and creating the jobs and industries of tomorrow. At the same time, his plan recognizes we must restore fiscal responsibility, and reform our government to make it more effective, efficient, and open to the American people. The Department of Labor FY 2012 budget request reflects this direction.

Getting America back to work is a top Administration priority as we seek to spur growth in the U.S. economy. It is important to promote the creation of "good jobs," and the Department of Labor plays a vital role in this goal by helping workers find and prepare for new jobs, helping employers find skilled workers, and enforcing statutory obligations that keep workers safe and help them keep what they earn.

DIFFICULT CHOICES

The Department's FY 2012 Budget reflects **difficult choices** that will help put our nation on a sustainable fiscal path while also investing in programs and activities that will fuel economic growth.

- To offset other investments the Budget reduces funding for, and transfers to the Department of Health and Human Services the Community Service Employment for Older Americans Program to improve coordination with other senior-serving programs and better support the comprehensive well-being of seniors.
- The Budget reduces Job Corps construction funding by $27 million to cover higher costs for operating Job Corps centers, including funding for additional slots at the new Iowa center.

- The Budget eliminates the $125 million Career Pathways Innovation Fund, which duplicates the recently enacted Trade Adjustment Assistance Community College and Career Training Program.
- The Budget also redirects funding from the job training formula State set-aside, the Governor's Reserve, to fund the proposed Workforce Innovation Fund.

As part of a Government-wide effort to curb non-essential administrative spending, our budget includes reductions of $10 million for travel; printing; professional and technical services; and supplies and materials. Examples of administrative efficiencies to affect these savings include:

- Simplifying data collection including mailing postcard reminders rather than multi-part forms as detailed in the finalist proposal for the Mine Safety and Health Administration during the President's SAVE initiative.
- Using in-house printers to design, prepare, and produce smaller print jobs rather than contracting out these services.
- Migrating towards electronic formats for data collection, such as web data collection through the Internet.

INVESTING IN THE FUTURE

As the President said in the State of the Union address, to **win the future** we must out-educate, out-innovate, and out-build our global competitors. The Department of Labor FY 2012 budget invests in the future by working towards my vision, *Good Jobs for Everyone*. The Department's budget focuses on this vision in a fiscally responsible manner by:

- Getting America Back to Work
- Keeping Workers Safe; and
- Helping Workers Provide for Their Families and Keep What They Earn.

GETTING AMERICA BACK TO WORK

While we struggle to balance the Federal fiscal situation, workers and their families are hurting in these tough economic times, a situation that cannot be ignored even as we make the difficult choices reflected in our budget request. We know that job opportunities and economic security are of utmost importance to Americans. During my travels throughout the country, I have met many people who expected to be in their peak earning years and yet are struggling to find employment and maintain retirement savings. At the Department of Labor, we are assisting unemployed workers who need our help, both by providing an income safety net ***and*** the tools necessary to find new jobs.

In the FY 2012 Budget, we remain committed to small but targeted investments that help vulnerable communities and our Veterans to be productive members of our Nation's labor

force. We will invest $16 million in combined increases for employment and training programs that target Native American communities, Migrant and Seasonal Farmworkers, and disadvantaged youth. We are providing an additional $2 million for the Veterans' Transition Assistance Program to help veterans and their spouses successfully transition to civilian employment and an additional $3 million for the Homeless Veterans Program to ensure that those veterans who are struggling have a helping hand back to the labor market.

To get America back to work and win the future, the Department will prepare workers with the tools they need to succeed in the 21st century economy, help workers and firms find each other, and support innovative strategies to promote economic recovery. The FY 2012 budget request for the Department's Employment and Training Administration (ETA) is $9.7 billion in discretionary funds and 1,236 FTE, which includes 31 FTE funded by the H-1B application fees. This request is $911.9 million less than the FY 2010 enacted budget for ETA. Through innovative program strategies and offsetting new investments, the budget request for ETA will allow the Department to increase the skills of the American workforce while remaining fiscally responsible.

Additionally, the Department continues to support investments in the Workforce Investment Act (WIA) Adult, Dislocated Worker, Youth, and Employment Service formula funds, programs that help prepare workers for good jobs and provide them the skills and knowledge to succeed in a knowledge-based economy. WIA programs alone served about 8.5 million people during the last calendar year. This Administration wants to ensure that investments in job creation will *continue as the labor market fully recovers* from the economic downturn.

Workforce Innovation Fund

Even as the economy recovers, the unemployment rate remains unacceptably high. The public workforce investment system is more important now than ever, but we need to make it more efficient, streamlined, and targeted to serve our growing customer base. To win the future, we must recognize the 21st century global economy requires greater skills and education levels as good paying jobs shift from manufacturing to knowledge and service-based occupations. We must also recognize that just because we have done something before it is not necessarily the best way to accomplish our goals.

If we want to ensure that America has the labor force we need to be successful and get as many people as possible into productive careers that can carry them through their working lives, we must increase the skill level of our workforce, and link these training programs directly with jobs. The investment in employment and training is essential to this task. However, to ensure that investments are focused on reform, the Departments of Labor and Education are also investing a combined $380 million in a Workforce Innovation Fund that will drive innovation and reinvigorate America's workforce development system. This investment is offset by reducing other funding streams within the WIA system.

The Workforce Innovation Fund is designed to create strong incentives for change within the workforce development system that will improve the effectiveness of the WIA programs and

provide incentives to break down program silos and improve service delivery. The Fund represents a small but crucial investment in innovative, evidence-based, and cost-saving workforce investment strategies that will significantly impact formula-funded activities well into the future.

The Workforce Innovation Fund would provide competitive grants to projects that demonstrate new and promising ways of preparing adults, dislocated workers, and youth for jobs of the future. The WIA Adult, Dislocated Workers, and Youth and the Employment Grants to States programs will each devote eight percent of their appropriations to the Fund. Innovation funds will be available to test innovative service delivery projects, or replicate proven practices, that will achieve better outcomes, particularly for vulnerable populations. For example, the Department is very interested in testing funding mechanisms that incentivize providers to serve disadvantaged populations. Projects will collect reliable data to assess outcomes, inform program improvements, and provide meaningful information on workforce system and service provider performance. Furthermore, the Fund will support rigorous evaluation of grantee projects to identify approaches that get results and can be replicated throughout the workforce system.

Green Jobs Innovation Fund

The demand for resources to support green job training opportunities is significant – and the Department has received a record number of applications for grants. This unprecedented level of interest represents the need for resources that focus on green job training, which complements job creation efforts. Moreover, this surge in demand reflects the needs of those who are already working to gain skills – and portable credentials – to move into better, higher-paying jobs in emerging sectors.

The budget requests $60 million for the Green Jobs Innovation Fund, an increase of $20 million from the FY 2010 appropriation. This investment will provide training to help individuals secure jobs in growing green industries and jobs across the country. The request reflects the President's direction to grow the jobs and industries of tomorrow and will provide training opportunities for some 9,960 workers. These funds will support the Department's efforts to achieve two of its performance goals by increasing the number of individuals completing training programs with industry-recognized credentials and by increasing the number of individuals completing training programs for employment in green jobs.

YouthBuild

Developing the skills of our nation's youth is critical to ensuring that our workforce is ready to succeed in the future. The labor market challenges faced by young people in the current economy are many and have long-lasting implications for their ability to fully participate in the economy of the 21st Century. Through our YouthBuild program, we are providing disadvantaged youth, including youth with disabilities, with a pathway to employment or post-secondary education. The FY 2012 Budget includes $115 million, an increase of $12.5 million, for YouthBuild to provide competitive grants to an estimated 105 programs for the

education and training of more than 7,000 disadvantaged youth ages 16-to-24. The Department currently sponsors over 220 YouthBuild programs and hosts annual competitions for these funds. The investment will allow the Department to provide sustained funding to quality programs with strong performance outcomes. Under these grants, youth will participate in classroom training and learn construction skills by helping to build affordable housing. In FY 2012, the Department will continue the "green" transition of YouthBuild by encouraging connections with other Federal agencies involved in creating green jobs – such as the Departments of Energy and Housing and Urban Development – in order to leverage resources and new "green" opportunities for YouthBuild participants.

Strengthening Unemployment Insurance Integrity and Promoting Re-Employment

The severity of the recession put great stress on the Unemployment Insurance (UI) system, which paid out unprecedented amounts of unemployment compensation. This Administration is committed to protecting the financial integrity of the UI system and helping unemployed workers return to work as swiftly as possible. In addition to providing the funding that States rely on to administer this important safety-net program, our approach includes:

- Two major legislative proposals that would strengthen the unemployment insurance safety net. One would help States improve the solvency of their Unemployment Trust Fund (UTF) accounts, while providing temporary tax relief for employers. The other would create incentives for States to adopt Short-Time Compensation programs and expand their use nationally through implementation grants and a temporary Federal program in order to help avert layoffs.
- Another legislative proposal would focus on reducing UI improper payments by giving the States new tools and resources that will strengthen the fiscal integrity of the UI system. We estimate that the legislative proposal for strengthening the UI system would increase overpayment recoveries by about $2.3 billion and increase collection of delinquent employer taxes and penalties by $1.1 billion over ten years.
- A request of $60 million in discretionary funding for Reemployment and Eligibility Assessments, which support in-person interviews at the One-Stop Career Centers with UI beneficiaries to discuss their need for reemployment services and their continuing eligibility for benefits. In FY 2012, this investment, combined with the $10 million request included in State Administration, will help workers and firms find each other faster, leading to 980,000 UI beneficiaries making a quicker transition back to employment. The $70 million investment is expected **to save State accounts in the UTF $237 million**.
- Incentive awards totaling $10 million for States to improve their UI operations. The funding would be used to provide awards for most improved performance in improper payments, payment timeliness, and productivity.

We urge the Congress to act on these important proposals to strengthen the financial integrity of the UI system and help unemployed workers return to work. The Department is committed to improving reemployment for UI claimants across all of our workforce investment programs. Through a collaborative federal-state workgroup, we have developed a new vision and framework for connecting UI claimants to workforce services and getting them back to work as soon as possible, and are working with the system to implement that vision.

Senior Community Service Employment Program

The FY 2012 budget proposes to transfer the Community Service Employment for Older Americans (CSEOA) program to the Department of Health and Human Services' Administration on Aging (AoA). AoA leads the mission of helping older Americans maintain their independence and active participation in communities. This move would consolidate federal oversight of the Older Americans Act programs under one department, streamlining operations and putting federal administration of CSEOA in alignment with operations in the field. Closely integrated with other programs serving low-income seniors, SCSEP could better support not only employment, but also health, wellness and independence for seniors.

Job Corps

Our Job Corps program has a long history of preparing disadvantaged youth for a successful transition into the workforce and we should all be proud of this year's accomplishments. As with other youth programs, we are shifting Job Corps to focus on 21st century jobs to help our young people prepare for the challenges of the future. The budget includes $1.7 billion to operate a nationwide network of 125 Job Corps centers in FY 2012. Job Corps provides training to address the individual needs of at-risk youth and equip them with the skills they need to compete in today's emerging industries and again reflects some of the tough choices we had to make by offsetting the necessary increase in operations by a reduction in construction and renovation funding.

The FY 2012 budget continues an ambitious agenda to improve the program's performance, including:

- The Job Corps Reform Agenda, that sets high standards for all Job Corps centers with measurable and evidence-based outputs.
- An investment to continue to modernize curricula, upgrade equipment and refine training options in 11 high-growth job training areas.
- A continued focus on program improvement and reform by increasing monitoring, oversight, and accountability for poor performing centers through the use of targeted performance improvement plans.

We are optimistic that our reform agenda will **produce better outcomes and implement cost efficiencies.**

Veterans' Employment and Training Service

We know returning veterans can contribute greatly to our economy. For the Department's Veterans' Employment and Training Service, the FY 2012 budget request is $261 million and 227 FTE. The FY 2012 budget includes $39 million for the Homeless Veterans Reintegration Program (HVRP) to provide employment and training assistance to almost 27,000 homeless veterans, including continuing our outreach to homeless women veterans. In addition, the budget requests $9 million for the Transition Assistance Program for service members and their spouses including expansion of services to retiring Reserve and National Guard members, an increase of $2 million from FY 2010. Transition Assistance Program workshops play a key role in helping service members transition swiftly and successfully to civilian employment. With our FY 2012 budget we anticipate helping roughly 156,000 service members and their spouses through these workshops.

Disability Employment Initiative

It is also important to continue our efforts to ensure that our workforce system effectively serves persons with disabilities. To accomplish this, the budget includes a combined $24 million requested for the Employment and Training Administration and the Office of Disability Employment Policy to continue the Disability Employment Initiative begun in FY 2010. This initiative works to build the capacity of the WIA One-Stop system to serve job seekers with disabilities by improving coordination across programs, leveraging resources, and prioritizing the provision of service to job seekers with disabilities (adults and youth) through the Social Security Administration's Ticket to Work program.

KEEPING WORKERS SAFE

Winning the future requires a successful competitive market where all firms are playing by the rules to keep workers safe. Workers should be safe in their jobs and we need to ensure that our worker protection efforts keep up with the changing economy. The FY 2012 budget continues to invest in the Department's Worker Protection agencies by proposing increases of $132 million over the FY 2010 appropriation. Some of the highlights of our worker protection request include:

Occupational Safety and Health Administration

The Occupational Safety and Health Administration (OSHA) must ensure that all employers are able to provide safe workplaces to their employees. The FY 2012 budget request for OSHA is $583.4 million and 2,387 FTE, an increase of $24.8 million and 52 FTE over the FY 2010 level. The request includes an increase of $7.7 million and 25 FTE to expand the compliance safety and health officer (CSHO) workforce to continue OSHA's intensified commitment to preventing injuries, illnesses and fatalities by deterring employers in the most hazardous workplaces who exhibit a profound disregard for worker safety and health.

Included in the request is a program increase of $4.0 million to expand the agency's regulatory program to meet the complex safety and health threats in today's workplaces. Additionally, OSHA requests $2.4 million for the development of the Injury and Illness Prevention Program rule, which will require employers to develop and implement a comprehensive safety and health plan to protect against workplace hazards.

The FY 2012 budget also includes a program increase of $6.0 million and 45 FTE for the 21 whistleblower programs that OSHA administers in order to reduce the backlog in whistleblower claims, expedite the handling of received complaints, and prepare for a high volume of complex cases resulting from recently passed laws.

Mine Safety and Health Administration

As Assistant Secretary Main of the Mine Safety and Health Administration (MSHA) noted in his recent testimony before Congress, the April 5, 2010 explosion at the Upper Big Branch mine needlessly took the lives of 29 miners. That accident was the worst mining disaster since the creation of MSHA by the Mine Act and the deadliest coal mine disaster this nation has experienced in forty years. In light of the disaster, we need to think through how to protect miners to the fullest extent of our capabilities. MSHA's FY 2012 budget request of $384.3 million and 2,428 FTE, an increase of $27.0 million and 66 FTE above the FY 2010 enacted level, supports the need to adequately address safety in America's mines. The following are a few of the highlights of MSHA's request:

- The Program Evaluation and Information Resources (PEIR) and Technical Support activities, respectively, request $450,000 and $550,000 to upgrade mine emergency response and rescue capabilities for rapid response to emergencies. Also within PEIR is an increase of $2 million to transform the current outdated health database system into a modern system. This investment will ensure the system functions with integrity and efficiency in order to support compliance reporting. An additional investment of $1 million is necessary to migrate the functionality of the data system that collects and tracks information on mine accidents, injuries, and employment to run within MSHA's Standardized Information System.
- MSHA's Office of Standards, Regulations, and Variances requests an increase of $2.1 million and 10 FTE to promulgate standards and rules related to reducing health hazards, including those associated with exposure to respirable coal mine dust.
- An increase of $3.3 million and 15 FTE for the Coal Mine Safety and Health and Metal and Nonmetal Mine Safety and Health activities would continue progress toward reducing the backlog of contested citations at the Federal Mine Safety and Health Review Commission (FMSHRC). This project was initiated under FY 2010 Supplemental funding.
- An increase of $15.0 million for the agency's Program Administration activity with the flexibility to transfer a portion of these funds to the Office of Solicitor. This will support the personnel and activities necessary to match a requested increase in Administrative Law Judges at FMSHRC.

These investments in addressing the backlog are particularly important. If we do not reduce the backlog, mine operators will continue to have a strong incentive to contest violations as a way of gaining time before civil penalties are finalized and patterns of violations are established under MSHA's existing regulations. This will lead to even higher contest rates and potentially unsafe mines.

Office of the Solicitor

The Office of the Solicitor (SOL) handles the Department's legal enforcement and support. The FY 2012 budget includes $140.7 million and 726 FTE for SOL, a net increase of $15.5 million and 90 FTE from FY 2010. The budget includes an increase of $9.9 million to support an additional 54 FTE to reduce the Mine Safety and Health enforcement backlog at FMSHRC. An additional increase of $4.8 million and 26 FTE would support the number of Administrative Law Judges processing Mine Safety and Health citation cases at FMSHRC. To provide necessary legal support for the enhancement of OSHA's Whistleblower protection program, SOL requests $1.1 million and 6 FTE. As part of a multi-agency initiative to detect and deter the inappropriate classification of workers as independent contractors, SOL requests $1.4 million and 7 FTE. These increases are offset by elimination of lower priority legal support programs totaling $3.3 million and 18 FTE. The FY 2012 budget will strengthen SOL's enforcement litigation, issuance of timely legal opinions, legal support for rulemaking, and increased efficiency through its acquisition of legal technology.

HELPING WORKERS PROVIDE FOR THEIR FAMILIES AND KEEP WHAT THEY EARN

Employee Benefits Security Administration

The Department's Employee Benefits Security Administration (EBSA) protects the employee benefits for more than 149 million people by safeguarding the integrity of 718,000 pension plans, including 401(k) plans, 2.6 million health plans, and a similar number of other employee benefit plans, which combined represent over $6.1 trillion in assets. EBSA's enforcement efforts for fiscal year 2010 led to $1.05 billion in monetary results and the indictment of 96 individuals. The FY 2012 budget request for EBSA is $197.5 million and 1,089 FTE, an increase of $42.7 million and 179 FTE from the FY 2010 level. The additional resources will support the significant increase in Congressional action aimed at strengthening benefit security for working Americans and their families. These laws require DOL to undertake regulatory, enforcement, and participant and compliance assistance efforts that protect the interests of participants in employee benefit plans. The Department's efforts will make plans more secure and help ensure that workers and their families receive the benefits to which they are entitled from their plan and under the law. This budget will also enable EBSA to expand and strengthen its enforcement authority over fraudulent multiple employer welfare arrangements that defraud small employers and workers and their families out of the health care benefits they have earned and are depending on.

Pension Benefit Guaranty Corporation

The Budget proposes to strengthen the defined benefit pension system for the millions of Americans who rely on it by giving the PBGC Board the authority to adjust premiums and directing PBGC to take into account the risks that different sponsors pose to their retirees and to the pension insurance program. In order to ensure that these reforms are undertaken responsibly, the Budget would require two years of study and public comment before any implementation and the gradual phasing-in of any increases.

For administrative expenses of the Pension Benefit Guaranty Corporation (PBGC), the FY 2012 budget requests $476.9 million and 912 FTE.

Wage and Hour Division

The FY 2012 budget request for the Wage and Hour Division totals $240.9 million and 1,677 FTE. It re-proposes a multi-agency Misclassification Initiative, discussed more fully below, that would coordinate Federal and State efforts to remedy violations that result from the misclassification of employees as "independent contractors" and mitigate future violations.

We take the failure to pay workers the wages that they have earned very seriously. When workers are not paid the money that they have earned, their households and their communities alike feel the impact. Our efforts to recover lost wages not only help workers make ends meet in hard times, but can bolster the economy since back wages amount to new resources to low-income workers who spend most of the money they have earned. In FY2010, the Wage and Hour Division completed nearly 26,500 compliance actions and collected more than $176,000,000 in back wages for nearly 210,000 workers nationwide.

Office of Labor-Management Standards

The FY 2012 budget request for the Office of Labor-Management Standards (OLMS) totals $41.4 million and 249 FTE. OLMS administers the Labor-Management Reporting and Disclosure Act (LMRDA), which establishes safeguards for union democracy and union financial integrity. It requires public disclosure reporting by unions, union officers, employees of unions, labor relations consultants, employers, and surety companies. OLMS also administers the Department's responsibilities under Federal transit law by ensuring that fair and equitable arrangements protecting mass transit employees are in place before the release of Federal transit grant funds.

Office of Federal Contract Compliance Programs

I am also committed to vigorously enforcing the laws that combat discrimination, for our goal is to protect workers who — ultimately — are America's most important asset. The FY 2012 request for the Office of Federal Contract Compliance Programs (OFCCP) is $109.0 million and 786 FTE, an increase of $3.6 million from the FY 2010 level. The FY 2012 budget will

allow OFCCP to ensure equal opportunity for employees of federal contractors by enforcing laws that protect their right to be free of discrimination on the basis of disability, race, color, religion, sex, national origin, and protected veteran status.

Employee Misclassification Initiative

Employers who misclassify their employees as independent contractors or something other than employees often fail to pay those employees the minimum wage and overtime. They may evade payroll taxes and often do not pay for workers' compensation or other employment benefits. As a result of misclassification, employees are denied the protections and benefits of this Nation's most important employment laws– protections to which they are legally entitled, and unscrupulous employers benefit from an unfair competitive advantage in the marketplace. In these difficult economic times, when more employers are restructuring their workforces to lower labor costs and employees are more reluctant to assert their employment rights, employees are particularly vulnerable to misclassification. The FY 2012 Budget requests $45.8 million and 129 FTE for a multi-agency initiative to strengthen and coordinate Federal and State efforts to enforce statutory protections, and identify and deter employee misclassification. This initiative will help level the playing field for employers who abide by the law and provide employees with their rightful pay and benefits.

For the Wage and Hour Division, the FY 2012 budget requests an additional $15.2 million and 107 new investigators to expand its efforts to ensure that workers are employed in compliance with the laws we enforce. The funds will support targeted investigations that focus on industries where misclassification is most likely to lead to violations of the law, and training for investigators in the detection of workers who have been misclassified. The funds will also support the Wage and Hour Division's efforts to increase its information sharing and coordination with State and other Federal efforts to enforce violations arising from misclassification.

The Misclassification Initiative includes $24.7 million for two ETA initiatives that will fund state grants that address worker misclassification within the context of the unemployment insurance program. The first initiative provides competitive grants to states. These grants are designed to increase state capacity to participate in data-sharing activities with the Internal Revenue Service and other Federal agencies, to implement targeted audits, to establish cross-state agency task forces to target egregious employer schemes to avoid taxation through misclassification, and to develop education and outreach programs. The second initiative would pilot a high performance award program designed to incentivize states to improve their misclassification efforts. The most successful, and most improved states would receive grants to upgrade their misclassification detection and enforcement programs.

In addition, the Misclassification Initiative includes:

- For the OFCCP, $3.6 million and 11 FTE to develop a plan to address misclassification, train investigators, and launch a misclassification initiative targeting federal contractors.

- For the Office of the Solicitor, $1.4 million and 7 FTE to support enforcement strategies, with a focus on coordination with the States on litigation involving the largest multi-State employers that routinely abuse independent contractor status.
- For the Occupational Safety and Health Administration, $650 thousand and 2 FTE to train inspectors on worker misclassification issues.

With these efforts, we intend to reduce the prevalence of misclassification and secure the protections and benefits of the laws we enforce. This effort lies at the core of the Department's mission of "good jobs for everyone" – and the hard working people of this country deserve no less.

State Paid Leave

Workforce and workplace changes have made it increasingly difficult for working families to meet their work and family responsibilities. The vast majority of American workers have family care-giving responsibilities outside of work and no full-time caregiver at home. Nearly half of private-sector workers do not have paid sick leave to care for themselves, and even fewer have leave available to care for another family member when they are ill. Millions of workers risk losing pay – and even their jobs – when they are sick or their children are sick. No worker should be placed in that position. Similarly, most workers do not have paid family leave – for example, to care for a newborn or newly adopted or foster child.

State programs that provide for paid leave for workers facing these challenges offer a solution for working families who cannot afford to lose a day's pay or risk loss of their job to care for themselves and their families. The goal is to enhance job retention of workers, and help workers stay on career paths, by not forcing them to choose between the needs of their family and their jobs. The FY 2012 budget requests $23 million for a State Paid Leave Fund to provide grants to help States establish paid leave programs.

ADDITIONAL PRIORITIES

Bureau of Labor Statistics

Through its 21 economic programs, the Bureau of Labor Statistics (BLS) produces some of the Nation's most sensitive and important economic data. The FY 2012 budget proposes $647.0 million and 2,456 FTE for BLS, an increase of $35.6 million from the FY 2010 level. The budget proposes several initiatives for new surveys as well as improving the accuracy of current BLS survey data. For example:

- An increase of $10.0 million is requested to establish a new youth cohort in the National Longitudinal Surveys (NLS). This addition will ensure that information is available on the employment and socioeconomic conditions of youth, including differences by sex, race, and ethnicity, and subsequent labor market experiences as they progress through later stages of their lives.

- An increase of $1.6 million is included to add an annual supplement to the Current Population Survey (CPS). In odd years, this supplement will be used to collect data through a Contingent Work Supplement for information on contingent work and alternative work arrangements. In even years, this supplement will be used to collect other relevant data including data on workplace flexibility and issues related to how workers and firms balance work and family needs.
- An increase of $25.3 million is requested to improve the data quality of the Consumer Price Index (CPI) and Consumer Expenditure (CE) Survey, including work to support the Census Bureau in its development of a supplemental poverty measure.
- The Office of Disability Employment Policy will fund a disability supplement to the CPS in partnership with BLS. The supplement will provide additional information on the labor force participation of people with disabilities.

To partially offset the cost of these improvements and additional data, the FY 2012 budget is built on cost-effective data collection strategies. For example:

- The production of State and metropolitan area data estimates in the Current Employment Statistics survey is being restructured in FY 2011, reducing costs by $5.0 million annually, without adversely affecting the quality of the data produced.
- Also in FY 2011, BLS will implement an alternative methodology allowing for production of Locality Pay data at a lower cost – with no reduction in data quality – saving $9.8 million annually.
- A decrease of $2.0 million is included from eliminating the International Labor Comparisons program as originally proposed in the FY 2011 budget.
- A decrease of $6.0 million will result from elongating the time between fielding the current NLS cohorts.

Bureau of International Labor Affairs

One of my goals as Secretary of Labor is to help American workers by building the foundation for a sustained recovery of the global economy, while contributing to a more balanced pattern of global trade in the future and respect for workers' rights around the world. Unless workers' rights, wages and working conditions are respected in countries we trade with, workers in the United States will be at a disadvantage in the global economy. The FY 2012 budget requests $101.5 million for the Bureau of International Labor Affairs (ILAB), an increase of $8.8 million and 15 FTE from the FY 2010 level. The request will allow ILAB to collect additional information for its responsibilities for reporting on labor rights in countries that have free trade agreements and trade preference programs with the United States. The budget will also continue the Bureau's longstanding commitment to building international relationships that improve global working conditions and strengthen labor standards around the world.

ENSURING PROGRAM EFFECTIVENESS, IMPROVING EFFICIENCY AND INCREASING TRANSPARENCY

The Department of Labor's FY 2012 budget request also reflects its continued efforts to **Ensure Program Effectiveness, Improve Efficiency, and Increase Transparency**.

- In FY 2012, the Department will invest $30 million in program evaluations, overseen by our Chief Evaluation Officer, and also requests authority to set aside funds from major program accounts for evaluation. The Department's evaluations will build our knowledge of which strategies and approaches are most effective and ensure that resources are invested in high-impact areas.
- The budget request includes an investment of $25 million to modernize the Department's information technology infrastructure. This initiative will eliminate redundant systems, improve operating efficiency, and help cut costs.
- The Department of Labor is dedicated to increasing its transparency. The FY 2012 budget request includes funding for the Office of Information Services, a new unit to centralize and accelerate the Department's ability to respond to Freedom of Information Act requests.

CONCLUSION

The tough choices made to develop the FY 2012 budget request reflect that too many Americans are ready, willing, and able to work – but cannot find a job. While fiscally responsible, the Department of Labor request provides targeted investments to help workers and firms better find each other, prepare Americans with the skills needed for the jobs of today and the jobs of the future, and ensure that we have a fair and equitable labor market for firms and workers. Our efforts will help to get America back to work, foster safe workplaces that respect workers' rights, provide a level-playing field for all businesses, and help American workers provide for their families and keep the pay and benefits they earn. I am committed to achieving the goal of *Good Jobs for Everyone* while the Administration focuses on our shared long-term goal of reducing the Federal deficit. I believe it is possible to do both and stand ready to work with you in the weeks and months ahead on a responsible way forward.

Mr. Chairman, thank you for inviting me today. I am happy to respond to any questions that you may have.

Mr. REHBERG. Great. We will put it in the record.

Thank you very much.

GREEN JOBS UNALLOCATED BALANCE

Madam Secretary, I would like to dwell a little bit on the green jobs for a minute because we see in your fiscal year 2012 request, you have asked for $20,000,000 in addition to the $40,000,000 that was in the fiscal year 2010, bringing it up to a grand total of $60,000,000.

And I guess one of the issues I would like to bring up is the $500,000,000 that was allotted or allocated for green jobs in the stimulus—a failed stimulus, by the way, according to your own figures. But you have quite an unspent balance within that account already. Why is it necessary to ask for an additional $20,000,000 when there is already money in the account, unless, of course, it is going to be spent by the end of this accounting period, which I believe is somewhere in June?

The second question I would like to ask then is what do you have to show for it within the green jobs? Is industry showing any interest at all? How many have you trained, and how many have you placed?

Secretary SOLIS. Thank you, Mr. Chairman.

Yes, our request is to—again, as I said in my statement, is to actually draw down other funds to help provide for this innovation fund. And what we are doing is actually asking—looking at, in fact, programs that we can help establish that would be more competitive, that will actually give us better feedback, that will help us to ascertain where the actual positive results need to be placed.

Mr. REHBERG. So you have no mechanism now, I understand, under the workforce investment——

Secretary SOLIS. No. We do.

Mr. REHBERG. You do?

Secretary SOLIS. Yes, we do. We do have internal mechanisms now, and we have——

Mr. REHBERG. And then tell me how many have been trained under the green jobs, and how many have been placed?

Secretary SOLIS. Okay. What I would tell you is, the $500.0 million that was given out for job training, covers a slew of areas. So, when we talk about green jobs, we are also talking about apprenticeship programs; partnerships with utility companies; partnerships with different industries; and providing training to, I would say, at least 38 percent of the participants that were included in the——

Mr. REHBERG. But that doesn't change the fact that 88 percent of the money has not been spent to this point, at least in the most recent data that I have received. So I guess the question is, it should be pretty easy to give me a number. How many have been trained under the green jobs concept, and how many have been placed?

Secretary SOLIS. Well, because these programs started up initially—as soon as a grantee receives a grant, you don't begin immediately—you have to set up an infrastructure. You also have to do recruitment. You also have to put all those tools in place and gather the appropriate infrastructure needed.

So it takes time to do that. And we are now——

Mr. REHBERG. Except that it was stimulus dollars.

Secretary SOLIS [continuing]. In the second half of the program. We are in the second part of the program where, we are now getting that feedback now from our grantees. So I can't tell you the full effect of these programs just as a result of them starting up. Maybe later in the year, because that is typically what happens.

Mr. REHBERG. But, Madam Secretary, they were stimulus dollars, and so they were supposed to be timely and targeted.

Secretary SOLIS. And I will tell you——

Mr. REHBERG. And we are over 2 years into this, and you have got 88 percent of the money is still not spent?

Secretary SOLIS. Well, I would tell you that much of the funding levels go out somewhat scattered over a couple of years.

Mr. REHBERG. Okay. So you can't tell me how many have been trained and how many have been placed?

Secretary SOLIS. The fact is that the funds are available over an 18-month period. So it isn't as though you can get them all out in the front because we had to stagger some of these grants.

Mr. REHBERG. Okay. I will ask then in writing for you to give me how many have been trained and how many have been placed. I also noticed that there was——

Secretary SOLIS. We actually—Mr. Chairman, we actually had a good demonstration project in your State.

Mr. REHBERG. I am asking for totals.

Secretary SOLIS. And we actually served 2,400 people in Montana, in a unique program that we did, and they got one of the biggest grants, $5.0 million to work with utility companies, to put people into the trades and construction. And I can tell you that the progress that I am seeing there was very positive. I will provide that information to give you a more complete outlook of what took place.

Mr. REHBERG. Okay.

Secretary SOLIS. But the partnership there, I think, is an excellent opportunity for people to understand that it isn't just about training for the sake of training. It is actually combining resources with those individuals in the trades.

[The information follows:]

GREEN JOBS TRAINING PROGRAM

ARRA green jobs training grants were awarded in January 2010 and include: Energy Training Partnership (ETP), Pathways Out of Poverty (Pathways), and State Energy Sector Partnership (SESP) grants. ETP and Pathways grant have a period of performance through January 2012 and SESP grants through January 2013. Data reported reflects grant start-up and implementation activities and subsequent training outcomes achieved during the first year of grant performance.

As of December 31, 2010 (most recent data available), the ARRA green jobs training grantees have achieved the following performance outcomes:

- 23,009 individuals have been served through the grants
- 18,271 individuals have begun education/training activities
  - The number of individuals that have received services is higher than the number that have begun education and training for several reasons: many individuals have received critical services to address barriers to training and employment, such as assessment and case management, but have not yet enrolled in training activities; grantees reported activities through a set point in time (December 31, 2010), so some participants had just started receiving services but new training classes had not started when grantee reports had to be submitted; and natural attrition as occurs with all workforce development programs.

• Of these 18,271 individuals, 8,649 individuals have completed education/training activities:

◦ Of these, records suggest that 4,925 were unemployed upon beginning training.

◦ Of these, 1,700—approximately 35 percent—had entered or obtained a new position of unsubsidized employment as of December 31, 2010. Note, entered employment is reported for participants that successfully completed education/training activities prior to entering or obtaining a new position of employment. Many trainees have been incumbent workers (workers who were already employed upon entering training) who undertook training in order to retain their jobs or upgrade their skills. These outcomes are not counted as "entered employment".

◦ Additionally, 7,505 credentials have been awarded to training participants.

In addition to these grants, there were two additional green jobs competitions under the authority of the Recovery Act—Green Capacity Building, and State Labor Market Information Improvement Grants. These grants had purposes other than direct training. The total amount for the five grant competitions, after set-asides for administration and technical assistance, was $490 million. As of the December 31, 2010 financial reports, 19.4 percent of this total was expended and 41.8 percent was obligated. Training-focused discretionary grants generally have an initial start up period that lasts approximately 6–9 months. During this time grantees are receiving training on grant requirements, preparing to offer training activities to workers, and completing other critical, required start-up and preparation activities. Expenditure rates are lower during this start-up period, while obligation rates are higher. For this reason, *obligation rates* are the more appropriate indicator of these grantees' activities, and obligation rates for all of the grants are appropriate for where grantees are in their period of performance.

Mr. REHBERG. Okay. Excuse me. I understand that with the workforce investment, it was amended to include labor organizations. Your Under Secretary last year said that the administration would be willing to amend that to suggest that it doesn't need to require that component. It could be part of the——

Secretary SOLIS. It can be either/or.

Mr. REHBERG. Well, in the authorizing legislation, it was "must." And so, the administration would be okay with——

Secretary SOLIS. I can tell you, Mr. Chairman, that many of the grants that we have given out include a variety of people and not all exclusively one group over the other. I mean, that is just a fact. So I want to be clear on that.

Mr. REHBERG. Okay. So you would support then if we needed to change the authorizing legislation so that it did not necessarily——

Secretary SOLIS. I am not saying to change it right now, we are looking at funding the best proposals. And we get some of the best proposals have both—we have some with union and some nonunion. We are not excluding anyone.

Mr. REHBERG. All right. My time has expired.

Ms. DeLauro.

Ms. DELAURO. Let me just mention the information I have about this program, which started in January of 2010. There is a 3- to 9-month startup period in terms of getting off the ground, which means that many of the grants are just now beginning to match individuals with employment opportunities.

I know that the Secretary will provide some of this information, but as I understand it, as of the quarter ending September 30, 2010, which is the most recent data available, nearly 10,400 participants have been served through these grants. And of the participants served, close to 8,400 have received education and training, including 313 in on-the-job training activities.

Approximately 3,600 participants have completed education and training programs. After 8 months of the grant awards, 500 partici-

pants completed job training, entered a new position or employment.

I had a direct experience with a One-Stop center, where I went to talk specifically about the green jobs program, and this gentleman, actually the day that I was there, had just had an interview and was hired with the green jobs training that he had received under the program.

Let me move to another area because you did talk about businesses, Madam Secretary. I had the opportunity to see the letters that were sent to the Education and Workforce Committee by the Boeing Corporation in advance of your testimony last month. They wanted the committee to know of the partnership that they have forged with the workforce system in Washington State; St. Louis, Missouri; South Carolina.

And I know that this parallels what I hear from Connecticut employers, who work with our workforce areas on a variety of partnerships involving recruitment and training to meet the workforce needs. And I actually have a copy of the Boeing letter, which I would like to, with unanimous consent, submit for the record.

Mr. REHBERG. Without objection.

[The information follows:]

Tim Keating
Senior Vice President
Government Operations

The Boeing Company
1200 Wilson Blvd MC RS-00
Arlington, VA 22209

February 15, 2011

The Honorable John P. Kline
U.S. House of Representatives
House Committee on Education and the Workforce
2181 Rayburn House Office Building
Washington, DC 20515-2031

Dear Chairman Kline:

The Boeing Company participates in numerous job training programs, including community projects supporting job growth and higher education initiatives that help the unemployed enter the workforce. We are proud of our efforts and especially pleased with the results that have been achieved from working in partnership with the Department of Labor, which is an integral asset to the success of our initiatives.

Across the country, Boeing has effectively leveraged its programs in concert with the department's community-based goals. Specifically, the St. Louis Aerospace Institute, located on the campus of St. Louis Community College, has been a driving force in training potential aerospace employees. Boeing and other aerospace companies have partnered with this community college as well as other local school districts to help sustain this productive program. This community involvement, which is strongly encouraged and supported by the department, has been key to the program's success. In 2010, 191 participants successfully completed job training at the institute and Boeing was able to offer 130 of these individuals job opportunities.

The department also has been a valuable resource to Boeing's job training programs in Washington state. Focusing specifically on green jobs and training for younger workers, Boeing with the support of the department has worked with the Student Conservation Association's Seattle community programs to provide hundreds of Seattle-area high school students with "hands-on" outdoor work experience and opportunities to acquire green job skills.

In conjunction with the theme of producing jobs that "stir the engine of economic development," the department especially has looked to develop training programs in manufacturing and the aerospace industry. In Washington state, the department has helped local training officials restructure their programs to make them more effective through better curriculums, faculties, and implementation strategies. But before committing to such assistance, the department consults with Boeing and its partners in the Washington area to ensure it produces positive results.

Additionally, the One-Stop centers in Washington state have been useful to Boeing and its partners, providing us a detailed outlook for potential trainees.

BOEING

In South Carolina, Boeing has partnered with ReadySC and Trident Community College to support a workforce development training program. In 2010, this effort resulted in 277 individuals that successfully completed pre-employment training and 325 new Boeing employees who had previously completed Trident Community College's factory training program. These results would not have been achieved without the support provided by the department to South Carolina and its local community colleges.

All of these job training programs, in St. Louis, Washington state, South Carolina and numerous other communities across the county, help us indentify unemployed individuals and, working in partnership with organizations like the department, develop work skills that are critically needed in the aerospace industry.

Sincerely,

Tim Keating

Ms. DELAURO. Thank you.

But also ask you, Madam Secretary, can you discuss some other examples of this type of partnership, including the partnerships with small businesses?

Secretary SOLIS. Yes. Thank you very much for the question, as well.

I know that there is a lot of debate about who partners with us, and we have made a big attempt, to really include many business partners in these grants. And in fact, we have several success stories.

For example, in Arizona, Maricopa Workforce, working with the connection business service team to help perfect sales persons' abilities there. We know that we have actually been able to provide assistance there; and as a result, a qualified veteran who went into the program, was able to get a job right away.

I know in the Chairman's State, in Montana, in the Butte-Silver Bow area, which is served by a WIA grantee known as Career Futures, Inc., we recently got testimonial from a personnel director at Butte-Silver Bow government, who told us that the department notifies Career Futures for all employment opportunities and relies on them to refer trained and work-ready applicants.

So we know that there is a good effort working with local businesses including in Dallas-Fort Worth, where I believe Representative Granger has been very uniquely involved. They are helping to revive the aerospace industry by making sure that that high-talented workforce has the ability, if there are layoffs, to quickly get into other upscale jobs so that talent would not be lost.

And I think that is very noteworthy, and I appreciate the work that has been going on in Dallas-Fort Worth with our big partners. Some of them are Lockheed Martin, Bell Helicopter, Textron, and Vought Aircraft, and they work very closely in Dallas with the Tarrant County workforce development board.

So I think there are some very positive stories that can be told.

JOB CORPS

Ms. DELAURO. Thank you. Thank you.

Let me move to a Job Corps question, near and dear to my heart. Job Corps is the most effective Federal program aimed at recovering the roughly $469,000 each high school dropout costs our economy and the Government over the course of their lifetime. In addition, economists show that investments in Job Corps yield a significant multiplier effect, $2 for every $1 spent.

My counterparts on the other side of the aisle proposed to virtually eliminate Job Corps in H.R. 1 by reducing its budget by 80 percent. Slashing the Nation's most cost-effective, accountable, and market-driven solution for the millions of youth who leave our schools unprepared for the workplace, in my view, is a wrong move at the wrong time.

IMPACT OF JOB CORPS CLOSINGS

What impact would these cuts have on States and districts like Kentucky and Montana that have multiple Job Corps centers? What impact would it have on States like mine, in Connecticut?

It is my understanding that the average-size Job Corps center supports 228 local jobs, which equates to approximately 600 jobs in Montana alone and an estimated $47,000,000 in local economic activity.

Mr. REHBERG. I am going to allow the Secretary a short answer. We have a little workforce training issue up here. He forgot to reset the clock, and your time has expired. But if you would like to answer briefly?

Secretary SOLIS. Yes, thank you.

Ms. DELAURO. Do it briefly now, and then you can come back around and have some extra time and complete the answer.

Secretary SOLIS. Well, according to our data, if H.R. 1 were to pass, we would first see a rescission of about 300.0 million. That, in fact, will have a definite impact. In program year 2011, that runs past September 30, 2011, another program cut could possibly have a dramatic impact on our programs here and would actually result in perhaps half of our Job Corps programs folding.

Mr. REHBERG. Okay.

Secretary SOLIS. And others that would also be——

Mr. REHBERG. Thank you. And I am sure Job Corps will probably come up again.

Ms. DELAURO. Thank you, Madam Secretary.

Mr. REHBERG. Mr. Alexander.

Mr. ALEXANDER. Thank you, Mr. Chairman.

UNEMPLOYMENT RATE OF GULF WAR VETERANS

Madam Secretary, you touched on it in your opening comments, but I would like to expand on it a little more. On Friday, March 11th, the Bureau of Labor Statistics released new data that put the unemployment rate of the Gulf War II era veterans at 11.5 percent, well above the national unemployment rate.

Those Gulf War veterans between 18 and 24 have an unemployment rate of about 21.9 percent. While this percentage is not significantly higher than nonveterans in the same age group, it is still troubling that over 1 in 5 of our young service members are returning home and entering the unemployment lines rather than the workforce.

I also note that your statistics show that the veterans are likely to work in the public sector, in comparison with the nonveterans, like 30 percent to 15 percent. Much of this, of course, can likely be attributed to the veteran hiring initiatives in the Federal Government, as well as the desire for service members to continue public service.

My question is, in addition to the current programs, what more can the Department of Labor do to have veterans reintegrated into the civilian workforce and particularly in the private sector?

Secretary SOLIS. Thank you for your question, Congressman Alexander.

I am very proud of our Veterans' Employment and Training Service VETS programs. In fact, our Assistant Secretary there, Ray Jefferson, is a West Point graduate who is also disabled. He has done a tremendous job working with the U.S. Chamber of Commerce to create liaisons so that we can make sure that the employ-

ers have information about available incentives for them to hire many of our veterans around the country.

And we are embarking on this with other agencies. So it is not just us. It is VA. It is also DoD, and it is all our partners that work on this. But we are also looking at increasing our TAP program, which is the Transition Assistance Program, that will actually provide more support before the veteran exits, for those that are getting ready to exit, and keep them in the loop for a longer, 6-month period after they depart from the military, to help them with the kind of coaching, resume writing, and training that is available for them that many of them are not aware of. In addition, for their families because we are finding that that is also a hardship, We are also boosting our efforts to relay information and enforce the compliance with Uniformed Services Employment and Reemployment Rights Act, which is USERRA, which you probably know about, that employers need to have the ability to hire back veterans as they come back from their tours.

We are doing everything we can. I spent time also in Camp Pendleton about a month ago and visited with our Helmets to Hardhat program, where we actually have an apprenticeship program there that is training veterans for jobs in construction, welding, and pipe trades all very good-paying jobs. And once they leave Pendleton and they go back to their community, they will continue to get training, if they want to continue in that trade, up to a journeyman. And those salaries, as you know, pay very well.

So we are doing everything we can. But if you have suggestions or things that perhaps we are not looking at that we might take note of, I would be more than happy to talk to you about that.

Mr. ALEXANDER. Thank you, Mr. Chairman. I will wait until the next round.

Mr. REHBERG. Mrs. Lowey.

BUREAU OF INTERNATIONAL LABOR AFFAIRS

Mrs. LOWEY. Thank you, Mr. Chairman.

And welcome, Madam Secretary. I want to thank you for your service, and I would like to highlight your request for an increase of $8,800,000 for the Bureau of International Labor Affairs efforts on behalf of worker rights.

We have to ensure that our trading partners enforce the labor rights provisions of their own laws, as well as our trade agreements, to protect our workforce. We cannot allow our trade partners to undercut American workers by exploiting their workers overseas, including exploiting child labor, to undercut wages.

How will the request build international relationships that improve global working conditions and strengthen labor standards around the world? Because again, unless we really focus on this, we are not focusing with a laser beam on creating jobs here at home when we can lose them to employers overseas.

Thank you.

Secretary SOLIS. Thank you. Thank you for your question, Congresswoman Lowey.

The Bureau of International Labor Affairs, ILAB program, as you know, traditionally had a major focus in child labor, and we work with several countries, 60 countries, to be exact, in about 50

projects that we fund, helping to initiate projects that will help to combat trafficking of children and using child labor in those countries. We have actually been able to help 1.4 million children as a result.

But taking this a step further in ILAB now, we are also promoting better labor and worker protection rights in different countries, which I think will help complement what the President and what some of the Members of Congress would like to see in our trade agreements. So by working at that level, I think we also help to bring up the standards of workers in other countries, their wages, so that—number one, we can defray that magnet that attracts people to want to come to this country, and more importantly, create an incentive for people to have better-paying jobs in their own country.

And as an example, I will give you one, say, in Cambodia, where this practice has been going on now through the Better Work program for the past 10 years, what they do there is have a system of working with the government, with big international corporations, as well as with the International Labour Organization.

And what they do is help to regulate how work is done, making sure that women and children are not abused. And then, for consumers, kind of provide a seal of approval from the work product so people will know that those products were not made because of bad labor practices. It is something that works, and I think it can help us also, as I said earlier, in our U.S. trade agreements.

FUNDING FOR TRAINING IN HEALTHCARE

Mrs. LOWEY. Thank you.

Healthcare systems in the United States, both private and public, are facing a widening gap between the number of positions and the number of qualified applicants to fill them. Nowhere is this more evident than the shortage of nurses and nurse faculty.

In fact, in 2008, almost 50,000 students were denied admissions to schools of nursing primarily due to an insufficient number of faculty. In my district, there are a number of excellent community college programs to help train nurses and other healthcare professionals. But it is still insufficient to meet the demand for these services.

We have to train our workforce for growing fields, especially in this economy in which people are losing jobs late in their careers and fear that they don't have the training or skills to find new employment. If you can comment on the department's strategy for increasing training opportunities in healthcare-related fields and what role can the community colleges play in expanding career opportunities in the health field?

Secretary SOLIS. Thank you.

We had received under the American Recovery and Reinvestment Act, ARRA, funding of approximately $250 million, which was spent on job training programs that would help provide assistance for people that wanted to get into healthcare, and it really starts with many community colleges. Many of the projects that we funded included community colleges to help expand their nursing programs, but also they're what we call ambulatory care programs.

That is really where people can get into the healthcare industry and then move up the ladder.

And while visiting one of the programs out in Congresswoman Matsui's district in Sacramento, I saw a wonderful display of what was happening there collectively with a health association of hospitals. So that there was an entry line for not just the job training on the job, but also the job. And it was very, very competitive.

I also know that we provide assistance for people who want to get in, for young people even, into pharmacist assistants positions. I saw that at one of our Job Corps programs, where we are actually incentivizing young people, especially disadvantaged youth, to get into these careers.

That is the only sector that has grown in the recovery over the last two years consecutively, the healthcare industry. And we are adding more and more jobs there.

Mrs. LOWEY. Thank you.

I think—do I have a minute left, or is the clock working? I shouldn't ask that. [Laughter.]

I guess it is done.

Mr. REHBERG. Ms. Granger.

Ms. GRANGER. Thank you.

The program that you mentioned a minute ago about from Tarrant County, I am very familiar with. It is excellent training. The people that graduate oftentimes have jobs before they finish the program. And if not, they go straight into good-paying jobs. So I hope that continues.

EMPLOYEE RETIREMENT INCOME SECURITY ACT ("ERISA")

In this financial crisis we are in, people are looking at their retirement and planning for retirement, sometimes having to re-plan. Some people have raised concerns with me that the new proposed rule from the Department of Labor on ERISA fiduciary investment advice might actually restrict investor access to much-needed investment—their education, their guidance. And we certainly want them to know that they are doing.

How can we ensure that Labor's fiduciary rule and the ongoing efforts at the Securities and Exchange Commission are aligned and help offer investors more, not less education and guidance?

Secretary SOLIS. Thank you for your question, Congresswoman.

And I do want to say that this question also came up at one of my last hearings. And I do want to reassure the committee that we are working very closely with the Securities and Exchange Commission, SEC, and the Commodity Futures Trading Commission, CFTC, and they meet on a regular basis.

In fact, this has come up quite a bit, and my understanding is that we are working together on developing that standard. My concern is making sure that we set up a good system that is transparent, so that this consumer really does get the benefit of the best information and is not being gouged, so to speak, or that there is a conflict of interest.

That is really what we are trying to do with this particular regulation. Fiduciary responsibility means that we have to be responsible. We want to make sure that the public, our consumers, are aware, and that is really the basis for this rule.

And if there are any questions, I would further ask that my Assistant Secretary Phyllis Borzai come in and meet with you to give you a thorough briefing on what it is we have been doing. But I can tell you right now people have been misinforming folks that we have not been collaborating with SEC, and that is not the truth.

OLDER AMERICANS

Ms. GRANGER. Good. I have one more question.

The fiscal year 2012 budget proposes moving the Senior Community Service Employment Program out of DOL and over to the Department of Health and Human Services. I hear positive things about the program from older workers in my district. So can you tell me why you want to move the program to another agency, and can you alleviate their concerns that the move would have a negative impact on the program?

Secretary SOLIS. It is a transfer of the program. This is how I see it. Most of the older American or aging programs are housed in HHS, and this is the only one that is housed at DOL.

And it just makes more sense, as we are looking to try to streamline and make programs more effective, that seniors would actually get more robust help if they were placed in HHS because then they would be able to get counseling. They would be able to get other services that they could be entitled to. So that is what the change is about.

We have met with Secretary Sebelius, and they are very open and accepting of this proposal. And I, of course, am very concerned about making sure that seniors are not left behind and that they do continue to get this help.

I have seen it work in my own district when I was a former Member of the House. And it is quite telling to see how people are energized again, to be able to share their expertise in a work setting and also feel self-worth, but also get a little stipend because they are providing that work.

So I don't think that is going to go away, but I will tell you that that is what the purpose of moving the program over to HHS was about.

Ms. GRANGER. Makes sense. Thank you very much.

Thanks, Mr. Chairman.

Mr. REHBERG. You bet.

Ms. Lee.

Ms. LEE. I think Mr. Jackson got here before me.

Mr. REHBERG. Okay. Mr. Jackson. I am sorry.

Ms. LEE. Thank you.

Mr. JACKSON. Thank you.

Mr. REHBERG. That is two, Kevin. [Laughter.]

Ms. DELAURO. The right will protect you. The right side will protect you.

Mr. JACKSON. Thank you, Mr. Chairman. Mr. Chairman, thanks for yielding me the time.

And Secretary Solis, thank you for your testimony. Two very quick questions, and then we can get very quickly to Ms. Lee.

EFFECT OF H.R. 1 ON UNEMPLOYMENT

And I think I will ask my questions first. In this level of unprecedented unemployment, can you explain to the committee what the effects of H.R. 1 will have on your ability to reduce unemployment? That is my first question.

And secondly, Madam Secretary, I am concerned with the President's budget proposal to reduce the State and local program funding through the Workforce Investment Act by nearly 50 percent. My State has used these funds to address nursing shortages in underserved areas, support a high school academy for healthcare careers, and expand access to services through online technology.

Early last week, I received a letter from Warren Ribley, Director of the Illinois Department of Commerce and Economic Opportunity. In his letter, he states that the proposed cuts made to State and local programs would "effectively halt Illinois's track record at shoring up high-growth sectors that lead to good new jobs for our citizens."

Mr. Chairman, I ask unanimous consent to insert Director Ribley's letter into the record.

Mr. REHBERG. Without objection.

[The information follows:]

Illinois Department of Commerce & Economic Opportunity

Pat Quinn, Governor • Warren Ribley, Director

March 8, 2011

The Honorable Jesse L. Jackson, Jr.
U.S. House of Representatives
2419 Rayburn House Office Bldg
Washington, D.C. 20515-1302

Dear Representative Jackson, Jr.:

As you continue your work in Congress to resolve the remaining 2011 budget, I am seeking your support to restore funding for the Workforce Investment Act Title I (WIA). The proposed cuts to WIA funding for state and local programs would result in the demise of the nation's workforce system at a time when Illinoisans need it most. WIA funding provides vital employment and training services for the nation's unemployed, the under-employed, and for America's businesses as they try to rebound from the recession.

Furthermore, the WIA funding allows the State to retain 15% of the funds to create regional, innovative approaches while local workforce entities receive 85% to provide workforce services to dislocated workers and disadvantaged adults and youth. With these funds, Illinois and the local workforce areas are addressing the nursing shortage, stopping the slide of manufacturing, supporting a high school academy for health care careers, and expanding access to services through technology via our online Illinois workNet® portal. This 15% funding is a target in the President's 2012 budget and proposes a 50% reduction; redirecting this portion to U.S. Department of Labor (USDOL) for their discretionary use. If successful, these cuts will effectively halt Illinois' track record at shoring up high-growth sectors that lead to good, new jobs for our citizens.

Now is not the time to take away these very important services, when regional economic growth is paramount to our recovery and competitiveness. Essential to all economic development efforts is a skilled and productive workforce. WIA services provide a way for businesses to remain competitive and to avert layoffs by increasing their workers skills. These services also allow job seekers to increase or upgrade their skills to remain or become employed. To lose the funding that ensures workers can meet the ever changing demands of the business community jeopardizes our competitiveness.

Last year 173,000 citizens received services through WIA, which provides career counseling, employment placement, and training and support services. Some of these citizens are speaking out on how the WIA program gave them a second chance and put them on the road to success. Through the National Association of Workforce Boards virtual petition, many Illinoisans have

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Chicago, Illinois 60601-3219
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2309 West Main, Suite 118
Marion, Illinois 62959-1180
618/997-4394 • TDD: 800/785-6055

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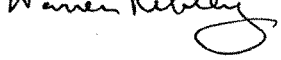
signed to express their support for WIA (http://www.thepetitionsite.com/5/keep-america-working/). I would ask that you take a moment and click on the link to see how the proposed program cuts would deny access to thousands of Illinois residents who are unemployed or underemployed. Cutting WIA essentially turns our backs on these individuals.

Congressional and Administration efforts to reduce the massive budget deficit are necessary; the job growth that results from the WIA program contributes to the budget reduction. With this in mind, we strongly urge your support in restoring WIA funding for 2011 and making certain no further reductions occur in the upcoming 2012 budget. This funding will directly support your efforts in putting people to work, thus directly increasing the number of citizens contributing to the tax base. In addition, we ask for your assistance in ensuring the State's role in promoting workforce innovation remains intact by maintaining WIA 15% innovation funding, which in Illinois totals approximately $21 million for 2011.

Attached for your information are two documents that explain how Illinois at the state and local level are "laboratories of innovation" in creating solutions that meet the changing needs of the businesses and the workforce. A third document discusses the complexity of the WIA funding cycle. The fourth document highlights a visit by Senator Durbin to our Local Workforce Investment Area 2 in Woodstock, IL that provides a real world example of how WIA has changed people's lives. Finally, attached is a recent report issued by the Center for Law and Social Policy that provides a snapshot of how ARRA funding boosted training and innovation strategies in Illinois, Pennsylvania, and New York.

Thank you for your consideration.

Sincerely,



Warren Ribley
Director

cc: William Daley, White House Chief of Staff
Senator Harry Reid
Senator Mitch McConnell
Representative John Boehner
Representative Nancy Pelosi
Therese McMahon, Deputy Director, DCEO

Mr. JACKSON. Madam Secretary, while I understand tough choices must be made when it comes to cutting the budget, I wonder what led the administration's decision to cut funding to the WIA State and local program funding over other programs under consideration?

Thank you, Mr. Chairman.

Madam Secretary, just those two questions.

Secretary SOLIS. Thank you.

The potential cuts that have been talked about by Members here on the panel, would actually affect our 3,000 One-Stop Centers. And I would say to you that it would have, in my opinion, a very negative effect at this time when people are seeking employment and still seeking services.

What that means is that local veterans, disabled, women, dislocated workers, many of whom are men in this particular market, will be severely affected, as well as our youth. You will see a slowdown in terms of those offices closing. They may not all close at one time, but I think gradually you will see a good maybe 50 percent go right away, and then the rest.

That will have an impact because we service anywhere from 30 million people that come through our doors. And when people do go through our programs, whether it is the dislocated worker program or any of the training programs, their success rate is much higher than someone who never made it to a One-Stop.

In addition, I would say to you that we also couple other services within One-Stop Centers. For instance, right now, we have made help available to people to do their tax returns there. We are also providing what we call "VITA services"' to help people with that. Not only Unemployment Insurance, UI, services, but we also serve in some places as incubators for small businesses. So people who want to start up their businesses also have that opportunity to do that.

I am also very concerned for returning vets. One-Stop Centers may be the only lifeline available to them in, say, a rural community where you have maybe a post office and a One-Stop. One-Stops have computers, Internet access, and other things which many rural areas do not have.

So it would have an effect, I would think, in a very dramatic way for people who are seeking services. That is not where you cut services in a time of recession. We are still seeing very high, high rates of unemployment with disparate groups, with minority groups, with veterans, and with people who, and I have to tell you in all frankness, people that are over the age of, say, 50. It is very hard to place some of these people.

Also, for half of the unemployed, 7 million, have been unemployed for more than 6 months we are hearing stories where business people are saying that they will not hire individuals that have been unemployed that long. And that, to me, is discriminatory and should not be an allowed practice.

LONG TERM UNEMPLOYED

Mr. JACKSON. I appreciate your raising the question. I do want to hear an answer to the WIA question.

But Congressman John Lewis and I are contemplating filing an amendment to the 1964 Civil Rights Act that would raise the idea of employment status. That is those employers who are asking job applicants how long they have been unemployed as fundamentally discriminatory.

Is that something that the Labor Department, from your perspective, will consider, and what are you doing with respect to that?

Secretary SOLIS. Well, we are aware that there have been statements made, and we obviously want to curtail that and want to make sure that businesses know that just by someone being unemployed that long does not mean that they are not qualified. Some, in fact, do not have to utilize a lot of our training because they are highly trained.

You have a lot of people with B.A.s and Ph.D.s. You have people that are highly technically trained. What is happening is you still continue to see four out of five people competing for one job. That is the problem, the job creation.

It is not about just the training. It is about making sure that businesses have the confidence to hopefully speed up the process to hire people up. And we are also working on that, too, to give them incentives.

With respect to the State funding and the innovation fund, if I might, Mr. Chairman?

WORKFORCE INNOVATION ACCOUNTS

Mr. REHBERG. Quickly.

Secretary SOLIS. I would just tell you that our innovation fund does not take any money from the State, local governments. It is from the programs that we administer, and it is a way of helping us look at how we can be more competitive and actually streamline and make our programs more effective.

So it is not going to hinder that at all, and I will have my ETA Administrator follow up with you.

Mr. REHBERG. Mrs. Lummis.

Mrs. LUMMIS. Thank you, Mr. Chairman.

And welcome, Secretary Solis. Nice to see you again this week.

GOLD STANDARD EVALUATIONS

As you know, we are spending thousands of billions of dollars in this country that we don't have. We are borrowing it from China, from Japan, from our own people, from the Fed. So this committee has an obligation, this Congress has an obligation to make sure that the money that we are spending, the money that we don't have that we are spending has a measurable impact on our economy.

And when it comes to your agency especially when we want to know that it has a measurable impact on economic mobility and on employment and on the economy as a whole. That is how we recover. So my focus is going to be on measurement, on how we know we are getting the bang for our buck.

How do I know that the employee in Rock Springs, Wyoming, my home State, that was mentioned earlier, came at a reasonable cost to the taxpayers who put up the money and are borrowing the

money to make sure that this one individual in Rock Springs, Wyoming, has a job? And so, that is my focus in my questions.

Now here is where I am going with this for my first question. Could you explain how this gold standard evaluation, which is underway at the Department for Adult and Dislocated Worker Programs, is going to work? I want to know how it will be conducted and when we might see results and whether or not it will give us a sense of the cost and benefit of programs under your auspices?

Secretary SOLIS. We are looking at a thorough evaluation of many of our programs at the Department of Labor. In fact, we have hired a principal evaluator to help us do this because, in past years, we realized that this has not taken place, and we know that there have been a lot of questions about the types of programs that are being offered and what have you.

When we look at the gold standard, we are looking at setting up a form of analysis that would look at a control group for a certain portion of time to make those evaluations to see how successful, in fact, these programs are or are not and how we can make improvements.

Mrs. LUMMIS. Thank you.

Another case in point. I want to focus on a youth program. The stimulus bill provided $1,250,000,000 for youth summer job programs. It also received $1,000,000,000 in regular appropriations for fiscal year 2010. So we are looking at about $2,300,000,000, $2,400,000,000 available for these programs through fiscal year 2010. And the goal was to help young people gain long-term employment beyond the summer months.

We checked out this Web site that the State of Wisconsin's Department of Workforce Development posted. It said they received $11,700,000 from stimulus. It served 4,000 participants, according to the stimulus data. But then it also said that one of the goals—of course, allowing people to have ongoing employment—only 3 percent of the program's participants stayed beyond the summer. And so, that cost taxpayers nearly $91,000 per job.

So my question is since that is just one example of a cost per job, do you think that is an adequate return on taxpayer dollars when you look at the whole unemployment situation, and how can we adequately go on with programs that have that sort of a cost to the taxpayers when they can't find a job that produces $91,000 in income for their family in a year?

Secretary SOLIS. Well, I don't have that data in front of me, but I will certainly come back to you on that amount. But I will tell you that in our American Recovery and Reinvestment Act ARRA monies that we gave out for summer youth employment, we actually were able to see well over 300,000 students employed during the summer.

Now what tends to happen, even though you have these programs that are set for summer youth, sometimes the local WIA boards are able to extract the money and carry it into the year. Not all students will stay that long because they go back to school, and that is also something that happens.

But it doesn't mean that the program has failed. And again, I will come back to you on that because I have not seen that amount in any form presented to me.

But I would just say that what is happening right now is we have a terrible problem with unemployment of our youth overall. It goes anywhere from 25 to 26 percent, and in communities of color, it is even higher. And on Native American reservations, it is about 80 percent, and it is a disgrace.

So we need to do more. I don't think the time is right now, but we can probably better target and do something more systematically there. But I will take a look at it. That is why we need to also reauthorize the Workforce Investment Act, which I think will help us streamline and really get a handle on what the local, regional folks need and not a top-down decision.

[The information follows:]

SUMMER YOUTH EMPLOYMENT

As a follow up to the Secretary's hearings on the FY 2012 budget, the Department is providing data on summer employment under the Recovery Act. Through January 31, 2011, 420,286 youth have been served with Recovery Act Youth funds. Of those participants, 368,747 participated in summer employment, well above the Departmental goal of x. The Recovery Act provided $1,200,000,000 in funds for WIA Youth activities, not $1,250,000,000. Because the Recovery Act allowed the Department to retain one percent (1 percent) of the funds for program administration and oversight, the actual allotment to the States and outlying areas and Indian and Native American grantees was $1,188,000,000. Additionally, PY 2010 WIA Youth Formula funds totaled $924,069,000, not $1,000,000,000. Based on the WIA Youth Recovery Act allotment of $1,188,000,000 to states, outlying areas, and Native American programs the cost per participant served through 1/31/11 is $2,827 and the cost per summer employment participant is $3,222.

In addition, specific to Wisconsin which was discussed in the hearing, the WIA Youth Recovery Act allotment for Wisconsin was $13,808,812 and their number of youth that participated in summer employment under the Recovery Act was 4,386, for a cost per summer employment participant of $3,148 or slightly below the national average.

As stated in the Recovery Act (and Congressional explanatory statement), the funds for WIA Youth activities were focused on summer employment, which is a subsidized work experience, not full-time or part-time employment. The goal as stated in the Recovery Act reads "the work readiness indicator of the WIA shall be the only measure of performance used to assess the effectiveness of summer employment." The data indicates that 79% of the youth who participated in summer employment increased their work readiness skills.

YOUTH BUILD

Mr. REHBERG. Ms. Lee.

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

Good to see you, Madam Secretary, and thank you for your leadership.

First of all, let me just say on the summer jobs, you know, we worked last year to try to increase it to a couple billion dollars. That would have been maybe 500,000 to 800,000 of our young people. We need more money in YouthBuild, and we don't need these cuts, as I think H.R. 1 zeroed out funding for the program.

So I look forward to getting more information. But I think that we need to look at how to hire more of our young people, especially during the summer, because it helps them with their resume building, but also it helps bring food into their families. Given this economic downturn, it is extremely important.

UNEMPLOYMENT CRISIS

We are just beginning to emerge from the worst unemployment crisis in the last 70 years, with 14 million people still unemployed.

More than 40 percent have been jobless for over 6 months. Now we know that the unemployment rate is, what, 8.9 percent?

Secretary SOLIS. Yes.

Ms. LEE. Communities of color, minority unemployment still 15.3 percent for African Americans and 11.6 percent for Latinos. And this is what your department, I believe, reports, although many of us know it is more than that.

Workforce area, we are seeing record numbers of unemployed individuals coming into One-Stop centers across the country, looking to find work, preparing résumés, preparing for the jobs that the economy is beginning to create.

Now let me ask you because so many people have been unemployed for so long that now we have a crisis where there are about 4.7 unemployed workers for every available job opening. We have people, and we call them "99ers"' who are in the category of being unemployed for more than 99 weeks now, who have hit a wall. No more unemployment benefits.

We have been trying over and over again—Congressman Scott, myself, and others, Congresswoman DeLauro, Congresswomen Roybal-Allard, Lowey, and many—to try to figure out how to extend those benefits for the 99ers so that at least 14 additional weeks will be provided to make sure that they don't fall through the cracks.

Now we have had a difficult time because, of course, under PAYGO we know we have to find a pay-for. We are trying to identify where we take the money to provide for the extension of unemployment benefits. But what we also recognize is under the pay-as-you-go rules, there is a designation for an economic emergency. And this is an economic emergency for those individuals, I think a couple of million people.

And so, I want to know from you, have you looked at this from your department? We are working with the White House now, and we are working with our leadership here. But we are trying to figure out a way to find, and we can't get a CBO score yet because we haven't been able to get that far. But our office estimates $14,000,000,000 to $16,000,000,000.

But this money will be put right back into the economy. It is an economic boost. You know, 99ers are consumers. But in addition to that, I think it is our moral obligation to really help those who are falling through the cracks and have nowhere to go now.

Ms. DELAURO. Would the gentlelady yield for one second before the Secretary responds?

Ms. LEE. Yes.

Ms. DELAURO. I met with a group of 99ers in my community just about a week ago. I asked each one of them what they were doing before unemployment. One young man was a graphic designer, was 12 years at a place. Bank teller, accountant, social services director.

So as you pointed out earlier, people who were qualified, trained, and who had skills in order to be able to get jobs. So I just wanted to add that to what the——

Ms. LEE. Right. These are people who are looking for jobs, but because there are only 4.7 unemployed persons for one job, they need help. They need just a safety net.

So can you kind of explain what your department is doing, if anything, or how you think we need to move forward to ensure that they receive these benefits?

Secretary SOLIS. Well, yes, it is a great concern, and you heard me earlier talk about that. And it is something that we are focused on. And we will work with you, and we will work with the White House and those that agree that this is a matter that we need to prioritize.

But it is difficult because I know that even in the Congress, as we try to get an extension for unemployment benefits, the last time it was difficult to arrive at that. So I know that that is something that folks here have to also have the political will to move forward on.

And I know that, and you are right. It is absolutely right that every dollar that is expended generates another $2. It keeps another small business open. It keeps that gas tank full. And these 99ers, in many cases, through no fault of their own lost their job because an industry went down. And that is why there is a need to extend, TAA, Trade Adjustment Assistance, extension for people that are going to be losing their jobs or have lost their jobs and also to help continue to provide assistance for more training.

Because I know that some people do have to make a career change because perhaps that area that they were focused on is no longer there, and it just behooves them to get involved in our training programs. We have put out a Solicitation for Grant Applications, SGA, for TAA community college so that we could start looking at ramping up programs where we know are going to have a positive outcome, in nursing and different places where we know there is going to be jobs or renewable energy.

Mr. REHBERG. Ms. Roybal-Allard.

Secretary SOLIS. We can talk more about that.

Ms. LEE. I look forward to talking to you.

Ms. ROYBAL-ALLARD. Thank you.

JOB CORPS WORKS

Welcome, Madam Secretary. I just want to make one point about Job Corps because it is an example of a Federal program that works and really does deserve a strong investment.

The fact is that at a time when unemployment is very, very high, 83 percent of Job Corps graduates are still able to find a job and go on to higher education or enlist in the military. So it really is a program that works that we need to preserve.

H.R. 1'S EFFECT ON OSHA'S PROGRAMS

I would like to change focus now and talk a little bit about OSHA and what H.R. 1 is doing or proposing to do with OSHA in terms of its cuts, which I believe are very reckless and irresponsible because they endanger the lives and health of millions of American workers while also penalizing responsible businesses.

It is my understanding is that OSHA would be forced to lay off 20 percent of its inspection staff and virtually halt the development of new safeguards to protect American workers. These layoffs will likely fall disproportionately on the bilingual inspectors hired over

the past 2 years by this administration in recognition of the changing nature of our workforce.

And the cut to State plans, which protect 40 percent of the Nation's workers, would be devastating in an already critical State budget environment. States would be forced to conduct 10,000 fewer inspections, leaving workers in those States with significantly less protection.

In California, the estimate is that OSHA would lose over $5,000,000 in funding and would be forced to conduct nearly 1,500 fewer inspections. I am sure, Madam Secretary, that you know that every day in this country more than a dozen workers lose their lives in preventable workplace accidents. That is close to 100 lives that are lost a week.

It is obvious to me that we should be increasing workplace safety enforcement and oversight, not cutting it. Would you explain the differences between the cuts being proposed by Republican colleagues and the President's budget's request and how they will impact the health and safety of American workers?

And also if H.R. 1 would eliminate OSHA safety and health statistics funding, what impact would this have on workers and their employers—employees?

Secretary SOLIS. Thank you, Congresswoman.

Yes, as you said earlier, we are projecting that if H.R. 1 were to be implemented, we would lose about 20 percent of our ability to provide safe protection in the workplace. And what that means in terms of staff, we are looking at possibly well over 400 investigators.

And in particular, of course, because we recently hired in the last 2 years individuals who now serve the populations that have not been served adequately in the past, they would probably be naturally the first ones to go, and it would, I think, again create a crisis where you are going to see more fatalities or injuries in the workplace.

And you are right that we need to work closely with our State plans because those in the line of enforcement are very valuable players out there, and I know States are undergoing tremendous preserve having to deal with their deficit spending as well. And in many cases, this is the first thing that will go, and that also is something that people need to be mindful of.

That is why it is important that we are asking for the support that we are for our OSHA enforcement. We believe we have really been able to streamline and use our ability to be more targeted in our approaches.

So we can't go out and police everywhere. No, we know that. But what we can do is look at places where we know that the hazards are higher—in construction, in some of the service industries, in the hotel area, for example, or people that are dealing, say, in refineries or in places where chemicals abound.

Those are places where we are strategically looking at—for example, in farming, because we know that there have been many, many abuses with farm workers and their children. So that is something also that we are mindful of.

We would see a reduction in terms of fewer workplace inspections, about 19,000 total between the Federal and State programs.

That is a lot of people that are not going to have assurances that we are going to have boots on the ground, so to speak. And I would tell you that we have done a tremendous effort in the past few years under previous administrations to have a Web page available so businesses could go online and understand exactly what kinds of compliance assistance is available, what they can do to help remedy and prevent workplace injuries.

If that goes down, you are going to see hundreds of thousands of businesses that are not going to have access to that information, which is probably the second most highly used U.S. Federal agency Web site right now that businesses go to.

EFFECTIVENESS OF JOB CORPS PROGRAM

Mr. REHBERG. Madam Secretary, the sky is green. In fact, Rodney told me just the other day the sky is green. I heard it out in the hall. The sky is green.

Unfortunately, just because we all said it does not make it true. Job Corps's nearly $2,000,000,000 education and professional training program that also provides living and housing expenses, clothing, childcare assistance. It even pays participants to receive driver's licenses. These social services, just like the job training, seem to be wholly duplicative of other Federal subsidies.

But Job Corps is different. It is a residential program, and it provides education and/or job training for economically disadvantaged youth. And here is the problem, Madam Secretary.

If we don't rubber-stamp and fully fund Job Corps, we are told that we are abandoning the children that need us most. We must get beyond the rhetoric and divest ourselves of the overly passionate personal attachment to programs that have been proven to be ineffective.

The $1,700,000,000 request would fund 45,000 positions. That is nearly $38,000 per person, more than the annual cost of most public colleges. This is the most expensive cost per participant program in the department, if not the entire Government.

According to the Bureau of Labor Statistics, there are 15.5 million 16- to 24-year-olds that are not enrolled in school. Job Corps serves just 45,000, or 0.4 percent of 1 percent of this population each year. For nearly $2,000,000,000, we are serving 0.4 of 1 percent of school dropouts.

A 2007 Office of Management and Budget assessment found that the program cost exceeds the benefits. Yet we continue to rubber-stamp this budget because it is for the kids.

A 2006 longitudinal study found that a Job Corps graduate earns just 22 cents more than their non-Job Corps peers. The study concluded by stating, "Because overall earnings gains do not persist, the benefits to society of Job Corps are smaller than the substantial program costs." This is not a political statement. This is a fact.

Lastly, the Department of Education's Institution of Education Sciences conducted its own assessment of Job Corps' educational component in April of 2008. It found that there were no discernible effects when it came to progressing in schools and only potentially positive effects of completing school.

So, Madam Secretary, 0.4 of 1 percent of 15.5 million eligible young adults, earning just 22 cents more than their peers, and no

discernible effect at progressing in school. How do you justify the budget?

Secretary SOLIS. Mr. Chairman, I would tell you that I am very proud of our Job Corps programs. In fact, I don't know if you have ever visited any of our Job Corps programs.

Mr. REHBERG. Absolutely. I have got three in my State, and I visit them——

Secretary SOLIS. They are very, I believe, constructive and very appropriate for individuals that need a second chance. Not all of them have bad backgrounds. Some of them just were plain out of luck or they felt that after completing high school, and many of them do have a high school degree——

Mr. REHBERG. Madam Secretary, I am not discouraging helping anybody that is in need. I am not discouraging any program within the Federal Government that lifts people up and helps them.

Secretary SOLIS. Well——

Mr. REHBERG. I am just suggesting that the facts show that there is no discernible improvement in education or employment for a $38,000 cost per person.

Secretary SOLIS. Well, I know that is not accurate, and I will be happy to give you information and our data. Because many of the students that come in with no GED do complete a GED. That is a major requirement. We also encourage them to continue on and get into one of our certificate programs, and many do get job offers while they are still at our Job Corps program.

And I would tell you we have some remarkable programs that work with big industry. I saw this, as an example, in New Mexico, where we had a big corporation that was actually helping to provide scholarships to incentivize those students to continue on and to further their higher education and actually promised them a job after they completed their programs.

Mr. REHBERG. So you disagree then with the OMB and the Department of Education study? Because I can come up with examples in Butte, Montana, and Rock Springs, Wyoming. We can always come up with the success stories. The problem is OMB and the Department of Education do not agree with you.

Secretary SOLIS. Well, I would tell you that we do have strong support from this administration for the Job Corps program, and we have made many changes in the last 2 years——

Mr. REHBERG. I don't deny that you have support from the——

Secretary SOLIS [continuing]. Since I have been the Cabinet member overseeing these programs. We have a new Administrator there. We have done everything to do our checks and balances and to make sure that we are expending our money in an expeditious manner.

We are even beginning to service and allowing for Iraqi vets who come back from overseas, who qualify in the age bracket of 16 through 24. So we are doing everything we can to address many of the issues that we are seeing.

We talked about veterans also having high unemployment. This is a bridge for them, and I think that the program does work.

[The information follows:]

EFFECTIVENES of JOB CORPS

The Chairman states that Job Corps costs $38,000 per participant. Job Corps' actual cost per participant is approximately $27,000. Additionally, each high school dropout costs the American taxpayer and economy $469,200 over his/her lifetime. For the modest annual investment of $27,000 per new enrollee, Job Corps helps our nation avoid these costs.

The discrepancy in the figure may be based on the assumption that Job Corps serves only 45,000 youth annually. This is actually the number of student slots at 124 centers nationwide. However, each year Job Corps serves over 60,000 youth, as each slot serves approximately 1.4 students over the course of a year.

In 2003, Mathematica released a follow-up analysis of Job Corps program costs and benefits, after the initial findings based on survey data were released as part of the National Job Corps study in 2001. While the final analysis, which was based on administrative data, found that program costs exceeded benefits, the benefits of Job Corps *did* exceed costs for the program's older participants (20-24 years of age). For this population, earnings impacts persisted past the four-year period. Furthermore, the study also found that benefits exceed costs from the participants' perspective, suggesting that Job Corps does effectively redistribute resources to low-income youth. Finally, it is worth noting that this evaluation was based on the program as it existed more than fifteen years ago. Since the study's release, Job Corps has implemented a number of program enhancement strategies to improve the delivery of services, some of which are highlighted below.

In addition, as part of an initiative to reform Job Corps, the program is currently undergoing a thorough review of its operations and performance. The results of this review will be used to improve program performance and boost cost effectiveness.

Job Corps Programmatic Enhancements since 1996

The Office of Job Corps has significantly enhanced the delivery of services to Job Corps participants since the Mathematica study more than a decade ago. In 2001, Job Corps restructured its service delivery system to foster more collaboration within Job Corps service providers and expand partnerships with external entities to enhance educational programs, create industry-based certification and employment opportunities with employer partners, and leverage resources to maximize training and employment options for Job Corps students.

Strategies begun in 2001 have evolved over the past decade. A description of Job Corps' strategies and initiatives include, but are not limited to, the following:

Student Retention:

Job Corps has expanded its Career Preparation Period curriculum, the education and training activities that occur during each student's first 60 days in the program, to engage all students more meaningfully in career technical training activities in the early phases of their Job Corps enrollment. This expansion has increased tutoring and mentoring activities, allowed for earlier work-based internship opportunities and improved the effectiveness of the Career Success Standards -- a set of eight "behavioral" standards/expectations concerning employability (discussed further below). In addition, the Job Corps has also worked to align student schedules more closely with their training needs, increased staff training to provide better assessments of student progress, and expanded utilization of industry advisory councils to provide meaningful and relevant career technical training activities that are better aligned with industry-recognized certifications.

EFFECTIVENES of JOB CORPS

Employment and Earnings:

In order to improve the employability and earnings of Job Corps students, Job Corps has implemented the following initiatives:

- ***High School Diploma Initiative.*** In Program Year (PY) 2001, the Office of Job Corps initiated a High School Diploma Initiative to promote the attainment of high school diplomas. The number of high school diplomas attained in PY 2009 tripled those attained in PY 2001. In the most recent program year, over 20,000 students attained a high school diploma or GED. In addition, Job Corps centers across the nation are partnering with local public high schools, charter schools, community colleges, and on-line high school programs to increase students' attainment of a high school and post-secondary credentials, which translates to increased earnings and employment potential.

- ***Standards Development and Alignment.*** Standards have been developed that promote mastery of applied academic standards that are directly tied to student attainment of industry certification and the attainment of a high school diploma (or GED).

- ***Academic Pilot Programs.*** The Office of Job Corps has initiated a number of pilot programs to support the educational needs of Job Corps students who have an average 7th grade literacy and numeracy level upon enrollment. For example, in 2007, Job Corps launched a three-year pilot to assess the effectiveness of the Scholastic READ 180 program, an intensive reading intervention program used with young adult, struggling readers. Reading has been identified as a core skill important to student success in a more rigorous and relevant curriculum driven by industry requirements. READ 180 directly addresses individual needs through adaptive and instructional software, high-interest literature, and direct instruction in reading and writing skills.

- ***Implemented Job Corps' Career Success Standards.*** This initiative is comprised of a set of eight "behavioral" standards/expectations concerning employability, independent living, and social development. Job Corps convened a national workgroup that reviewed standards developed by the U.S. Department of Education, the Secretary's Commission on Achieving Necessary Skills (SCANS), and the Department of Commerce's Center for Workforce Preparation's "Equipped for the Future" skills. The workgroup also utilized recommendations from national and local Industry Advisory Groups, which have assisted Job Corps in developing previous training curricula.

  These standards have been identified as requisite skills needed by students to enhance the likelihood of a successful transition to and retention in the workplace. The Office of Job Corps provided training to center staff in the fall of 2006, and centers implemented the standards throughout the system in 2007.

- ***National Certification Initiative.*** Job Corps' National Certification Initiative was launched in Program Year (PY) 2005 to address challenges facing the program in preparing students for changing industry and workplace requirements. This initiative was a response to a national trend in which employers increasingly rely on recognized, industry-based credentials in their hiring and promotion decisions. Job Corps took the necessary steps to align its programs with industry standards, union apprenticeship training, and certification requirements, better preparing students for 21st century entry-level employment, career paths, and lifelong learning.

EFFECTIVENES of JOB CORPS

Working closely with industry experts, certification sponsors, and field practitioners, Job Corps has aligned 40 national training programs with more than 90 industry-recognized credentials or union apprenticeship programs.

The passage of the American Recovery and Reinvestment Act (ARRA) of 2009 made funds available to Job Corps for jumpstarting "green" (environmentally sound) projects. One component of Job Corps' ARRA plan is the Green Collar Training Initiative which focuses on the development of new "green" approaches to utilize environmentally sound materials and production techniques, and focus on resource conservation in Job Corps' career technical training (CTT) programs. The focus was in three priority areas: Advanced Manufacturing, Automotive and Machine Repair, and Construction. Groups of industry experts, field practitioners, and certification sponsors updated training requirements for jobs in the green economy.

In PY 09, over 30,000 students completed career and technical training programs in 11 high growth, high demand industry sectors encompassing more than 100 occupational offerings.

- ***Providing additional resources for use after the training day to enhance the quality of the Job Corps students' experiences.*** Job Corps centers have increased the resources that support tutoring, mentoring, and other after-hours training opportunities for students. Extending the training day with after-hours programs has supported the improvement of students' scores in literacy and numeracy as well as assisted in their personal and social development. Such achievements have a direct bearing on students' ability to attain and sustain employment.

Supporting Data:

Since Program Year 2005, Job Corps' performance data generally support the improvements made to the program. These improvements have been evident despite the impacts of a severe economic recession. The indicators and chart below list the following measures and results since Program Year 2005 (ending June 30, 2006).

- Average Length of Stay (months) All Terminees: **Improved 10%**
- Average Length of Stay (months) Graduates: **Improved 6.1%**
- Percent of Graduates and Former Enrollees placed in higher education: **Improved 66.3%**
- Graduate average initial wage: **Improved 9.6%**
- Percentage of graduate Job Training Match (JTM) placements (placements related to training): **Improved 20.1%**
- Graduate JTM Average Placement Wage: **Improved 5%**

Job Corps Performance PY-2005 to PY-2009

	PY 2005	PY 2006	PY 2007	PY 2008	PY 2009
Average Length of Stay – All Terminees (months)	8	7.9	7.8	8.2	8.8
Average Length of Stay - Graduates (months)	11.4	11.6	11.9	12.1	12.1
% of Graduates and Former Enrollees placed in higher education	9.8%	10.0%	11.3%	14.4%	16.3%
Graduate Average Initial Wage	$8.41	$8.72	$8.95	$9.02	$9.22
% of Graduate JTM placements	65.3%	65.9%	71.2%	74.7%	78.4%
Graduate JTM Avg. Placement Wage	$9.13	$9.40	$9.61	$9.59	$9.59

Source: Job Corps MPO-35, CTT-10 Reports

FUNDING FOR PROGRAM EVALUATION

Mr. REHBERG. Ms. DeLauro.

Ms. DELAURO. Thank you. Thank you, Mr. Chairman.

Madam Secretary, I'd like to just clear up a couple of things. You have been asked a number of questions about evaluating programs, seeing how they work. We want to make sure we are getting the best bang for the buck and all of that effort.

So it is important to note that H.R. 1 zeroes out funding for evaluation. So if we are going to try to evaluate programs and see whether or not they are effective or not, it would seem to me that we would want to put some money in there to actually do so.

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

The other piece is on the Community Service Employment for Older Americans, which is a good program. I wish Ms. Granger were here now, but I will speak to her personally. It is a good program which has been cut in half by H.R. 1—from $825,000,000 down to $400,000,000. So, again, the Republican budget looks to cut in half programs that work.

JOB CORPS STATISTICS

A quick point on Job Corps. I have a different set of statistics. Everybody has got their own set, I suppose. But Job Corps successfully prepares 60,000 economically disadvantaged youth for jobs, military, higher education, with an astounding 80 percent success rate. It is one of the most effective Federal programs. Each high school dropout costs our economy and the Government $469 thousand over the course of their lifetime. So it is an enormous return on the investment.

YOUTH UNEMPLOYMENT

Let me move to a different subject. I want to come back at some point on youth unemployment. Because as I see, every effort with regard to youth unemployment, whether it is YouthBuild, Job Corps, the formula grants to States for youth unemployment, that every opportunity is being eliminated through H.R. 1, in effect. Is that accurate?

Secretary SOLIS. That is correct.

Ms. DELAURO. That is correct. So every opportunity is gone as a result of H.R. 1.

BACKLOG OF MINE SAFETY CITATIONS

Mine safety, let me talk about that, if I can, for a moment. You mentioned the explosion at the Upper Big Branch mine last year, which was a tragic explosion. One of the problems that came to light is a huge growing backlog of mine safety citations on appeal to the Mine Safety and Health Review Commission, and they are waiting adjudication.

The backlog grew from about 4,000 in 2007 to more than 19,000 this year. That happened after MSHA increased penalties for mine safety violations, following a series of serious mine accidents like the Sago mine disaster in 2006. In response, mine operators began

appealing a much higher percentage of the citations that they receive.

As long as the citations remain pending on appeal, the operator does not have to pay the penalty. The Government may be prompted to reduce the amount to get the case settled. Perhaps most important, citations that are on appeal do not count toward determining a pattern of violation that triggers enhanced enforcement authorities.

To bring down the backlog, we saw that the Congress provided in the supplemental appropriations bill last year additional judges, law clerks at the review commission, for additional staff at the Labor Department in order to be able to bring these cases to conclusion.

The funds are available for only 1 year. They expire at the end of this July. What would happen to the effort to reduce the mine safety citation backlog if the supplemental funds are allowed to expire with no replacement? What does your fiscal year 2012 budget propose in order to continue to bring the backlog under control?

Secretary SOLIS. Thank you, Congresswoman.

Yes, you point out very clearly that the backlog was something that needed to be addressed. And we have, from October through the end of 2010, been able to close about 1,300 backlog cases involving almost 4,800 citations or violations.

We project that funding for addressing the backlog will only be available through July of 2011, this year. You are accurate in that. Our original estimate was that it would take 2.9 years to clear up the backlog of cases in the pipeline when this project actually began a while ago.

We did get additional lawyers and judges, but also realized that we have to do much more. And because of the result of us being more vigorous and having many more of the operators now dispute these citations, there is more backlog.

Ms. DELAURO. Backlog. Right.

Secretary SOLIS. Because we are doing our job. And I think the Congress needs to be aware that we need to continue to keep a handle on that.

If the money goes away, it will also impede our progress in terms of the Upper Big Branch investigation because we didn't have initial resources to begin focusing on this investigation, which is so critical. It is the worst disaster we have had in decades.

Ms. DELAURO. We lost 48 coalminers who were killed on that job. Is that right?

Mr. REHBERG. Mr. Alexander.

Ms. DELAURO. Thank you, Madam Secretary.

Mr. ALEXANDER. Thank you.

FY 2012 OSHA REQUEST

Madam Secretary, OSHA is requesting almost $25,000,000 more in comparison to the FY 2011 budget. The requests for safety and health standards, Federal enforcement, whistleblower program, State programs, compliance assistance, Federal compliance assistance, State consolidations, and compliance assistance training programs have all increased over previous requests. And the remain-

ing programs under OSHA are requesting their funding remain the same.

The safety and health standards program alone is requesting an additional $6,500,000 million. According to the Department of Labor's budget justification, the increase includes $4,000,000 to enhance the agency's contract support for regulatory activities and $2,400,000 to provide resources to continue the development of the agency's new Injury and Illness Prevention Program, a standard which would significantly enhance worker safety by adding yet another burden to the employers by requiring them to develop and implement a comprehensive safety and health plan to find and fix recognizable hazards.

Given the agenda of both Congress and the administration to target excess spending, why, of all things, would OSHA not be satisfied with a standstill budget? Why would they ask for an increase of $25,000,000?

Secretary SOLIS. Congressman Alexander, when I took over as Cabinet member for the agency, we had not seen increases in many agencies, one of which was OSHA. In the past 10 years, we have seen a tremendous growth in businesses, and we requested additional enforcement staff and investigators so that we could begin to handle more appropriately these types of injuries and cases.

But one of the things that I want to make clear also is that we are taking seriously our job to undertake strategic enforcement because, again, we can't police the entire business community across this country. But we can do a better job in helping to prepare our businesses.

And that is why we have continued our funding for the Voluntary Protection Program, VPP, program, and that is a program that many businesses in particular find very helpful in terms of helping to set out their compliance. We have boots on the ground, so to speak, where we have staff that will go out and help businesses, in particular small businesses, that might be having a difficult time in meeting our regulations.

So we do our very best that we can, and I think that is a big change in what we have seen in the past few years because our level of funding was not adequate. And I think that is what our mission is, to try to make sure that we protect workers, but that we also create a good incentive for those businesses that do play by the rules so that they are not unevenly disadvantaged by other people who tend not to abide by the rules.

And I think we are doing everything we can to make sure that small businesses are aware that we are also on their side. We certainly don't want to be a burden by cutting off jobs.

Mr. ALEXANDER. You don't find that somewhat puzzling that we are requesting more money so we can help business understand clearly the rules and regulations that we are imposing on them?

Secretary SOLIS. You would be surprised that many businesses and many employees are not aware of what their roles and responsibilities should be. I find that all the time when I go out across the country and meet with workers and meet with businesses that are not even aware that we have these tools available for them.

So I think, because of the past few years and the funding that was not provided, we barely, in the last 2 years, were able to bring

up our funding to about 2001 levels. So it really has not kept up the pace in terms of what other agencies have been able to do in this area.

Mr. ALEXANDER. Thank you.

Mr. REHBERG. Mrs. Lowey.

Mrs. LOWEY. Thank you, Mr. Chairman.

EFFECTIVENESS OF PROGRAMS

And I just want to say at the outset that we all believe in the need for fiscal restraint and that the deficit is out of control. And in fact, in the last month, I voted for two continuing resolutions, and I wasn't happy with some of the cuts. But overall, I felt we had to start and try and work in a bipartisan way, and I do want to work together with my colleagues on both sides of the aisle.

And I also agree we should be evaluating every program, but we cannot expect to grow our economy by taking away the services that our constituents use to get back to work. And I couldn't help but thinking, Mr. Chairman, as I reviewed some numbers, of Members who live in various States. And I go back to Senator Moynihan's constant complaint.

In Connecticut, Connecticut gets back 69 cents for every $1 in taxes. In New York, we get back 79 cents for every $1 we pay in taxes. Wyoming, they get back $1.11 for every $1 they pay in taxes. Montana gets $1.47 back for every $1 paid in taxes, and Louisiana gets $1.78 for every $1 that is given in taxes.

Ms. DELAURO. I only get 69 cents?

Mrs. LOWEY. Yes. I only get 79 cents. So we should have this discussion about some of the programs. But we can deal with that another time.

I also want to say in response to the question about businesses that need some instructions, I was looking at a report that the GAO did, and investigators found recipients of farm payments who resided outside of the United States in Hong Kong, Saudi Arabia, the United Kingdom, for example.

And a former executive of a technology company received approximately $20,000 each year for 4 years that were covered by the income limits. This individual also received more than $900,000 in farm program payments that were not subject to those limitations.

CARRYOVER FUNDS OF WIA PROGRAMS

So I am sure many of my good friends and colleagues wouldn't want to eliminate all the farm programs because some of these executives made a mistake and took money that they shouldn't have gotten. But let me get back to another point, which I really want to discuss again, the Workforce Investment Act, because I think it is so important.

And in Montana, as the gentleman, my friend said, 3,647 residents receive WIA intensive service or training last year. Ninety-one percent of those dislocated workers gained employment. And I could go on to our other States.

So one of the complaints—and again, I think we have to review all these programs, making sure they are effective, and I want to give you the opportunity to respond to the carryover issue because I have heard that those who support the workforce cuts in H.R. 1

argue that there were a large amount of unspent carryover funds in DOL accounts, justifying the cuts.

So if you could explain why H.R. 1 does not simply eliminate unnecessary funds, but instead essentially eliminates workforce programs? I think it is important for us to understand this because since these programs are in Montana, Wyoming, other of our colleagues' States, we really need an explanation as we evaluate these programs. How does the carryover program work? Could you explain it?

Secretary SOLIS. Well, I think what, first of all, we have to understand is how different programs have different criteria. For instance, you have funding streams that, for example, are formula driven, and disbursements that don't all go by our Federal calendar either. So that is some of the discrepancy here because you have got States disbursing the money that they receive from us, using a different calendar year.

Ours starts in October. Theirs starts in June. So you have kind of this gap. But that has been going on for many years. So it isn't something new that just got identified. It has been in existence for a long time.

What tends to happen is that many of the funds that we do put out—if it is a 3-year program, and typically, it is—we find that the second year is when that money is actually expended at a higher rate because that is typically when the recipients start to get everything going. They also have to, for lack of a better word, encumber some of the money because they know they still have other contracts that they have to fulfil from that appropriation so they put that money aside.

You don't pay up-front on a contract without the services being delivered. So that is kind of the theory behind this.

Mrs. LOWEY. Thank you. I think the red light is working again.

Mr. REHBERG. It is, indeed. It is, indeed.

Let me help my urban friend out to better understand the money that is coming back to the State of Montana because we would love to give you some of that back. The number that always seems to escape the discussion is the fact that one-third of my State, which is 49,000 square miles—and frankly, Mrs. Lowey, I have pastures bigger than your district on my ranch. [Laughter].

Forty-nine thousand square miles managed by the Bureau of Land Management, the Forest Service, the U.S. Fish and Wildlife Service, and the National Park Service. And guess what? All that money coming in for the personnel to pay their salaries and all their budget is considered money back to the State of Montana. So we get more Government than we want in Montana.

And if you would want to sign legislation with me to eliminate those employees, we would be a lot happier with a lot more deeded land. We wouldn't have to deal with the wolves and the grizzly bears and the Endangered Species Act and all of the other things we have to.

Mrs. LOWEY. Will the gentleman yield for a minute?

Mr. REHBERG. I would yield.

Mrs. LOWEY. I am just curious because I have been looking at these numbers. And according to these numbers, 44 percent of

Montana farmers received subsidies from '95 to '09. You want to get rid of those?

Mr. REHBERG. No. Not necessarily. We are talking about vouchers. We are talking about a lot of different kinds of ideas of income support, and I might remind the ranking member of her support for those very issues, the income support, on the Ag Appropriations Committee.

Yes, we will talk. Let's talk about the 27,000 square miles of missiles that we are carrying and all of the various infrastructure to protect our force.

STATE PAID LEAVE FUND

But I am going to move on, and that is I note that you are proposing a new $23,000,000 program called the State Paid Leave Fund, which I find interesting. And since Mrs. Lummis isn't here, and she usually asks the States rights issue, why in the world is the Federal Government putting together pilot projects for States at a time and, frankly, I have been saying this in town hall meetings all over the State of Montana as I am talking about House Resolution 1, which, unfortunately, seems to be dead.

And that is, frankly, cities like Billings, counties like Yellowstone County, the State of Montana are all in better financial shape than the Federal Government. In fact, Montana is still in the black because we are conservative, and we like our natural resource development, something that other States don't participate in.

And so, the question is if Montana is in better fiscal condition and our counties and our cities, why is the Federal Government that is running the third year of over trillion-dollar deficits and building debt like crazy getting involved in a State project like the State Paid Leave Fund?

Secretary SOLIS. Mr. Chairman, this particular fund really addresses, a need that affects many families these days. It is really addressing work-life balance, which is a priority of this Administration. And the policies such as State Paid Leave would help to provide grants for those States that want to begin to address this issue.

Mr. REHBERG. But the question is, is that a Federal responsibility?

Secretary SOLIS. It is actually——

Mr. REHBERG. At a time when we don't have the money, but we are running a deficit.

Secretary SOLIS. Well, there are some benefits to the program. Because many businesses find that if they are able to create better flex work schedules for their employees, they will stay longer. They will be more productive, and I think everybody is happy.

You have got people now that have to take time off to take care of their elders or their children——

Mr. REHBERG. I am happy. You are happy. But that doesn't make us able to afford a State program. Clearly, a State program. Why does the Federal Government need to be involved in that?

Secretary SOLIS. This is a priority of the Administration to address the issues of family life balance, and it is a big issue because we know that there are many people that need to take time off, as I said earlier, to take care of a loved one or an injured family mem-

ber or, say, a new adopted child or a woman that perhaps just gave birth and needs to take time off.

And if she has had time working at that particular place and she is a good staff person, I am sure that the employer would want to work out a situation so that she could return and take time off as needed. This is a big issue that has been going on and discussed for many, many years. And it is an issue for us because we believe that there should be a fair balance in the workplace.

And of course, it is not mandating anything. It is available to those States that want to apply.

Mr. REHBERG. Thank you.

RETURN ON JOB CORPS

I might point out really quickly because we can all do math, and the reason we were flurrying back here is because none of our calculators could work that quickly. But to carry Ms. DeLauro's point a little bit further, 80 percent success in the Job Corps. That makes it .032 percent. That is not a very good return on investment when it comes to the $2,000,000,000 we are spending in Job Corps.

My time is up. Ms. DeLauro.

DEFICIT REDUCTION

Ms. DELAURO. Well, thank you, Mr. Chairman. But let me just go back a second and just mention this to you. I think it is very interesting to note, as you opened the door on this issue, that Montana got $5,500,000,000 in subsidies, and we are looking at wheat subsidies, Conservation Reserve Program, disaster payments, barley subsidies, livestock subsidies, Environmental Quality Incentive Program, corn subsidies, wool subsidies, dried pea subsidies, dairy program subsidies.

Now you reference the fact that I was chair of the Ag Appropriations Committee, and yes, I worked on these efforts. But I am going to turn around and say we can do this, but we can't provide the opportunity for young people to go to school?

Mr. REHBERG. Madam Chair? Ranking Member, would you yield?

Ms. DELAURO. Well, yes, only if I can get the time back.

Mr. REHBERG. Well, I yielded to you and Mrs. Lowey, and I didn't take my time back.

Ms. DELAURO. Fine. Yes. I am happy to do that.

Mr. REHBERG. Okay. Well, the point is everything is on the table, and Conservation Reserve Program, CRP, needs to be on the table. Everything needs to be on the table.

If we are going to try and bring this country out of the brink of disaster of debt and despair that seems to occur as a result of the fact that our economy has not turned around, then everything needs to be on the table, including the subsidies you are talking about.

Ms. DELAURO. Well, I suggest to you, Mr. Chairman, that, in fact, when H.R. 1 did what it did in terms of trying to cut $60,000,000,000 or $61,000,000,000, as I said in my opening statement, it did nothing about attacking the $40,000,000,000 we provide for a subsidy to a special interest, and that is called the oil industry.

It did nothing about $8,000,000,000 in agricultural subsidies. It did nothing about almost $8,000,000,000 to multinational corporations that take jobs overseas, and there probably are a couple of others. And you know what? When you add that up, it comes to almost over $60,000,000,000, which we could have found before we begin to attack programs that affect families with children, the elderly, and people's education opportunities.

Let's create a balance here. We do have to get out of this hole, but it is not going to be just on the backs of 12 percent of this budget and when other things are no longer on the table. I didn't see agricultural subsidies come forward with this, with what we are talking, $5,500,000,000 in subsidies to one State, in addition to which 56 percent of the farmers in Montana do not collect a subsidy, 10 percent collect a subsidy.

I venture to say is let's take a look at what the income levels of those folks are. Nothing has been said from the other side of the aisle about that. Folks who put this H.R. 1 together are the very same people who would say let us extend the tax cuts to the richest 2 percent of the people in this country.

The question of deficit reduction is where you start? And it should not be on the backs of people trying to make a living, who are going back to school to find out if they, in fact, can increase their skill level to get a job, and families with children who are just trying to make it.

EFFECT OF H.R. 1 ON WIA PROGRAMS

Madam Secretary, can you compare and contrast what your fiscal year 2012 budget request would do for Workforce Investment Act programs with the majority's proposal in H.R. 1? Can you tell me how many job seekers accessed the array of WIA programs this past program year?

If H.R. 1 is passed, which will eliminate WIA formula programs to provide job training and employment-related assistance, and that is for adults, dislocated workers, and youth, where will these job seekers be able to turn for help in an economy with 8.9 percent unemployment? What will be the impact of these cuts on job seekers? How many will be left out in the cold?

I truly do want to see the numbers, Madam Secretary, because I think those numbers ought to see the light of day.

Secretary SOLIS. Thank you, Congresswoman DeLauro.

What I would say to you is that we typically service about 29 million people through our One-Stop centers. The impact would be devastating to those services, which are not just job placement, but also opportunities for other services that are coupled around those One-Stop centers.

In fact, we wouldn't be helping those veterans that are coming home that we made a commitment to, I believe in the Congress to see that these people were found places of employment. Those people that do go through our programs, it has been said earlier that about 60 to 70 percent of those individuals do find employment after they go through 6 months of our training programs. And if they stay longer, the percentage is higher.

But in this very bad situation right now, in the crisis, as was stated earlier, you have got almost five people applying for one job.

And until we start to see the turnaround and businesses expending money out so that they can bring on individuals, then we are going to be in a very competitive situation.

And I know that it is very difficult for people to understand just how important it is that we have training assistance available for youth, for dislocated workers, and in particular, the folks that Congresswoman Lee talked about and yourself, the 99ers, who in many cases are very well qualified. It is a very competitive market. We still continue to see that we are not recovering as quick as we want to, but I will say that we did add 1.3 million private sector jobs this last year, and that was a turnaround from 2 years ago.

DUPLICATIVE JOB TRAINING PROGRAMS

Ms. DELAURO. Thank you, Madam Secretary.

Mr. REHBERG. Mr. Alexander.

Mr. ALEXANDER. Thank you, Mr. Chairman.

I represent a congressional district that the USDA tells us just on a rural crop basis, the variety of crops, that we have the largest agricultural district in the entire Nation. And I believe in being fair, but last year during the markup of our ag bill, I offered an amendment that would take $1,000,000,000 from the conservation program, and my chairman wouldn't accept it. So I believe in going after all programs that we think are a waste, including some that might hurt me politically.

The reports tell us that there are about 40 different programs under your jurisdiction that offer job training. Are we doing anything to try to make sure that there are not duplicative programs that are wasting money?

I mean, I understand that there is a need to work with employers out there and make sure that they have qualified employees to work for them. But are we spending money unnecessarily in places that it might be wiser if we take another look at it?

Secretary SOLIS. Congressman Alexander, I think it is important to note that many of the programs that have been established that work through the Department of Labor, through WIA, the Workforce Investment Act in particular, have been established over time to address the issues for including some different population. So we have youth. We have efforts for dislocated workers. We have programs for veterans and things of that nature. So the funding streams are very different.

What we try to do, though, is make sure that we are coupling and not duplicating. That we centralize and that we are really looking at being more efficient. Since I have been Secretary at the Department of Labor, I have insisted that we do audits of our program and that I get a report to tell me exactly what our performance is and where we are falling short and where we need to do better.

I am not happy that many of our participants may not have the ability to go on after getting a GED, for example, in the Job Corps program. Many have to find a job right away, and they will get a certificate, say, in a trade, and they will go right off to work. My hope would be that they continue to get more education because the better opportunities are available to those that have higher education and who have an ability to compete more.

PROGRAM EVALUATION

We are looking at evaluating ourselves. That is why we are hiring and we have hired and brought on an evaluator to look at all of our programs so that we can project in a period of time how well we are doing and to try to make sure that we streamline. That is why we put forward this innovation program that takes money from the top to see how we could look inside of ourselves and hopefully better direct how our programs are working.

WIA REAUTHORIZATION

And I think that goes to the point of trying to get WIA reauthorized because there are a lot of complaints about the system of WIA that has been around for more than a decade. It has to be worked on and I know that on the Senate side, there is bipartisan support to move a bill. I would hope that on this side, we could do the same because people are suffering. We need to be more agile and better equipped to get those resources to the right people.

And because of some formula fundings, in many cases, it is not that easy to do. And States then also factor in what their decisions are, where they would like to see initiatives. That doesn't always come together smoothly in the way that we would like to, and some States do a better job than others.

Mr. ALEXANDER. Thank you.

Mr. REHBERG. Mrs. Lowey.

Mrs. LOWEY. Thank you.

Since we are probably coming to a close in this hearing, I would like to acknowledge the hard work you are doing. And these programs, Mr. Chairman, I understand, are not on the chopping block, and I want them to stay off the chopping block.

STATE PAID LEAVE FUND

We know how tough it is for workers in this economy, and it is really shocking that more than 50 percent of American workers do not have one paid day if they are sick. Restaurants, I mean, you don't want people serving you if they are coughing, but they don't have a paid sick day.

So either people go to work to get paid, to support the family, or they stay home to take care of themselves. And we have paid sick days. Staff has paid sick days. We should be doing more in this area, and I just wanted to commend you for your initiative. This is really a problematic issue, and I want to thank you.

Ms. DELAURO. Would the gentlelady yield for one second?

Mrs. LOWEY. I would be delighted to yield.

Ms. DELAURO. I just would add to that because it is a very, very relevant point. Most of those 50 million people are employed in private sectors jobs, unlike us. We have the opportunity to take days off. These folks can't. And oftentimes, they lose their jobs if they do or——

Mrs. LOWEY. I want to thank you, and it is really problematic. So I am sure we all agree.

COMMUNITY COLLEGES AND CAREER TRAINING GRANT PROGRAM

Secondly, I want to congratulate you on requesting $500,000,000 for the Community College and Career Training Grant Program. I have two community colleges in my district that have outstanding career training programs for dislocated workers to find jobs in high-wage, high-skill occupations, and this is really important.

And I want to emphasize again, because I visit those community colleges, so many of the kids struggle, which goes back to our discussion about Pell grant. And if they lose $845 dollars—many of them are first generation—they can't go to mom or pop and say, "Can you help me?" They really will lose out.

So if you can just tell us in the little time we have remaining how you envision this program helping dislocated workers, and I really appreciate your creativity for putting this program together.

Secretary SOLIS. Thank you, Congresswoman Lowey.

This is a partnership between the Department of Education and the Department of Labor. The first round of grant solicitations went out about 3 weeks ago, and the first amount is about $500 million.

Each State can apply, and they can receive, at a minimum, $2.5 million. And what we are asking for here is really a collaboration. The partnership has to be a community college and industry, and it can include other service groups, too. It can also help to identify populations that are really struggling.

And it would hopefully build into capacity building at community colleges as well because, as was alluded earlier, it is tough to get into these nursing programs. I saw it myself, visiting the Sacramento Community College program that had a waiting list of 4 or 5 years. And yet it is a high-impact area where we need to have more nurses, as opposed to bringing in folks from abroad.

So, yes, it makes sense. It also makes sense to help create more opportunities for technicians, for people in the light technology area that don't necessarily have to have an advanced bachelor of science, but could get a community college degree and, say, become very capable of working on these new programs that require computer skills, for architectural design and engineering.

These are very highly paid positions and jobs that are available, and we have a shortage. That is the first thing I hear from employers. "I don't necessarily need an engineer, Secretary. But I need someone who can come in agilely and be able to have a good certificate that tells me they are qualified and be able to take on these new responsibilities."

And that goes to the whole notion of creating green, renewable energy jobs, looking at that sector and trying to conserve and come up with biofuels and other types of incentives so we can create solar panels here, wind turbines, and things that are already being done now. And many of them are taking place at community colleges.

So it is a way of expanding it through this particular funding source.

Mrs. LOWEY. I really want to thank you for that, and we are on yellow. And I just have to give you a specific example that I was talking to people just this week. The wife works as a beautician,

does nails. The husband is an architect, a trained architect. He is working in the pizza parlor across the street because he cannot find a job.

And I just had this discussion with him, but he said, "How can I go to community college? How can I afford to even go there?" And their salaries are a fraction of what a 4-year college costs today. So I was trying to give him advice, but I didn't have much good advice because on pizza parlor salary and a beautician, it is pretty hard to even go to the Westchester Community College.

Secretary SOLIS. Tell him to go to our online toolkit that we have, myskillsmyfuture.org. And that will be helpful for that person, and we will be happy to work with him.

Mrs. LOWEY. Thank you. I will do that.

2008 EVALUATION OF THE ADULT AND DISLOCATED WORKER PROGRAMS

Mr. REHBERG. Madam Secretary, your justification material makes repeated references to the 2008 evaluation of the Adult and Dislocated Worker Programs. Referring to the adult program, it says, "Regardless of services received, there is a several hundred dollar increase in quarterly earnings."

It is a good sound bite, but that is not an accurate read of the study. When it comes to the training component, not the core or intensive services, this study actually found that adult program participants who obtained training services have lower initial earnings than those who don't receive training services, but they catch up in 10 quarters. I suppose it is good news that they catch up 2½ years later.

Let us talk about the dislocated worker program for a minute. Again, your justification seems to cherry-pick data points from the impact study, saying there was a statistically significant impact on employment and earnings. One only need read a bit further to find the more critical conclusion.

"Estimates"—and this is their quote. "Estimates imply that program participants' earnings do not reach the level of earnings of comparable nonparticipants until more than 2 years after participation. Estimates of effects on earnings and employment 3 to 4 years after program entry show little evidence that training produces substantial benefits."

And finally, they said, "Overall, it appears possible that the ultimate gains from participation are small or nonexistent."

So, Madam Secretary, I am at a loss for what to believe. As this budget requests another $3,000,000,000 for these programs, are we left with a rather scathing review of the near and long-term effectiveness of the program. So I have to ask what are your thoughts on spending another $3,000,000,000 on programs that, one, still sitting on $1,000,000,000 in unspent stimulus funds; two, you are sitting on an additional $1,900,000,000 in carryover funds; and, at least by this study, shows little evidence that training produces substantial benefits?

Secretary SOLIS. Mr. Chairman, what report are you referring to?

Mr. REHBERG. It was the——

Secretary SOLIS. Because I am not aware.

Mr. REHBERG. Yes. It was called the——

Secretary SOLIS. And what year was it done?

Mr. REHBERG. 2008.

Secretary SOLIS. Okay. All right. I guess we can talk about that.

Mr. REHBERG. It was IMPAQ International Workforce Investment Act Non-experimental Net Impact Evaluation—Final Report."

Secretary SOLIS. Okay. I am not familiar with that report. But I will tell you that for the latest data available from my agency, for June 2008 and June 2009, 85 percent of workers exiting Workforce Investment Act, WIA, dislocated worker training and 82 percent of workers exiting the WIA adult worker training found a job within 1 year.

And I think that is commendable because given the fact that you still have five people to one job, it is still very, very important to be able to have these programs available. Those people that go through our programs are more likely to get the job than the person who has never even entered into our system. And that is a fact.

Mr. REHBERG. Madam Secretary, are you suggesting you haven't seen the study? Because it is the only known study that has been done, and it actually is sitting in the Department of Labor, this study.

Secretary SOLIS. I am sorry. Who did the study?

Mr. REHBERG. The Department of Labor.

Secretary SOLIS. I don't have—no.

Mr. REHBERG. Okay. Well, I might suggest that——

Secretary SOLIS. What year?

Mr. REHBERG. December 2008.

Secretary SOLIS. 2008. I started in 2009.

Mr. REHBERG. Okay.

Secretary SOLIS. Okay, that was the previous administration. So I gave you the latest data I have for my programs.

Mr. REHBERG. But the facts don't change from the report.

Secretary SOLIS. Yes, they do. I just told you. So if you would like, I can also make sure that my Assistant Secretary comes and relays the most recent information and data that we do have.

[The information follows:]

WIA STUDY

The tables below show estimated differences in earnings for the adult and dislocated worker program participants in contrast to comparison groups composed of Unemployment Insurance claimants or Employment Service participants. These charts were constructed from information contained in the cited report: *Workforce Investment Act (WIA) Non-Experimental Net Impact Evaluation* by Carolyn Heinrich, Peter Mueser and Kenneth Troske.

The Adult Program chart below suggests that participation in the WIA Adult Program results in several-hundred-dollar increase in quarterly earnings (regardless of services received) over nonparticipation in the program. Participation in the Dislocated Worker Program is associated with some initial quarters of depressed earnings. However, it should be noted that the Dislocated Worker program participants are relatively high wage individuals who are faced with permanent job loss and the quarters of depressed earnings generally occur while these individuals are still participating in the program. The earnings of participants in the Dislocated Worker Program do eventually overtake the earnings of similar individuals that did not participate in the program.

Adult Program

Program	Estimated Difference in Earning, Quarter After Entry (in ($)dollars)														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
All Services-Females	550	500	500	500	550	575	600	600	600	600	550	600	600	550	600
All Services-Males	650	575	400	400	400	375	375	375	350	400	350	300	425	500	500
Core/Intensive Only Females	575	550	450	400	400	375	375	375	350	300	300	300	250	200	250
Core/Intensive Only Males	675	500	300	300	300	250	250	200	200	250	225	150†	300	325	300

Dislocated Worker Program

Program	Estimated Difference in Earning, Quarter After Entry (in ($)dollars)														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
All Services Females	-200	-200	-200	-100	0†	50	150	200	250	300	300	350	400	350	400
All Services Males	-200	-150	-150	-50	0†	100†	100	250	300	300	250	350	350	350	250
Core/Intensive Only Females	0†	150	200	250	250	250	300	300	300	300	300	300	350	400	450
Core/Intensive Only Males	0†	100	50†	125	125	150	125	125	200	300	350	300	325	300	300

† Not statistically significant at .05 level

WIA STUDY

ETA requested an independent peer review of the Non-Experimental Net Impact Evaluation. Several reviewers pointed out the methodological limitations of the study, which was based on what is considered to be the next-best methodology when random assignment is not used. One reviewer concluded that, despite these limitations, the "study provides positive, but by no means conclusive, evidence regarding the effectiveness of WIA core/intensive and training services." However, because of serious concerns about the limitations of the methodology and data used in the study, in 2008 the Department commissioned the WIA Gold Standard Evaluation of the Adult and Dislocated Worker Programs (WGSE). This study will address the limitations of the 2008 study as shown in the table below. The study's results will be available in 2015, although this schedule is dependent upon continued appropriations for the evaluation of WIA programs.

	Non-Experimental Impact Study (aka 2008 Impact Study)	**WIA Gold Standard Evaluation**
Evaluation Methodology	Quasi-experimental methods (propensity score matching)	Random assignment
Sample	Consisted of 12 purposively selected states	Will use a nationally representative sample of approximately 30 randomly-selected local workforce investment areas
Comparison Groups	Drawn from Unemployment Insurance claimants and Wagner-Peyser participants	Will randomly assign from WIA applicants
Data Sources	Used administrative data (UI wage records) which limited the outcomes looked at to quarterly earnings and employment	In addition to administrative data, will use survey data which will allow a full range of educational, employment, earnings, and self-sufficiency outcomes to be examined
Services Examined	Looked at three levels of services: Core, Intensive, and Training compared to persons not receiving WIA services	Will look only at Intensive and Training compared to Core
Study Dates	Looked at participants who entered WIA between July 2003 and June 2005	Will look at entrants between approximately July 2011 and June 2013

INITIAL GRANTS FOR GREEN JOBS

Mr. REHBERG. In my time remaining, if I might, I want to go back to the initial grant in the green jobs—well, I have lost my page, but in the green jobs section, if I heard you correctly in the first question I asked, you suggested that you are giving grants out that do not have to have a labor component?

Secretary SOLIS. That is not a mandate, right. I mean, anybody can apply. That is how we view these competitive grants.

Mr. REHBERG. Okay. I guess I am confused because I am actually looking at the language that says by law there has to be a labor component.

Secretary SOLIS. It has to include a business or an employer. I mean, that is a part of——

Mr. REHBERG. Well, a business or an employer is the same thing. So does it have to require a labor component in the grant?

Secretary SOLIS. It is acceptable, yes.

Mr. REHBERG. Is it a requirement? Is it a law?

Secretary SOLIS. I don't know that it is a law. It is a business labor partnership. That is what we call it.

Mr. REHBERG. Okay. All right. I am going to, for the record, then ask a question so I can get an answer as to whether grants have been given out that do not have a labor component affiliated to that grant. And I will just do that by question.

[The information follows:]

GREEN JOBS TRAINING PARTNERSHIP

The Employment Training Administration funded Green Jobs-focused grants using Recovery Act funding through five specific Solicitations for Grant Applications (SGA): Green Capacity Building, Energy Training Partnership (ETP), State Energy Sector Partnership (SESP), Pathways out of Poverty (PATH), and State Labor Market Information Improvement (LMII). The partnership requirements applied to the three grants that focused on green industry training and extended to both employers and labor organizations, but not specifically to unions. For the ETP SGA, national labor-management organizations with local networks were one of the eligible applicant types, and labor organizations were a required partner. For the SESP SGA, labor organizations (including labor-management training programs) were a required partner. For the PATH SGA, labor organizations (including but not limited to labor-management organizations) were a required partner. The State LMII and Green Capacity Building SGAs did not require that applicants include labor organizations as partners.

Thank you.

Mrs. Lowey? I am sorry, Ms. DeLauro? And then we will go to Mr. Flake will be the last. We are closing now. We have had many different rounds.

And just for the audience's benefit, quite a few of my Members on this subcommittee are subcommittee chairmen in other subcommittees, and it is not for a lack of interest in the topic at hand. It has nothing to do with you personally. They have just been very busy chairing other meetings.

Ms. DeLauro.

Ms. DELAURO. Thank you, Mr. Chairman.

WORKER MISCLASSIFICATION—WAGE AND HOUR DIVISION

Madam Secretary, you mentioned in your testimony that the department has an initiative related to worker misclassification. Meaning, I believe, that people who an employer tries to claim are

independent contractors, but who are really employees. I understand that the budget increase for the Wage and Hour Division in particular is targeted to that initiative.

Can you tell us why you believe worker misclassification is a serious problem that merits priority attention? For the workers, we are talking about consequences like the loss of unemployment and workers compensation coverage, loss of rights to overtime pay and minimum wages, and loss of employer contributions to Social Security. Isn't that what can happen?

Secretary SOLIS. Yes, absolutely. Yes.

What we are attempting to do here is try to go after those individuals that inappropriately misclassify their employees as independent contractors. We are not saying that being an independent contractor is wrong or anything, but there have been many abuses where actually the worker is doing similar work that other employees are doing, and yet they are being robbed, actually, of, say, any benefits.

When they do become unemployed, they are not able to draw that down. We lose out on the tax revenue as well. So local government is also affected. And we feel that it is a serious concern, and it has been talked about for many years. And it is a way for us to begin to look at this issue because we have gotten a lot of complaints.

And we were criticized very heavily by the Government Accountbility Office, GAO, years back because we were not following up on complaints like this and others where there have been wage theft and other injuries, say, to workers in the workplace.

Ms. DELAURO. And my understanding as well is that a number of States are interested in cooperating with what you are doing——

Secretary SOLIS. Yes. Yes.

Ms. DELAURO. [continuing]. To protect the unemployment insurance and those compensation funds. Is that right?

Secretary SOLIS. Absolutely. And it is an initiative because, again, the State revenue doesn't come in if employees are not appropriately classified. Or if they are put out as independent contractors. So that is a problem that exists, especially, I would say, in some of the lower-wage areas and sometimes even in the telemarketing area.

Ms. DELAURO. Great. Thank you.

2008 FARM BILL

I want to just correct something for the record. My colleague Mr. Alexander isn't here, but I did want to follow up on his comment about the conservation program. In terms of recollection, just to make sure that the cuts were being made to the right programs and that we were concerned with the amendment and what programs it was cutting.

Plus, in addition to which the amendment addressed problems that existed prior to the 2008 farm bill, problems that were reformed in the 2008 farm bill. So, quite frankly, the issue had been addressed and corrected, and it didn't make sense to cut before the reform had a chance to be implemented.

And those folks who are very interested in the farm bill were not willing to reopen that again.

MINE SAFETY

I talked earlier about the mine safety issue, which has always been a real interest to me. You talked about the problem with the backlog. But let me just ask you in terms of your budget, in terms of improving mine safety and health, what is the 2012 budget doing to implement measures and what might those measures be in terms of assisting with mine safety here?

Secretary SOLIS. Well, what we are looking at also, Congresswoman DeLauro, is helping to provide a better stream of regulations so that miners and operators will be fully aware of the kind of changes that have to take place so we won't see another Upper Big Branch explosion, and also try to mitigate those backlogs. Because we found that many operators are able to kind of game the system and block whenever there is a citation that is brought before them, which tends to create a long backlog and makes it incredibly hard to resolve these issues.

That is why we need help from our budget to do just that. But there are other things that we want to do as well. We want to try to consolidate some of our operations and decentralize when needed.

So, for example, the small business mines—I mean the small mines that we have to oversee, we had an exclusive division just set aside for that. What we are going to do now is put that in all of our regional offices because it is kind of the boots on the ground theory that they can go out and do a better job of evaluating those programs and making sure that they are addressed.

Mr. REHBERG. We have about 6 minutes left.

Ms. DELAURO. Thank you.

Mr. REHBERG. If I could ask Mr. Flake to keep it at about 3 and Mr. Lewis to keep it about 3, we will finish on time.

So, Mr. Flake.

STAPLE ACT

Mr. FLAKE. Madam Secretary, good to see you.

Secretary SOLIS. Good to see you.

Mr. FLAKE. Just a question. The President talked in his State of the Union address about the problem we have where we educate so many foreign-born students, and then we turn them away, too few visa slots to keep them here. That has been a concern of mine for quite a while.

If you look at those receiving Ph.D.s in the STEM fields in our U.S. universities, about 60, 65 percent are foreign born. And yet then we say to far too many of them, we have educated you, now we are going to send you to compete against us. And when you look at Silicon Valley, about 50 to 60 percent of the startup firms there were started by foreigners.

In my view, we ought to roll out the red carpet for anybody with a Ph.D. in those fields to stay here and work, and I have introduced the STAPLE Act, which basically means you staple a green card to a diploma of anybody receiving a diploma in those fields. That seems to be what the President is talking about. I have had

discussions with the White House on this. Senator Schumer has similar legislation in the Senate.

How does your agency view that kind of legislation? What can we do to make sure that those who would help create jobs here in the U.S. are allowed to stay here?

Secretary SOLIS. Well, this is a priority for the administration. So we would look forward to working with you and providing any assistance you might need from our staff as well to look into it.

I know that this is something that is a high priority for the President himself, serving with other members of the Cabinet on the Export Council where this has come up quite a bit. So I am well aware of it. I agree that it is something that we need to work on, and I think this may be an appropriate environment now to see something like that move.

Mr. FLAKE. Thank you.

Just for the record, I know before I came in something was brought up about Republicans resisting cutting farm subsidies. Some Republicans are willing to cut any subsidy, any farm subsidy that is brought up and have moved to do so.

Ms. DELAURO. You have been consistent, Mr. Flake.

Mr. FLAKE. Thank you. [Laughter.]

Mr. REHBERG. Thank you, Mr. Flake.

Just for the record, Madam Secretary, to help you out, even though this study pre-dates you and your staff seems to be confused to where it is within the department, I have got your budget justification, and you refer to this very study in your budget justification.

Mr. Lewis.

Mr. LEWIS. Thank you, Mr. Chairman.

Mr. Flake and I may end up being partners on this issue as he goes to another body and where I feel very strongly about exactly the same thing.

Welcome, Madam Secretary. I am sorry that I had a conflicting meeting, and the Secretary of the Army insisted I stay a while.

WORKFORCE INVESTMENT ACT

But in the meantime, the entire area of the Workforce Investment Act and where it works and where it doesn't seem to be working is of concern to me. In my own region, there are people who have put together this effort that seems to work very effectively, where there is job training and linkage to employers who can use their skills, et cetera. It is kind of what the design was all about.

And yet, in California, and I guess across the country, we have had considerably different experience. That article recently in California regarding what has been going on or what has been a circumstance in and around Fresno, California, where there are very high levels of unemployment, ranging from like 15 percent of my own region. But up there, as much as 40 percent. And yet jobs available, and there is not a linkage.

I am concerned that within the implementation of the Investment Act across the country, very, very sizable percentage of locations, there is this disconnect. Some job training potentially available, but not a mechanism whereby we can link to the employer who can use those skills.

And it is not very hard to develop the computer software to achieve much better results. Could you comment on that?

Secretary SOLIS. I agree with you. I have heard that concern in my travels around the country, and I know that this might be an appropriate time for us to look at reauthorizing the Workforce Investment Act, WIA, because I do believe that it does work in certain places more efficiently than it does in others. And I think the key is having good partners with the business community and coupling that with community colleges in many instances and also other programs where you can make sure that there is a seamless pipeline that once you get training, you can get access to that job.

And hopefully, the individuals—in some cases, the employer that is seeking the kind of employee they need—will have more participation in the actual setup of the program and curriculum. And that is something that we are seeing and that we are pushing for right now, even with the funds that we have.

TAA COMMUNITY COLLEGES

There is a new grant that is becoming available, the Trade Adjustment Assistance, TAA, community college. The focus is the community colleges, and I know that would greatly benefit sectors like yours and in Fresno. Because I also had a conversation with the Mayor of Fresno, who tells me also that they need to have better job training, that there aren't any jobs, number one. So, therefore, we have to look at what jobs are going to be growing.

Healthcare is one of them. IT, computers, renewable energy, things of that nature, I think, are appropriate. And right now, many of our community colleges, as you know, are under tremendous budget constraints. So this additional resource would be very helpful for them.

Mr. LEWIS. Thank you, Mr. Chairman.

Mr. REHBERG. And thank you, Madam Secretary.

Meeting adjourned.

[The following questions were submitted to be answered for the record:]

Green Jobs Training Grants

Mr. Rehberg: Madam Secretary, can you please provide a detail of all funding (included supplemental funding) that has been provided for "green job" training programs since 2007?

a. What percentage of this funding was provided under the specific authority of the Green Jobs Act of 2007 (section 171 of the Workforce Investment Act)?

b. How many participants have received green jobs training, and how many have been placed in green jobs following training?

Ms. Solis: ETA administers approximately $500 million in funding included in the American Recovery and Reinvestment Act (ARRA) that was designated for research, labor exchange and job training projects that prepare workers for green jobs. ETA awarded grants to organizations nationwide to implement these projects, through five separate Solicitations for Grant Applications (SGAs). Two of the SGAs did not focus on funding direct education and training activities. Approximately $48 million was awarded to projects that collect, analyze, and disseminate labor market information and to enhance the labor exchange infrastructure for careers in green jobs, and approximately $6 million was awarded to projects that are building the capacity of DOL-funded training programs to provide education and training for green jobs.

The $500 million in ARRA funds that was provided to the Department was not provided under the specific authority of the Green Jobs Act of 2007, though ARRA referenced specific industries that were included in the Green Jobs Act of 2007, and the various SGAs were partially modeled on programs authorized by the Act.

The grants awarded through the three ARRA green jobs SGAs that focused on direct education and training activities all started in January 2010. Start-up activities for these grants generally took six to nine months, so most grantees have just started implementing education/training activities. As of December 31, 2010, which is the most recent data available for these grants, 8,649 participants in these grants have completed education/training activities, and 1,303 participants have entered employment in green jobs. Additional information on these grants is provided as an insert to my testimony.

In addition to grants provided with ARRA funding, ETA is in the process of awarding $40 million for the program year 2010 Green Jobs Innovation Fund grants. Again, this funding was not provided under the specific authority of the Green Jobs Act of 2007, though the SGA referenced specific industries that were included in the Green Jobs Act of 2007. DOL also has job training programs that may help prepare individuals for employment in green jobs but are not targeted on green job training, including Job Corps, the WIA formula grants, and the Veterans' Workforce Investment Program.

Mr. Rehberg: The Green Jobs Act of 2007 amended the Workforce Investment Act by establishing three new grant programs: the National Energy Training Partnership program, the

State Energy Training Partnership program, and the Pathways out of Poverty demonstration program. This legislation includes provisions for each program that requires grantees to have a partnership with a labor organization, specifically, in order to be eligible for a grant. Below is a portion of this language from the State Energy Training Partnership, and similar language is included in the other grant programs:

(iii) ELIGIBILITY.—To be eligible to receive a grant under this subparagraph, a State Energy Sector Partnership shall —

(I) consist of nonprofit organizations that include equal participation from industry, including public or private nonprofit employers, **and labor organizations**...

a. With union membership at an all-time low (according to BLS), hovering below 12%, such requirements would deny roughly 88% of the eligible workforce from competing.

i. Does this eligibility provision require affiliation with a labor organization before a grantee can be eligible to receive a grant under the Green Jobs Act? If so, would the Department be willing to propose a legislative "fix" to open these grant competitions to the remaining 88% of the qualified workforce?

ii. Can a grant applicant that has no affiliation whatsoever with a labor organization receive a grant from any of these three Green Jobs Act programs?

iii. Of the total Green Jobs Act grants that have been awarded to date, how many were awarded to grantees that have a documented partnership with labor organizations, and what was the total value of these grants? How many were awarded to grantees that had no documented partnership with labor organizations, and what was the total value of these grants?

Ms. Solis: As noted on the answer to question #1, none of the ARRA-funded green jobs grants were awarded under the specific authority of the Green Jobs Act, though ARRA did reference the industries described in the Green Jobs Act. Solicitations aligned with the intent of the Green Jobs Act.

For the three types of grants referenced above, the Green Jobs Act identifies a role for labor organizations, though that role varies. The provision highlighted above is for the State Energy Training Partnership program in the Green Jobs Act, and there were similar requirements for other grants authorized by the Act. Briefly, for the green training grants awarded under ARRA: Labor organizations were eligible applicants and also required partners in the Energy Training Partnership and Pathways Out of Poverty grants. The State Energy Sector Partnership (SESP) and Training grants required labor organizations to serve as a steering committee member in a pre-Solicitation strategic planning process that states underwent prior to submitting an application. Eligible applicants for the Green Capacity Building grants were existing

Department of Labor grantees and some of those grantees partnered with labor organizations. Eligible applicants for the Labor Market Information Improvement Grants were State Workforce Agencies and labor organizations were a suggested partner. It is important to note that while these grants were either required or encouraged to have a labor organization partner, this is not equivalent to requiring that workers be unionized to be served by the grants. These grants serve participants that are not unionized, as well as those that are.

For the ARRA-funded green jobs grants:

- 121 grants were awarded to organizations with a labor partner, totaling $445,147,405

- 68 grants were awarded to organizations without a labor partner, totaling $45,000,583

WIA One-Stop System

Mr. Rehberg: The nation's 3,000+ One-Stop centers serve as the backbone of the WIA system. But, there is mounting concern that infrastructure and administrative costs are consuming valuable resources that could otherwise be used on actual training. Can you define what WIA determines be an administration costs vs. program costs? What are some allowable program costs? Would air travel for One-Stop employees be an acceptable "program cost"?

Ms. Solis: WIA has defined administrative costs in the implementing regulations at 20 CFR 667.210. To summarize, administrative costs are function based, and the types of costs considered administrative are such functions as oversight, audit, accounting, reporting, payroll, etc. For the functions listed, administrative costs include all the costs of performing the function, such as personnel, fringe benefits, overhead, and space. WIA further specifies the organizations subject to reporting administrative costs and includes the state administrative entity, the LWIB, the local administrative entity and fiscal agent and One-Stop operators. Administrative costs are costs that support the operation of the program and are not of direct benefit to the participant.

Program costs are those costs that directly support participants such as costs for case managers, counselors, job developers, and other One-Stop center staff that provide direct services to participants, and the costs of service providers. As with administrative costs, those program costs include all the costs of the function such as salaries, fringe benefits, and occupancy expenses. Air travel for the One-Stop employee would be a program cost for those staff performing program functions, such as attending a conference for case managers. If the One-Stop center director incurred air travel costs to attend a meeting on appropriate procurement of service providers, this would be an administrative cost under the WIA regulations.

Mr. Rehberg: In each of the last three years in which actual expenditure data is available, what percentage of funding went towards the One-Stop infrastructure (personnel, utilities, etc) and what percentage of funding was provided for individual training accounts?

Ms. Solis: ETA does not collect expenditure data on a line item basis. Financial reports are submitted quarterly and are on a summary basis for both statewide activities (state set-aside funds) and local activities (funds allocated to local areas). There is no expenditure data available to determine the percentage of funding spent on One-Stop infrastructure nor for Individual Training Accounts as specific fund use information is maintained at the local level and not reported to the Federal level. In addition, there is no system-wide definition of One-Stop infrastructure, either in regulation or guidance. The term has been loosely used to identify only "bricks and mortar" costs such as rent and utilities or to be more expansive and include staffing costs associated with the provision of services. However, ETA does not consider the provision of program services as "infrastructure" nor do those services count as administrative costs for ETA programs under current regulations. The data requested would only be available at the local level and will vary considerably depending on how the local area develops the resource sharing agreement.

Mr. Rehberg: Other than ETA programs, how much funding from other partner programs is being utilized to support the One-Stop infrastructure?

Ms. Solis: Again, ETA does not collect or maintain information on the funding of the local One-Stop centers. However, One-Stop partners are governed by the requirements of 20 CFR 662.230 which requires partner programs to make services available through the One-Stop and to provide funding on a proportionate share basis to support the One-Stop Center. One-Stop cost sharing agreements are developed and maintained at the local workforce board level, and not reported to the Federal level. Although the Department does not collect financial information from the Local Workforce Investment Boards (WIBs), we believe that it is a common practice for WIBs to use funding from a number of federal, state, local, and private sources. Information on the percentage of funding used from these various sources is not systematically available and there is likely to be significant variation among all WIBs. In general, the presence of multiple partners in the One-Stop Center has the advantage of reducing costs to the WIA funding streams, as more partners share in costs such as rent and utilities.

WIA Individual Training Accounts

Mr. Rehberg: For the last three years in which actual data exists, please provide the number of participants in the WIA system, how many of these participants received training through an individual training account (ITAs), and what was the total value of these ITAs? Please provide this detail by WIA program (Adult, Dislocated Worker, Youth).

Ms. Solis: Demand for employment and training services has been exceptionally high during and since the recession. As unemployment increased, participation in WIA programs increased. The capacity of the workforce system was aided by the influx of Recovery Act resources. The numbers are telling. Between 2007 and 2009, participation was up 56 percent for the WIA Adult and Dislocated Worker (DW) programs.

Youth do not receive "training" as defined for adults and DWs, nor do they use ITAs to finance services. Between 2007 and 2009, the number of Adults and DWs in training increased by 21

percent and the number of ITAs established increased by 24 percent. We note that the total number in training is always higher than those who received training via an ITA. This is because WIA allows a number of training activities that fall outside of the typical ITA arrangement, including OJT, customized training, and work experience.

ETA's financial reporting system for the WIA-authorized programs is not activity-based, as it does not delineate between funds spent on core, intensive and training services. Instead, the Department tracks financial activity by WIA program. Thus there is no data available on the total value of ITAs.

The table below provides the number of program exiters (i.e., participants who received services funded by the WIA Adult and Dislocated Worker and were exited upon completion). Also included in the table is information on total number of individuals who received training services as well as the number of ITAs established for the past three years.

	Total Exiters	Total in Training	Total ITAs established
PY 2009			
Adults:	1,163,229	129,914	79,955
DW:	531,617	84,969	63,459
Total:	1,694,846	214,883	143,414
PY 2008			
Adults:	1,030,282	103,360	63,852
DW:	357,123	57,955	43,043
Total:	1,387,405	161,315	106,895
PY 2007			
Adults:	838,131	114,398	67,663
DW:	242,176	63,519	47,815
Total:	**1,080,307**	**177,917**	**115,478**

Mathematica Policy Research Study

Mr. Rehberg: In December 2006, Mathematica Policy Research issued its final report entitled "Managing Customer's Training Choices: Findings from the Individual Training Account Experiment". This study showed that just 4 percent of those who were offered career counseling actually took advantage of it. Additionally, it shows that when participants are given no counseling and [what the study calls] "maximum choice", their outcomes are just as good as those who received counseling.

Given the above finding, would it not be more beneficial to the customers of the WIA system if more funds were provided specifically for ITAs rather than being consumed by personnel-heavy services that customers don't appear eager to utilize?

Ms. Solis: According to the original random-assignment study referenced above, when given the choice, few participants take the option of career counseling. However, since all participants regardless of treatment group received an average of five hours of counseling before random assignment, it is difficult to determine whether participants would have opted for counseling had they not received the initial five hours of counseling. For more details, please see below excerpt from page 122 of the report.
Page 122:

> **When Counseling on Training Program Choice is Voluntary, Few Request it**
> Once they were determined eligible for WIA-funded training and had attended a 20-minute orientation, Approach 3 customers were not required to participate in any additional counseling, although it was available to them if they requested it. Few Approach 3 customers did request this counseling—only 4 percent of Approach 3 customers received *any* counseling after the ITA orientation. And most of those Approach 3 customers who did request counseling participated in only one additional counseling session. Counselors reported that Approach 3 customers came to the ITA orientation having already chosen a training program and completed the paperwork to obtain an ITA immediately after the orientation. *However, customers in the study sites—including Approach 3 customers—already had participated in an average of about five hours of counseling before being determined eligible for WIA-funded training. Hence, we do not know whether customers would request counseling if all counseling—including counseling that occurs prior to the determination of eligibility for WIA-funded training—was voluntary.*

Also, we just received a draft report reflecting a 2-3 year follow-up on the ITA project developed by MPR. We are reading now with an eye toward these issues.

It is also important to note that One-Stop personnel perform functions other than counseling. For example, business service representatives work with employers on job listings and recruitments. Employees operate resource rooms or help participants with other services such as resume preparation, interview skills, and other reemployment supports.

Youth Training Programs

Mr. Rehberg: In the Department of Education, the "Perkins Career and Technical Education program" is essentially a career preparation and training program for youth. WIA programs also are targeted at career preparation and training, especially WIA Youth.

a. How do these programs differ?

a. Why is it necessary to maintain separate funding streams in two different agencies, and is this an opportunity to achieve some cost savings by merging two

programs that are both similar in mission and the population in which they aim to serve?

Ms. Solis: The Workforce Investment Act Youth program (WIA) and Carl D. Perkins Vocational and Technical Education Act (Carl Perkins) both serve youth; however, each program addresses different needs for youth, target different populations, and provide different types of services. WIA has a broad focus offering comprehensive youth services made up of ten program elements with the stated purpose of helping youth achieve academic and employment success, providing effective activities to improve educational and skill competencies, and providing effective connection to employers. Carl Perkins has a much more narrow focus specific to the development of academic, career, and technical skills of secondary education students and post-secondary education students who enroll in career and technical education programs.

In addition, WIA targets low-income youth ages 14-21 with particular emphasis on serving older and out-of-school youth facing one or more barriers to employment, while Carl Perkins targets in-school youth, particularly in secondary and post-secondary career and technical education programs. Finally, WIA allotments are made to State and Local Workforce Agencies, while Carl Perkins allotments are distributed to State Directors of Career and Technical Education.

Given the large differences in purposes and scope of the programs, target populations served, services provided, and grant recipients, separate funding streams are necessary.

ETA provided technical assistance grants to nine states and two tribal entities to facilitate systemic approaches to building career pathways. ETA provided $60,000 per state and $30,000 to two tribal entities to convene partners to develop strategic plans with teams consisting of workforce, education, community colleges, human resources staff and employers. ETA, OVAE and ACF worked together to design and conduct two training Institutes with subject matter experts, coaches, facilitators, and notetakers. The first Institute held in November 2010, focused on strategic approaches to designing career pathways and the second Institute which will be held April 26-28, 2011, will focus on how to build or adopt industry recognized and stackable credentials in the context of career pathways for adults.

American Recovery Act Funding

Mr. Rehberg: Madam Secretary, during your testimony, you stated that some of the summer jobs funding contained in the American Recovery and Reinvestment Act (ARRA) has been absorbed into state and local programs.

a. Can you clarify this comment? How much youth funding was absorbed and for what purpose?

b. Can you identify for the Committee which states and which Workforce Investment Boards rolled ARRA funding into their existing programs?

Ms. Solis: The comment was meant to reinforce that the ARRA did not authorize or fund a stand-alone summer jobs program. While both the statutory language and report accompanying the Recovery Act emphasized a focus on summer employment, the $1.2 billion in Recovery Act funding for WIA youth activities was a supplement to existing WIA youth programs. Most state and local areas concentrated their spending of Recovery Act WIA Youth funds on summer youth employment activities; however, state and local areas also used Recovery Act WIA Youth funds to provide work experiences and other allowable WIA services outside the summer months. While we do not have the breakdown of funds used only for summer employment activities, we do know that 89 percent of participants served with Recovery Act WIA Youth funds completed summer employment. Therefore, we can conclude that the majority of Recovery Act WIA Youth program funds were spent on summer youth employment.

WIA Training for Highly –Skilled Workers

Mr. Rehberg: During your testimony you stated that a number of unemployed workers are already high-skilled and would not benefit from WIA training programs.

c. In your estimation, how many unemployed workers fall into this category?

d. What is the Department doing to meet their job training needs?

Ms. Solis: Many unemployed Americans have both the skills and work experience necessary to find employment without any additional training. We estimated that a little over 5 million of the 13.5 million unemployed Americans will not benefit from WIA training programs. To understand the training needs that the unemployed have we first take a look at the skills they already have.

As of March 2011, 3.7 million unemployed workers were under age 25. Most of these individuals need further training and many of them are currently in school, but struggling to find work to support themselves while they study.

Among the unemployed 25 and older, 2.1 million have a bachelor's degree or more, 2.7 million have some years of college including those who completed an occupational or vocational program that awarded an associates degree, 3.5 million have only a high school degree, and 1.6 million do not have a high school degree. Unemployed people who are already highly educated are less likely to have their reemployment prospects improved through WIA training programs. In contrast, most of those without a high school degree do need training to secure stable employment.

Education is not the only factor involved in assessing the need for training, but we have found that those with more education tend to have less of a need for further training. Highly trained workers are best served by helping them find the right employer for their skills. WIA intensive job search assistance helps these workers. More information on the re-employment services available to unemployed workers can be found at the following link: http://www.careeronestop.org/ReEmployment/.

Workforce Systems Results Report

Ms. DeLauro: To monitor or address possible issues of duplication offered through WIA, you said you have asked for regular audits on WIA program. Please provide the most recent of the WIA internal audits to the Committee.

Ms. Solis: The Department creates quarterly summaries of WIA performance and outcomes that are used in combination with evaluations and research to inform policy and guide budgetary decisions. To promote the transparency of our workforce programs, this information is analyzed and made publicly available through the quarterly *Workforce System Results* report. The most recent *Workforce System Results* provides data for the fourth quarter of Fiscal Year 2010 (July 1, 2010-September 30, 2010). This report is available at:

http://www.doleta.gov/Performance/results/quarterly_report/Sept_30_2010/WSR_Sept_30_2010.pdf#page=1 .

The Department is the final stages of developing the report for the first quarter of Fiscal Year 2011 (October 1, 2010 - December 31, 2010) and will make the final report available through the Department's website. In addition to performance data, these quarterly reports describe the activities and populations served by each of the Department's workforce programs.

Studies on Effectiveness of Job Training Programs

Ms. DeLauro: In the course of the hearing, a number of studies were referred to - in an effort to question the effectiveness of job training programs. These included studies of the Job Corps program and dislocated worker services under the Workforce Investment Act. Can you respond to these studies, indicating what they actually found about the effectiveness of these programs?

Ms. Solis: The three ETA studies referred to are: 1) the Workforce Investment Act (WIA) Gold Standard Evaluation of the Adult and Dislocated Worker Program, which is a random assignment evaluation of the impacts on post-program outcomes of participation in WIA core/intensive and training services, 2) WIA Non-Experimental Net Impact Evaluation[1], and 3) National Job Corps Study and Longer-Term Follow-Up Study EQ: Impact and Benefit-Cost Findings Using Survey and Summary Earnings Records Data[2]. The first of these – known as the WIA Gold Standard Evaluation – is just getting underway and there are no findings from it yet. I'll say more about it after I discuss the WIA Non-Experimental Evaluation.

The WIA Non-Experimental Study found that, although differences across states are substantial, participation in the WIA Adult program is associated with an increase in quarterly earnings of several hundred dollars. The analysis of participants who receive only core/intensive services

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[1] Available at: http://wdr.doleta.gov/research/FullText_Documents/Workforce%20Investment%20Act%20Non%2DExperimental%20Net%20Impact%20Evaluation%20%2D%20Final%20Report%2Epdf

[2] Available at: http://wdr.doleta.gov/research/eta_default.cfm?fuseaction=dsp_resultDetails&pub_id=2341&bas_option=Title&start=11&usrt=4&stype=basic&sv=1&criteria=job%20corps

suggests that their benefits may be as great as $100 or $200 per quarter over the period of study, which is substantial compared to the small costs of those services. The marginal benefits of training may exceed $400 in earnings each quarter.

Following entry into WIA, Dislocated Workers experience several quarters for which earnings are depressed relative to comparison group workers. However, their earnings do ultimately overtake the comparison group. The return they experience from training appears to be smaller than that obtained by Adult program participants.

The study further found that women appear to obtain greater benefits than men for participation in both the Adult and Dislocated Worker programs.

The estimated effects for various subgroups examined -- nonwhite non-Hispanics, Hispanics, those under 26 years of age, those 50 years of age or above, and veterans -- are similar to the estimated effects for all WIA participants; there is essentially no evidence that any of the subgroups considered have experiences that differ from the average in important ways.

Because of serious concerns about the limitations of the methodology and data used in the non-experimental study, in 2008 the Department commissioned the WIA Gold Standard Evaluation (WGSE). This study will address the limitations of the 2008 study as shown in the table below and includes a cost-benefit component. The study's results will be available in 2015, although this schedule is dependent upon continued appropriations for the evaluation of WIA programs.

	Non-Experimental Impact Study	**WGSE**
Evaluation Methodology	Quasi-experimental methods (propensity score matching)	Random assignment
Sample	Consisted of 12 states selected because they were the ones that could provide the requisite Unemployment Insurance data; these states are not representative of the nation	Will use a sample of approximately 30 randomly-selected local workforce investment areas; these areas will represent the nation
Comparison Groups	Drawn from Unemployment Insurance claimants and Wagner-Peyser participants	Will randomly assign from WIA applicants
Data Sources	Used administrative data (UI wage records) which limited the outcomes looked at to quarterly earnings and employment	In addition to administrative data, will use survey data which will allow a full range of educational, employment, earnings, and self-sufficiency outcomes to be examined,
Services Examined	Looked at three levels of services: Core, Intensive, and Training compared to persons not receiving WIA services	Will look only at Intensive and Training compared to Core
Study Dates	Looked at participants who entered WIA between July 2003 and June 2005	Will look at entrants between approximately July 2011 and June 2013

The National Job Corps Study was a rigorous random assignment study of the impacts of Job Corps participation on post-program employment and earnings and other outcomes, including criminal behavior and educational attainment. In 2006, the Department released the final report from that study, which used Social Security Administration earnings records to extend the study's follow-up period to through 2004 – approximately 10 years after program entry. The main findings of the Job Corps study include:

(1) During the four-year survey period of the Job Corps impact study, Job Corps increased the education and job training services that participants in the sample received by about 1,000 hours;
(2) Job Corps significantly reduced involvement with crime, conviction, and incarceration rates across all youth subgroups;
(3) Job Corps generated earnings gains during the first two years after program exit. However, overall, there are no longer-term program impacts on earnings according to the administrative records data, except among older students; and
(4) Job Corps produces beneficial impacts for disadvantaged youth, most of whom enroll in the program without a high school credential.

From a cost-benefit perspective, the study found that the costs to society of Job Corps exceed its benefits to society by about $10,300. However, Job Corps' benefits exceed its costs from the perspective of the participants, suggesting that Job Corps does effectively redistribute resources to low-income youth. Also, the benefits to society exceed the costs to society by about $17,000 when one considers only the older participants (ages 20 through 24). For this population, earnings impacts persisted past the four-year period. In a 2008 article in the American Economic Review the study's authors wrote that, "...Job Corps is the only federal training program that has been shown to increase earnings for this population."[3]

Additionally, it should be noted that the Mathematica study's findings pertain only to the Job Corps program as it operated in 1995 and 1996 and that the program has undergone numerous enhancements intended to improve program effectiveness and outcomes that were not factored into the Mathematica study. Some of these enhancements include: a high school diploma initiative to promote the attainment of high school diplomas by program participants; development of new academic standards that are more closely aligned with industry certification and high school diploma or GED attainment; implementation of Career Success standards, a set of eight behavior standards related to employability, independent living, and social development; and a National Certification Initiative that is working to more closely align Job Corps training with industry standards, union apprenticeship, and certification requirements.

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[3] Schochet, Peter Z., John Burghardt, and Sheena McConnell. 2008. "Does Job Corps Work? Impact Findings from the National Job Corps Study." *American Economic Review*, 98(5): 1864–86.

H.R.1 Elimination of ETA Program Evaluation Funds

Ms. DeLauro: In your response can you also provide us with information on the Department's plans to evaluate its job training programs, and the effect of the proposed rescission of $10 million in FY 2010 evaluation funding that was contained in H.R. 1?

Ms. Solis: H.R 1 proposed to eliminate $10,000,000 from the Evaluation funds but it is important to note that the amount appropriated in Fiscal Year (FY) 2010 is actually $9,600,000. Elimination of $9,600,000 appropriated for Evaluation in FY 2010 through the H.R. 1 Full-Year Continuing Appropriations Act would be detrimental to the increased emphasis on rigorous and evidenced-based information to support and improve employment and training programs.

The Employment and Training Administration (ETA) is undertaking four significant random assignment evaluation studies (the WIA Gold Standard Evaluation of the Adult and Dislocated Worker Programs (WGSE), the YouthBuild Impact Evaluation, the Young Parents Demonstration Program Impact Evaluation (YPDP) and the Impact Evaluation of the Reintegration of Ex-Offenders Initiative (RExO)) to determine which interventions have a positive impact on employment and other performance outcomes. Each of these studies is in process and FY 2010 resources are critical to support their continuation.

Specifically, the WGSE is at the critical point of enrolling sites to host the evaluation; delaying funding at this point would jeopardize site cooperation and the success of the entire study. The YouthBuild evaluation is also at a critical point in site recruitment. The funds for YPDP are to support implementation of the study's management information system (MIS); without this MIS, the study cannot begin random assignment. Also, these funds have already been obligated and would have to be de-obligated if the rescission were to pass. The RExO has recently completed random assignment. Delaying funding at this point would mean delaying initial follow-up interviews which would increase the expense of those interviews and jeopardize response rates.

Other obligations planned for FY 2010 funds include:

1. An evaluation of the statistical methodology of the National Agricultural Workers Survey to: a) measure the precision of all national- and regional-level findings; b) identify improved quality control procedures for randomly selecting respondents for an interview; and c) identify sources of survey design effects. Office of Management and Budget approval of this survey is contingent upon completion this evaluation;

2. An evaluation survey of the Technology-Based Learning Initiative grants to analyze: a) participants' satisfaction with the online course they took, and b) participants' employment outcomes. Not providing the planned funds to this evaluation contract would mean that we would not know the results of the $10 million invested in 21 grants across the nation to increase access to training for workforce clients.

3. Independent peer reviews of the methodology and conclusions of ETA's impact studies. Specifically, using FY 2010 funds, ETA plans peer reviews of the designs for the Impact Evaluation of the Young Parents Demonstration Grants, the Impact Evaluation of the

Reintegration of Ex-Offenders Demonstration, the Impact Evaluation of the WIA Adult and Dislocated Worker Programs, and the Impact Evaluation of the Transitional Jobs Initiative Evaluation. Also using FY 2010 funds, ETA plans peer reviews of the final reports from the Impact Evaluation of the Trade Adjustment Act and the Evaluation of the Workforce Innovation in Regional Economic Development Initiative. Not providing the planned funds to the Coalition for Evidence-Based Policy means these independent peer reviews would not be conducted nor would ETA be able to perform the independent assessment of its evaluation program, which is one of its performance metrics.

Fiduciary duty for IRA and ERISA

Ms. Lowey: The Department of Labor is proposing revised rules on fiduciary duty for IRA and ERISA accounts. What is the need for this change?

Ms. Solis: The change is needed to ensure that advice provided to ERISA plans and IRA holders serves their interests, and not the interests of the adviser or some third party.

Under ERISA anyone providing investment advice to ERISA plans for a fee must act solely in plan participants' interest and exercise care in giving advice. Under ERISA and the Internal Revenue Code those advising either IRAs or plans must refrain from transactions over which they are conflicted, except where an exemption from this general prohibition is available. These exemptions generally carry conditions designed to ensure that the conflicts do not bias the advice.

Unfortunately, the Department's 35-year-old regulation implementing these statutes has technicalities and loopholes that allow advisers to easily dodge these requirements, which have only been exacerbated by changes in the marketplace, such as the introduction of 401(k) plans. Under the regulation, advisers must meet each element of a highly technical 5-part test before they are treated as fiduciaries. As a result, investment professionals who are paid to give critical plan advice often evade any responsibility for misconduct and resulting retirement losses, no matter how bad the advice or severe the losses. For example, under the "regular basis" prong of the five-part test, even if an adviser was specifically hired to give expert advice on a critically important transaction involving most or all of the plan's assets, the adviser has no fiduciary responsibility to the plan if the advice is provided on a one-time basis. The five-part test also applies to investment advice provided to IRA holders. Because of its stringency, the test may allow broker-dealers to avoid fiduciary status and operate with conflicts of interest when providing investment advice. Such unmitigated conflicts may be a reason why IRAs have badly underperformed employment-based defined contribution plans, returning 6.7 percent annually on average between 1998 and 2007, while DC plans returned 8.2 percent, EBSA estimates.

Clients often assume that their advisers have only the client's best interests at heart. However, because of the deficiencies in the regulation, it has regularly permitted these trusted advisers to avoid any legal obligation to be loyal to clients or refrain from conflicts and self-dealing. EBSA's enforcement experience includes ample evidence that such abuses occur and

often cannot be remedied. Over the years, the dangers of abuse have only been compounded by the broad movement of retirement plans from defined benefit plans to participant-directed plans, and by the increased dependence of individual plan participants and IRA holders on sound advice for a secure retirement. Amendments to the regulation are necessary to close the loopholes and rid the market of such abuse.

Ms. Lowey: Is the rule meant to impact access to brokerage accounts?

Ms. Solis: No. In developing the proposal the Department had in mind the potential effect it might have on brokers and their business arrangements. We therefore included an exception from fiduciary status for mere sellers and purchasers of investments and their agents or brokers when dealing with plans. We have received insightful comments and testimony relating to the scope, effect and language of this exception and are reviewing the proposal accordingly. If a broker's activities are not covered by this exception and are fiduciary in nature, statutory and exemptive relief may be currently available. Further, EBSA has broad authority to consider future administrative exemptions as it deems appropriate. We will continue to consider this issue as we examine the record with a goal to achieving transparency and accountability for those who offer important investment advice to plan participants and IRA owners.

Ms. Lowey: Would the proposed rule limit a consumer's choice in receiving advice and guidance from a broker and paying commission, which is based on performance, rather than a fee-based system?

Ms. Solis: No, the proposal would not limit a consumer's choice in receiving advice based on performance. Under its authority to issue exemptions from ERISA's prohibited transaction rules, the Department permits the operation of a number of commission-based arrangements as long as certain conditions are in place to protect the interests of plan participants. The amended regulation, combined with EBSA's broad authority to issue exemptions in the best interests of workers and employers, will preserve consumer choices and make them less vulnerable to abuse. As a result, consumers will be able to choose with more confidence and clarity. In contrast, under the existing regulation consumers must struggle to determine whether a given adviser is loyal to their interests or not, and are often misled on this point.

To be clear, the proposal does not create any new standards of conduct or prohibitions for fiduciaries to ERISA plans. It merely extends the definition of who qualifies as a fiduciary to more completely protect ERISA plans or participants and IRA holders who receive advice that should be, and that they understandably expect to be, in their own best interest. These rules already apply where brokers regularly give personalized advice that they and their ERISA and IRA clients both understand to be a primary basis for the clients' investment decisions. In such cases, brokers already may operate pursuant to one of a number of exemptions and interpretations that permit commission-based arrangements. The Department will amend these exemptions as necessary to make sure that the proposal does not disturb existing arrangements that are in the interests of plan participants and IRA holders.

Foreign Students/Staple Act

Mr. Flake: In his State of the Union address, the President declared that "[m]aintaining our leadership in research and technology is crucial to America's success" and went on to point out that there are foreign students that "come here from abroad to study in our colleges and universities. But as soon as they obtain advanced degrees, we send them back home to compete against us. It makes no sense."

The President's observations are hard to argue with. Consider that in 2005, $52 billion in revenue and 450,000 jobs could be credited to American companies founded by foreign-born individuals - among them Intel, Sun Microsystems, eBay, Yahoo!, and Google.

Toward the end of ensuring our continued competitiveness in the global marketplace, would exempt foreign-born individuals who have earned an American Ph.D. in science, technology, mathematics, or engineering from the limits on the number of employment-based green cards and H-1B visas awarded annually.

Madam Secretary, do you view supporting the President's objective maintaining our leadership in research and technology by doing what you can to ensure the retention of foreign graduates with advanced degrees in so-called "STEM" fields within the purview of your agency and is it one of your priorities?

Ms. Solis: The Department of Labor strongly supports the President's commitment to winning the future. Investment in education and innovation, including in high growth sectors such as STEM, and ensuring a pipeline into these fields through access to a quality education for domestic students is an important part of this effort.

The Immigration and Nationality Act (INA) regulates the admission of foreign nationals into the United States. Many types of employment-based nonimmigrant visas, as well as two of the employment-based immigrant visa preferences, require a labor certification as a pre-requisite to the admission of a foreign worker.

The Department of Labor has two fundamental responsibilities in the labor certification process as delineated in the INA. The Department must make a determination as to the availability of able, willing and qualified domestic workers and ensure that the approval of foreign workers in the requested position would not have an adverse effect on the wages and working conditions of similarly employed U.S. workers. Certification of a position is not a guarantee of a worker's admission since many visa categories have numerical limitations set by legislation and individual workers must meet other admission standards and requirements.

Mr. Flake: Would your team be willing to take a look at the STAPLE Act and give us your impressions?

Ms. Solis: The Department of Labor could provide technical assistance, upon request, for the purposes of ensuring portions of the legislation related to the jurisdiction of the Department could be effectively implemented.

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