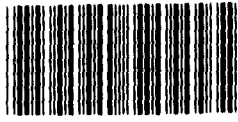


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STATEMENT OF
EDWARD A. DENSMORE
DEPUTY DIRECTOR
HUMAN RESOURCES DIVISION
BEFORE THE
SUBCOMMITTEE ON MILITARY INSTALLATIONS AND CONSTRUCTION
HOUSE COMMITTEE ON ARMED SERVICES
ON
GAO'S STUDY OF ALTERNATIVE FUNDING MECHANISMS FOR
DEPARTMENT OF DEFENSE DEPENDENTS' SCHOOLS

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss our ongoing study of dependents' schools funded and operated by the Department of Defense at 17 military installations in the United States. As you know, we are required by the Military Construction Authorization Act of 1985 to study alternative mechanisms for funding these schools. The schools are commonly referred to as "Section 6" schools because they were authorized under section 6 of Public Law 81-874. In particular, we are to consider the option of transferring the schools to local adjoining school districts, where they would be funded in part under the federal impact aid program.

BACKGROUND

There were 30,445 students attending 61 elementary and secondary schools at the 17 military installations in the United States with Section 6 schools during the 1983-84 school year. The fiscal year 1984 budget for operating these schools was \$85.1 million, or about \$2,794 per pupil. In contrast to Section 6 schools, federal impact aid payments to compensate local school districts for the cost of educating military dependents whose parents live and work on installations which do not operate their own schools--which would generally be the case with Section 6 students if they attended local schools--averaged \$1,073 per pupil in fiscal year 1984.

STUDY APPROACH

The objectives of our study include

- determining what effect transferring Section 6 schools to local school districts would have on federal costs and per pupil expenditures under various alternative funding assumptions;
- developing information on the educational environments in both the Section 6 and adjoining local schools, including instruction and extracurricular offerings, physical facilities, education inputs (teacher experience and training and pupil-teacher ratios), education outcomes (test scores and graduation rates), student characteristics, and other pertinent statistics; and
- obtaining the views and concerns of military installation and local education officials regarding potential changes to the current funding and operations of Section 6 schools.

Because of the sensitivity of alternative funding options for these schools, and because education environments and costs vary widely among the installations and school districts involved, we plan to visit each of the 17 installations which operate Section 6 schools. We do not plan to include in our study the Section 6 schools operated by the Navy in Puerto Rico because the transfer of such schools to the local school district--where Spanish is the principal language--is probably not a realistic option.

STATUS OF STUDY

We have visited five installations and eight adjoining school districts to obtain data on educational environments and the views and concerns of military and local education officials on the effect of transferring the Section 6 schools from military to local control. We have also obtained cost information on Section 6 schools and the impact aid program from the Departments of Defense and Education.

Estimated costs of alternatives

We have developed preliminary estimates of what the costs would be to transfer Section 6 schools to local school districts. We developed the estimates for fiscal year 1985 federal costs and per pupil expenditures under four funding options. While there are many possible funding alternatives, the four reflect a range of impact aid funding options which use existing impact aid criteria.

--Option A: This option assumes that there would be no increase in overall impact aid funding levels. Federal funding would therefore decrease by \$86.7 million or, in other words, by the 1985 federal appropriations for Section 6 schools in the United States. This option would cause impact aid funds to be (1) reallocated to districts absorbing Section 6 school children and (2) reduced by a total of about \$21.8 million among those school districts currently receiving funds. If there were no increases in state and local funds for education

in the school districts that would absorb the Section 6 students, total per pupil expenditures in those districts would decline from \$2,183 to \$1,977, or by about \$206 per student. In order to maintain existing per pupil expenditure levels, state and/or local funds to the districts adjoining the 17 installations would have to increase by about \$39.6 million.

--Option B: This option assumes that the overall impact aid funding level would be increased to maintain the current per pupil federal contributions in all the school districts that would be absorbing the Section 6 students. Total federal funding would still decrease by about \$61.7 million under this option. If there were no increases in state and local funds for education in the school districts absorbing students from the 17 military installations, total per pupil expenditures would decline from \$2,183 to \$2,055, or by about \$128 per student. In order to maintain the prior per pupil expenditure levels, state and/or local funds to the adjoining districts would have to increase by about \$38.6 million.

--Option C: This option assumes that impact aid funding would be increased to provide full formula payments to school districts for students currently attending Section 6 schools. (Such full formula payments are generally not now provided because of appropriation shortfalls.) Federal funding would decrease by about \$41.0 million.

If there were no increases in state and/or local funds for education in the adjoining districts, total per pupil expenditures in those districts would decline from \$2,183 to \$2,119, or by about \$64 per student. In order to maintain the prior per pupil expenditure levels, state and/or local funds to the school districts would have to increase by about \$17.9 million. If these payments were made to all eligible school districts serving military dependents whose parents live and work on the installations--as is the case with Section 6 schools--federal expenditures would increase by \$36.2 million over current Section 6 levels.

--Option D: This option assumes that impact aid funding levels would be increased to maintain the current average per pupil expenditures in the school districts. Federal expenditures would decrease by about \$23.1 million. (However, as with Option C, if such an increase were applied to all eligible school districts, federal expenditures would increase over current levels by about \$275.7 million.)

We also estimate that per pupil expenditures under the four options would range from \$672 to \$869 less than the fiscal year 1985 Section 6 level of \$2,846 per pupil if the schools are transferred and there are no increases in state and/or local funding.

Military and local concerns

We have not fully analyzed data obtained regarding the educational environments at the five military installations and eight adjoining school districts visited. However, based on discussions during our visits with the military and local school district officials whose systems would be affected by a change in the current situation, we can describe some of their principal views and concerns.

The principal concerns expressed by the officials of the military installations related to what effect a loss of control over the operation of the schools might have on the educational and extracurricular opportunities available to the students. For example, at one installation which is heavily oriented toward military training of relatively short duration, almost half of the military dependents attend the installation schools for less than 1 year. According to installation officials, the military is able to adjust school terms to better coincide with military training schedules and to ensure full access to extracurricular activities, particularly for high school students. These officials are concerned that, if the students are absorbed into the local school district, disruptions in the students' education will result because of mismatches in the military's training schedule and local districts' school terms. Also, they feel that military dependents will be at a disadvantage in that they will be less likely to be selected to participate in extracurricular events because of their short stays in local

schools. Officials at each of the installations we visited indicated that they would want any agreement to transfer the schools to local school districts to contain assurances that the military would retain control over the schools.

The principal concerns expressed by the local school district officials we visited related to the financial effects of such a transfer and the extent of control the school district would have over the Section 6 school facilities. They are concerned because even "full impact aid" at currently appropriated formula funding levels is substantially less than local per pupil expenditures. The officials also indicated that, as part of any agreement to accept responsibility for operating the Section 6 schools, they would request:

- Full funding of the additional costs, including capital items, to operate the schools and educate the military dependents at a level commensurate with that of the local district schools. (This would be option D discussed above, plus capital expenditures.)
- Local school board control over the operation of the Section 6 facilities, including authority to (1) establish curriculum requirements and school schedules and (2) assign students to appropriate schools, even if it involves assigning students who live on an installation to schools located off the installation, and vice versa.

We also noted that three of the five installations we visited lie in more than one local jurisdiction (e.g., more than

one school district adjoins the installation). In fact, one installation lies in two states. The officials at the three installations and their local school district counterparts identified a number of issues which would have to be resolved before the Section 6 schools could be transferred to the local districts. Chief among these are situations where a school is located on that part of an installation that is in one local jurisdiction or state, while some of the students who attend that school live on that portion of the installation that is located in another local jurisdiction or state. Because different school districts are involved and the legal aspects of school districts being limited (without financial reimbursements) to only educating students residing within their district's boundaries, agreements would have to be reached between jurisdictions for educating these students in installation schools. Otherwise, a situation could occur in which students from a military installation who now attend the same school may be attending different schools in different districts.

Legal issues

Finally, potential legal impediments may prevent certain school districts from operating school facilities located on military installations. We plan to research them in more detail during our review. For example, there are laws in some states which may prevent the expenditure of state or local revenues on nonstate, or federal, property. A 1981 study by the Commission on the Review of the Federal Impact Aid Program, mandated by

Public Law 95-561, reported that such impediments may exist in four states in which 8 of the 17 military installations with Section 6 schools are located. These 8 installations accounted for \$66.1 million, or 76 percent, of the fiscal year 1985 Section 6 budget. According to the study, state attorneys general in three of these states have ruled that state or local funds cannot be spent for children who live on federal property. In the fourth state, the installation is not considered to be part of the state and therefore children residing on the installation need not be provided a free public education by that state.

Also, before students can be transferred to a local school district, 20 U.S.C. 241(a) requires that the Secretary of Education, the Secretary of the military department concerned, and the head of the appropriate state education agency must agree on the transfer.

As part of our review of these issues, we will assess the effects of the potential impediments and possible alternatives to resolve such problems.

We plan to complete our visits to all 17 military installations and adjoining local school districts in July and to issue our report on the study about October 1985.

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Mr. Chairman, this concludes my statement. We will be happy to answer any questions you or members of your subcommittee may have.